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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)

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

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Dated: November 17, 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 reply comments on the Proposed Decision ("PD") of ALJ Cooke in this proceeding. PG&E received opening comments on the PD from the Office of Ratepayer Advocates ("ORA"), Stem, Inc. ("Stem"), and the Green Power Institute ("GPI").

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, 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").

Stem joins with PG&E in requesting the Commission modify the PD to approve the Agreement. ORA supports the PD's rejection of the Agreement, and notes that the PD's reference to Public Utilities Code section 380(j) may be in error. GPI raises general concerns with the PD's cost-effectiveness analysis. GPI also argues that the PD should be modified to

require PG&E to reopen its 2014 ES RFO to meet any current storage target shortfall, rather than adding the shortfall to the amount of storage PG&E procures in its 2016 ES RFO. Finally, GPI continues to question the Commission's determination regarding what information is appropriately kept confidential in the context of the energy storage RFOs.

For the reasons presented below and throughout the course of the proceeding, PG&E respectfully requests that the PD be modified to approve PG&E's Agreement with Stem.

I. THE PROPOSED DECISION SHOULD BE MODIFIED TO APPROVE THE STEM AGREEMENT

PG&E and Stem, on the one hand, and ORA and GPI, on the other, have a fundamental disagreement as to whether the record supports approval of the Agreement. Contrary to ORA's and GPI's arguments, the record does support approval of the Agreement, and therefore the PD should be modified to approve it.

Both ORA and GPI have too limited a focus on short-term economic analysis in the context of the Agreement. PG&E appropriately made, in light of the goals of the Commission's storage program to encourage and enhance storage development, a cost/benefit tradeoff in order to consider other qualitative factors when evaluating potential energy storage projects.¹

While the Agreement was not the least expensive available on a portfolio adjusted value ("PAV") basis, it adds value to PG&E's storage portfolio by bringing added diversity to it, *value that projects with lower PAVs could not provide*. The Agreement introduces additional diversity into PG&E's storage portfolio by providing a low-cost means for PG&E to gain experience utilizing behind-the-meter storage to deliver resource adequacy.² 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.

¹ PD, p. 6.

² PD, p. 6.

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.

ORA would focus solely on the Agreement's PAV, and therefore supports the PD's rejection of the Agreement. PG&E urges the Commission to reconsider the PD's 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, fully justify the Agreement's approval.

II. 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.³ The PD determines that the appropriate course to address this is to add the shortfall to PG&E's 2016 energy storage target.⁴ PG&E supports this aspect of the PD, and recommends that the Commission retain it in its final decision.

GPI suggests an alternative. GPI proposes that the 2014 ES RFO be reopened to address any shortfall. GPI's suggestion should not be adopted. It would add substantial additional procedural complexity and process ambiguity to meeting the storage targets, without providing any commensurate substantive benefits.

If the 2014 ES RFO were to be reopened now to address any shortfall, over one and one-half years after bids were submitted, all bidders would have to refresh their bids. Further, bidders might want to revise or reframe their bids substantially, in light of knowledge they might have gained since they submitted their 2014 bids. Would they be entitled to do so, or would they be limited to only a price update? Other than it being clear that prices would have to be refreshed, the ground rules for a reopened 2014 ES RFO would be completely unclear.

³ PD, p. 7.

⁴ PD, Ordering Paragraph 2, p. 10.

Further, this refresh of the 2014 ES RFO would occur essentially at the same time as the 2016 ES RFO. In order to make up any 2014 shortfall, would PG&E be expected to choose bids from the 2014 ES RFO refresh that are ranked lower, all factors considered, than available bids from the 2016 ES RFO? These considerations point to the complexities and ambiguities that would be introduced by reopening the 2014 ES RFO and running it in parallel with the 2016 ES RFO.

By contrast, if the 2016 ES RFO is used to fill any 2014 shortfall as well as address PG&E's 2016 energy storage targets, the process will have well-defined ground rules that were recently approved by the Commission in Decision ("D.") 16-09-007. Any bidder from the 2014 ES RFO that continues to have an interest in bidding a storage project into a PG&E ES RFO will be able to do participate in the 2016 ES RFO if it chooses to do so. All bidders will be participating under the same set of rules, and will be compared directly against each other. This path, which is adopted by the PD, is simpler and fairer, and PG&E requests that the Commission adopt this aspect of the PD in its final decision.

III. THE COMMISSION HAS PREVIOUSLY ADDRESSED THE TREATMENT OF CONFIDENTIAL INFORMATION ASSOCIATED WITH THE 2014 ENERGY STORAGE REQUEST FOR OFFERS, AND THE PROPOSED DECISION SHOULD NOT BE MODIFIED ON THIS TOPIC

In its PD comments, GPI continues to express concerns regarding the confidential nature of the "consistent evaluation protocol" ("CEP"). The Commission has addressed this in several storage program decisions, including earlier this year in D.16-01-032, where GPI was a party.

There, the Commission stated:

While the CEP replaces market prices with publicly available data in order to compare shortlisted projects on an equal basis, it also contains market-sensitive cost data from offers received, which is confidential. As such, the results are also confidential and should remain covered by the confidentiality protocols established in D.06-06-066."⁵

⁵ D.16-01-032, p. 23.

