

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

[Item #10 \(Rev. 1\)](#)

Agenda ID# 22047

RESOLUTION E-5303

December 14, 2023

~~REDECTED~~ **REDACTED** RESOLUTION

Resolution E-5303. San Diego Gas & Electric Company request for approval of two Utility Owned Energy Storage Contracts and related costs pursuant to Decision (D.) 21-02-028, (D.) 21-03-056, (D.) 21-12-015, and (D.) 23-06-029.

PROPOSED OUTCOME:

- This Resolution approves two San Diego Gas & Electric Company Utility Owned Energy Storage contracts and related costs for a total of 39.6 megawatts (MW) of incremental capacity.

SAFETY CONSIDERATIONS:

- The two Utility Owned Energy Storage contracts contain detailed safety provisions provided in Exhibit D (Safety and Site Security Requirements) and provided throughout the contract technical specifications in Exhibit A-3.

ESTIMATED COST:

- The estimated total cost of these contracts is \$ 110.4 million.

By Advice Letter 4290-E, Filed on September 29, 2023.

SUMMARY

This Resolution approves two utility-owned energy storage contracts for 39.6 megawatts ("MW") of incremental capacity that San Diego Gas & Electric Company ("SDG&E") procured to address 2024 and 2025 summer reliability. These contracts include two Engineering, Procurement, and Construction ("EPC") contracts with Stella Energy Solutions ("Stella"), one for 29.6 MW, and another for 10 MW. This Resolution approves the requested relief in Advice Letter ("AL") 4290-E.

BACKGROUND

In Decision ("D.") 21-02-028, the Commission authorized the investor-owned utilities ("IOUs") to contract for capacity available to serve peak and net peak demand in the summer of 2021 on behalf of all benefitting customers, including incremental energy storage capacity.¹ The Commission also determined that potential resources may include utility-owned generation, and authorized the IOUs to submit utility-owned generation for summer 2021 through a Tier 2 AL.²

In March 2021, the Commission issued D.21-03-056 which authorized the IOUs to continue their procurement efforts on behalf of all benefitting customers by targeting an effective increase in the planning reserve margin ("PRM") from 15 to 17.5-19 percent for the summers of 2021 and 2022 and to exceed their respective targets by as much as an additional 50 percent for incremental supply-side generation and in-front-of-the-meter storage resources.³ The Commission expressed a continuing preference for storage contracts.⁴

On December 6, 2021, the Commission issued a Phase 2 decision, D.21-12-015, adopting several supply and demand-side requirements intended to ensure there is adequate electric power in the event of extreme weather conditions during the summers of 2022 and 2023.⁵ Specifically, the Commission determined a need for contingency resources in the range of 2,000 to 3,000 MW to meet an effective PRM of 20-22.5%.⁶ The Commission allocated the procurement responsibility for the additional contingency resources to the three large IOUs on a proportional load share basis; SDG&E's share of the procurement range is 200-300 MW.⁷

The Commission also established specific requirements for the procurement of additional supply-resources in D.21-12-015, including:

¹ D. 21-02-028 at 11, 14, OP 1.

² *Id.* at 11.

³ D.21-03-056 at OP1, 13-14 Attachment 1 at 20-22.

⁴ *Id.* at OP1, Attachment 1 at 22.

⁵ D.21-12-015 at 2.

⁶ *Id.* at 12.

⁷ *Id.* OP 3.

- Resources must be available during both the peak and net peak demand periods.
- Commercial Online Dates (“COD”) by June 1, 2022, are preferred but resources with CODs by August 1, 2023, will be considered.
- New resources that have not yet reached full capacity deliverability status but are capable of providing energy/grid reliability benefits during the peak and net-peak periods will also be considered.
- Potential resources may include utility-owned storage, with Commission consideration of such projects through a Tier 2 AL.⁸

On July 5, 2023, the Commission issued D.23-06-029, adopting local capacity obligations for 2024-2026, flexible capacity obligations for 2024, and program refinements.

