



FILED

05/28/20
04:59 PM

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

Application of Pacific Gas and Electric
Company for Approval and Recovery of
Oakland Clean Energy Initiative Preferred
Portfolio Procurement Costs

Application 20-04-013

U 39 E

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 E)
REPLY TO PROTESTS AND RESPONSES TO ITS
APPLICATION FOR APPROVAL AND RECOVERY OF
OAKLAND CLEAN ENERGY INITIATIVE PREFERRED
PORTFOLIO PROCUREMENT COSTS**

MARIA V. WILSON

Pacific Gas and Electric Company
77 Beale Street
San Francisco, CA 94105
Telephone: (415) 973-5639
Facsimile: (415) 973-5520
E-Mail: Maria.Wilson@pge.com

Dated: May 28, 2020

Attorney for
PACIFIC GAS AND ELECTRIC COMPANY

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

Application of Pacific Gas and Electric
Company for Approval and Recovery of
Oakland Clean Energy Initiative Preferred
Portfolio Procurement Costs

Application 20-04-013

U 39 E

**PACIFIC GAS AND ELECTRIC COMPANY’S (U 39 E)
REPLY TO PROTESTS AND RESPONSES TO ITS
APPLICATION FOR APPROVAL AND RECOVERY OF
OAKLAND CLEAN ENERGY INITIATIVE PREFERRED
PORTFOLIO PROCUREMENT COSTS**

Pursuant to California Public Utilities Commission (“CPUC” or “Commission”) Rules of Practice and Procedure 2.6 (e), Pacific Gas and Electric Company (“PG&E”) provides the following reply to the protests and responses received to its Application for Approval and Recovery of Oakland Clean Energy Initiative (“OCEI”) Preferred Portfolio Procurement Costs (“Application”).

Ten parties filed joint or separate protests and/or responses to PG&E’s Application.¹ In general, many of the protests and/or responses raised specific concerns and issues that will be addressed in the course of this proceeding. As this Reply details, most protests identify issues central to the proposed scope of PG&E’s Application that PG&E intends to discuss in more detail with interested parties through discovery, settlement discussions, and/or rebuttal testimony, as appropriate. In addition, some of the protests raised issues that are clearly outside the scope of this proceeding, and PG&E responds to those protests here. Finally, PG&E urges that its proposed schedule be adopted in order to expeditiously consider whether the OCEI

¹ The following parties submitted Protests or Responses: Alameda Municipal Power (“AMP”); Alliance for Retail Energy Markets and Direct Access Customer Coalition (“AREM/DACC”); California Efficiency and Demand Management Council (“Council”); California Energy Storage Alliance (“CESA”); Center for Energy Efficiency and Renewable Technologies (“CEERT”); East Bay Community Energy (“EBCE”); Northern California Power Agency (“NCPA”); Shell Energy North America, L.P. (“Shell Energy”); Sierra Club; and California Public Advocates (“CalPA”).

procurement can proceed on a schedule to deliver reliability benefits to the Oakland sub-area without delay.

I. BACKGROUND

In this Application, PG&E seeks approval from the Commission to procure a portfolio of resources and to recover the costs associated with those resources, referred to herein as the OCEI Preferred Portfolio Procurement. The OCEI Preferred Portfolio Procurement consists of Local Area Reliability Service (“LARS”) agreements. Under the LARS agreements, PG&E contracts with its counterparties to ensure that sufficient quantities of capacity and energy will be connected to the grid at the specific Oakland substations required to meet the California Independent System Operator (“CAISO”)-identified reliability need in PG&E’s Oakland sub-area of the Greater Bay Area local area.

As PG&E’s Application and Prepared Testimony demonstrates, PG&E’s LARS agreements are needed to support Oakland subarea reliability without ageing local fossil generation. Put simply, the Oakland area will suffer from reliability issues if the local generation, a 40-plus year-old petroleum-fired plant located in a dense urban area, is not available and transmission outages occur. The OCEI Preferred Portfolio Procurement is a component of a unique solution to a transmission reliability concern. The transmission reliability concern was identified as part of the CAISO Transmission Planning Process (“TPP”). The OCEI was approved by the CAISO to solve it. The OCEI Preferred Portfolio Procurement is one component of that reliability solution. The procurement component is clearly articulated in the CAISO’s final 2019-2020 Transmission Plan.

