

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

Agenda Item# 43
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RESOLUTION E-5100 (Rev.1)
August 27, 2020

R E S O L U T I O N

Resolution E-5100. Pacific Gas and Electric Company's Request for Approval of System Reliability Contracts Pursuant to Decision 19-11-016.

PROPOSED OUTCOME:

- This Resolution approves seven contracts for incremental system reliability resources that Pacific Gas and Electric Company procured via a competitive solicitation, pursuant to Decision 19-11-016.
- This Resolution also approves an interim cost recovery mechanism proposed by Pacific Gas and Electric Company.

SAFETY CONSIDERATIONS:

- All contracts approved by this Resolution require sellers to develop safety plans and to demonstrate compliance with those plans. Projects must also comply with local authorities responsible for permitting and enforcement of the California building, fire, life safety, and electrical codes.

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 5826-E, Filed on May 18, 2020.

SUMMARY

This Resolution approves seven contracts for incremental system reliability resources that Pacific Gas and Electric Company procured through its System Reliability Request for Offers – Phase 1 solicitation in 2020. Pacific Gas and Electric Company undertook this

solicitation to meet its 2021 incremental procurement requirements pursuant to Decision 19-11-016 in the Integrated Resource Plan Rulemaking, 16-02-007. This Resolution approves the contracts without modification and also approves an interim cost recovery methodology that Pacific Gas and Electric Company proposed. This Resolution also addresses certain questions regarding incrementality of the resources that Pacific Gas and Electric Company has procured.

BACKGROUND

Decision (D.) 19-11-016 in the Integrated Resource Plan Rulemaking, (R.) 16-02-007, ordered Pacific Gas and Electric Company (PG&E) to procure 716.9 megawatts (MW) of system Resource Adequacy (RA) capacity, at least 50% of which must come online by August 1, 2021.¹ In the event that a Community Choice Aggregator (CCA) or Electric Service Provider (ESP) opted not to procure its total allocation, D. 19-11-016 required the relevant investor-owned utility (IOU) to procure the remaining portion of the allocation.² The Commission directed the IOUs to conduct all-source solicitations that would consider “existing as well as new resources, demand-side resources, combined heat and power, and storage,” provided that selected resources were incremental to baseline resource assumptions included in the Preferred System Plan that the Commission adopted in D. 19-04-040.³ Finally, the Commission required the IOUs to file Tier 3 advice letters (AL) for approval of contracts no later than January 1, 2021 and specified that the advice letters must include:

- 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.⁴

On February 28, 2020, PG&E initiated an all-source solicitation for long term RA agreements, behind-the-meter RA agreements, RA confirms, and demand response

¹ D. 19-11-016 at OP 3(a).

² Ibid. at OP 5.

³ Ibid. at OP 6 and OP 7.

⁴ Ibid. at OP 9.

agreements to meet its procurement obligation under D. 19-11-016.⁵ PG&E evaluated and shortlisted offers based on net market value and other factors affecting project viability.⁶ On April 15, 2020, Administrative Law Judge Fitch issued a Ruling in R. 16-02-007 that assigned PG&E an additional 48.2 MW of procurement on behalf of CCAs and ESPs that had opted out of their requirements.⁷ This brought PG&E's total procurement requirement to 765.1 MW, with at least 50% (382.55 MW) required to come online by August 1, 2021. PG&E provided shortlisted offers to its Procurement Review Group (PRG) on April 6, 2020 and communicated its selected offers to the PRG on May 4, 2020.⁸ PG&E also consulted with its Independent Evaluator (IE) – Merrimack Energy – throughout the solicitation process, and AL 5826-E contains both public and confidential versions of the IE's report on the solicitation.⁹

On May 18, 2020, PG&E filed Tier 3 AL 5826-E, which requests approval of seven selected contracts. The table below describes the contracts for which PG&E seeks approval.

Counterparty (Project Name)	Technology	Size (MW)	Location and DAC Designation ¹⁰	Commercial Online Date	Initial Delivery Date	Term (Years)
Dynegy Marketing and Trading, LLC (MOSS100 Energy Storage)	Standalone Lithium Ion Battery	100	Moss Landing, Monterey County, CA (DAC Adjacent)	7/18/21	10/1/21	10

⁵ AL 5826-E at 4.

⁶ Ibid. at 5.

⁷ Administrative Law Judge's Ruling Finalizing Load Forecasts and Greenhouse Gas Benchmarks for Individual 2020 Integrated Resource Plan Filings and Assigning Procurement Obligations Pursuant to Decision 19-11-016, issued on April 15, 2020, available at <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M333/K160/333160852.PDF>.

⁸ AL 5826-E at 6.

⁹ Ibid. at 6.

¹⁰ "DAC" is a designation for Disadvantaged Community. See the discussion below for additional information.