D.23-06-029 established a 17% PRM and an effective PRM procurement target of 170-320 MW for SDG&E for 2024 and 2025.⁹ The decision continued the requirements adopted in D.21-12-015 where “resources eligible to count towards the effective PRM will remain unchanged from D.21-12-015 and all resources that are currently eligible to be contingency resources will remain eligible to be contingency resources in 2024 and 2025”.¹⁰

On September 29, 2023, SDG&E submitted AL ~~4920~~[4290](#)-E requesting approval of two EPC contracts with Stella for a total of 39.6 MW of utility-owned energy storage. Both projects would be built on SDG&E-owned sites and operated to provide incremental capacity available to serve peak and net peak demand to meet summer 2024 reliability needs. The EPC contracts will be managed directly by SDG&E via the contractors throughout the construction. Operation and Maintenance (“O&M”) services will be provided for a period of 10 years under each Long-Term Services Agreements (“LTSA”).

The Commercial Operation Date for both projects, Fallbrook 2 Energy Storage Project (“Fallbrook 2”) and Santee Energy Storage Project (“Santee”) is July 17, 2024. The projects are to be sited near two substations: Fallbrook 2 is to be located near the Avocado substation and directly adjacent to the Fallbrook 1 Energy Storage Project. Santee will be located on SDG&E-owned land adjacent to SDG&E’s Santee substation.

⁸ *Id.* at 100, OP 76.

⁹ D.23-06-029, OP 7.

¹⁰ *Id.* OP 8.

The two projects are summarized in the table below:

Project / Location	Technology	Counterparty	Megawatts (MW)	Duration	Contract Type	Commercial Operation Date	O&M Contract Term
Fallbrook 2 / Fallbrook, CA	Lithium-Ion Energy Storage	Stella	29.6	4 hours	EPC	7/17/24	10 years
Santee / Santee, CA	Lithium-Ion Energy Storage	Stella	10	4 hours	EPC	7/17/24	10 years

The estimated total cost of the projects is \$110.4 million.¹¹

SDG&E states that, given the expedited timeframe and recently completed Tranche 1 and Tranche 2 Midterm Reliability Integrated Resource Plan (“IRP”) solicitations, rather than issuing a new Request for Offers for Summer Reliability procurement, SDG&E’s Bid Evaluation Team (“BET”) sent out a market notification to all counterparties that submitted offers into SDG&E’s Midterm Reliability IRP solicitations. In addition to third-party developers, SDG&E’s market notification was sent out to SDG&E’s Utility Development Team (“UDT”). The UDT operates as a separate and independent group from the BET. The UDT conducted a solicitation, evaluated offers, and co-developed Build Own Transfer (“BOT”) and EPC offers to submit to the BET in response to the market notice. The independent evaluator (“IE”) PA Consulting separately oversaw each of the UDT and BET solicitations.¹² SDG&E states that it used a refined and updated Excel-based model and PLEXOS modeling software compared to the prior models used in its Mid-Term Reliability (“MTR”) selection process to conduct the Net Market Value (“NMV”) modeling analysis to evaluate the offers.¹³

SDG&E also notes both projects will be available during the peak and net peak demand hours, have full capacity deliverability status (“FCDS”), will participate in the CAISO market, and have either an executed interconnection agreement or will prior to operations.

¹¹ SDG&E AL 4290-E at 9.

¹² *Id.* at 4-5.

¹³ *Id.* at 7.

Fallbrook 2 will be a 29.6 MW project located near SDG&E's Avocado substation and directly adjacent to Fallbrook 1 (currently operating and participating in the CAISO market) which SDG&E owns and operates. The existing Large Generator Interconnection Agreement ("LGIA") is for 69.6 MW, with the Fallbrook 1 BESS rated at 40 MW and the proposed Fallbrook 2 utilizing the remaining 29.6 MW of interconnection capacity. SDG&E owns the land necessary for the Fallbrook 2, will be able to leverage the existing interconnection facilities (*e.g.*, gen-tie and substation) built as part of the Fallbrook 1, and FCDS has been awarded for the entirety of the existing LGIA.

Santee will be a 10 MW project located on SDG&E-owned land adjacent to SDG&E's Santee substation. The proximity to the substation will minimize interconnection related costs and associated construction. A System Impact Study has been performed, and a Small Generator Interconnection (SGIA) will be executed prior to project operation. The project has been awarded FCDS.¹⁴

Regarding cost recovery, SDG&E proposes that the associated costs of the Fallbrook 2 and Santee projects be recovered through the Cost Allocation Mechanism ("CAM") consistent with OP 11 of the Summer Reliability Phase 2 Decision, which orders that the net costs associated with the supply side procurement shall be passed through to all benefitting customers, consistent with the CAM.¹⁵

SDG&E requests that the following relief be approved by the Commission:

1. The agreements meet the procurement need identified in D.21-03-056, D.21-12-015, and D.23-06-029.
2. SDG&E is authorized to recover the costs associated with the projects via the standard CAM.¹⁶

NOTICE

Notice of AL 4290-E was made by publication in the Commission's Daily Calendar. SDG&E states that a copy of the Advice Letter was mailed and distributed in accordance with General Rule 4 of General Order ("GO") 96-B.

