



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

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Application of San Diego Gas & Electric
Company (U 902-E) for Approval of its 2018
Energy Storage Procurement and Investment
Plan.

Application 18-02-016
(Filed February 28, 2018)

And Related Matters.

Application 18-03-001
Application 18-03-002

REPLY BRIEF OF LS POWER DEVELOPMENT, LLC

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In its Opening Brief and in the Direct Testimony of Cody Hill, LS Power Development, LLC (LS Power) demonstrated that the proposed Assembly Bill (AB) 2868 program of San Diego Gas & Electric Company (SDG&E) failed to meet key statutory requirements: it failed to “minimize overall costs and maximize overall benefits,” and it unreasonably limited or impaired the ability of nonutility enterprises to market and deploy energy storage systems. LS Power will not repeat these points in this Reply Brief. However, two claims presented in SDG&E’s Opening Brief require a response. In this Reply Brief, LS Power will respond specifically to these claims.¹

I. SDG&E’S REFUSAL TO CONSIDER NONUTILITY OWNERSHIP OF STORAGE PROJECTS IMPAIRS FAIR COMPETITION

In several passages, SDG&E claims that it is promoting the interests of nonutility storage enterprises by offering competitive Requests for Proposals (RFPs) for Engineering,

¹ LS Power’s Reply Brief, like its Opening Brief, will address only SDG&E’s program and the issues raised in Application 18-02-016.

Procurement, and Construction (EPC) contracts or Build-Own-Transfer (BOT) projects.²

SDG&E responds to LS Power's concern about the lack of any opportunity in SDG&E AB 2868 program for nonutility-owned storage projects by saying, "LS Power, along with other nonutility storage developers, were invited to compete in the ongoing competitive solicitations where SDG&E will select vendors to supply equipment and build SDG&E's proposed circuit-level energy storage projects."³ SDG&E also states that "SDG&E has invited LS Power to bid into its AB 2868 circuit-level RFP for the Melrose, Kearny, and Boulevard projects. LS Power thus can present its Vista project in that context, provided it meets the RFP requirements."⁴ What SDG&E omits to mention in this passage is that the RFP is limited to proposals that result in SDG&E's ownership of the storage facilities.

SDG&E's statements seem to be designed to draw attention away from the fact that its AB 2868 program offers zero opportunity for storage projects that are not owned by SDG&E. SDG&E's arbitrary prohibition of independent ownership of AB 2868 facilities by definition excludes storage providers from competing to provide, from their own storage facilities, the critical facility and other storage services that SDG&E reserves for its utility-owned projects. By eliminating nonutility-owned projects from the AB 2868 program, SDG&E defies AB 2868's instruction that its storage programs are not supposed to "unreasonably impair or limit the ability of nonutility enterprises to market and deploy energy storage systems." Many nonutility storage developers' business models include ownership and operation of storage projects. By eliminating the possibility of other parties' ownership, SDG&E eliminates a significant proportion of the experienced developers and operators of storage projects.

² *E.g.*, SDG&E's Opening Brief, p. 72.

³ SDG&E's Opening Brief, p. 73.

⁴ SDG&E's Opening Brief, p. 74 (footnote omitted).

SDG&E offers two defenses for its position that ownership of AB 2868 storage facilities should be limited to SDG&E.

First, SDG&E argues that AB 2868 and the Commission’s decisions contemplate utility ownership of these projects. In testimony, parties have contested SDG&E’s view that reference to “investments” in AB 2868 should be construed as an endorsement of utility ownership of storage facilities.⁵ The more important point from LS Power’s perspective is that SDG&E continues to ignore the Commission’s requirements for utility ownership of storage facilities. In Decision (D.) 13-10-040, the Commission reiterated its policy favoring competitive solicitations and clarified how that policy applied to the emerging energy storage industry segment:

Although we allow utility ownership of energy storage systems, we believe that the primary means for procuring energy storage systems should be through competitive solicitations. Thus, an IOU [investor-owned utility] proposing utility-owned storage in any grid domain shall pursue a competitive process consistent with LTPP [long-term procurement plan] processes outlined in D.07-12-052.⁶