Diablo Energy Storage, LLC (Diablo Energy Storage – Tranche 1)	Standalone Lithium Ion Battery	50	Pittsburg, Contra Costa County, CA (In DAC)	7/18/21	10/1/21	15
Diablo Energy Storage, LLC (Diablo Energy Storage – Tranche 2)	Standalone Lithium Ion Battery	50	Pittsburg, Contra Costa County, CA (In DAC)	7/18/21	10/1/21	15
Diablo Energy Storage, LLC (Diablo Energy Storage – Tranche 3)	Standalone Lithium Ion Battery	50	Pittsburg, Contra Costa County, CA (In DAC)	7/18/21	10/1/21	15
Gateway Energy Storage, LLC (Gateway Energy Storage)	Standalone Lithium Ion Battery	50	San Diego, San Diego County, CA (DAC Adjacent)	7/18/21	10/1/21	15
NextEra Energy Resources Development, LLC (Blythe Energy Storage 110)	Lithium Ion Battery Co- Located at Existing Solar	63	Blythe, Riverside County, CA (DAC Adjacent)	7/18/21	10/1/21	15
Coso Battery Storage, LLC (Coso Battery Storage)	Lithium Ion Battery Co- Located at Existing Geothermal	60	Little Lake, Inyo County, CA (DAC Adjacent)	7/18/21	10/1/21	15

Cost Recovery

PG&E also requests approval of a cost recovery mechanism that would be in place until the Commission adopts a Modified Cost Allocation Mechanism (Modified CAM), as described in D. 19-11-016.¹¹ PG&E proposes to create a new Incremental Resource Adequacy Procurement Memorandum Account (IRAPMA), in which PG&E would separately track costs that PG&E does not currently recover in rates, including procurement costs and administrative costs associated with procurement on behalf of CCAs and ESPs that opted out of their D. 19-11-016 requirements.¹² PG&E anticipates that the future Modified CAM would provide for recovery of costs tracked in the IRAPMA.¹³ PG&E also proposes to begin recovering the procurement costs and administrative costs associated with its bundled customers through generation rates in

¹¹ AL 5826-E at 12.

¹² Ibid. at 12-13.

¹³ Ibid. at 13.

2021.¹⁴ That is, PG&E would not use the IRAPMA to track costs associated with its bundled customers that are already recovered in rates. PG&E requests a finding in this Resolution, among others, that “all procurement costs associated with the procurement agreements shall be eventually recovered in rates via the Modified CAM described in D. 19-11-016 or other recovery mechanism(s) approved by the Commission for the full term of the respective agreements.”¹⁵

Safety

PG&E describes the safety considerations of the proposed agreements. PG&E required all shortlisted counterparties to “provide information about their technology as well as the safety history of the participant and/or contractors (if known)” and required selected counterparties to undergo screening against PG&E’s Contractor Safety Program prequalification standards.¹⁶ The final agreements for which PG&E seeks approval “require sellers to practice responsible safety management enforced by contractual terms and conditions based on 1) standards for Prudent Electrical Practices, 2) all applicable laws and regulations, and 3) requirements of PG&E’s Contractor Safety Program.”¹⁷ Sellers must provide safety plans that demonstrate “responsible safety management during all phases of the project lifecycle” (including decommissioning) and that reference all applicable codes and standards, among other criteria.¹⁸ Sellers must also document potential hazards and mitigation plans and must demonstrate contractors’ and subcontractors’ compliance with safety requirements.¹⁹

Disadvantaged Community (DAC) Designations

Senate Bill 350 (de León, Chapter 547, Stats. 2015) contains disadvantaged community goals that are cross-cutting and therefore will be integrated into all

¹⁴ Ibid. at 13.

¹⁵ Ibid. at 17.

¹⁶ Ibid. at 11.

¹⁷ Ibid. at 11.

¹⁸ Ibid. at 11.

¹⁹ Ibid. at 11-12.

policy areas. Thus, in evaluating the Fast Track Procurements, the Commission will analyze 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.

The Diablo Energy Storage Project is located in a DAC, as identified according to the CalEnviroScreen 3.0. The remaining projects in AL 5826-E are located in census tracts that are immediately adjacent to DACs. Siting Energy Storage resources in DACs has the potential to reduce local dependence on energy production that increases air pollution.

