

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

Agenda Item# 44

Agenda ID: 18651

RESOLUTION E-5101 (Rev.1)

August 27, 2020

R E S O L U T I O N

Resolution E-5101. Approves Southern California Edison's plan submitted in Advice Letter 4218-E to procure 770 megawatts of resources to satisfy requirements of D.19-11-016, and as modified by Supplemental Advice Letter 4218-E-A.

PROPOSED OUTCOME:

- This Resolution approves proposed procurement by Southern California Edison (SCE) of 770 MW of Energy Storage resources amounting to an incremental capacity of 683.2 MW of Resource Adequacy. This procurement is in response to a Commission order from D.19-11-016.

SAFETY CONSIDERATIONS:

- SCE's Pro Forma Energy Storage Agreement requires the Seller to operate the energy storage facility in accordance with "Prudent Electrical Practices." An expansive list of safety provisions is found on pages 32-34 of Advice Letter 4218-E.

ESTIMATED COST:

- Contract costs are confidential at this time. The Commission finds that the selected contracts represent a net benefit to ratepayers over their terms.

By Advice Letter 4218-E filed on May 22, 2020 and Supplemental Advice Letter 4218-E-A filed July 17, 2020.

SUMMARY

This Resolution approves Southern California Edison's (SCE) request to procure 770 megawatts (MW) of nameplate energy storage capacity, counting as

683.2 MW of incremental Resource Adequacy (RA) capacity, to satisfy the procurement requirements ordered in D.19-11-016. This decision is part of the Integrated Resource Planning (IRP) Rulemaking (R.16-02-007), which seeks to ensure adequate and efficient resources are present to provide energy for California's future in line with the State's environmental goals.

Table 1, below, provides a summary of the seven resources selected in the Fast Track of SCE's System Reliability Request for Offers (SRRFO).

Counterparty / Project Name	Technology type	Contract type	Nameplate Capacity (MW)	Incremental RA capacity (MW)	Online Date	Term of Agreement (Years)	Located in DAC
Blythe Energy Storage II, LLC/ Blythe Energy Storage II/ Riverside County	Energy Storage (Co-located with solar facility)	Tolling Agreement	115	98.9	8/1/2021	15	no
Blythe Energy Storage III, LLC/ Blythe Energy Storage III/ Riverside County	Energy Storage (Co-located with solar facility)	Tolling Agreement	115	98.9	8/1/2021	15	no
Edwards Sanborn Energy Storage I, LLC/Edwards Sanborn Energy Storage I/ Kern County	Energy Storage	RA Only	50	50	8/1/2021	10	yes

Gateway Energy Storage, LLC/Gateway Energy Storage/ San Diego County	Energy Storage	RA Only	100	100	8/1/2021	15	no
McCoy Energy Storage, LLC/McCoy Energy Storage/ Riverside County	Energy Storage (Co-located with solar facility)	Tolling Agreement	230	197.8	8/1/2021	15	no
SP Garland Solar Storage, LLC/SP Garland Solar Storage/ Kern County	Energy Storage (Co-located with solar facility)	RA with Put Option	88	75.68	8/1/2021	20	no
SP Tranquility Solar Storage, LLC/SP Tranquility Solar Storage/ Fresno County	Energy Storage (Co-located with solar facility)	RA with Put Option	72	61.92	8/1/2021	20	yes

BACKGROUND

Integrated Resource Planning

In Decision (D).19-11-016 (Decision) the California Public Utilities Commission (CPUC or the Commission) established 2021 through 2023 (near term) procurement requirements for all California jurisdictional load serving entities (LSEs) to procure a share of a total of 3,300 MW of incremental RA capacity to come online by August 1, 2023. Additionally, fifty percent of each LSEs portion of the requirement must come online by August 1, 2021. SCE's share of the total

capacity requirement is 1184.7 MW, meaning at least 592.35 MW is due online by August 1, 2021. Pursuant to D.19-11-016, community choice aggregators (CCAs) and electric service providers (ESPs) were given an opportunity to elect not to self-provide their procurement requirements by notifying the Commission by February 15, 2020. To the extent these LSEs elected not to self-provide, the Commission required the relevant IOU to procure on behalf of these LSEs and have the costs allocated to the customers of these LSEs on a non-bypassable basis based on a modified cost allocation mechanism ("CAM"). In response to LSEs elections to not self-provide, SCE was allocated an additional 56.6 MW of incremental RA procurement, with 28.3 MW to be online by August 1, 2021.