The EPC and BOT opportunities that SDG&E proposes for its AB 2868 program—solicitations that result exclusively in utility-owned storage projects—are not the head-to-head comparisons of proposed utility-owned projects with projects owned by independent storage enterprises that the Commission contemplated in D.13-10-040. In D.07-12-052, referred to in the previous quotation, the Commission determined that utility ownership of generating facilities that were not tested in a competitive solicitation was undesirable:

We want to make it clear that we continue to believe in a “competitive market first” approach. As such we believe that all long-term procurement should occur via competitive

⁵ *E.g.*, Exh. ORA-1, pp. 1-7 to 1-9.

⁶ D.13-10-040, p. 52.

procurements, rather than through preemptive actions by the IOU, except in truly extraordinary circumstances.⁷

Thus, by predetermining that its RFPs will result in utility-owned projects, SDG&E fails to provide for the type of head-to-head competition between proposed utility-owned projects and projects owned by independent storage enterprises that the Commission has repeatedly required.

Second, SDG&E claims that utility ownership is required to “seamlessly” integrate storage with its distribution system. However, other than repeating the word “seamless,” SDG&E does not explain why storage facilities owned by independent developers cannot be integrated with the rest of its operations, just as thousands of megawatts of nonutility-owned generation, including behind-the-meter rooftop solar and storage equipment, have been integrated and automated without significant problems. SDG&E claims that nonutility ownership of storage facilities “would add a layer of decision-making and dilute responsibility for actions which could take seconds to implement in emergency circumstances.”⁸ SDG&E posits a situation that need not exist. It is well within the competency of SDG&E’s distribution engineers and any qualified storage provider to automate and integrate a third-party project’s control system with the systems of the utility and substation, using industry-standard hardware and communications protocols.

“Creative” contracting is also not required to seamlessly integrate independent generators or independent storage providers into SDG&E’s system. Ordinary, conventional contracts with standard provisions, like those incorporated into the Commission-approved pro forma agreements, are sufficient for the integration of power from independent generators who

⁷ D.07-12-052, p. 209 (emphasis in original).

⁸ SDG&E’s Opening Brief, p. 71.

instantaneously provide electricity to SDG&E's system, and similar conventional agreements would also allow for the seamless integration of independent providers of storage services.

In short, SDG&E's claimed obstacles to nonutility ownership of AB 2868 storage facilities have already been addressed and overcome in closely comparable situations.

II. SDG&E'S ATTEMPTS TO DISTINGUISH THE VISTA PROJECT FAIL TO JUSTIFY ITS PURSUIT OF THE MELROSE PROJECT

SDG&E defends its proposed Melrose project by attempting to distinguish it from the Vista project. SDG&E goes so far as to accuse LS Power of being "misleading" (which, if true, would violate Rule 1.1 of the Commission's Rules of Practice and Proceeding) when LS Power compared the Vista project and the proposed Melrose project.⁹ SDG&E then attempted to distinguish the Vista project from the Melrose project:

The Vista project is similar to the proposed Melrose project only to the extent that they are both energy storage projects. For instance, the Vista project is much larger and is transmission-connected and solely serves market participation for LS Powers' benefit, while the Melrose project is smaller and will be connected to the distribution system and primarily serves resiliency for public sector facilities while also participating in energy markets for maximum ratepayers' benefit.¹⁰

None of these attempted distinctions justifies SDG&E's refusal to consider procuring storage services from an adjacent storage project owned by an independent storage developer:

- *SDG&E asserts:* The Vista project is "much larger." The Vista project is 40 MW, compared to the 20 MW proposed Melrose project. However, it is possible for a larger project to provide all the storage services of a smaller project and have additional capacity available for additional

⁹ SDG&E's Opening Brief, p. 73.

¹⁰ SDG&E's Opening Brief, p.73.

services. In short, there is nothing a smaller storage project can do that cannot be done by a larger project.