NOTICE

Notice of AL 5826-E was made by publication in the Commission’s Daily Calendar. PG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS

Advice Letter 5826-E was timely protested by the Public Advocates Office and by the Alliance for Retail Energy Markets (AReM) on June 8, 2020. The Public Advocates Office protests AL 5826-E on two points. First, they note that the advice letter “does not provide any analysis of the net impacts on [greenhouse gas (GHG)] and local criteria emissions that will result from the approval of the procurement” and that “it remains unclear whether the seven proposed agreements comply with GHG and criteria pollutant requirements under SB 350, SB 100, and D.18-02-018.”²⁰ The Public Advocates Office proposes that the Commission require PG&E to supplement AL 5826-E with “additional information regarding the net impacts on GHG and criteria air pollutant emissions of new

²⁰ Public Advocates Office Protest at 4.

energy storage procurement for each of the proposed contracts.”²¹ Second, the Public Advocates Office argues that PG&E has not met the requirement of D. 19-11-016 to provide ”exact metrics for bid comparison.”²² The Public Advocates Office asserts that PG&E’s responses to two Public Advocates Office data requests did not produce information sufficient to determine the reasonableness of PG&E’s calculations.²³ They request that the Commission ”require PG&E to provide a detailed and transparent breakdown of the exact metrics used for the calculation of benefits and for offer evaluation and selection.”²⁴

The Public Advocates Office also makes two recommendations that they acknowledge cannot be resolved in this Resolution but which they request that the Commission consider in the new Integrated Resource Plan proceeding (R. 20-05-003).²⁵ First, the Public Advocates Office recommends that the Commission develop consistent evaluation methods for new resource procurement by the IOUs.²⁶ Citing a recent CAISO analysis of the maximum capacity of storage resources that could be charged during a contingency in the Moss Landing subarea, the Public Advocates Office also recommends that the Commission consider ”the capability to charge energy storage resources when these resources are proposed to be located in locally constrained areas.”²⁷

AReM’s protest concerns the proposed cost recovery mechanism in AL 5826-E. AReM agrees that costs associated with bundled customers should be recovered through generation rates and that costs associated with opt-out customers should be recovered through Modified CAM, but they oppose PG&E’s characterization of the proposal as “interim only.”²⁸ AReM specifically disagrees with PG&E’s proposed finding that ”all procurement costs associated with the procurement agreements shall be eventually

²¹ Ibid. at 4.

²² Ibid. at 4, referencing D. 19-11-016 at 44.

²³ Ibid. at 4-5.

²⁴ Ibid. at 5.

²⁵ Ibid. at 2.

²⁶ Ibid. at 7.

²⁷ Ibid. at 8.

²⁸ AReM Protest at 2-3.

recovered in rates via the modified CAM described in D.19-11-016.”²⁹ They argue that ”PG&E’s proposal to recover the costs of its contracts solely through Modified CAM for both bundled and

Opt-Out LSE customers ignores and contravenes the clear requirements in D.19-11-016,” namely that load serving entities procure (and, in AReM’s estimation, recover costs) on behalf of their own customers and that the costs of opt-out procurement be recovered through Modified CAM.³⁰ AReM asserts that enabling the IOUs to recover all costs through Modified CAM would lead to ”artificially suppressed generation rates” and that PG&E’s proposed cost recovery mechanism should be permanent.³¹ In addition, AReM states that PG&E does not adequately describe how it will separately track the costs attributable to bundled and opt-out customers and suggests that the Commission require PG&E to describe how it will track and allocate the benefits of procurement, in addition to costs.³² Finally, AReM argues that PG&E should have consulted its CAM PRG in addition to its standard PRG.³³

The Commission also received timely responses to AL 5826-E from the California Energy Storage Alliance (CESA), Fluence, and the Joint CCAs³⁴ on June 8, 2020. CESA recommends that the Commission ”expeditiously approve” PG&E’s procurement.³⁵ They assert that the proposed agreements meet the requirements of D. 19-11-016 and note that the IE provided a favorable assessment of the solicitation and bid evaluation processes.³⁶ CESA also argues for expedited approval to alleviate cost uncertainty and suggests that certain questions raised in protests ”can be addressed outside of the process for assessing

²⁹ Ibid. at 3, referencing AL 5826-E at 17. Also see the ”Background” section of this Resolution. AReM cites the entire finding but emphasizes the language quoted here.

³⁰ Ibid. at 3.

³¹ Ibid. at 3.

³² Ibid. at 3-4.

³³ Ibid. at 4.

³⁴ The Joint CCAs are East Bay Community Energy, Marin Clean Energy, Monterey Bay Community Power, Pioneer Community Energy, Sonoma Clean Power, and Valley Clean Energy.

³⁵ CESA Response at 2.

