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**BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

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

(U 39 E)

Application 16-04-024
(Filed April 29, 2016)

**COMMENTS OF
PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)
ON THE PROPOSED DECISION OF ALJ COOKE**

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Dated: November 10, 2016

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Pursuant to 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 comments on the Proposed Decision of ALJ Cooke ("PD") in this proceeding.

The primary subject of the PD is a behind-the-meter ("BTM") energy storage agreement ("Agreement") between PG&E and Stem Energy Northern California LLC ("Stem"), under which Stem will provide PG&E with four megawatts ("MW") of resource adequacy ("RA") and flexible RA on a monthly basis, making use of an aggregation of BTM storage devices. The function of the Agreement is generation/market participation. The expected initial delivery date can be as early as June 1, 2017, but not later than September 1, 2017. The Agreement resulted from PG&E's 2014 energy storage request for offers ("2014 ES RFO").

The PD would reject the Agreement. PG&E respectfully requests that the PD be revised to approve the Agreement. Appendix A includes PG&E proposed modifications to the PD's findings of fact, conclusions of law, and ordering paragraphs.

I. DISCUSSION

A. The Proposed Decision Should Be Modified To Approve The Stem Agreement

The PD accurately describes PG&E's basis for proposing the Agreement; the Agreement introduces additional diversity into PG&E's storage portfolio and provides a low-cost means to

gain experience utilizing behind-the-meter storage to deliver resource adequacy.¹ As PG&E has explained earlier in the proceeding, the Agreement’s relatively small size and short term minimize the Agreement’s overall cost, while still providing adequate size and duration to enable PG&E to gain valuable commercial experience with a BTM resource. As the PD describes, PG&E made a cost/benefit tradeoff in order to consider other qualitative factors when evaluating potential energy storage projects.² The fact that the project is to come online quickly, with an initial delivery date as soon as the second quarter of 2017, will allow PG&E to learn from the project in advance of additional required storage procurement.

The PD nonetheless rejects the project as not cost effective.³ PG&E urges the Commission to reconsider this conclusion, and determine that the transaction that PG&E has structured, with its early online date, relatively small size and short duration, and the benefits it provides in terms of portfolio diversity and commercial experience to be gained, justify the Agreement’s approval.

B. The Proposed Decision’s Citation To Public Utilities Code Section 380(j) In Connection With Cost Effectiveness May Be In Error

As discussed in the preceding section, PG&E urges the Commission to modify the PD to approve the Agreement. However, if the Commission determines not to modify the PD, and retains the conclusion that the Agreement is not cost effective, then the PD’s reference to Public Utilities Code Section 380(j)⁴ may need to be modified. It is not clear that that code section relates directly to cost effectiveness as it relates to storage projects. It may be that the PD intended to reference a section of the Public Utilities Code added by Assembly Bill 2514. For example, Public Utilities Code section 2836.6 addresses cost-effectiveness of energy storage systems. If the PD’s reference to section 380(j) is not in error, PG&E requests that the PD be

¹ PD, p. 6.

² PD, p. 6.

³ PD, p. 6.

⁴ PD, p. 6.

modified to provide additional information regarding how that code section applies to storage projects.

C. The Proposed Decision Provides The Appropriate Path for PG&E To Address Any Shortfall In Meeting Its 2014 Energy Storage Targets

The PD determines that if the Agreement is rejected, then PG&E will not have yet met its 2014 energy storage targets.⁵ The PD determines that the appropriate course to address this is to add the shortfall to PG&E's 2016 energy storage target.⁶ PG&E supports this aspect of the PD, and recommends that the Commission retain it in its final decision.

II. CONCLUSION

For all the foregoing reasons, as well as those presented in PG&E's opening testimony and its opening brief, and as also supported by the points made by Stem during the course of the proceeding, PG&E respectfully requests that the Commission modify the PD to approve the Agreement, and determine that it counts four MW toward PG&E's energy storage targets.

If the PD is not modified to approve the Agreement, then the reference to Public Utilities Code section 380(j) as setting a standard for cost effectiveness for storage agreements may be in error, and may need to be modified. PG&E requests that the PD be modified, and if the reference to section 380(j) is not in error, that the final decision provide additional information regarding the applicability of section 380(j) in this context.

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⁵ PD, p. 7.

⁶ PD, Ordering Paragraph 2, p. 10.

Addressing the question of what should occur if PG&E has a shortfall in meeting its 2014 energy storage targets, PG&E supports the PD's determination that the shortfall should be added to PG&E's storage procurement targets for 2016.

Respectfully submitted,

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Appendix A
PG&E's Proposed Modifications to the PD's
Findings of Fact, Conclusions of Law, and Ordering Paragraphs

Findings of Fact

1. ~~PG&E's proposed agreement with Stem is not cost-effective.~~
2. PG&E's 2014 storage target is 74 MW.
3. ~~PG&E is four MW short of meeting its 2014 storage target.~~
4. Green Power Institute, Marin Clean Energy, and Sonoma Clean Power Authority did not actively participate in these proceedings.

Conclusions of Law

1. PG&E's proposed agreement with Stem should ~~not~~ be approved.
2. ~~PG&E has not met its 2014 Energy Storage Procurement target established in D.13-10-040 and D.14-10-045.~~
3. Any PG&E shortfall in meeting its 2014 Energy Storage Procurement target established in D.13-10-040 and D.14-10-045 ~~Four MW~~ should be added to the 2016 storage target adopted in D.16-09-009, resulting in a new target of 119.3 MW.
4. Exhibits PGE-1C and ORA-2C should be admitted under seal for durations consistent with the timing specified in Exhibit PGE-1: D-7 through D-10.
5. Because Green Power Institute, Marin Clean Energy, and Sonoma Clean Power Authority did not actively participate in these proceedings, they do not maintain their party status consistent with the Scoping Ruling and should be shifted to information only status.

O R D E R

IT IS ORDERED that:

1. The proposed energy storage contract between Pacific Gas and Electric Company and counterparty Stem Energy Northern California LLC is ~~not~~ approved.
2. ~~Pacific Gas and Electric Company's 2016 storage target is now 119.3 megawatts.~~

3. Exhibits PGE-1C and ORA-2C are admitted under seal for durations consistent with the timing specified in Exhibits PGE-1: D-7 through D-10. During this time frame, the specified information may not be publicly disclosed except on further California Public Utilities Commission order or Administrative Law Judge ruling. If Pacific Gas and Electric Company believes that it is necessary for this information to remain under seal for longer than specified in Exhibits PGE-1: D-7 through D-10, the utility may file a motion showing good cause for extending this order by no later than 30 days before the expiration of this order.

4. Green Power Institute, Marin Clean Energy, and Sonoma Clean Power Authority are converted from party status to Information Only status.

5. Application 16-04-024 is closed.