



FILED

05-31-11

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Pursuant to Assembly Bill 2514 to Consider the Adoption of Procurement Targets for Viable and Cost-Effective Energy Storage Systems.

Rulemaking 10-12-007
(Filed December 16, 2010)

**SCOPING MEMO AND RULING OF ASSIGNED COMMISSIONER
AND ADMINISTRATIVE LAW JUDGE**

1. Summary

This scoping memo identifies the issues to be considered in this proceeding, sets a procedural schedule and determines the category of the proceeding and the need for hearings pursuant to Rule 7.3 of the Commission's Rules of Practice and Procedure.¹

2. Background

On December 16, 2010, the Commission opened Rulemaking (R.) 10-12-007 to implement the provisions of Assembly Bill (AB) 2514 (Stats. 2010, ch. 469). AB 2514 directs the Commission to determine appropriate targets, if any, for each load-serving entity as defined by Pub. Util. Code § 380(j) to procure viable and cost-effective energy storage systems (ESS) and sets dates for any targets deemed appropriate to be achieved.² Although AB 2514 directs the Commission

¹ All subsequent references to "Rules" or "Rule" are to the Commission's Rules of Practice and Procedure. The full text of the Commission's Rules may be found on the Commission's website at www.cpuc.ca.gov.

² Unless otherwise stated, all statutory references are to the Public Utilities Code.

to open such a proceeding by March 1, 2012 (§ 2836(a)), the Commission chose to open it sooner, explaining that it “see[s] the enactment of AB 2514 as an important opportunity for this Commission to continue its rational implementation of advanced sustainable energy technologies and the integration of intermittent resources in our electricity grid.”³

As stated in the OIR, the purpose of this proceeding is to:

- (1) review, analyze and establish, if appropriate, opportunities for the development and deployment of energy storage technologies throughout California’s electricity system;
- (2) remove or lessen any barriers to such development and deployment;
- (3) review and weigh the associated costs and benefits of such development and deployment; and
- (4) establish how those costs and benefits should be distributed.⁴

The OIR, however, did not establish a precise scope. Rather, parties were directed to file initial comments responding to the guidance provided in the OIR and the Commission’s Policy and Planning Division’s white paper on Electric Energy Storage.⁵ These comments, along with an initial workshop, would then serve as the basis for developing a more precise scope of the proceeding.

Pursuant to the OIR, comments were timely filed by: A123, Alliance For Retail Energy Markets, Beacon Power Corporation, Brookfield Renewable Power Inc., California Hydropower Reform Coalition, California Independent System Operator, Calpine Corporation, California Energy Storage Alliance,

³ Order Instituting Rulemaking (OIR) at 1.

⁴ OIR at 5.

⁵ The white paper is Attachment A of the OIR.

Consumer Federation Of California, Division Of Ratepayer Advocates, Environmental Defense Fund, Ice Energy, Inc., Marin Energy Authority, Nevada Hydro Company, Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, Vote Solar Initiative, Walmart Stores, Inc. & Sam's West, Inc., Western Power Trading Forum and Xtreme Power.

An initial workshop was held on March 9, 2011. A prehearing conference (PHC) was held on April 21, 2011.

3. Scope and Schedule

Interested parties were provided an opportunity to provide input on the scope of this proceeding in comments to the OIR, at the initial workshop and at the PHC. After considering the comments filed in response to these questions and made at the March Workshop and PHC, we shall resolve this proceeding in two phases. The first phase will develop the overall policies and guidelines for ESS, including where and how ESS could be deployed to provide maximum benefits to the electric system. The second phase will develop the costs and benefits for ESS and establish how they should be allocated. Since the costs and benefits for ESS are important considerations in the deployment of ESS, we will not make any final determinations on how and the extent to which ESS should be included in utility resources until both phases are completed.

Phase 1 – Policies and Guidelines

The first phase of this proceeding shall consider the following issues:

1. How are energy storage technologies currently being used? To what extent are these current uses indicative of how energy storage should be utilized on a going forward basis? As the Commission is developing a generalized view towards energy storage, what lessons learned should the Commission consider, both in terms of successes and failures?