In this Application, PG&E presents for review and approval the Commission-jurisdictional element of the broader OCEI solution. Here, PG&E’s procurement presented for Commission approval is limited to only those fundamental components of resources required to meet the CAISO-identified transmission need. To limit the costs and scope of the procurement, PG&E collaborated with East Bay Community Energy (“EBCE”), the local Community Choice Aggregator (“CCA”) serving the city of Oakland, in conducting parallel but separate

procurement activities, with EBCE procuring the Resource Adequacy (“RA”) product and PG&E entering into LARS agreements for the resources.

As such, PG&E’s approach is unique: the structure allows PG&E customers and EBCE customers to share the costs of the new resources in Oakland, to ensure that the local reliability needs identified by the CAISO are met, to the benefit of all PG&E customers. PG&E’s procurement strategy is tailored to procure exactly what is required to meet the CAISO-identified reliability need: the LARS agreements facilitate the construction, operation and maintenance of the project and require market participation of specific quantities of resources in specific locations required by the CAISO TPP. PG&E does not procure energy, capacity, or ancillary services from the projects through the LARS Agreements: such procurement is not required to meet CAISO-identified transmission reliability need. The CAISO utilizes its market optimization processes to dispatch all available resources to meet reliability needs and the resources identified in the OCEI solution would be dispatched along with other resources in the existing market paradigm. Moreover, PG&E does not seek to procure additional resources or products beyond what was identified by the CAISO through the TPP process: incremental procurement is not required to meet the CAISO-identified transmission reliability need, and is not presented here.

PG&E seeks to recover the costs of the OCEI Preferred Portfolio Procurement through the Commission’s Cost Allocation Mechanism (“CAM”) charge. The CAM is available to recover the costs of generation resources that serve a system or local reliability function. Clearly, this what the LARS procurement will achieve: procurement that meets the reliability need identified through the CAISO’s Transmission Planning Process, thereby serving a clear reliability function. The OCEI Preferred Portfolio Procurement will benefit bundled and departing load customers alike as it is a component of a transmission solution to meet a local area reliability need. Accordingly, PG&E proposes to recover the costs associated with the OCEI Preferred Portfolio Procurement from bundled service customers, customers that purchase electricity through direct access providers, and customers of CCAs through the CAM.

Finally, PG&E welcomes the scrutiny and review of PG&E's Application as parties evaluate whether PG&E may proceed with the Preferred Portfolio Procurement component of OCEI solution to provide reliability to the Oakland sub-area without continued reliance on an aging fossil plant. PG&E appreciates the supportive responses of Sierra Club and EBCE. PG&E requests that parties and the Commission proceed in timely manner to expeditiously evaluate PG&E's proposal to deliver transmission benefits in the Northern Oakland Area through the Preferred Portfolio Procurement. As part of this process, PG&E intends to engage in discussions with parties to address their questions and concerns to demonstrate the value presented by PG&E's Application, and the broad reliability benefits that will be accomplished through PG&E's procurement. In addition, as appropriate, PG&E will respond to specific concerns through discovery, in rebuttal testimony, and briefing to ensure the Commission has a robust record upon which to approve PG&E's procurement and cost allocation proposal.

II. PG&E WILL CONSIDER THE PROTESTS OF CALPA, SHELL ENERGY, AND AREM/DACC IN MORE DETAIL IN RESPONSE THROUGH DISCOVERY, SETTLEMENT DISCUSSIONS, REBUTTAL TESTIMONY AND/OR BRIEFINGS

In general, PG&E appreciates the thoughtfulness and detail presented in parties' protests. Parties' detailed comments and concerns will help facilitate the discovery, settlement discussions, rebuttal testimony, and/or briefings required for the Commission move forward on an expedited schedule to consider whether OCEI Preferred Portfolio Procurement may be approved by the end of 2020. Many of CalPA's, Shell Energy's, and AREM/DACC's core concerns relate to the core questions PG&E posed to the Commission: whether the costs of the LARS Agreements are reasonable, and whether PG&E is authorized to recover the costs, subject to review of PG&E's administration of the contracts through the CAM. As such, PG&E believes that the Application's proposed scope is appropriately framed to resolve these parties' questions.