³⁶ Ibid. at 3.

and approving the contracts submitted in this Advice Letter.”³⁷ Specifically, CESA argues against delaying approval because of uncertainty regarding hybrid counting conventions, which CESA believes would not adversely affect PG&E’s overall compliance with its procurement requirement.³⁸ Fluence supports CESA’s arguments and argues that expedited approval is necessary for several reasons, including project development timelines and potential issues related to COVID-19.³⁹ The Joint CCAs request two clarifications regarding AL 5826-E. First, they note that D. 19-11-016 contemplates that IOU procurement on behalf of load serving entities that fail to meet their procurement requirements - as opposed to on behalf of those who opt out of their requirements - will be not be undertaken in advance of the need.⁴⁰ Thus, the Joint CCAs request that PG&E clarify that it does not intend for the agreements in AL 5826-E to cover such procurement and that it does not propose to allocate the costs of such procurement to load serving entities that do meet their requirements.⁴¹ Second, the Joint CCAs raise concerns about potential PCIA impacts and request that the Commission address any PCIA impacts of the agreements in R. 20-05-003.⁴²

PG&E timely responded to the protests of the Public Advocates Office and AReM on June 15, 2020. In response to the Public Advocates Office’s protests, PG&E notes that D. 19-11-016 did not require the IOUs to make showings related to GHG emissions and argues that because PG&E’s procurement is only for RA, PG&E cannot describe “how the resources will be operated with respect to energy charging/dis-charging.”⁴³ PG&E states that its procurement of energy storage resources aligns with the preference for storage and other preferred resources that D. 19-11-016 articulates, as well as with the expansion of storage in the Reference System Plan adopted in D. 20-03-028.⁴⁴ PG&E also argues that GHG benchmarks in the Integrated Resource Plan program apply to

³⁷ Ibid. at 4.

³⁸ Ibid. at 5.

³⁹ Fluence Response at 1-2.

⁴⁰ Joint CCAs Response at 2.

⁴¹ Ibid. at 2.

⁴² Ibid. at 3.

⁴³ PG&E Reply at 2.

⁴⁴ Ibid. at 2-3.

overall portfolios but "[do] not constrain a specific project or group of projects, so long as total emissions remain under the benchmark."⁴⁵ With regard to bid evaluation metrics, PG&E asserts that it met the requirements of D. 19-11-016 by submitting Attachments H1 and H2 (the IE report), Attachment J (Evaluation Methodology), and Attachment L (Quantitative Evaluation Results and Price Comparison) to AL 5826-E.⁴⁶ PG&E states that it takes no position on the Public Advocates Office's request concerning local reliability studies.⁴⁷ However, PG&E notes that there are several caveats to the CAISO analysis and that PG&E's procurement in the Moss Landing subarea - both in AL 5826-E and in earlier orders - does not exceed the maximum charging capability that CAISO identified for that subarea.⁴⁸

In response to AReM's protest, PG&E acknowledges that AL 5826-E contemplates an interim cost recovery mechanism.⁴⁹ However, PG&E asserts that AReM misunderstands its proposal and clarifies that the proposed finding AReM cites contemplates cost recovery via the Modified CAM "**or other recovery mechanism(s) approved by the Commission.**"⁵⁰ PG&E states that it "does not intend to pre-judge the [Modified CAM] outcome in R.20-05-003"⁵¹ and argues that the cost recovery proposal in AL 5826-E should remain an interim proposal because "all parties to R. 16-02-007 and R. 20-05-003 should have the opportunity to provide comments and contribute to the record to determine the proper cost allocation method to be used for the reliability procurement as it applies to both bundled service customers and to customers of the opt-out LSEs."⁵² With regard to allocating the benefits of procurement, PG&E argues that "the RA benefits should be allocated in a manner similar to the existing CAM, but the allocation of RA benefits will likely need to be modified since not all customers will be paying for

⁴⁵ Ibid. at 3.

⁴⁶ Ibid. at 3-4.

⁴⁷ Ibid. at 4.

⁴⁸ Ibid. at 5.

⁴⁹ Ibid. at 5.

⁵⁰ Ibid. at 5 (emphasis in original).

⁵¹ Ibid. at 5.

⁵² Ibid. at 6.

the benefits as is the case today with CAM.”⁵³ Nevertheless, PG&E asserts that the stakeholder process on Modified CAM will address this question and that it is too early to make a determination in the context of AL 5826-E.⁵⁴

PG&E did not reply to the responses of CESA, Fluence, or the Joint CCAs.

DISCUSSION

The Commission has reviewed the Advice Letter, the responses, the protests, and the reply of PG&E. We address specific concerns in the following discussion, though we find that PG&E’s request in AL 5826-E is reasonable overall.

Consideration of GHG Emissions

We recognize the Public Advocates Office’s concern regarding the GHG profiles of storage resources. However, in D. 19-11-016, we found that “all new resources should all be from preferred sources, or hybrid technologies, and not fossil-fuel-only sources.”⁵⁵ The entire portfolio for which PG&E seeks approval in AL 5826-E consists of standalone storage resources and storage resources co-located with existing renewable resources. Whereas GHG profiles are a critical consideration for Integrated Resource Plan procurement overall, it is apparent that PG&E’s procurement in AL 5826-E meets the resource type requirements of D. 19-11-016. We find that additional GHG analysis is not a prerequisite for approval of AL 5826-E.