¹⁴ *Id.* at 8-9.

¹⁵ *Id.* at 10.

¹⁶ *Id.* at 10.

PROTESTS

SDG&E's Advice Letter 4290-E was timely protested by Alliance for Retail Energy Market ("AReM") and by the Independent Energy Producers ("IEP") on October 19, 2023.

AReM states that based on the description of the ALs, these projects should meet the definition of MTR eligibility first described in D.21-06-035 and extended in D.23-02-040, to be from incremental resources, available by June 1, 2027 and be under contract a minimum of ten years.¹⁷ AReM argues that not all LSEs have met their MTR requirements, and they could use these projects to do so. AReM argues that keeping them out of the pool of eligible MTR resources by treating them as emergency CAM procurement creates artificial scarcity for MTR resources, and could raise the costs of MTR procurement, which would harm customers for no reason. AReM argues that this also creates the risk of an LSE facing a penalty for failing to meet MTR requirements even though the LSE's customers are paying for their allocated share of SDG&E's MTR-eligible resources through CAM.¹⁸ AReM requests that the Commission deny these projects unless SDG&E can demonstrate that the projects do *not* qualify as MTR-eligible under D.21-06-035 and D.23-02-040, or that it is willing to offer the MTR-eligible attribute of the projects for sale to other LSEs. AReM states that if an LSE's offer is accepted and SDG&E continues to seek CAM cost recovery for these resources under D.23-06-029, then the revenues paid from the LSE counting the resource toward MTR requirements should be credited against the eligible costs recovered through the CAM.¹⁹

IEP states that it protests AL 4290-E on the grounds that the relief requested in the advice letter is unjust, unreasonable, or discriminatory based on GO 96-B, Rule 7.4.2(b6) because SDG&E fails to demonstrate that the costs of the projects are reasonable. IEP states that SDG&E's Reliability Solicitation Team, also referred to as the BET, conducted a nominally competitive solicitation because BET's outreach was extremely limited. IEP states that SDG&E's outreach was limited to parties who had submitted offers in SDG&E's Midterm Reliability solicitation, and SDG&E's Utility Development Team was also notified. IEP states that SDG&E did not post the Request for Offers ("RFO") to its website.²⁰ IEP states that while SDG&E received five offers, only one independent

¹⁷ AReM Protest at 2.

¹⁸ *Ibid.* at 2-3.

¹⁹ *Ibid.* at 3-4.

²⁰ IEP Protest at 2.

project was considered and that project was moved to the Mid-Term reliability RFO, which means that the BET's solicitation only considered Utility-Owned Storage ("UOS") offers. IEP argues that SDG&E's approach was directly contrary to the Commission's "competitive market first" policy.²¹ IEP further argues that SDG&E showed favoritism to UOS projects when the costs of the projects were evaluated. Specifically, that the UDT, not the BET, converted the cost parameters of the UOS offers into a revenue requirement and this approach contradicts SDG&E's claim that it maintained a separation between the UDT and the BET. Finally, IEP urges the Commission to deny AL 4290-E because the proposed projects were not exposed to any significant competition from independently owned storage projects and were evaluated against only other utility-owned storage projects.²²

SDG&E REPLY TO PROTESTS

On October 26, 2023, SDG&E timely responded to the protest of IEP and AReM.

In response to IEP's ground for protest and citation of GO 96-B, Rule 7.4.2(b), which provides that an AL may be protested if "[t]he relief requested in the advice letter would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies", SDG&E states that IEP fails to establish that SDG&E committed any violation of statute or Commission order with its 2024 Summer Reliability RFO or [REDACTED]. SDG&E states that IEP's claim that SDG&E did not conduct a competitive solicitation and only favored UOS projects is baseless. Additionally, SDG&E notes that IEP misstates facts regarding D.21-02-028 summer reliability procurement mandates, noting that in D.21-02-028, the Commission states that the IOUs may procure bilaterally, consider utility-owned generation, and use recent IRP solicitation offers to meet summer reliability procurement requirements. Further, in response to IEP's claim that its solicitation is not competitive, SDG&E states that in consultation with the IE, it opted to use an expedited solicitation process that would maximize competitive bids while still providing sufficient time to develop and receive approval of agreements with new-build projects to come online in June 2024. SDG&E notes that its approach to issue a market notice to parties that previously bid into the recently completed MTR solicitation to expedite contract development is entirely consistent with D.21-02-28.²³ Additionally, SDG&E notes that it considered all five offers received in response to the

²¹ *Ibid.* at 2-3.