A. CalPA's Protest Generally Raises Issues Well-Aligned With PG&E's Proposed Scope

In its protest, CalPA raises six additional issues for the Commission's consideration: two issues related to the Application's compatibility with the Commission's energy storage statutory

and regulatory framework,² and four issues related to whether PG&E's procurement is reasonable and meets a reliability need.³ PG&E maintains that the energy storage statutory and regulatory requirements do not apply to the Preferred Portfolio Procurement because PG&E is not procuring an energy storage system. Moreover, CalPA's concerns can be well-addressed through this proceeding without the addition of six additional issues to the proceeding's scope.

First, CalPA's request that the Commission should evaluate PG&E's Preferred Portfolio Procurement through the state's energy storage-specific statutory and regulatory framework is inappropriate because PG&E's Application does not request to procure an energy storage system under the state's energy storage program. Participation in PG&E's OCEI solicitation was not limited to storage resources. Here, PG&E's procurement activities are limited to LARS agreements, commercial agreements that provide for the construction and operation of resources in locations required to meet a well-defined transmission reliability need. PG&E's procurement is limited to what is required to ensure that the new resources are developed, electrically connected at the appropriate sub-stations, and participate in the CAISO market in a manner to meet the reliability need.

This commercial arrangement under the LARS agreements is distinct from typical energy storage procurement. Put simply, PG&E does not propose to procure an energy storage system as contemplated under the energy storage statutory or regulatory framework. PG&E's contractual arrangement simply does not involve the procurement of energy, capacity, ancillary services or other products from the energy storage resource. In contrast to energy storage system procurement, which include the procurement of energy and capacity, the LARS agreements require counterparties to construct a facility at a location electrically connected to a specific distribution substation to meet the OCEI requirements approved by the CAISO. Further,

² CalPA Protest at p. 4 (identifying Public Utilities Code requirements and Commission Decisions applicable to energy storage procurement as issues).

³ Id. at pp. 4-5 (generally identifying impacts on air quality, reliability, reasonableness of costs, overlap with the CAISO reliability must run procurement in the local area, and project timeframes as issues).

PG&E's procurement did not arise from an energy storage RFO. PG&E does not seek to count the resources toward its compliance with the Commission's energy storage target. Therefore, assessment of the PG&E's procurement under the statutory and regulatory framework for energy storage systems is not appropriate as part of the Commission's evaluation of this Application.

Neither the Public Utilities Code nor the Commission's energy storage program preclude PG&E from entering into arrangement for the construction and operation of energy storage resources to satisfy a transmission reliability need. PG&E is happy to continue to engage in further meetings and discovery with CalPA to clarify these issues, demonstrate the value of the Preferred Portfolio Procurement and provide distinctions necessary to alleviate CalPA's concerns. Inclusion of CalPA's proposed energy storage-related statutory and regulatory requirements as within the scope of the Application, however, is premature. If needed, PG&E's proposed briefing process can be utilized to for parties to assess whether the statutory and regulatory requirements cited by CalPA need apply to the OCEI procurement.

CalPA's raises further issues concerning whether PG&E's OCEI preferred portfolio procurement is reasonable. For example, CalPA protests raises concern with whether the OCEI is a reasonable solution to meet or help with long term reliability needs, and whether PG&E's procurement will provide value to ratepayers. CalPA also questions whether the construction of the resources can proceed in light of the global pandemic. These issues are well-scoped within PG&E's proposal. Each question relates to the core issues presented in PG&E's Application: whether PG&E's proposed procurement is reasonable and should be recovered in rates. PG&E agrees to continue ongoing discussions with CalPA concerning PG&E's Prepared Testimony and to address their questions and concerns about the benefits of, and commercial timeframe for the OCEI procurement. In addition, and as appropriate, PG&E will respond to CalPA's specific concerns in rebuttal testimony and briefing.