The Decision also requires that the investor owned utilities (IOUs) conduct all source solicitations to procure their share to the procurement requirement and submit the results of these solicitations in a Tier 3 Advice Letter that contain a description of the solicitation and procurement process, including:

- a. Metrics used to compare bids received in the solicitation;
- b. Metrics used to compare utility-owned resource options, using Appendix A, Section 2c, of Decision 19-06-032 as a guide;
- c. Demonstration of incrementality to the baseline given in Ordering Paragraph 5 of this Decision.

The capacity due online in 2021 is the subject of the Fast Track of SCE's solicitation SCE's Fast Track Contracts, totaling 770 MW of nameplate capacity, provide 644 MW of incremental system RA capacity and are planned to come online by August 1, 2021. This satisfies SCE's requirement pursuant to D.19-11-016 to procure a minimum of 592.3 MW of incremental system RA capacity to come online by August 1, 2021 and the requirement that SCE procure an additional 28.3 MW in the same time frame for LSEs in SCE's Transmission Access Charge TAC area that elected not to self-provide their procurement requirements.

Details of SCEs System Reliability Request for Offers (SRRFO)

SCE launched its SRRFO on September 19, 2019, in anticipation of a final Commission decision requiring incremental RA system capacity in the IRP proceeding. The SRRFO utilizes two tracks:

1. Fast Track – for projects to come online by August 1, 2021; and
2. Standard Track – for projects to come online by August 1, 2022 and August 1, 2023.

Projects were required to be able to obtain a net qualifying capacity (NQC) for system RA and convey those attributes to SCE. All projects were required to be incremental to the baseline resource assumptions identified by the Commission in D.19-11-016.

In its SRRFO, SCE expressed a preference for preferred and energy storage resources located in disadvantaged communities (“DACs”). Additionally, SCE indicated a preference for behind the meter (BTM) projects that can provide resiliency in the case of Public Safety Power Shutoffs (“PSPS”). SCE also indicated a preference for larger size projects due to the large volume of its procurement requirements.

The following table documents SCE’s SRRFO schedule.

Date RFO Event
September 19, 2019 RFO Launch
October 9, 2019 Bidders’ Conference
November 22, 2019 Offer Submittal for Fast Track
November 22, 2019 Indicative Offer Submittal for Standard Track
December 20, 2019 Shortlisting Notification for Fast and Standard Tracks
April 21, 2020 ²³ End of Contract Execution Period for Fast Track
May 29, 2020* Final Offer Submittal for Standard Track
July 10, 2020* Contract Execution for Standard Track

SCE utilized a least-cost, best-fit (LCBF) methodology to value and select resources obtained in the RFO process. This methodology takes into account both quantitative and qualitative attributes associated with offers to arrive at the best value and most cost-effective solution for customers that meet the identified incremental RA needs.

SCE also utilizes a net present value (NPV) method in performing its quantitative assessment of offers. A net present value methodology entails forecasting (1) the project benefits and costs over the life of the offer; (2) applying time value of money (3) estimating the net present value as the present value of the benefits minus the present value of the cost; and (4) normalizing the ranking of each offer by an NPV metric (RA kW-month). SCE also assesses the nonquantifiable characteristics of each offer by performing an analysis of the qualitative attributes of each project during both the shortlist and final selection processes.

SCE engaged an Independent Evaluator (IE), Sedway Consulting, Inc, from the Commission's approved list of IEs for the SRRFO. The IE was involved throughout the SRRFO process which includes: review of RFO documentation, review of the valuation process, numerous conference calls and negotiation sessions, and other documents exchanged by parties through the SRRFO process.

SCE consulted with the Procurement Review Group (PRG) and CAM PRG at several points of the process. Consultations regarding the launch of the SRRFO, the proposed shortlist, additional procurement for other LSEs, and Fast Track selection recommendations were all held with the relevant groups given the opportunity to give input.

Cost Recovery

SCE proposes to allocate costs and benefits of these procurements to all benefitting customers, through the Modified CAM. The Modified CAM is currently in development in R.20-05-003. Until that development is complete, SCE proposes to use a System Reliability Procurement Memorandum Account (SRPMA) to track costs and benefits of these resources. SCE has also asked that incremental administrative costs for procurement on behalf of other LSEs be allocated through the same process as the procurement costs, consistent with the

language of D.19-11-016 that guaranteed recovery of all costs associated with the IOUs procuring on behalf of other LSEs.