2. What policies are needed to encourage effective energy storage that will: reduce greenhouse gas emissions; reduce peak demand; defer and/or substitute for an investment in generation, transmission or distributions; and improve reliable grid operations?
3. How can energy storage technologies be best integrated into the utilities' existing portfolios?
4. How could energy storage technologies be integrated with the Commission's loading order, such as energy efficiency, demand response, renewable procurement, distributed generation and other items in the Commission's loading order? What about other overarching policies like smart grid?
5. Are there current state or federal policies that impede the ability of energy storage technologies from being utilized more widely or serve as barriers to the development of energy storage systems? What, if anything, can be done to remove these impediments and barriers?
6. Is it possible to develop a single unifying policy for energy storage when storage has a wide variety of uses?
7. Regardless of the technology used, are there certain energy storage applications/attributes that should be encouraged? To what extent do the costs and benefits associated with these different applications/attributes differ?
8. How should ownership model of energy storage be considered? Do the current value streams favor one type of ownership model over another?

It is anticipated that Phase 1 may be resolved through a series of workshops, along with written comments and replies. The schedule in this proceeding sets the first workshop for June 28, 2011 and will address energy storage systems currently in use and the barriers and impediments to further widespread use of storage. Commission Staff shall schedule all remaining workshops to be held over the course of the summer. At the conclusion of the

workshops, Staff is directed to prepare and serve a proposal of the policies and objectives concerning the integration of ESS into the Commission’s overall procurement policies and the utilities’ procurement objectives. This proposal will serve as a common starting point for all parties, and parties will be provided an opportunity to file opening and reply comments on the proposal. If a party believes evidentiary hearings are necessary, it may make its request in its initial comments on the Staff Proposal and specifically state the disputed material issues of fact which require hearings.

We recognize that the parties may identify barriers to the development of energy storage technologies that are outside of the Commission’s jurisdiction. In such situations, parties should propose what actions, if any the Commission could take assist in reducing or eliminating these barriers.

The following schedule assumes no evidentiary hearings will be held:

Event	Date
Prehearing Conference Held	April 21, 2011
Workshop	June 28, 2011 CPUC Golden Gate Room 505 Van Ness Avenue San Francisco, CA 9:00 a.m. – 4:00 p.m.
Additional Workshops	July – August 2011
Initial Staff Proposal	October 11, 2011
Comments	October 31, 2011
Replies	November 11, 2011
Final Staff Proposal	December 2, 2011
ALJ Proposed Decision (PD)	First Quarter 2012
Initial Comments on PD	20 days after PD
Reply Comments on PD	5 days after Comments
Final Decision	First or Second Quarter 2012

The Administrative Law Judge (ALJ) may make modifications to this schedule as needed. It is anticipated that the schedule for Phase 1 will proceed as indicated above. In any event, Phase 1 should conclude within 18 months of this scoping memo, pursuant to Pub. Util. Code § 1701.5. As stated below, a second scoping memo will issue for Phase 2.

Phase 2 – Cost-Benefit Analysis and Allocation

The policies and guidelines developed in Phase 1 of this proceeding shall influence the analysis of Phase 2 of this proceeding. Therefore, we cannot establish a precise scope or schedule for this phase at this time. The second phase of this proceeding shall consider, at a minimum, the following issues:

1. How should energy storage applications/attributes be valued?
2. What are the costs for the various types of energy storage applications?
3. What should be taken into consideration to determine whether energy storage technologies are cost effective? Should they be compared against the other types of resources currently being procured by the utilities? How should the benefits associated with energy storage technologies be taken into consideration when determining cost-effectiveness?
4. How should the costs and benefits associated with energy storage technologies be allocated among retail end-use customers

A subsequent Phase 2 scoping memo shall be issued to provide further detail on this phase of the proceeding.

4. Assigned Commissioner; Presiding Officer

Michael R. Peevey is the assigned Commissioner and Presiding Officer pursuant to Rule 13.2 of the Commission's Rules of Practice and Procedure.