- *SDG&E asserts:* The Vista project is “transmission-connected.” The Vista facility is connected at 69 kV, a transmission-level voltage, but it is relatively straightforward to interconnect a portion of the Vista project at the same 12 kV distribution-level voltage SDG&E proposes for its Melrose project.¹¹ But even this additional interconnection is unnecessary, because the Vista project is already connected at the Melrose substation and feeds the target circuits in its current configuration (through the Melrose substation’s existing main and transfer busses and 69 kV to 12 kV transformers). If SDG&E wanted the lowest-cost solution, it could contract with Vista and then implement a switching scheme using Melrose’s existing hardware to directly connect the Vista project and the target 12 kV circuits during grid events. SDG&E has discarded this low-cost option without much consideration, however, apparently because Vista is not SDG&E-owned.
- *SDG&E asserts:* The Vista project “solely serves market participation for LS Powers’ [sic] benefit.” Unlike the proposed Melrose project, the Vista project is not funded by ratepayers and currently has few alternatives to market participation to raise needed revenues. If SDG&E allowed storage facilities owned by independent developers to compete for AB 2868 contracts, and if the Vista project were to win this competition, then the

¹¹ Exh. LS-01, p. 6.

Vista project would be obligated by its contract to provide reliability and resiliency services equal to or exceeding those planned for the proposed SDG&E-owned Melrose project.

- *SDG&E asserts:* The Melrose project “primarily serves resiliency for public sector facilities.” Under a properly structured contract, and if it won a competitive solicitation, the Vista project could provide resiliency for public sector facilities equivalent to the proposed Melrose project. Moreover, SDG&E fails to acknowledge that the capacity of its 20 MW Melrose project, like its other proposed projects, is a multiple of the size it needs to provide resiliency for the small public facilities it cites for this justification. If size is the basis for disqualification of the Vista project, for consistency the Commission should also disqualify all of SDG&E’s oversized proposed projects from the AB 2868 program and instead seek projects that are right-sized for the critical load.

The Vista project can provide all the services SDG&E claims for its proposed Melrose project and additional wholesale market and reliability benefits.¹² All that the Vista project lacks is an opportunity to compete fairly to provide the resiliency benefits to the identified public facilities, to SDG&E’s customers, and to the larger CAISO grid.

In this context, SDG&E’s Opening Brief resorts to speculation and innuendo, stating that “it is clear” that the aim of LS Power’s participation in this proceeding is to gain an advantage in commercial negotiations.¹³ Oddly, SDG&E does not explain how LS Power could expect to gain an advantage in commercial negotiations when SDG&E has disqualified projects

¹² Exh. LS-01, pp. 6, 7.

¹³ SDG&E’s Opening Brief, p. 75.

owned by independent storage developers from participating in the AB 2868 program. As far as LS Power knows, there are no commercial negotiations taking place with nonutility owners of storage projects. In any event, what is clear is that SDG&E has ignored LS Power's recommendation that SDG&E should "undertake an RFP in which all parties can compete to meet SDG&E's AB 2868 authorization for storage capacity and storage resources."¹⁴ LS Power is seeking an *opportunity to compete* fairly for a contract to provide AB 2868 storage services and resources, **not** an advantage in commercial negotiations.

III. CONCLUSION

For these reasons and all the other reasons stated in the Testimony of Cody Hill, LS Power's Opening Brief, and this Reply Brief, LS Power Development, LLC respectfully urges the Commission to:

1. Reject SDG&E's plan.
2. Require SDG&E to submit an AB 2868 distribution storage plan that emphasizes a wider geographical distribution of projects, smaller target sizes to match critical needs and circuit capacity, and competitive opportunities for independent owners of storage facilities.
3. Require SDG&E to conduct a competitive solicitation in which all parties can compete to provide the storage services needed to meet SDG&E's AB 2868 storage requirements (and with no exclusion of proposals for facilities not owned by SDG&E).

¹⁴ Exh. LS-01, p. 10.

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