///

///

///

B. Whether CAM is an Appropriate Cost Recovery Mechanism for the Preferred Portfolio is in Scope for this Application

Shell Energy and AReM/DACC both protest PG&E's proposal to recover the costs of the Preferred Portfolio Procurement through the CAM.⁴ Each party shares the concern that PG&E's LARS agreements do not procure the capacity associated with the underlying resource.⁵ Each party similarly argues that the CAM statute contemplates the procurement of capacity, and that expansion of CAM to accommodate procurement in the limited manner envisioned by this Application is inappropriate.⁶ Further, AReM/DACC requests that the Commission reject PG&E's application outright, and order PG&E to re-file the Application under an "appropriate and valid" cost recovery mechanism.⁷ PG&E maintains that CAM is the appropriate and valid cost recovery mechanism for the Preferred Portfolio Procurement. Further, whether parties agree that CAM is the appropriate and valid cost recovery mechanism for the LARS resources is appropriate for parties to brief in full in the course of this proceeding.

PG&E maintains that its Application appropriately requests that the Commission consider recovery of the LARS agreements under CAM. CAM is clearly a cost recovery vehicle to recover the costs of generation resources needed for system or local area reliability needs from all benefitting retail customers. As described above and in further detail in PG&E's Prepared Testimony, the Preferred Portfolio Procurement is needed as part of a transmission solution for Oakland area reliability. Here, PG&E's procurement is clearly meeting a local area reliability need identified as part of the CAISO's TPP process. All of PG&E's retail customers, including bundled customers, departing load customers, and direct access customers, benefit from such a reliability investment. All of PG&E's retail customers should share in the costs that benefit them.

Second, the Commission has flexibility to authorize the recovery of costs through CAM in the manner PG&E proposes in this Application. While AReM/DACC and Shell Energy cite

⁴ Shell Energy Protest at p. 1 and pp. 5-8 and AReM/DACC Protest at p. 4-5.

⁵ Shell Energy Protest at p. 6 and AReM/DACC Protest at p. 2.

⁶ Id.

⁷ AReM/DACC at p. 1.

provisions requiring that RA benefits acquired be allocated to all benefitting customers, there is no statutory requirement that PG&E acquire RA or other market products in order to allocate the costs through the CAM mechanism. Here, PG&E is limiting the procurement, and the costs associated with the procurement, to what is essential for grid reliability. As a result, PG&E does not procure RA or other market products. Therefore, PG&E does not procure to allocate RA or market products. The Commission has the regulatory flexibility to utilize CAM order recovery of the full contract costs through the CAM mechanism.

Finally, the Commission should allow PG&E's Application to proceed. The Application should not be rejected as AREM/DACC suggests based upon PG&E's proposal to utilize CAM to broadly recover the costs of reliability procurement that benefits all retail customers in PG&E's territory. Parties should have the opportunity to consider PG&E's proposal and offer briefing to the Commission concerning whether CAM is an appropriate cost recovery mechanism at the appropriate time. Further, the Commission has broad authority to develop non-bypassable charges to recover the costs of procurement that benefits all customers. Parties' briefing can include whether the Commission should, in the alternative, create a CAM-like nonbypassable charge to recover the costs of the Preferred Portfolio Procurement to all benefitting customers.

PG&E looks forward to engaging in the discovery process with Shell Energy and AREM/DACC to demonstrate the broad benefits of the OCEI procurement and cost recovery matters during the course of this proceeding.

III. THE COMMISSION SHOULD REJECT PROPOSALS TO EXPAND THE SCOPE OF THIS PROCEEDING

A. NCPA and AMP Protests Raise FERC-Jurisdictional Issues that are Unnecessary to Resolve as part of this Application

NCPA and AMP filed protests to PG&E's Application related to the role of load-switching in PG&E's overall OCEI solution. Expansion of the scope of the proceeding to include NCPA's and AMP's concerns is jurisdictionally improper and irrelevant to PG&E's Application. As PG&E's Application and Prepared Testimony explained, the Preferred Portfolio Procurement is the only Commission-jurisdictional element of OCEI. All other elements of the

OCEI solution were already considered and approved by the CAISO as part of its Transmission Planning Process.⁸

Nevertheless, NCPA and AMP seek to expand the scope of PG&E's Application to consider issues associated with PG&E's Operational Agreement with AMP. Specifically, (1) NCPA requests that PG&E strike all references to AMP load transfer/operational switching in its Application or evidentiary hearings are required;⁹ and (2) AMP protests the Application because PG&E characterizes activities associated with the OA are complete, and similarly requests evidentiary hearings on the issue.¹⁰

AMP is a wholesale customer of PG&E under an Interconnection Agreement ("IA") that is subject to Federal Energy Regulatory Commission ("FERC") jurisdiction. PG&E's Operating Agreement ("OA") with AMP establishes the framework for operational cooperation and communication between the parties to the IA, and is effective as of August 15, 2011. Under these Agreements, PG&E provides AMP with reliable, non-discriminatory wholesale service. Consideration of AMP and NCPA's concerns with FERC-regulated agreements are clearly out of scope of this proceeding, which should be limited to consideration of issues within the CPUC's jurisdiction, specifically approval of and cost recovery for the LARS Agreements.