5. Categorization and *Ex Parte* Communications

This scoping memo confirms the Commission's preliminary categorization in R.10-12-007 that the category of this proceeding is quasi-legislative and that hearings are not necessary. While we do not foresee the need for hearings at this time, we will allow parties the opportunity to request limited evidentiary hearings once workshops are concluded.

This ruling, only as to category, is appealable under the procedures in Rule 7.6. As set forth in Rule 8.2, *ex parte* communications are allowed without restriction or reporting obligation in this proceeding.

6. Intervenor Compensation

A party who intends to seek an award of compensation pursuant to §§ 1801-1812 should file and serve a notice of intent to claim compensation no later than 30 days after the April 21, 2011 PHC.⁶ Under the Commission's Rules, future opportunities may arise for such filings but such an opportunity is not guaranteed.

In this proceeding, parties intending to seek an award of intervenor compensation must maintain daily record keeping for all hours charged and a sufficient description for each time entry. Sufficient means more detail than just "review correspondence" or "research" or "attend meeting". In addition, intervenors must classify time by issue. When submitting requests for compensation, the hourly data should be presented in an Excel spreadsheet.

As reflected in the provisions set forth in Pub. Util. Code § 1801.3(f) and § 1802.5, all parties seeking an award of intervenor compensation must

⁶ § 1804(a)(1).

coordinate their analysis and presentation with other parties to avoid duplication.

7. Filing, Service and Service List

The official service list was created at the April 21, 2011 PHC and is now on the Commission's website. Parties should confirm that their information on the service list is correct, and serve notice of any errors on the Commission's Process office, the service list, and the judge. Prior to serving any document, each party must ensure that it is using the most up-to-date service list. The list on the Commission's web site meets that definition.

Electronic service is now the standard under Rule 1.10. All parties to this proceeding shall serve documents and pleadings using electronic mail, whenever possible, transmitted no later than 5:00 p.m., on the date scheduled for service to occur. Parties are reminded that, when serving copies of documents, the document format must be consistent with the requirements set forth in Rule 1.10(a).

Rules 1.9 and 1.10 govern service of documents only and do not change the Rules regarding the tendering of documents for filing. Parties can find information about electronic filing of documents at the Commission's Docket Office at www.cpuc.ca.gov/PUC/efiling. All documents formally filed with the Commission's Docket Office must include the caption approved by the Docket Office and this caption must be accurate.

Other documents, including prepared testimony, are served on the service list but not filed with the Docket Office. We will follow the electronic service protocols adopted by the Commission in Rule 1.10, whether formally filed or just served. This Rule provides for electronic service of documents, in a searchable format, unless the appearance or state service list member did not provide an

e-mail address. If no e-mail address was provided, service should be made by United States mail. Additionally, parties shall serve paper copies of all filings on the presiding officer.

8. Public Advisor

Any person interested in participating in this proceeding who is unfamiliar with the Commission's procedures or who has questions about the electronic filing procedures should contact the Commission's Public Advisor at (866) 849-8390 or (415) 703-2074, or (866) 836-7825 (TTY-toll free), or send an e-mail to public.advisor@cpuc.ca.gov.

IT IS RULED that:

1. This proceeding is categorized as quasi-legislative. This ruling is appealable within 10 days under Rule 7.6.
2. The first phase of this proceeding may be resolved through comments and workshops without the need for evidentiary hearings. .
3. The timetable for the proceeding is as set forth in Section 3 of this ruling.
4. Rule 8.2 governing *ex parte* communications applies to this proceeding.
5. The issues to be considered are those described in Section 3 of this ruling.
6. Michael R. Peevey is the assigned Commissioner and Presiding Officer.

Dated May 31, 2011, at San Francisco, California.

/s/ MICHAEL R. PEEVEY

Michael R. Peevey
Assigned Commissioner

/s/ AMY YIP-KIKUGAWA

Amy C. Yip-Kikugawa
Administrative Law Judge