In addition to procurement costs, SCE's Advice Letter details plans to allocate costs and benefits of changes to RPS contracts that are required by the procurement of multiple hybrid resources. SCE identifies several sources of changes in value of existing RPS PPAs and proposes to track these value changes in the Portfolio Allocation Balancing Account (PABA) and the SRPMA.

Disadvantaged Communities (DACs)

Senate Bill 350 (de León, Chapter 547, Stats. 2015) contains disadvantaged community goals that are cross-cutting and therefore will be integrated into all policy areas. Thus, in evaluating the Fast Track Procurements, the Commission analyzes the impacts on such communities.

The California Environmental Protection Agency (CalEPA) is responsible for identifying disadvantaged communities for purposes of the Cap-and-Trade program funding. CalEPA has designated disadvantaged communities as the 25% highest scoring census tracts in the state using results of the California Communities Environmental Health Screening Tool, Version 3 (CalEnviroScreen 3.0). The tool combines twenty indicators in "population" and "pollution burden" categories. SB 350 directs the CPUC to also use CalEPA's tool to identify disadvantaged communities.

Two of the fast track energy storage procurements, the Edwards Sanborn Storage I project, and the SP Tranquility Solar Storage project, are located within DACs, as identified according to the CalEnviroScreen 3.0. Siting Energy Storage resources in DACs has the potential to reduce local dependence on energy production that increases air pollution.

Details of SCE's requests for relief in Advice Letter 4018-E

SCE requested the following relief be approved in a Resolution issued no later than the August 27, 2020 Commission meeting.

1. Approval of the Fast Track Contracts in their entirety;
2. A finding that the Fast Track Contracts are consistent with D.19-11-016;
3. A finding that the Fast Track Contracts, totaling 644 MW expected incremental RA capacity, count towards satisfying the procurement requirements of SCE and the LSEs in SCE's TAC area that elected not to self-provide their procurement pursuant to Ordering Paragraph 3 of D.19-11-016;
4. Approval of the Solar Amendments between SCE and RE Garland, LLC and RE Tranquillity, LLC and the form and substance of the Solar Amendments between SCE and Blythe Solar II, LLC, Blythe Solar III, LLC, and McCoy Solar, LLC;
5. A finding that the Fast Track Contracts, and SCE's entry into them, is reasonable and prudent for all purposes, and that any payments to be made by SCE pursuant to the Fast Track Contracts are recoverable in full by SCE through the Energy Resource Recovery Account (ERRA) proceeding, subject only to SCE's prudent administration of the Fast Track Contracts;
6. A finding that the Solar Amendments between SCE and RE Garland, LLC and RE Tranquillity, LLC, and SCE's entry into those Solar Amendments, is reasonable and prudent for all purposes, and that any payments to be made by SCE pursuant to those Solar Amendments are recoverable in full by SCE through the ERRA proceeding, subject only to SCE's prudent administration of those Solar Amendments;
7. A finding that the form and substance of the Solar Amendments between SCE and Blythe Solar II, LLC, Blythe Solar III, LLC, and McCoy Solar, LLC, and SCE's entry into those Solar Amendments in a form substantially similar to the form provided in this Advice Letter, is reasonable and prudent for all purposes, and that any payments to be made by SCE pursuant to those Solar Amendments are recoverable in full by SCE through the ERRA proceeding, subject only to SCE's prudent administration of those Solar Amendments;
8. Authorization allowing SCE to allocate the benefits and costs of the Fast Track Contracts to all applicable customers in accordance with the Modified CAM as

adopted in D.19-11-016 and a subsequent Commission decision adopting the design and implementation of the Modified CAM;

9. Authorization allowing SCE to allocate the incremental administrative costs of the SRRFO, including IE costs, to all applicable customers in accordance with the Modified CAM as adopted in D.19-11-016 and a subsequent Commission decision adopting the design and implementation of the Modified CAM;

10. Approval of SCE's proposed approach to cost recovery for the Existing RPS PPAs as amended as set forth in Section VII of this Advice Letter, including a finding that the existing solar projects associated with the Existing RPS PPAs will maintain their current PABA resource vintage;

11. Approval to establish the SRPMA and to make the tariff revisions included in Attachment A to this Advice Letter;

12. Authorization to allow SCE to make the accounting entries between the SRPMA and the PABA as provided in Sections VI and VII and Attachment A to this Advice Letter; and

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

Supplemental Advice Letter

On July 17, 2020 SCE filed Supplemental Advice Letter 4218-EA. The supplement contains modification to three of the contracts contained in the Advice Letter. In response to protest from Cal Advocates, and at the urging of the Independent Evaluator, SCE worked out a way to restructure and modify the tolling agreement options to provide more value for ratepayers. The three contracts that are modified by this supplemental advice letter were changed into tolling agreements from RA with Put option.

