

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

AGENDA ID 15140
RESOLUTION E-4804
September 15, 2016

R E S O L U T I O N

Resolution E-4804. Southern California Edison Company (SCE) requests approval of three resource adequacy only contracts with Western Grid Development, LLC, AltaGas Pomona Energy Storage Inc., and Grand Johanna LLC.

PROPOSED OUTCOME:

- This Resolution approves SCE's contracts with Western Grid Development, LLC, AltaGas Pomona Energy Storage Inc., and Grand Johanna LLC.

SAFETY CONSIDERATIONS:

- This Resolution supports the Governor's Emergency Proclamation to protect public safety by ensuring the continued reliability of natural gas and electric supplies while there is a moratorium on gas injections at Aliso Canyon Natural Gas Storage Facility.
- These contracts require the owners and operators of the energy storage facilities to operate in accordance with prudent and safe electrical practices.

ESTIMATED COST:

- Actual costs of the contracts are confidential at this time.

By Advice Letters 3454-E, 3455-E, and 3456-E (Southern California Edison Company), Filed on August 15, 2016.

SUMMARY

This Resolution approves SCE's contracts for resource adequacy (RA) capacity only from three development companies for three energy storage projects, at varying capacities, as follows:

Developer	Project Name	Capacity	Term	Technology
Western Grid Development, LLC	Santa Paula 1	5 MWs	3 years	Lithium Ion Battery
AltaGas Pomona Energy Storage Inc.	Pomona Battery Storage 1	20 MWs	10 years	Lithium Ion Battery
Grand Johanna LLC.	Grand Johanna	2 MWs	10 years	Lithium Ion Battery

Each project has an initial on-line date of December 31, 2016, and varying dates in 2017 that represent the projects' deadline to complete all steps necessary to achieve full resource adequacy capacity. This Resolution also requires SCE to report regularly to the Energy Division on the status and schedule of each project.

BACKGROUND

On January 6, 2016, Governor Brown declared a state of emergency in Los Angeles County due to the duration of the natural gas leak and well failure at Aliso Canyon. As Aliso Canyon's natural gas storage capacity has been critical to help meet peak electrical demands during the summer months and peak gas usage demands in winter months, the Commission is pursuing activities that could be quickly implemented to alleviate these electric reliability and natural gas supply risks.

Resolution E-4791

Resolution E-4791, approved by the Commission on May 26, 2016, ordered SCE to hold an expedited energy storage procurement solicitation to mitigate potential Aliso Canyon-related reliability problems. The Resolution required that storage resources solicited in the expedited storage procurement must:

- Be located in front of the meter;
- Be operational by December 31, 2016;
- Interconnect in a location that helps to alleviate electric reliability concerns associated with Aliso Canyon;

- Qualify for Resource Adequacy credit;
- Be price competitive with previous solicitations; and
- Have a contract term of 10 years or less.

Resolution E-4791 found that all procurement to alleviate reliability risks associated with the partial shutdown of Aliso Canyon will benefit all customers connected to the grid and therefore would be eligible for Cost Allocation Mechanism ("CAM") treatment.

With ALs 3454-E, 3455-E, and 3456-E, SCE requests:

1. Approval of the Santa Paula 1, Pomona Battery Storage 1, and Grand Johanna Contracts in their entirety;
2. A finding that the Santa Paula 1, Pomona Battery Storage 1, and Grand Johanna Contracts are consistent with Resolution E-4791 and D.13-10-040¹;
3. A finding that the Santa Paula 1, Pomona Battery Storage 1, and Grand Johanna Contracts, totaling 27 MWs, count towards satisfying the outstanding portion of SCE's Energy Storage Procurement Target established in D.13-10-040;
4. A finding that the Santa Paula 1, Pomona Battery Storage 1, and Grand Johanna Contracts with SCE are reasonable and prudent for all purposes, and that any payments to be made by SCE pursuant to the Santa Paula 1, Pomona Battery Storage 1, and Grand Johanna Contracts, are recoverable in full by SCE through its Energy Resource Recovery Account (ERRA) Review proceeding, subject to SCE's prudent administration of the Santa Paula 1, Pomona Battery Storage 1, and Grand Johanna Contracts;
5. Approval for SCE to allocate the benefits and costs of the Santa Paula 1, Pomona Battery Storage 1 and Grand Johanna Contracts to all benefitting customers in accordance with Resolution E-4791, and specifically, a finding that the Cost Allocation Mechanism, as adopted by the Commission in D.15-11-041 and applicable to "In Front of the Meter" energy storage, shall

¹ Decision Adopting Energy Storage Procurement Framework and Design Program, in Rulemaking (R.) 10-12-047, October 21, 2013.

apply to the Santa Paula 1, Pomona Battery Storage 1, and Grand Johanna Contracts; and

6. Any other and further relief as the Commission finds just and reasonable.

NOTICE

Notice of Advice Letters 3454-E, 3455-E and 3456-E were made by publication in the Commission's Daily Calendar. SCE states that a copy of the Advice Letters was mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS

Advice Letters (ALs) 3454-E, 3455-E, and 3456-E were not protested.