Data on Bid Evaluation Methodology

PG&E provided the IE report (Appendices H1 and H2) and the quantitative evaluation results of its bid evaluation (Appendix J) along with AL 5826-E. Both resources, but particularly the IE report, describe PG&E’s bid evaluation process in detail. In response to a data request from Energy Division, PG&E also provided detailed workpapers that outlined its net market value calculations. We find that the information PG&E provided in AL 5826-E and in response to the

⁵³ Ibid. At 6.

⁵⁴ Ibid. at 7.

⁵⁵ D. 19-11-016 at 44.

Energy Division data request meets our requirement that the IOUs provide metrics used to compare bids.⁵⁶ The information provided is sufficiently detailed to enable an assessment of the reasonableness of PG&E's evaluation methodology. Furthermore, we note that the IE determined that PG&E's procurement process was reasonable and appropriate overall.⁵⁷

Cost Recovery and Benefit Tracking

First, we find that PG&E's proposed cost recovery mechanism is appropriate. Under this mechanism, PG&E will begin recovering costs associated with bundled customers through generation rates and will track costs that are not currently recovered in rates – including costs associated with opt-out customers – through a memorandum account. In D. 19-11-016, we required the IOUs “to procure on behalf of the CCA or ESP [that has opted out of its obligation] and have the costs of any such procurement allocated to the customers of the CCA or ESP on a non-bypassable basis based on the cost allocation mechanism.”⁵⁸ PG&E's proposed mechanism appropriately holds these costs in a memorandum account until the Commission adopts a decision that implements the non-bypassable allocation we described in D. 19-11-016 (the Modified CAM). To the extent PG&E incurs costs on behalf of its bundled customers that are not currently recovered in rates, it is also reasonable for the memorandum account to track these costs until we determine an appropriate recovery mechanism for them.

Nevertheless, we agree with PG&E that the entire cost recovery mechanism is appropriately viewed as an “interim” mechanism and that this Resolution is not the appropriate forum in which to finalize a cost recovery scheme, given that R. 20-05-003 is considering the Modified CAM mechanism directed by D. 19-11-016. Considering the arguments in PG&E's reply to protests, we are not convinced by AReM's assertion that AL 5826-E proposes to recover all costs *only* through the Modified CAM, once it is approved. We understand AReM's concern with regard to tracking benefits, but we agree with PG&E that R. 20-05-003 is the appropriate forum in which to consider methods for tracking benefits.

Cost Allocation Mechanism Procurement Review Group (CAM PRG)

⁵⁶ D. 19-11-016 at OP 9(a).

⁵⁷ AL 5826-E, Appendices H1 and H2 at 38-40.

⁵⁸ D. 19-11-016 at OP 5.

PG&E consulted with its standard PRG on multiple occasions during the solicitation process.⁵⁹ Although it would have been preferable for PG&E to also consult with its CAM PRG, we do not agree with AReM that PG&E was required to do so. D. 07-12-052 created the CAM PRGs to address "procurement for which IOUs recover costs from bundled and unbundled customers using the D.06-07-029 CAM,"⁶⁰ which is not the same as the Modified CAM under consideration in R. 20-05-003. We nevertheless recommend that PG&E also consult the CAM PRG moving forward for procurement pursuant to D. 19-11-016.

Incrementality

In AL 5826-E, PG&E requests approval of 423 MW of incremental capacity procurement.⁶¹ Based on PG&E's representations in the advice letter, we are convinced that the projects and agreements for which PG&E seeks approval in AL 5826-E are incremental to baseline resource assumptions. However, as discussed below, we are not convinced that PG&E's procurement represents 423 MW of incremental capacity.

PG&E's request does not account for qualifying capacity (QC) counting methodologies for hybrid and co-located resources that the Commission has recently adopted. D. 19-11-016 states that "[t]he Commission should not set a specific capacity target for hybrid resources, but should allow them to count toward the procurement requirements in this decision, as determined by counting protocols to be considered in R.17-09-020."⁶² D. 20-01-004 adopted an interim methodology for valuing hybrid and co-located resources, and D. 20-06-031 adopted a final methodology. Pursuant to D. 19-11-016, the final hybrid and co-located QC methodology in D. 20-06-031 will apply when determining the incrementality of hybrid and co-located resources.

PG&E has indicated that at least one of the two co-located projects for which PG&E seeks approval in AL 5826-E may have its QC reduced pursuant to D. 20-06-031. The D. 20-06-031 methodology explicitly reduces the QC of the

⁵⁹ AL 5826-E at 6.

⁶⁰ D. 07-12-052 at 129.

⁶¹ AL 5826-E at 6 and 17.