NOTICE

Notice of Advice Letter 4218-E was made by publication in the Commission's Daily Calendar. SCE states that a copy of Advice Letter 4218-E was distributed in accordance with Section 4.3 of G.O. 96-B. SCE has also stated that copies of Supplemental Advice Letter 4218-E-A were served on the GO 96-B, R.16-02-007,

and R.20-05-003 service lists, as well as the parties that protested and responded to Advice Letter 4218-E.

PROTESTS AND RESPONSES

Advice Letter 4218-E was timely protested by the California Public Advocates Office on June 11, 2020, and by Alliance for Retail Energy Markets (AReM) on June 11, 2020. SCE timely filed a reply to the protests on June 18, 2020. California Energy Storage Alliance (CESA), Clean Power Alliance, CalChoice, and Center for Energy Efficiency and Renewable Technology (CEERT) all filed responses to AL 4218-E. The issues raised in protests and responses are detailed below and discussed further in the Discussion section of the Resolution.

Debt equivalence (DE) treatment and contract type

Cal Advocates raises several issues in their protest, one of which concerns SCE's evaluation of tolling contracts using 100% debt equivalence. In previous proceedings, the CPUC has determined that 20% Debt Equivalence (DE) factors are appropriate when comparing PPAs.¹ SCE's ranking of projects and contract types changes when moving from a 20% DE factor for tolling agreements to a 100% DE factor. Cal Advocates requested that the Commission require SCE to use the 20% factor and to renegotiate RA with Put Option contracts into tolling agreements.

Cost allocation

AReM has stated that their expectation of cost recovery procedures is different than what is represented in the Advice Letter. SCE has asked that cost recovery for these contracts come through the impending Modified CAM under consideration in R.20-05-003, with the possibility that if balancing account treatment is not established in the proceeding determining the modified CAM, the costs and benefits pass to an ERRR application. ARReM has stated that they

¹ D.08-11-008

believe that the Commission only intended for the customers of other LSEs for whom SCE procures capacity in this advice letter to be paying through CAM. In AReM's vision, SCE's own customers were to be paying for the costs through generation rates.

GHG reduction

Cal Advocates also requests that SCE be asked to certify or quantify greenhouse gas (GHG) reductions that will accrue with the use of the newly contracted resources. SCE responds that D.19-11-016 does not explicitly require this and that the resources chosen are non-emitting resources, and therefore satisfy environmental requirements.

Compliance costs for future changes to RA program

Cal Advocates is concerned that SCE's treatment of potential costs for future RA program changes may lead to losses to ratepayers and not losses to sellers or SCE's investors. SCE responded that these caps were necessary to make the projects financeable, and that the costs of financing the projects is a reasonable cost for ratepayers to bear. Additionally, SCE points out that such Compliance Caps have been a standard part of their pro-forma PPAs for some time.

Incentives for full RA availability

Cal Advocates has also protested SCE's plan to provide additional incentive payments to resources that achieve full RA status by August or September 2021. Because the Order stated that resources that are online and can submit bids but not yet fully available for RA deliverability will also be acceptable, Cal Advocates claim that this is an unnecessary and unjust expense for ratepayers to bear. SCE responded that the solicitation is to procure RA, and therefore appropriate incentives to ensure RA availability in the August – September timeframe are a reasonable cost.

DISCUSSION

Advice Letter 4218-E and Supplemental Advice Letter 4218-E-A are approved. The relevant facts that lead to our approval of the advice letter and supplement and energy storage agreements contained and modified therein are discussed below.

SCE's proposed procurements are appropriate and follow the orders laid out in D.19-11-016.