Whether any changes are required to the OA, a bilateral, FERC-jurisdictional agreement is not within the scope of this Application. To the extent that OCEI impacts AMP's operations in the future, PG&E and AMP can and will discuss the need for any changes to the OA at the time. It would be jurisdictionally improper for the Commission to adjudicate hypothetical future concerns arising from FERC-jurisdictional agreements. Furthermore, the proper regulatory venue for AMP and NCPA to adjudicate issues associated with the OA is before FERC.

Furthermore, the broader question of whether and how much load-switching plays a role in the OCEI solution is not relevant to this Application. As PG&E's Prepared Testimony details,

⁸ See Application at p. 3 (describing the approval of preferred procurement as Commission-jurisdictional, and the approval of transmission-related components as completed within the CAISO's TPP process).

⁹ NCPA Limited Protest at p. 5.

¹⁰ AMP Protest at pp. 5-6.

this load switching was considered and approved by the CAISO as part of the TPP process. PG&E clarifies in this Reply that references to load switching in its Prepared Testimony as a “completed” element of OCEI should not be interpreted to include changes, if any, required under the OA. Rather, PG&E refers to the completion of CAISO’s approval of load switching as a component of the OCEI. Indeed, the 2017-2018 Transmission Plan makes clear that load switching was approved as a component of the OCEI solution.¹¹

Finally, PG&E disagrees with AMP’s assessment of the CAISO’s modeling of load switching as part of the CAISO’s TPP process. As stated above, CAISO considered the OCEI solution to mitigate reliability concerns without local generation. Modeling of the load switching to address specific N-1-1 contingency events was considered and modeled when the project was initially evaluated.¹² Moreover, AMP’s citations to Local Capacity Requirement (“LCR”) studies as demonstration that CAISO did not consider load switching as part of OCEI are irrelevant. Such studies do not share the same purpose as the Transmission Planning Process and LCR studies were not the basis for approving the OCEI solution to mitigate reliance upon an ageing power plant. Nevertheless, the Commission should not expend time and resources to consider AMP’s and NCPA’s concerns. PG&E’s clarification to the Prepared Testimony here can provide NCPA the necessary clarifications it seeks. AMP’s concerns with OCEI’s impact on its OA with PG&E are FERC-jurisdictional and should not be addressed by the Commission as part of PG&E’s Application.

¹¹ See CAISO, 2017-2018 Transmission Plan at pp. 128 (identifying load switching as a component of the OCEI project) and 129 (stating “The ISO review found that the OCEI project address all reliability issues identified in the Oakland area without local generation.”) *available at* http://www.caiso.com/Documents/BoardApproved-2017-2018_Transmission_Plan.pdf

¹² See CAISO, 2017-2018 TPP Presentation, at p. 85 (identifying continued reliance load switching as a component of PG&E’s project) *available at* <http://www.caiso.com/Documents/Presentations-2017-2018TransmissionPlanningProcessMeeting-Feb8-2018.pdf> See also CAISO Responses to Stakeholder Comments (2017-2018 TPP Stakeholder Meeting) at p. 3 *available at* http://www.caiso.com/Documents/AMPComments_2017-2018PreliminaryReliabilityResults.pdf http://www.caiso.com/Documents/ISOResponsestoComments2017-2018PreliminaryReliabilityResults_Sept21_222017.pdf ([considering AMP’s reliability concerns and stating](#) “Regarding the load transfer, it appears to be a feasible system readjustment following the first contingency for N-1-1 contingency events that results in overloading of facilities in northern sub-area”)