²² *Ibid.* at 3.

²³ SDG&E Reply to Protests at 1-2.

2024 Summer Reliability RFO and selected Fallbrook 2 and Santee projects,

[REDACTED]. Subsequently, [REDACTED].
[REDACTED]. SDG&E states that IEP fails to demonstrate that this action constitutes a violation of any statute or Commission order and refutes IEP's assertion that SDG&E's RFO lacked competition and no bids from independent developers were considered. Finally, SDG&E notes that the clear indication from the market is that there are simply not many near-term projects available to be procured.²⁴

In response to IEP's claim that SDG&E's solicitation favored UOS projects because the UDT, rather than the BET, converted projects costs into revenue requirements, SDG&E states that the 2024 Summer Reliability RFO included a code of conduct signed by all UDT and BET members. SDG&E states that the code of conduct pre-defines specific roles and responsibilities that the BET and UDT must follow, including that the UDT, which is the group with all information regarding project costs, is responsible for the development of the revenue requirements. SDG&E asserts that its BET did not develop the third-party development project's offer because it would be improper for it to do so.²⁵

In response to AReM's protest that the Commission deny the AL unless SDG&E can demonstrate that the projects are not eligible for MTR, SDG&E argues that the Commission's summer reliability decisions do not have a limitation that summer reliability resources that might qualify for other procurement mandates, including MTR, may not be procured to meet the mandates of the summer reliability decisions. SDG&E states that the summer reliability decisions identify the need for additional capacity to increase the PRM and direct SDG&E and the other IOUs procure additional resources on behalf of customers in their service territories to ensure reliability for summers 2024 and 2025 and that it is irrelevant that these projects may also qualify for MTR procurement. SDG&E also states that the summer reliability decisions do not require SDG&E to offer the MTR-eligible attributes of the projects for sale to other LSEs, as proposed by AReM. SDG&E argues that AReM's protest is relitigating prior Commission decisions and would be appropriately considered through a petition for modification of the Commission decisions rather than AL 4290-E.²⁶

²⁴ *Ibid.* at 2.

²⁵ *Ibid.* at 2-3.

²⁶ *Ibid.* at 3-4.

DISCUSSION

The Commission has reviewed AL 4290-E, the protests, and the reply of SDG&E. We consider issues raised by the protestants to AL 4290-E in the following discussion. However, we find that SDG&E's request in AL ~~4920~~[4290](#)-E is reasonable overall.

Consistency with Commission decisions, D.21-02-028, D.21-03-056, D.21-12-015, and D.23-06-029

We find that SDG&E's AL 4290-E filing is consistent with Commission decisions, D.21-02-028, D.21-03-056, D.21-12-015, and D.23-06-029 (collectively, the "Decisions"). As directed in the Decisions, SDG&E has filed a Tier 2 AL seeking approval of its EPC contracts with Stella. The EPC contracts are for a total of 39.6 MW of incremental storage capacity expected to be online by July 17, 2024, that can dispatch to meet peak and net peak demand.

Further, AL 4290-E includes the following elements as required by the Decisions:

- Discussion of the procurement process and resources selected;
- Operational information on the resources selected;
- Pricing and net market value analysis and summary of key contract terms;
- Independent evaluator report;
- Showing of cost competitiveness to extent comparable data exist; ~~and~~
- [A demonstration that the resource is incremental; and](#)
- A demonstration that the resource has a path to deliver its online date.

Procurement Methodology, Evaluation, and Cost Reasonableness

Rather than issuing a new RFO, SDG&E sent out market notifications to all counterparties that submitted offers into SDG&E's MTR IRP solicitation on July 7, 2023. In addition to third-party developers, market notifications were sent to the UDT.