Decision 19-11-016 requires all jurisdictional LSEs serving load in the CAISO to procure a portion of the of 1,650 MWs of total capacity to be online by August 1, 2021. The IOUs are also required to procure on behalf of LSEs that elect to not self-provide their portion of these requirements. Additionally, LSEs must report their methods and metrics used to evaluate all bids received and determine which resources to procure, and demonstrate that procured resources are incremental to the baseline determined in the IRP proceeding. SCE has satisfied these requirements and procured appropriate capacity to satisfy the August 1, 2021 online date. SCE has also submitted a detailed Advice Letter and supporting documents meeting the requirements, and describing a thorough and complete solicitation process.

Protests and other issues

Debt Equivalence treatment in bid evaluations

Cal Advocates protested the Advice Letter on the grounds that SCE's ranking of resources for the sort list relied on assigning a 100% Debt Equivalence (DE) factor to tolling agreements. The Commission recognizes Cal Advocates' desire to see the contracts evaluated under the established metrics. We also recognize SCE's responsibility to evaluate realistic costs of contracts that it proposes to enter into. SCE argues that traditional tolling agreements will cause changes to their overall balance sheets that will impact capital costs. It is appropriate for SCE to try to minimize costs, and to consider all real costs when doing so. However Cal Advocates' protest raises relevant points about acquiring the greatest value for ratepayers. In response to the protest, SCE negotiated a modified tolling agreement that will not require the use of the 100% DE factor and will allow them to provide increased value for ratepayers.

We appreciate SCE's efforts on this point. Additionally we understand that SCE's ability to modify these contracts in a way that did not require use of the 100% DE factor was dependent on characteristics of the individual contracts and resources, and that this treatment may not be applicable to future procurement options.

Because of the unique and new nature of tolling agreements with energy storage resources and the individual contracts in question, future treatment and valuation of such procurement options may not always be able to use this modified tolling agreement.

The other two contracts have remained as RA with Put Option. Given the evidence presented by SCE, along with the opinion of the Independent Evaluator, we find these two remaining contracts to be reasonable as well. We recognize some merit in Cal Advocates' protest, but also in SCE's attempt to evaluate all relevant costs. Final resolution of debt equivalence issues related to varied contract types is complicated and outside the scope of this resolution.

We have raised concerns about how variation in Debt Equivalence factors can impact comparisons between different contract types, particularly in the context of comparing Utility Owned Generation (UOG) to third party ownership.² We have also recognized in the Cost of Capital Proceeding that Debt Equivalence needs to be considered on a case by case basis. No comprehensive consideration of Debt Equivalence has been undertaken for quite some time; many of the determinations date back to 2007 or earlier.

Over the period since those determinations on Debt Equivalence much has changed in the realm of utility balance sheets and in the characteristics of resources and contracts that are being procured. In light of the reliability need the state is facing it is unreasonable to expect that determination to be revisited in time to contract capacity for an August 2021 online date. Given efforts SCE has made to reduce the number of contracts that would have been subjected to the 100% DE treatment in the bid comparisons, and the fact that there are no UOG bids being compared, we find it reasonable to approve the remaining contracts at this time. In doing so, we recognize the need to review how DE should be applied in comparing bid structures in procurement solicitations.

GHG Reduction Requirements

² Decision 07-12-052

Cal Advocates requests that SCE be compelled to demonstrate that its procured resources will lead to a reduction in GHG emissions. SCE responds that D.19-11-016 does not require this, but only that SCE demonstrate compliance with section 454.52(a)(1)(I), which requires that SCE minimize local pollutants and GHG emissions. SCE further contends that they have met this criterion by procuring non-emitting resources and expressing a preference for energy storage over gas fired generation.

Energy Storage resources do not contribute directly to GHG, criteria pollutants, or local air pollution. The actual change in emissions due to energy storage charging is a complex issue that will not be controllable by or visible to the individual energy storage resource. Energy storage resources can store inexpensive power, often generated by zero marginal cost renewable generation, and release it at later times when prices are higher. Those higher prices are often set by gas fired generation. The State and the Commission have implemented many policies to increase the functionality and development of the storage fleet in order to facilitate this movement of clean energy to displace polluting generating resources. SCE's decision to choose contracts that follow this path is prudent and we do not grant Cal Advocates' request on this subject.

Cost recovery

SCE has proposed that cost recovery for these expenses would come through the coming Modified CAM. The Modified CAM is being designed as part of the IRP rulemaking.

SCE responded to AReM's protest stating that D.19-11-016 directly orders the use of the Modified CAM, and that such treatment will be modified according to any developments the Commission adopts in the Modified CAM process.