B. CEERTs and the Council’s Concerns Should not be Addressed as Part of this Application

In their protests, CEERT and the Council each raise a number of concerns arising from PG&E’s final Preferred Portfolio’s composition. Both CEERT and the Council raise concerns that the Preferred Portfolio excluded energy efficiency resources.¹³ The Council similarly raises a number of additional concerns intended to expand the scope of the proceeding to include consideration of why a broad number of other resources and solutions were not selected as part of the preferred portfolio, including demand response, behind the meter resources, front of the meter resources, and alternate solutions including microgrids.¹⁴ PG&E agrees that EE and other preferred resources were included among the options considered as part of PG&E’s OCEI solicitation. However, PG&E does not support expansion of the scope of this Application proceeding to second-guessing procurement paths PG&E did not choose as part of this Application and that were not required by the CAISO’s TPP.

As demonstrated in its Application and its Testimony, PG&E’s procurement was tailored to meet a reliability need that was clearly defined through the CAISO’s Transmission Planning Process. As described in Testimony, PG&E’s OCEI solicitation did seek offers for a range of technologies to meet the CAISO-defined need, including front of the meter and behind the meter energy storage, energy efficiency, and renewable generation. Ultimately, the two energy storage resources selected were the most cost-effective portfolio to meet the reliability need.

Furthermore, CAISO’s 2019-2020 Transmission Plan defined the OCEI procurement need as “36-MW and 173 MWh for 2024 from storage to sufficiently meet the current forecasted reliability need, including 7 MW and 28 MWh storage at Oakland L and 29 MW and 145 MWh storage at Oakland C.”¹⁵ As a result, in this Application, PG&E presents two resources meeting this specifically defined need for Commission review and approval. Because PG&E does not

¹³ See CEERT Protests at pp. 4-7 (generally arguing for the inclusion of energy efficiency in the final OCEI portfolio); See Council Protest at p. 7.

¹⁴ CEERT Protest at pp. 7-8.

¹⁵ 36 MW and 173 MWh for 2024 from storage to sufficiently meet the current forecasted reliability need, including 7 MW and 28 MWh storage at Oakland L and 29 MW and 145 MWh storage at Oakland C.

propose to procure incremental resources beyond the CAISO-identified need, a detailed evaluation of why PG&E did not procure resources that were more costly, and beyond the need identified by CAISO in its TPP is unnecessary.

Finally, CEERT raises certain concerns that go well beyond the scope of PG&E's limited procurement Application. For example, the CEERT questions why broad cost allocation is required for the procurement of reliability resources, and whether there should be consideration risks from earthquakes, wildfires in the hills East of Oakland that directly affect transmission corridors into the Oakland load pocket, and Public Safety Power Shutoff (PSPS) events called to mitigate these risks.¹⁶ Similarly, the CEERT seeks to include consideration of all potential future development plans in the load pocket that significantly impact future electricity demand.¹⁷ CEERT's broad questions are beyond the scope of this Application and are best addressed by the Commission in broader, and directly relevant policy and planning proceedings. PG&E notes CEERT's broad questions concerning the LARS agreements and their operation can be addressed through CEERT's full participation in this proceeding.

IV. SCHEDULING AND PROCESS MATTERS

PG&E is supportive of a procedural schedule to successfully ensure a year-end final decision, to provide the best chance for the OCEI procurement can be deployed by February 2022. PG&E recognizes that achievement of an expedited schedule relies upon significant efforts of the Commission and parties. However, PG&E maintains that it is important to adhere to a procedural schedule that provides for clarity on the completion of CPUC-jurisdictional OCEI matters to ensure local area reliability in the Northern Oakland area as envisioned by the TPP.

///

///

///

¹⁶ CEERT Protest at p. 8.

¹⁷ Id.

V. CONCLUSION

PG&E has fully reviewed and considered the parties' protests to its Application, and respectfully requests that the Commission address the protests as recommended in this Reply.

Respectfully Submitted,

By: /s/ Maria V. Wilson
MARIA V. WILSON

Pacific Gas and Electric Company
77 Beale Street
San Francisco, CA 94105
Telephone: (415) 973-5639
Facsimile: (415) 973-5520
E-Mail: Maria.Wilson@pge.com

Attorney for
PACIFIC GAS AND ELECTRIC COMPANY

Dated: May 28, 2020