SDG&E retained PA Consulting Group as the IE for its emergency reliability ownership efforts. PA Consulting was involved throughout, from SDG&E's issuance of the Market Notice in July to the evaluation and shortlisting of offers, and through contract execution for the 2024 COD Tranche. The IE also participated in the CAM Procurement Review Group ("PRG") meeting. The IE analysis is included in SDG&E's AL 4290-E Confidential Appendix D. The IE evaluated SDG&E's quantitative and qualitative

evaluation methodology.²⁷ The IE states that SDG&E used the same evaluation methodology for the Summer 2024-2025 Emergency Reliability procurement as it did previously for the Mid-term Reliability RFO. The IE states that SDG&E used an NMV calculation to rank the offers, as well as a NMV per MW analysis.²⁸ The IE reviewed the main model used by the BET and believes that the BET's methodology is reasonable within the context of the principles outlined in the IE report.²⁹

SDG&E states that the offers were modeled using the least-cost, best fit ("LCBF") methodology through the evaluation and PLEXOS models. As directed by Resolution E-5283, SDG&E coordinated closely with the CAM PRG group on ongoing updates to its evaluation methodology and to implement evaluation updates in time for the MTR IRP procurement.³⁰

We have reviewed SDG&E's NMV ranking analyses and the IE report which evaluated SDG&E's evaluation methodology. We have also compared the prices of these two UOS projects with prior UOS projects. On balance, we concur with the IE that SDG&E selected the highest ranked offers that would meet its need. We find that SDG&E has performed the required net market value and cost competitiveness analysis required by D.21-12-015 and demonstrated that the two proposed UOS projects are cost competitive.

Given the expedited development timeline, we direct SDG&E to regularly update the CAM PRG on project milestones during development as well as on operations once the projects are online.

Cost Recovery

In D.21-02-028 and D.21-03-056, the Commission directed the IOUs to continue procurement efforts to meet or exceed the effective 17.5 percent planning reserve margin with a preference for new storage contracts, including UOS, with costs to be recovered through CAM. D.21-02-028 specified the parameters of CAM-based cost recovery for conforming procurement.³¹ In addition, D.21-12-015 affirmed cost recovery through CAM consistent with prior summer reliability decisions.

²⁷ SDG&E AL 4290-E, Public Appendix A at 8, 11.

²⁸ *Ibid.* at 14.

²⁹ *Ibid.* at 15.

³⁰ SDG&E AL 4290-E at 6-7.

³¹ D.21-02-028 at 11.

“The Cost Allocation Mechanism (CAM) authority granted in Decision (D.) 21-02-028 and D.21-03-056 is extended to the summer 2023 procurement ordered in this decision.” (OP 86)

Most recently, in D.23-06-029, the Commission extended the use of the effective plan to 2024 and 2025 and reaffirmed the use of CAM as the cost recovery mechanism for this procurement.

“All costs associated with the effective PRM procurement will be assigned to all customers through the CAM, as adopted in D.21-12-015.” (p.25)

SDG&E’s request and clarification to recover the costs of the proposed UOS projects via CAM is reasonable because it meets the procurement requirements specified in D.21-02-028 and D.23-06-029, namely incremental energy storage capacity for the effective PRM in 2024 and 2025.

IEP’s Protest

D.21-02-028 allowed UOS projects to be considered for summer reliability and for the IOUs to contract bilaterally.

“Potential resources may include utility-owned generation, with Commission consideration for utility owned generation projects with a COD in 2021 through a Tier 2 advice letter.” (p.11)

“The large electric IOUs should initiate new bilateral negotiations and revisit offers from recent IRP requests for offers bid stacks.” (p.11)

D.23-06-029 extended the summer reliability requirements for 2024-2025.

SDG&E received a limited number of offers and out of these offers, [REDACTED] [REDACTED]. SDG&E ranked the NMV and NMV per MW from all five offers received and shortlisted the [REDACTED], Fallbrook 2, and Santee. SDG&E then [REDACTED]

[REDACTED]. We agree that SDG&E’s evaluation methodology is reasonable and did not favor UOS projects. However, we agree with IEP that SDG&E’s outreach was limited. SDG&E only sent notifications to counterparties that bid into its MTR solicitation and did not post the solicitation to its website citing expedited timeframe. However, it shouldn’t take much more time to outreach to a larger number

of market participants. The IE also recommended that SDG&E investigate additional avenues to broaden the pool of likely responders, including advertising and direct contact. The IE further recommended SDG&E contact more possible market participants in future solicitations, even when the solicitation is an emergency procurement.³² For future solicitations, we direct SDG&E to explore additional possibilities to expand its pool of potential counterparties.