⁶² D. 19-11-016 at COL 26.

non-storage component when a hybrid or co-located project is granted the Investment Tax Credit (ITC).⁶³ Whereas the storage component may receive its full QC for RA purposes (assuming it can be fully charged, as described in D. 20-06-031), the *incremental* capacity procured pursuant to D. 19-11-016 will be less than the full QC. More specifically, the incremental capacity will equal the net QC added to the system, that is, the positive QC of the storage component minus the QC lost by the non-storage component. Assuming that this project is pursuing the ITC, the incremental capacity that PG&E has procured in AL 5826-E will be less than 423 MW, and the exact amount of incremental capacity that PG&E has procured will become apparent once both components of the project appear on the Commission's Net Qualifying Capacity (NQC) list.

General Compliance with D. 19-11-016

D. 19-11-016 does not specify particular safety requirements. However, we acknowledge the safety provisions that PG&E has included in its solicitation processes and in the proposed agreements. We expect that in implementing these provisions, PG&E and counterparties will include all appropriate measures necessary to prevent the spread of COVID-19, especially those required by the California Department of Industrial Relations' Division of Occupational Safety and Health (Cal/OSHA). We note that the energy storage projects are (or will be) permitted by local Authority-Having Jurisdictions (AHJ)⁶⁴ and will be compliant with AHJ codes that address safety requirements. Again, we note that the IE determined that PG&E's procurement process was reasonable and appropriate overall and that the IE found each of the contracts for which PG&E seeks approval to be reasonable.⁶⁵ Based on our review, we find that the solicitation process and agreements described in Advice Letter 5826-E comply with the requirements of D. 19-11-016 overall, including reasonableness, permitting, and safety considerations.

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. Section 311(g)(2) provides that this

⁶³ D. 20-06-031 at 30-31.

⁶⁴ "Authority-Having Jurisdictions" are the local authorities responsible for permitting and enforcement of the California building, fire, life safety, and electrical codes.

⁶⁵ AL 5826-E, Appendices H1 and H2.

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 on July 22, 2020.

The Commission timely received comments from AReM; Blythe Energy Storage 100, LLC (Blythe Storage); Cal Advocates; CESA; the Modified Joint CCAs;⁶⁶ and PG&E on August 11, 2020. AReM states that:

AReM strongly concurs with the conclusion in DR E-5100 that PG&E's proposed recovery of bundled customer procurement costs through generation rates is 'appropriate.' However, AReM is disappointed that DR E-5100 designates this cost-recovery mechanism for bundled customers as 'interim' only and directs AReM to the current Integrated Resource Planning ('IRP') proceeding, R.20-05-003... Nonetheless, AReM is actively engaged in that IRP proceeding and will actively pursue its fundamental concerns there...⁶⁷

CESA "agrees with the determinations made in the Draft Resolution and...urges approval of the contracts by the August 27, 2020 voting meeting without delay."⁶⁸ The Commission acknowledges the comments of AReM and CESA and welcomes AReM's continued participation in R. 20-05-003.

Blythe Storage states that it "is a 'co-located,' rather than 'hybrid,' storage resource" and that it "falls squarely within the provisions of the first paragraph of the [January 3, 2020 Ruling by Administrative Law Judge Julie Fitch] as a

⁶⁶ The Modified Joint CCAs are East Bay Community Energy, Marin Clean Energy, Monterey Bay Community Power, Pioneer Community Energy, San José Clean Energy, Silicon Valley Energy, and Valley Clean Energy. These CCAs refer to themselves as the "Joint CCAs" in their comments, but we refer to them as the "Modified Joint CCAs" here in order to distinguish them from the slightly different group of CCAs who responded to AL 5826-E under the name "Joint CCAs."

⁶⁷ AReM Comments at 1-2.

⁶⁸ CESA Comments at 1.

resource that is not included in the baseline resource list, is newly built, and has a separate Resource ID.”⁶⁹ Blythe Storage further argues that the Ruling:

defined incrementality within the context of a “resource,” and, consistent with the Decision, unconditionally signaled that the qualifying capacity of the “new resource” will be its September net qualifying capacity value. This guidance was provided despite direction in the Decision that co-located or hybrid resources should “count toward the procurement requirements...as determined by counting protocols to be considered in R.17-09-020.”⁷⁰

Blythe Storage therefore “recommends that the Draft Resolution be revised to acknowledge that the full 63 MW of the Blythe Storage facility can count against PG&E’s 2021 procurement obligation under the Decision.”⁷¹ However, if the Commission does not do so, Blythe Storage requests that we “clearly define the discount in the final resolution in a way that protects consumers from potential over-procurement.”⁷² Blythe Storage requests that the Commission take a “conservative approach in this calculation that minimizes the reduction in incremental capacity provided by Blythe Storage.”⁷³

PG&E similarly requests that the Commission either “modify Finding #6 to provide PG&E with certainty around its remaining procurement obligation by determining that PG&E has procured 423 megawatts (MW) toward its procurement requirement” or “eliminate the uncertainty around PG&E’s progress toward meeting its procurement requirement by conclusively

⁶⁹ Blythe ES Comments at 2.