Accordingly, we agree with SCE that the Modified CAM process which will be developed in R.20-05-003 is the appropriate method for determining cost allocation and recovery. AReM's protest is denied. We encourage AReM to actively participate in the further development of the Modified CAM in the IRP proceeding, which is an appropriate venue to discuss their concerns.

Hybrid resources and investment tax credits

SCE's contracts for energy storage resources co-located with renewable resources are presented under the assumption that the projects will receive the full Investment Tax Credit (ITC). If circumstances evolve such that the project does not receive the full credit due to any actions taken by SCE, the contracts contain provisions such that SCE will be required to make the project whole for the loss of the ITC. SCE was offered other contract forms with varying levels of renewable charging requirements but determined that the 100% renewable charging level mandated in the chosen contracts was the best option.

The uncertainty of the ITC must be recognized. We do not question SCE's decision that the 100% renewable charging contract was the appropriate selection at this time, but we also recognize that changing conditions in the future could alter the path of price and energy use expectations. Accordingly, we require SCE to file a quarterly update, in the form of a Tier 1 advice letter, detailing renewable charging status and any Grid Charging Fees required by the contracts for co-located resources as well as revenue. The first of these will be due on February 1, 2022 and will detail the relevant information for the months of August through December 2021. Additional reports will be due every year, detailing results for the previous year. Advice letter submissions will be complete on February 2028.

Compliance costs for future changes to RA program

Cal Advocates has protested the treatment of certain costs that may accrue to SCE according to terms of the contracts that limit the sellers liability to comply with future changes to the RA program. According to Cal Advocates, the treatment that exposes ratepayers to these costs is improper. Instead they suggest that shareholders should bear these costs.

The RA program exists for the benefit of the ratepayers and the greater population of the state. Any changes made to future RA requirements will consider the costs of those changes to ratepayers. Because the changes will be made to benefit ratepayers, it is appropriate that costs of those changes be balanced against the benefits and that the costs and benefits fall on the same entity. We deny Cal Advocates' protest on this point.

Incentive payments for RA status

Cal Advocates has protested SCE's offer to include an incentive payment for resources that achieve RA status by August or September of 2021. As Cal Advocates point out, the Decision that ordered this procurement also said "resources that do not yet count for resource adequacy but are online and required to submit bids in the CAISO markets consistent with the resource adequacy must offer obligations to be online for the purposes of this requirement ." However the clear preference is for capacity that counts as Resource Adequacy in the extremely important August and September timeframe. We find it appropriate for SCE and their ratepayers to include incentives for performance in this manner, and agree with SCE that the value of this benefit is expected to be greater than the cost.

Other responses to Advice Letter

The Commission has received multiple responses from parties in support of the Advice Letter and some with additional comments on the Advice Letter.

CESA responded in support of SCE's procurements and process, and encouraged the Commission to grant the requested relief. In their response they cite the judgment of the Independent Evaluator (IE) as support for the fairness of the RFO process that SCE conducted, and CESA's judgment and interpretation of D.19-11-016 to determine that SCE's contracts fulfill the requirements.

CalChoice timely filed a response to the Advice Letter on June 11, 2020s. The response raises questions about SCE's accounting method for RPS contract amendment impacts and about the use of standalone versus co-located energy storage resources. CalChoice requests that cost recovery issues for RPS amendments be kept open. They also request that SCE make clearer demonstration that the co-located resources are not overly costly due to the decrease in qualifying RA capacity compared to a similarly sized standalone resource. We thank CalChoice for their thoughts but find that SCE has acted appropriately on both matters.

CEERT filed a response to the Advice Letter applauding the procurement efforts and encouraging swift approval.

Clean Power Alliance asks for clarification that non-bundled customers can also take advantage of the cost savings of installing storage resources at existing renewable generation sites. Specifically, they want to understand if SCE will allow other LSEs to install Energy Storage resources at the sites of SCE contracted renewable generation. This question is not relevant for the current resolution so we do not take it up. We do note that cost savings for hybrid resources are dependent not just on location but on using renewable energy to charge the hybrid resource.

General Compliance with D.19-11-016

Decision 19-11-016 does not specify particular safety requirements. We note that the energy storage projects are (or will be) permitted by local Authority-Having Jurisdictions (AHJ) and will be compliant with AHJ building codes that address safety requirements.

