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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Southern California Edison
Company (U338E) for Approval of
Contracts Resulting From Its 2014 Energy
Storage Request for Offers (ES RFO).

Application 15-12-003
(Filed December 1, 2015)

And Related Matters

A.15-12-004

**OPENING COMMENTS OF THE
OFFICE OF RATEPAYER ADVOCATES
ON PROPOSED DECISION**

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I. INTRODUCTION

Pursuant to Rule 14.3 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure (Rules), the Office of Ratepayer Advocates hereby submits these opening comments on the *Proposed Decision Approving Energy Storage Agreements and Providing Guidance on Calculating Above-Market Costs for Storage* (Proposed Decision) issued July 20, 2016 in the consolidated Applications (A.) 15-12-003¹ and A.15-12-004.²

ORA supports the Proposed Decision, but recommends the following clarifications:

- Conclusion of Law (CoL) 3 should be amended to explicitly deny Pacific Gas and Electric Company's (PG&E) proposed purchase and sale agreements (PSA);
- Ordering Paragraph (OP) 4 should be amended to explicitly deny PG&E's proposed PSAs;
- The Commission should add an ordering paragraph that Energy Division hold a workshop within 60 days of the final decision on whether to remove the costs associated with charging the storage resource from the Indifference Amount calculation to just reflect the purchase costs; and
- OP 6 should be amended to correct a numerical error.

ORA provides redline edits of its proposed recommendations in an attachment to these comments. In addition, ORA raises clarifying questions regarding the Proposed Decision's modifications to the Joint IOU Protocol.

II. BACKGROUND

In compliance with Ordering Paragraph 6 of Decision (D.)14-10-045, Southern California Edison Company (SCE) and PG&E filed applications on December 1, 2015,

¹ A.15-12-003, Application of Southern California Edison (U338E) for Approval of Contracts Resulting From Its 2014 Energy Storage Request for Offers, filed December 1, 2015.

² A.15-12-004, Application of Pacific Gas and Electric Company for Approval of Agreements Resulting from its 2014-2015 Energy Storage Solicitation and Related Cost Recovery, filed December 1, 2015.

seeking approval of the results of their 2014 Energy Storage Request for Offers. In addition, SCE and PG&E, along with San Diego Gas & Electric Company (SDG&E), requested approval of a joint proposal (Joint IOU Protocol) for the establishment of a Power Charge Indifference Adjustment (PCIA) methodology to recover above-market costs associated with departing load for market/bundled energy storage services.

III. DISCUSSION

A. **The Proposed Decision’s language that the contracts are not “pre-approved” should be deleted to explicitly reject PG&E’s PSAs.**

ORA supports the Proposed Decision’s adherence to the legislative mandate,³ which requires the Commission to ensure that the utilities’ energy storage procurement is cost-effective and technologically viable. The Proposed Decision concludes that the PSAs are contrary to the Commission’s energy storage framework because the PSAs are neither cost-effective nor resolve the reliability need they were intended to address.⁴ As such, the Proposed Decision correctly finds that the projects should not be approved.⁵ However, the Proposed Decision then goes on to “remind PG&E that it may pursue projects it believes are cost-effective within its normal distribution planning and acquisition framework”⁶ and states in COL 3 and OP 4 that the projects “are not pre-approved.”⁷

³ In adopting energy storage procurement targets and policies, the Commission shall “ensure that the energy storage system procurement targets and policies that are established are technologically viable and cost effective.” Cal. Pub. Util. Code § 2836.2(d).

⁴ “[G]iven that the proposed purchase and sale agreements are not cost-effective, and also fail to guarantee necessary transformer capacity to allow for distribution investment deferral based on their online dates, we find that these agreements should not be approved.” Proposed Decision, p. 13.

⁵ Proposed Decision, p. 13.

⁶ Proposed Decision, p. 13.

⁷ Conclusion of Law 3: PG&E’s proposed purchase and sales agreements should not be pre-approved. Ordering Paragraph 4: The proposed energy storage contracts between Pacific Gas and Electric Company and counterparty Hecate Energy LLC for Old Kearney and Mendocino are not pre-approved.

PG&E’s application does not request pre-approval of its Old Kearney and Mendocino PSA contracts. By concluding the PSA’s are not “pre-approved” language, the Proposed Decision includes an additional element to its analysis not scoped within this proceeding.⁸ Furthermore, Decisions 13-10-040⁹ and 14-10-045¹⁰ do not provide for the pre-approval of energy storage contracts. Rather, the decisions establishing and adopting the Commission’s energy storage program, framework, and 2014 procurement plans require explicit approval of storage contracts. For instance, D.14-10-045 states that, “Consistent with D.13-10-040, we direct SDG&E, PG&E, and SCE to file an Application seeking Commission approval.”¹¹ Therefore, ORA recommends all references to “pre-approval” be deleted in the final decision.

At its broadest interpretation, the Proposed Decision grants PG&E permission to seek recovery for these specific PSAs at a later date. Given the timing of the reliability need in the areas the substations are located, as well as the cost of the PSAs in relation to their proposed deferral value and the cost of traditional upgrades, the Proposed Decision should explicitly reject the two PSAs in the Conclusions of Law and Ordering Paragraphs. The projects are neither cost-effective nor will they aid reliability as needed.