⁷⁰ Ibid. at 2, quoting D. 20-06-031 at COL 26.

⁷¹ Ibid. at 1.

⁷² Ibid. at 3.

⁷³ Ibid. at 3.

determining the number of incremental MWs that PG&E has procured.”⁷⁴ PG&E asserts that “[w]ithout this information, PG&E will not know how much additional procurement is required to meet its procurement obligations under D.19-11-016.”⁷⁵ PG&E also argues that “the storage resource has been sized specifically so as not to impact the deliverability of the co-located solar resource,” that PG&E’s contract does not specify whether the resource will use the ITC, and that the counting methodology in D. 20-06-031 “undervalue[s] the reliability benefit of the Blythe Energy Storage 110 contract over its term ...[given that] the duration of the ITC and its charging requirements are for *only five years*.”⁷⁶

We acknowledge the arguments of Blythe Storage and PG&E. Nevertheless, the methodology in D. 20-06-031 is clear, and it clearly applies to both “hybrid” resources and “co-located” resources (such as Blythe Storage). There is no “conservative approach” to this calculation. We note that the even more restrictive interim counting methodology that we adopted in D. 20-01-004 was in place in January 2020, before PG&E issued its Phase 1 solicitation. PG&E may not know the exact incremental capacity of its Phase 1 procurement until the ITC question is settled, but we do not agree with PG&E that this uncertainty argues against applying the methodology we adopted. We are also unable to calculate the exact incremental capacity of PG&E’s Phase 1 procurement until the ITC question is settled and the resource appears on an NQC list. Nevertheless, PG&E should be able to reasonably estimate the incremental capacity of its procurement under an ITC scenario and thereby obtain a close estimate of the remaining capacity it must procure through 2023.

In its comments, PG&E also notes that it expects load departure between the adoption of D. 19-11-016 and adoption of the Modified CAM.⁷⁷ PG&E therefore “requests that the Commission enhance the Draft Resolution to clarify that costs

⁷⁴ PG&E Comments at 2.

⁷⁵ Ibid. at 2.

⁷⁶ Ibid. at 3, emphasis in original.

⁷⁷ Ibid. at 5.

resulting from incremental departing load not otherwise recovered in rates also be tracked in the IRAPMA,” after which “PG&E would submit a Tier 1 Advice Letter to include a line item for tracking costs attributable to incremental departing load in the preliminary statement of the IRAPMA.”⁷⁸ PG&E’s request to include costs attributable to departing load in the IRAPMA did not appear in AL 5826-E or in a supplemental advice letter, and there has been no opportunity for public comment on this modification. Therefore, we do not approve PG&E’s request in this Resolution, but we agree that PG&E may file a separate advice letter to modify the IRAPMA, in accordance with the appropriate tier classification in General Order 96-B.

The Modified Joint CCAs note that neither PG&E’s reply to protests nor the Draft Resolution addressed the Joint CCAs’ concern regarding procurement on behalf of LSEs that self-procure to meet their short-term requirements. The Modified Joint CCAs “renew our request here to remove any latent ambiguity about the scope of this procurement.”⁷⁹ We acknowledge the Modified Joint CCAs’ request but decline to address it in this Resolution, as parties should more appropriately consider this topic in R. 20-05-003.

The Modified Joint CCAs also argue that “the Commission has not made clear that the ‘final’ [hybrid and co-located resource counting] methodology [in D. 20-06-031] applies to *all* LSEs’ IRP Procurement Track procurement” and note that there is a Petition for Modification of D. 19-11-016 before the Commission that would address this issue.⁸⁰ The Modified Joint CCAs request that the Commission revise the Resolution to clarify that the final counting methodology, which will apply to all LSEs pursuant to D. 19-11-016 (and which, in their estimation, may not be the methodology in D. 20-06-031), will also apply to PG&E.⁸¹ We do not agree that this modification to the Resolution is necessary. Procurement under D. 19-11-016 very clearly depends upon incrementality, and in addressing PG&E’s procurement here, we must therefore address the topic of incrementality. The counting methodology in D. 20-06-031 is the most recent (i.e. final) methodology that we have adopted, and according to that methodology, PG&E’s incremental procurement may not amount to 423 MW. Were we to adopt a

⁷⁸ Ibid. at 5.

⁷⁹ Modified Joint CCAs Comments at 1.

⁸⁰ Ibid. at 3, emphasis in original.

⁸¹ Ibid. at 4.

different hybrid and co-located resource counting methodology in the future, that methodology would apply as of the time it was adopted.