We note that the IE determined that SCE's procurement process was reasonable and appropriate overall and that the IE found each of the contracts for which SCE seeks approval to be reasonable. Based on our review, we find that the solicitation process and agreements described in Advice Letter 4218-E comply with the requirements of D.19-11-016 overall.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this Draft Resolution must be served on all parties and subject to at least 30 days public review. Please note that comments are due 20 days from the mailing date of this resolution. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day review and 20-day comment period for the Draft of this Resolution was neither waived nor reduced. Accordingly, this Draft Resolution was mailed

to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

The Commission received comments from AReM, SCE, Public Advocates Office, and CESA. All were timely filed.

CESA supports adoption of the resolution.

AReM requested minor changes to the text of one paragraph of the resolution. The changes were reasonable and we accepted those changes.

SCE's response requested corrections to numbers as well as changes to the incremental RA capacity that had been calculated. These changes are a result of new rules for counting RA capacity for hybrid resources that have been adopted since the original filing. SCE also requested clarity on whether those rules would apply to the procurement. We find it appropriate to use these counting rules and have adjusted the tables in the resolution correspondingly.

Public Advocates Office filed a response that reiterated their protests on the Advice Letter. We do not find any reasons to change our judgement on these matters. Public Advocates Office also pointed out that the Draft Resolution had failed to address one of their protests, on incentive payments for achieving RA capacity status. That omission has been corrected.

FINDINGS AND CONCLUSIONS

1. SCE's Advice Letter 4218-E describes a competitive solicitation and selection of resources that followed the requirements of D.19-11-016.

2. SCE has responded to the Cal Advocates' protest and renegotiated three of the five RA with Put Option contracts into Tolling Agreements in Supplementary Advice Letter 4218-E-A.³
3. SCE's proposed amendments to solar contracts will appropriately address the issues of decreased value of RPS resources that are co-located with energy storage.
4. SCE demonstrates in Advice Letter 4218-E and in Supplementary Advice Letter 4218-E-A that it selected the highest NPV projects that are able to fulfill the requirements of D.19-11-016 and to be online by August 1, 2021.
5. The Commission finds the Fast Track contracts in the Advice Letter and as Modified by the Supplementary Advice Letter in response to the Cal Advocates, and SCE's entry into them, is reasonable and prudent, and any payments made by SCE pursuant to the contracts are recoverable by SCE through the ERRA proceeding, subject to the Commission's review of SCE's prudent administration of the contracts.
6. The Commission finds that the Solar Amendments, and SCE's entry into them, is reasonable and prudent and that any payments to be made by SCE pursuant to those Solar Amendments are recoverable in full by SCE through the ERRA proceeding, subject only to SCE's prudent administration of those Solar Amendments.
7. The Commission finds that it is reasonable to authorize SCE to allocate the benefits and costs of the Fast Track Contracts to all benefitting customers in accordance with D.19-11-016.
8. The Commission finds that it is reasonable to authorize the Modified Cost Allocation Mechanism, as adopted by the Commission in D.19-11-016, to apply to the Fast Track contracts.
9. Additional greenhouse gas impact analysis is not a prerequisite for approval of AL 4218-E.
10. Use of the Federal Investment Tax Credit allows for substantial potential cost savings. Given the current uncertain nature of renewable charging the Commission finds it reasonable to monitor the status of renewable charging through the use of a

³ "The submittal of a supplement or of additional information at the request of the reviewing Industry Division, does not automatically continue or reopen the protest period" (General Order 96-B, General Rule 7.5.1.

Tier 1 Advice Letter submitted annually by the IOU that has procured capacity from a hybrid resource dependent on the ITC.

11. Incremental RA capacity for hybrid and/or co-located resources should be counted according to the methods laid out in D.20-06-031. The tables in this Resolution have been updated to show the correct incremental RA capacity.

THEREFORE IT IS ORDERED THAT:

1. Advice Letter 4218-E, Supplementary Advice Letter 4218-E-A, and the Fast Track Contracts and Solar Amendments contained and modified therein, and SCE's proposed cost recovery for the contracts and amendments are approved in their entirety.
2. The relief requested in Advice Letter 4218-E is approved.
3. SCE shall file a Tier 1 advice letter annually to advise the Commission of renewable charging status, Grid Charging Fees and other costs and revenues unique to co-located resources.

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 August 27, 2020; the following Commissioners voting favorably thereon:

ALICE STEBBINS
Executive Director