STATE OF CALIFORNIA EDMUND G. BROWN, JR., *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

F I L E D
08-08-11
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August 8, 2011

Agenda ID #10598
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 10-08-011

This is the proposed decision of Administrative Law Judge (ALJ) Yip-Kikugawa. It will not appear on the Commission's agenda sooner than 30 days from the date it is mailed. The Commission may act then, or it may postpone action until later.

When the Commission acts on the proposed decision, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Parties to the proceeding may file comments on the proposed decision as provided in Article 14 of the Commission's Rules of Practice and Procedure (Rules), accessible on the Commission's website at www.cpuc.ca.gov. Pursuant to Rule 14.3, opening comments shall not exceed 15 pages.

Comments must be filed pursuant to Rule 1.13 either electronically or in hard copy. Comments should be served on parties to this proceeding in accordance with Rules 1.9 and 1.10. Electronic and hard copies of comments should be sent to ALJ Yip-Kikugawa at ayk@cpuc.ca.gov and the assigned Commissioner. The current service list for this proceeding is available on the Commission's website at www.cpuc.ca.gov.

/s/ KAREN V. CLOPTON
Karen V. Clopton, Chief
Administrative Law Judge

KVC:avs

Attachment

Decision **PROPOSED DECISION OF ALJ YIP-KIKUGAWA** **(Mailed 8/8/2011)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company to Recover Pumped Storage Study Costs (U39E).	Application 10-08-011 (Filed August 20, 2010)

DECISION DISMISSING APPLICATION WITHOUT PREJUDICE

Summary

This decision dismisses, without prejudice, Application 10-08-011. Pacific Gas and Electric Company's proposed feasibility study is premature, as there is currently no demonstration that the type of resource proposed in this application will be needed by 2020.

Background

Pacific Gas and Electric Company (PG&E) filed Application (A.) 10-08-001 on August 20, 2011 seeking authorization to recover $33 million from ratepayers for feasibility, licensing and design study costs associated with a new pumped storage hydroelectric project located within the Mokelumne River watershed. PG&E states in its application that if the storage project is ultimately constructed, it could provide up to 1,200 megawatts of energy storage capability by 2020.[1]

Timely protests were filed by the Division of Ratepayer Advocates (DRA), the Independent Energy Producers Association (IEP), and the Western Power Trading Forum (WPTF). A prehearing conference (PHC) was held on

[1] PG&E Application at 6.

November 16, 2010. At the PHC, the Administrative Law Judge (ALJ) determined parties needed to discuss and conduct more discovery before the scope of the proceeding and the issues that would require evidentiary hearings could be determined.[2] At a second PHC held on May 13, 2011, the ALJ determined that no evidentiary hearings would be necessary. However, before setting out a schedule for this proceeding, parties were asked to first file comments on whether the preliminary results of the California Independent System Operator's (CAISO) renewable integration study, released on May 10, 2011, had any impact on PG&E's application.[3] Comments were filed on June 13, 2011 by PG&E, DRA, IEP, and WPTF.

Discussion

PG&E has stated both in its application and at the prehearing conferences that the purpose of the study is to allow PG&E to be in a position to be able to fulfill a need for pumped energy storage by 2020, if such a need is identified. While PG&E acknowledged at the second PHC that there will likely be a need for energy storage in the future, it could not conclude with any certainty that this need should be met through pumped storage. Since the actual need for pumped storage is unknown at this time, PG&E's estimate of the size of such a project, along with the potential benefits, varies so much that such a project can only be considered speculative at this time. The lack of sufficient justification for this project suggests that the application should be considered premature at best and dismissed.

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[2] Reporter's Transcript (RT) PHC at 61:1-15.

[3] RT PHC-2 at 102:5-13.

Moreover, the CAISO's study, "Summary of Preliminary Results of 33% Renewable Integration Study - 2010 CPUC LTPP Docket No. R.10-05-006," shows that there is no demonstrated need for additional resources to integrate renewable resources out to 2020. These preliminary results undermine PG&E's primary reason why this application must be considered and approved immediately. Although PG&E presents various arguments why the CAISO study is not particularly relevant to its current application, it presents no compelling argument why we must consider and potentially approve ratepayer funding to study a resource for which there is no identified need.

We recognize that although there is no identified need for renewables integration at this time, the long-term need for integration may change based on further analysis by the CAISO. Therefore, PG&E's application is dismissed without prejudice.[4] PG&E may refile its application if and when there is more definitive determination of resource needs to integrate renewables that can be met by pumped storage. At that time, PG&E should also provide greater explanation why ratepayers, and not shareholders, should fund costs associated with a project feasibility study for pumped storage.

Categorization and Need for Hearings

In Resolution ALJ 176-3260 dated September 2, 2010, the Commission preliminary categorized this application as Ratesetting and preliminary determined that hearings were necessary. Because this application is premature, a public hearing is not necessary.

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[4] Although we dismiss PG&E's application at this time, PG&E may still conduct this study, using shareholder funds, if it so desires.

Comments on Proposed Decision

The proposed decision of ALJ Yip-Kikugawa in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code, and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on _____ and reply comments were filed on _____ by _____.

Assignment of Proceeding

Michel Peter Florio is the assigned Commissioner and Amy C. Yip-Kikugawa is the assigned ALJ in this proceeding.

Findings of Fact

1. PG&E seeks authorization to recover $33 million from ratepayers for feasibility, licensing and design study costs associated with a new pumped storage hydroelectric project.

2. The purpose of the pumped storage study is to allow PG&E to be in a position to be able to fulfill a need for pumped energy storage by 2020, if such a need is identified.

3. The preliminary results of the renewable integration study by the CAISO conclude that there is no demonstrated need for additional resources to integrate renewable resources out to 2020.

4. The lack of sufficient justification for this project suggests that the application should be considered, at best, premature and dismissed.

Conclusions of Law

PG&E's application should be dismissed without prejudice as it is premature.

O R D E R

IT IS ORDERED that:

1. Application 10-08-011 is dismissed without prejudice.
2. No hearings are necessary.
3. Application 10-08-011 is closed.

This order is effective today.

Dated _____, at San Francisco, California.