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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)

Application of Pacific Gas and Electric
Company for Approval of Agreements
Resulting From Its 2014-2015 Energy Storage
Solicitation and Related Cost Recovery.

Application 15-12-004
(Filed December 1, 2015)

(U 39 E)

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 E)
REPLY COMMENTS ON THE PROPOSED DECISION**

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Dated: August 15, 2016

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REPLY COMMENTS ON THE PROPOSED DECISION**

Pursuant to the Rule 14.3 of the California Public Utilities Commission’s (Commission) Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E) provides its reply comments on the July 20, 2016 Proposed Decision of ALJ Cooke (PD) in this proceeding.

These reply comments focus on arguments made by other parties in their opening comments on the PD. Summarizing PG&E’s reply comments:

- PG&E requests that the PD’s disapproval of PG&E’s two purchase and sale agreements (PSAs) be reconsidered, and that they be approved;
- PG&E supports the PD’s determinations regarding the power charge indifference adjustment (PCIA) calculation being challenged by Marin Clean Energy, Sonoma Clean Power Authority, the City of Lancaster, and the County of Los Angeles (jointly, the “community choice aggregation” (CCA) Parties), and Shell Energy North America (US), L.P. (Shell Energy); and
- PG&E disagrees with the CCA Parties’ assertion that D.14-10-045 contains a prohibition against PCIA treatment of storage prior to 2017.

I. PG&E REQUESTS RECONSIDERATION OF THE PD’S REJECTION OF PG&E’S TWO PURCHASE AND SALE AGREEMENTS SERVING A DISTRIBUTION CAPACITY/DISTRIBUTION DEFERRAL FUNCTION

In its opening comments on the PD, the Office of Ratepayer Advocates (ORA) continues to urge the Commission to reject PG&E’s two distribution capacity/distribution deferral PSA

projects, sized at one megawatt (MW) each.¹ For all of the reasons PG&E has presented previously, PG&E continues to urge the Commission to modify the PD to approve these two storage agreements.

II. THE COMMENTS OF THE CCA PARTIES AND SHELL ENERGY PROVIDE NO JUSTIFICATION FOR MODIFYING THE PD'S TREATMENT OF THE PCIA CALCULATION FOR STORAGE RESOURCES

A. Storage Adder

In their opening comments the CCA Parties continue to argue that the PCIA calculation should include a separate “storage adder” based on the costs of the storage resource being incorporated in an investor owned utility’s (IOU) procurement portfolio.² Shell Energy makes the same argument in its opening comments.³

However, neither the CCA Parties nor Shell Energy raises any new points in comments that have not already considered and rejected by the PD. Therefore, these parties’ comments provide no justification for the PD to be modified.

The CCA Parties argue that the rationale behind the storage adder is that storage contract costs are equal to its value.⁴ Both the CCA Parties and Shell Energy also suggest that the proposed storage adder is analogous to the green adder incorporated into the PCIA calculation for renewable resources.⁵ But as the PD recounts, both of these arguments have been raised by these same parties earlier in the proceeding.⁶ For the reasons set forth in the PD, the PD properly rejects them.

¹ ORA PD Comments, pp. 2-3.

² CCA Parties PD Comments, pp. 2-4.

³ Shell Energy PD Comments, pp. 3-5.

⁴ CCA Parties Comments, p. 3.

⁵ CCA Parties PD Comments, p. 3; Shell Energy PD Comments, pp. 3-4.

⁶ PD, pp. 20-21.

Shell Energy points out that storage resources provide a “time shift” function.⁷ PG&E agrees. However, that provides no justification for the inclusion of a storage adder. The time shift value is already captured in the PCIA calculation.

As the IOUs explained in the Joint IOU Protocol:

A storage resource is assumed to operate to maximize its revenue, which will typically be done by charging at the times of day with the lowest energy prices and discharging at the times of day with the highest energy prices. The forecasted energy prices associated with the forecasted charging of the storage resources will be used to determine the fuel cost. Thus, the calculation of “fuel” (i.e., electricity) costs for charging storage assets will be calculated by taking the sum of all of the hours in which the storage resource is forecasted to be charged and multiplying the megawatt-hours (MWh) of expected charging capacity in each hour by the forecasted energy market price for that hour. These costs will always be at most the value of the energy being generated by the asset as it would otherwise not operate.⁸

In short, nothing new is added in the CCA Parties’ and Shell Energy’s comments. Thus, they provide no basis for changing the PD to include a storage adder to the PCIA calculation. The final decision should reflect the PD’s determination, which is strongly supported by the record, not to include a separate storage adder in the PCIA.

B. Ancillary Services

The CCA Parties argue that alternatively, the PCIA calculation should be modified to explicitly include an estimate for ancillary services revenues.⁹

As is the case with the storage adder, the CCA Parties raise nothing new. As the PD states, citing PG&E, ancillary services are not reflecting for any resource, and should not be included for storage unless included for all resources.¹⁰ In response to questions regarding

⁷ Shell energy Comments, p. 2.

⁸ Exhibit PG&E-1, p. 7-AtchA-24

⁹ CCA Parties PD Comments, pp. 5-6.

¹⁰ PD, p. 21.

ancillary services raised earlier in the proceeding, the Joint IOU Protocol points out the ancillary services are a very small component of the revenues (less than one percent) generated by resources in the California Independent System Operator (CAISO) markets.¹¹ In fact, no party provided a specific proposal about how to reasonably reflect ancillary services revenues in the PCIA calculation.

Again, nothing new is added in the CCA Parties' comments. Thus, they provide no basis for changing the PD so that ancillary service revenues are added to PCIA calculation. Therefore, the PD should not be modified in this regard.

C. Charging Costs

The PD indicates that the cost of charging should be included in the PCIA calculation only when those costs are actually incurred by the IOU, and are not already reflected elsewhere in the PCIA calculation.¹² As discussed in PG&E's comments, as well as those of Southern California Edison Company (SCE) and San Diego Gas & Electric Company (SDG&E), that is the intent of the IOU's proposed PCIA calculation.¹³

It is not clear to PG&E whether the CCA Parties are arguing that charging costs should not be included twice in the PCIA calculation, or that charging costs should never be included.¹⁴ If it is the former, PG&E agrees, as discussed in PG&E's comments on the PD.¹⁵ If it is the latter, then PG&E disagrees. Charging costs incurred by the IOU should not be included twice, but they should be included once.

¹¹ Exhibit PG&E-1, p. 7-AtchA-20.

¹² PD, p. 23.

¹³ PG&E PD Comments, pp. 7-9; SCE PD Comments, pp. 2-3; SDG&E PD Comments, p. 1.

¹⁴ See, CCA Parties PD Comments, p. 5.

¹⁵ PG&E PD Comments, pp. 7-9.