Cal Advocates notes that “[t]he Commission defines preferred resources as those resources described in the Loading Order...[which] does not include energy storage.” Thus, Cal Advocates argues that “[t]he Draft Resolution should be modified to remove language finding that energy storage is a preferred resource.” We agree and have removed references to preferred resources in the “Discussion” section of this Resolution.

Cal Advocates also asserts that “D.19-11-016 clearly states that the procurement authorized in D.19-11-016 is intended to ensure safe and reliable electric service that keeps the electricity sector on a path to the 2030 GHG emissions goals in SB 350, SB 100, and D.18-02-018.”⁸² Cal advocates argues that “[w]ithout a GHG analysis, the Commission’s obligation to ensure that the electricity sector meets the state’s air pollution and GHG emissions reduction goals through the procurement authorized in D.19-11-016 cannot be assured.”⁸³ Thus, they recommend “that the Commission modify the Draft Resolution to require that PG&E provide analysis of the net impacts on air pollution and GHG emissions resulting from the procurement of energy storage resources pursuant to D.19-11-016.”⁸⁴ We agree with Cal Advocates that such a study would be beneficial, but we disagree that it is required in order to approve PG&E’s procurement. Air pollution and GHG emissions of IRP portfolios will appropriately be addressed in the IRP proceedings. As we state elsewhere in this Resolution, we find that the procurement for which PG&E seeks approval here generally follows the guidelines and requirements of D. 19-11-016.

Finally, we have made minor wording and formatting changes in the final Resolution. We have also clarified Finding 6 by adding the word “co-located.”

FINDINGS

1. Additional greenhouse gas analysis is not a prerequisite for approval of AL 5826-E because PG&E’s procurement in AL 5826-E meets the requirements of D. 19-11-016 with regard to approved technologies.

⁸² Cal Advocates Comments at 4, citing D. 19-11-016 at 2.

⁸³ Ibid. at 4.

⁸⁴ Ibid. at 5.

2. PG&E provided its independent evaluator report and the quantitative evaluation results of its bid evaluation along with AL 5826-E. In response to a data request by Energy Division, PG&E also provided detailed workpapers that outlined its net market value calculations. The information PG&E provided in Advice Letter 5826-E and in response to the Energy Division data request meets the requirement of D. 19-11-016 that the investor-owned utilities describe metrics used to compare bids in their solicitations.
3. Pacific Gas and Electric Company's proposed cost recovery mechanism is appropriate on an interim basis, until the Commission adopts the Modified CAM described in D. 19-11-016, or other cost recovery mechanism(s). Under the proposed cost recovery mechanism, Pacific Gas and Electric Company will begin recovering costs associated with bundled customers through generation rates and will track costs that are not currently recovered in rates – including costs associated with opt-out customers – through a memorandum account.
4. Procurement and administrative costs associated with the procurement agreements are reasonable and shall be recovered through Pacific Gas and Electric Company's proposed cost recovery mechanism until the Commission adopts the Modified CAM described in D. 19-11-016, or other cost recovery mechanism(s).
5. Pacific Gas and Electric Company consulted with its standard Procurement Review Group during solicitation process addressed in Advice Letter 5826-E. Pacific Gas and Electric Company was not required to consult the Cost Allocation Mechanism Procurement Review Group. However, the Commission finds that Pacific Gas and Electric Company should also consult this group moving forward for procurement pursuant to D. 19-11-016.
6. If either of the co-located projects for which Pacific Gas and Electric Company seeks approval is pursuing the Investment Tax Credit, the incremental capacity that Pacific Gas and Electric Company has procured will be less than 423 megawatts, and the exact amount of incremental capacity that PG&E has procured will become apparent once both components of the project appear on the Commission's Net Qualifying Capacity list.
7. The solicitation process and agreements described in Advice Letter 5826-E comply with the requirements of D. 19-11-016 overall.

THEREFORE IT IS ORDERED THAT:

1. The seven storage projects and associated contracts resulting from Pacific Gas and Electric Company's 2020 System Reliability Request for Offers – Phase 1, as described in Advice Letter 5826-E, are approved.
2. Pacific Gas and Electric Company is authorized to establish a new memorandum account to track and record any costs associated with the contracts approved by this Resolution that are not currently recovered in rates – including contract payments and administrative expenses incurred on behalf of load serving entities that opted out of their D. 19-11-016 procurement requirements - as proposed in Advice Letter 5826-E. Eventual recovery of these costs will be determined based upon the Commission's adoption of a Modified CAM mechanism or other cost recovery mechanism(s).
3. Pacific Gas and Electric Company is authorized to recover contract payments and administrative expenses incurred on behalf of its bundled customers through the generation rate, as proposed in Advice Letter 5826-E, until the Commission adopts the Modified CAM mechanism or other cost recovery mechanism(s).

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

ALICE STEBBINS
Executive Director