⁸ On March 25, 2016, the Assigned Commissioner (AC) and Administrative Law Judge (ALJ) issued a Scoping Memo identifying seven issues for considering the reasonableness of the PSA contracts. Consistent with PG&E’s Application, the Scoping Memo asks whether the PSA contracts should be approved.

⁹ D.13-10-040, Decision Adopting Energy Storage Procurement Framework and Design Program [issued on 10-21-2013]; in R.10-12-007.

¹⁰ D.14-10-045, Decision Approving San Diego Gas & Electric Company, Pacific Gas and Electric Company, and Southern California Edison Company’s Storage Procurement Framework and Program Applications for the 2014 Biennial Procurement Period [issued on October 22, 2014]; in A.14-02-006 et al.

¹¹ D.14-10-045, p. 104; *See*, “Following each solicitation, the IOUs shall negotiate signed contracts within one year of the solicitation, contingent upon Commission approval.” D.14-10-045, p. 100.

B. The modifications to the Joint IOU Protocol should be clarified to avoid challenges to the final decision.

The Proposed Decision finds that the Joint IOU Protocol could inadvertently enable a double counting of energy storage fuel costs.¹² The Proposed Decision reasons that, if an investor-owned utility (IOU) is responsible for delivering all of the charging energy to the storage resource, the fuel costs associated with the generation used to charge the resources may already be reflected in the IOU's generation costs since the IOU would have procured the power to charge the storage resource through a generation contract.¹³

The Commission should provide additional information and further discussion on these findings. This information is necessary in order to verify there is no legal, factual, or technical error. As evidenced by the PD's conclusion, the IOUs must indicate whether charging costs are already reflected in generation costs:

For these reasons, we conclude that the Joint IOU Protocol should be modified to remove the costs associated with charging the storage resource from the Indifference Amount calculation and instead should just reflect the purchase costs (*i.e.*, fixed capacity costs, variable O&M expenses, and any other costs included in the contract) ***unless the charging power costs have not already been reflected in utility generation costs.***

While ORA shares similar concerns of double counting as the Proposed Decision, at this time, there is no evidence on the record that reflects that fuel costs would be double counted, or whether charging costs are reflected in the offer price. Additional fact finding is necessary on these issues—such as the questions below—before the Commission can make a final determination.

¹² Proposed Decision, Findings of Fact (FoF), p. 11.

¹³ Proposed Decision, p. 23.

Further clarification is needed on the Proposed Decision's underlying assumptions. The Proposed Decision should specify what are the "costs for the generation" referenced on page 23 of the Proposed Decision and their relationship to the cost to charge an energy storage system. Similarly, additional information is needed from the utilities whether the generation costs included in a utility's total portfolio cost are assumed to equal the cost of fuel used to charge energy storage systems. If so, to avoid ambiguity, the Commission needs to identify the basis for assuming that the forecasted market cost to purchase energy to charge a storage system is the same as the forecasted contractual capacity or energy payments made to a generator at a particular time. This clarification is necessary given that it is unclear which generator would be specifically dispatched to meet the energy demand of a particular storage system. ORA is concerned that if fuel costs are not accurately captured in generation contract costs, then excluding fuel costs to charge a resource from the PCIA calculation may violate the Commission's indifference principle.

As such, ORA recommends the Commission include an order that Energy Division hold a workshop on the issue of potential double counting, no later than 60 days after the issuance of the final decision.

C. Ordering Paragraph 6 contains a numerical error

OP 6 adopts the Joint IOU Protocol as modified by OP 4 to exclude costs associated with charging energy storage resources so long as they are also reflected in generation costs. However, the modification referenced exists in OP 5, rather than OP 4. Therefore, Proposed Decision should be modified to state:

6. The Joint Investor Owned Utility Protocol is adopted, as modified in Ordering Paragraph ~~4~~5, for purposes of incorporating the costs and value of energy storage contracts serving the Generation/Market function in calculating the Power Cost Indifference Adjustment for ten years, for Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company.

IV. CONCLUSION

For the reasons stated above, ORA respectfully requests that the Commission modify the Proposed Decision to adopt the recommendations made herein.

Respectfully submitted,

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APPENDIX A

ORA's PROPOSED CHANGES TO CONCLUSIONS OF LAW AND ORDERING PARAGRAPHS OF THE PROPOSED DECISION

Conclusions of Law

3. PG&E's proposed purchase and sale agreements should ~~not~~ be ~~pre-~~approved denied.

Ordering Paragraphs

4. The proposed energy storage contracts between Pacific Gas and Electric Company and counterparty Hecate Energy LLC for Old Kearny and Mendocino are ~~not pre-approved~~ denied.

6. The Joint Investor Owned Utility Protocol is adopted, as modified in Ordering Paragraph ~~4~~5, for purposes of incorporating the costs and value of energy storage contracts serving the Generation/Market function in calculating the Power Cost Indifference Adjustment for ten years, for Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company.

New Ordering Paragraph

Within 60 days of the issuance of the final decision, Energy Division shall hold a workshop on the issue of whether to remove the costs associated with charging the storage resource from the Indifference Amount calculation to just reflect the purchase costs.