DISCUSSION

We have reviewed ALs 3454-E, 3455-E, and 3456-E, find them to be reasonable, and approve both the contracts and the full relief requested by SCE, as reflected in the findings in this Resolution. SCE conducted its procurement and contract selection in full compliance with Resolution E-4791:

- The prices for all offers are below the price competitiveness benchmark established for the request for offer (RFO), per Resolution E-4791.
- All three offers selected were the best offers available to SCE from the solicitation.
- All three projects that are the subject of these contracts are located in local capacity areas and South of Path 26.
- All projects are located in front of the utility meter.
- All contracts contain an initial on-line date of December 31, 2016.

Given the urgent need for these facilities, and on-line date of December 31, 2016, we do find it worthwhile to establish a regular reporting structure, wherein the utility will keep Energy Division apprised of the interconnection status and timing of each project. We require SCE to report every two weeks on the status of each project, with a focus on the interconnection status of the project, and include any and all other information regarding project delays including the exercise of any delays allowed for in the contract.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived "in an unforeseen emergency..." The Commission's Rules of Practice and Procedure also provides that public review and comment may be waived or reduced in an "unforeseen emergency situation" specifically where there are "activities that severely impair or threaten to severely impair public health or safety..." (Rule 14.6(a)(1)) and/or where there are "crippling disasters that severely impair public health or safety." (Rule 14.6(a)(2)).

The 30-day comment period was reduced pursuant to these authorities and notification of the shortened comment period was included with the cover letter that was circulated with the Draft Resolution.

FINDINGS

- 1) Resolution E-4791, adopted by the Commission on May 26, 2016, required SCE to hold a competitive solicitation for energy storage to alleviate generation outage risk resulting from a gas leak at Aliso Canyon storage facilities, file Tier 3 Advice Letters seeking expedited approval of the contracts resulting from that solicitation, and take reasonable steps to expedite the interconnection process. Resolution E-4791 also required SCE to record all procurement costs in its Cost Allocation Mechanism (CAM) account.
- 2) SCE filed Advice Letters (ALs) 3454-E, 3455-E, and 3456-E on August 15th requesting approval of three contracts for resource adequacy capacity only with Western Grid Development, LLC, AltaGas Pomona Energy Storage Inc., and Grand Johanna LLC., with a total capacity of 27 megawatts (MW).
- 3) ALs 3454-E, 3455-E, and 3456-E were not protested.
- 4) The facilities associated with all three contracts are located south of Path 26 and could be effective in alleviating electric reliability issues associated with Aliso Canyon, consistent with Findings 29 and 30 of Resolution E-4791.

- 5) Each facility is also in a Local Capacity Area (LCA), and thus will be eligible for local resource adequacy (RA) capacity to meet SCE's local reliability needs.
- 6) Two contracts are for 10 years in duration, and one is for 3 years in duration, consistent with the Findings 17 of Resolution E-4791, which prescribed a maximum contract length of 10 years.
- 7) All three contracts are price competitive with other storage contracts from two prior recent solicitations, consistent with Finding 51 of Resolution E-4791.
- 8) All three contracts are for storage resources located in front of the meter, and contain an initial operation date of December 31, 2016, which is both reasonable and consistent with Findings 15 and 31 of Resolution E-4791.
- 9) The Santa Paula 1, Pomona Battery Storage 1, and Grand Johanna Contracts, totaling 27 MWs, count towards satisfying the outstanding portion of SCE's Energy Storage Procurement Target established in D.13-10-040.
- 10) The Santa Paula 1, Pomona Battery Storage 1, and Grand Johanna Contracts with SCE are reasonable and prudent.
- 11) Any payments to be made by SCE pursuant to the Santa Paula 1, Pomona Battery Storage 1, and Grand Johanna Contracts, are recoverable in full by SCE through its Energy Resource Recovery Account (ERRA) Review proceeding, subject to SCE's prudent administration of the Santa Paula 1, Pomona Battery Storage 1, and Grand Johanna Contracts.
- 12) SCE is authorized to allocate the benefits and costs of the Santa Paula 1, Pomona Battery Storage 1 and Grand Johanna Contracts to all benefitting customers in accordance with Resolution E-4791.
- 13) The Cost Allocation Mechanism shall apply to the Santa Paula 1, Pomona Battery Storage 1, and Grand Johanna Contracts.
- 14) It is reasonable to require SCE to report to the Energy Division on a periodic basis regarding the interconnection status and schedules of the projects.

THEREFORE IT IS ORDERED THAT:

- 1) Advice Letters (AL) 3454-E, 3455-E, and 3456-E and the resource adequacy only contracts with third party developers Western Grid Development, LLC, AltaGas Pomona Energy Storage Inc., and Grand Johanna LLC, as requested therein, respectively, are approved in their entirety.
- 2) SCE is required to establish, in collaboration with Energy Division, a regular reporting schedule, to report to Energy Division on the projects' milestones, at least every two weeks, between the date of this Resolution and the projects' achievement of full, qualified resource adequacy capacity. This regular reporting shall include, at a minimum, the status of the interconnection of the projects to the grid, as well as any equipment, construction, or other delays.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on September 15, 2016, the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director