

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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

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

(U 39 E)

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

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I. INTRODUCTION AND RECOMMENDATION

Pursuant to Rule 14.3 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure (Rules), the Office of the Ratepayer Advocates (ORA) respectfully submits these comments on the *Proposed Decision Rejecting Energy Storage Agreement* (Proposed Decision) issued on November 21, 2016 in Application (A.) 16-04-024, *Second Application of Pacific Gas and Electric Company (U 39 E) for Approval of Agreements Resulting from Its 2014-2015 Energy Storage Solicitation and Related Cost Recovery* (Application).

ORA supports the Proposed Decision's rejection of the agreement between Pacific Gas and Electric Company (PG&E) and Stem Energy Northern California, LLC (Stem) (Agreement) for four megawatts (MW) of Resource Adequacy (RA) and flexible RA capacity provided by aggregated behind-the-meter (BTM) energy storage.¹ The procedural record supports the Proposed Decision's finding that the proposed Agreement with Stem is not cost-effective² and, therefore, the Agreement should be rejected. However, the Proposed Decision mistakenly cites to California Public Utilities (Pub. Util.) Code § 380(j) as the relevant authority to reject the Agreement based on cost-ineffectiveness. Specifically, the Proposed Decision finds that "given that the proposed [A]greement is not cost-effective as required by Pub. Util. Code § 380(j), [the Commission] finds that the [A]greement should not be approved."³ PG&E did not, however, request procurement authority under Pub. Util. Code § 380(j), and that section of the code does not address either cost-effectiveness or energy storage.

PG&E sought approval of the Agreement as an Energy Storage Program procurement obligation, and it should be assessed under Pub. Util. Code §§ 2835 *et seq.*,

¹ Application, p. 1.

² Proposed Decision, Finding of Fact (FoF) 1, p. 9.

³ Proposed Decision, p. 6.

which requires procured energy storage to be viable and cost effective.⁴ Further, the July 25, 2016 *Scoping Memo and Ruling of Assigned Commission and Administrative Law Judge* required consideration of whether, “[i]n selecting winners, did PG&E apply the evaluation methodologies approved in [Decision] D.14-10-045 correctly?”⁵ D.14-10-045 adopted a Consistent Evaluation Protocol and proprietary evaluation protocols for all three investor owned utilities’ energy storage procurement, including PG&E’s.⁶ ORA provided evidence demonstrating that the contract was not cost-effective under PG&E’s approved proprietary evaluation protocol,⁷ and that PG&E failed to correctly apply its adopted principles of least-cost best-fit methodology.⁸

Therefore, ORA recommends the Commission reject the Agreement pursuant to guidelines and policies set forth in Pub. Util. Code §§ 2835 *et seq.*⁹

II. CONCLUSION

ORA supports the Proposed Decision’s rejection of the Agreement. For the reasons stated above, ORA respectfully request the Commission modify the Proposed Decision as set forth in Appendix A.

⁴ Pub. Util. Code § 2835(a)(3).

⁵ Scoping Memo, p. 3.

⁶ D.14-10-045, Ordering Paragraph 1(8), p. 119. “SDG&E, PG&E, and SCE’s proposed Consistent Evaluation Protocol (CEP) with two adjustments (including weighting of qualitative factors of CEP and revised CEP definition to clarify evaluation of concurrent benefits) for reporting and benchmarking purposes, and proprietary evaluation protocols for bid selection are adopted, and each utility must implement such adjustments in their upcoming December 1, 2014 solicitation requirements and bid materials” (emphasis added).

⁷ Opening Brief of the Office of Ratepayer Advocates, September 23, 2016, pp. 4-13.

⁸ Opening Brief of the Office of Ratepayer Advocates, September 23, 2016, pp. 13-15.

⁹ *See also*, Protest of the Office of Ratepayer Advocates, June 2, 2015, p. 4.

Respectfully submitted,

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APPENDIX A

ORA's PROPOSED MODIFICATIONS TO THE DISCUSSION AND CONCLUSIONS OF LAW OF THE PROPOSED DECISION

DISCUSSION, P. 6:

While we agree that there is value in adding diversity to the portfolio and gaining experience to support behind-the-meter storage, given that the proposed agreement is not cost effective as required by Pub. Util. Code §§ 2835 et seq., we find that the agreement should not be approved.

NEW CONCLUSION OF LAW

XX. Pub. Util. Code Section 2835 et seq. requires each load-serving entity to procure viable and cost-effective energy storage systems.