In addition, IEP's protest stated that SDG&E's solicitation favored UOS projects because the UDT, rather than the BET, converted projects costs into revenue requirements. SDG&E's 2024 Summer Reliability RFO included code of conduct signed by the BET and the UDT. As the IE indicates, the BET would run the solicitation, evaluate bids, negotiate Power Purchase Agreements ("PPAs") with non-ownership bids, and communicate with non-ownership bidders. The IE notes that the UDT would serve as an intermediary between the BET and utility ownership bids, setting specifications for energy storage system EPC projects and energy storage system BOT projects, screening bids, translating costs to revenue requirements and converting EPC and BOT bids into complete offers in a form that could be compared with PPA bids. The UDT would negotiate those contracts and communicate with utility ownership bidders. The IE states that the code of conduct, rules of interaction between the BET and UDT are intended to prevent any partiality between utility and non-utility bids.³³ The IE monitored communications between the BET and the UDT and finds that the BET treated the utility-owned bids fairly and reasonably when compared to the third-party developers' offers.³⁴ We find that SDG&E abided by its code of conduct and therefore did not favor UOS bids over third-party bids.

AReM's Protest

D.23-06-029 established a 17% PRM and an effective PRM procurement target of 170-320 MW for SDG&E.

"For the 2024 and 2025 Resource Adequacy compliance years, a 17 percent planning reserve margin (PRM) and an effective PRM procurement target of 1,700-3,200 megawatts (MW) is adopted. The procurement target will be divided between the three investor-owned utilities similar to the targets adopted in Decision 21-12-015: 170-320 MW for San Diego Gas & Electric Company, and

³² SDG&E AL 4290-E, Public Appendix A at 19.

³³ *Ibid.* at 8-9.

³⁴ *Ibid.* at 17.

765-1,440 MW each for Pacific Gas and Electric Company and Southern California Edison Company.” (OP 7)

We agree with SDG&E that the Decisions, including D.23-06-029, did not impose a limitation that summer reliability resources can not be eligible for MTR procurement, nor do they require SDG&E to offer the MTR-eligible attribute of the projects for sale to other LSEs. SDG&E issued a solicitation for summer reliability procurement to meet the mandates of D.23-06-029 and while the offers received may also be eligible for MTR procurement, SDG&E's request complies with these directives. We agree with SDG&E that AREM is relitigating prior Commission decisions and its proposals are best submitted through a Petition for Modification, rather than the AL process.

MTR Eligibility

D.21-12-015 states that “[i]f an IOU elects to continue to charge all customers in its service territory for the ongoing costs of UOS resources after 2023, the resource will not count toward the IRP MTR requirements for the LSEs in the utility’s service territory.” Further, the decision states that “[w]hile these resources will not count towards existing IRP MTR procurement obligations, they will likely become part of the baseline used to calculate future reliability needs. In this way the resources will either reduce future IRP procurement requirements or otherwise lower the amount of procurement required.”³⁵ Since all customers in SDG&E's service territory will be charged for the UOS for the life of the projects, they are not eligible to count towards IRP MTR requirements.

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. Any comments are due within 20 days of the date of its mailing and publication on the Commission’s website and in accordance with any instructions accompanying the notice. 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.

[IEP timely filed comments on draft Resolution E-5303 on November 28, 2023.](#)

³⁵ D.21-12-015 at 108-9.

IEP states that the Draft Resolution provides no support for its finding that “[t]he cost of the utility owned energy storage contracts is reasonable.” IEP states that a true test of reasonableness would be a comparison with the offers of independent storage providers. IEP further states that the Draft Resolution should be modified to provide more publicly available information explaining why the costs of these projects are reasonable in relation to other storage projects, particularly the projects built by independent storage developers. IEP states that alternately, the Draft Resolution should delete Finding 5 on the reasonableness of the costs of the projects.³⁶ D.21-12-015 requires a showing of cost competitiveness, but it does not require comparison with publicly available information. We decline to modify the Draft Resolution.

IEP then states that the potential for selection of utility-owned storage required some complicated arrangements between UDT and BET which seems contrary to the Commission’s “competitive markets first” policy and creates a potential for abuse. IEP proposes that the Draft Resolution be modified to impose additional safeguards against the potential for discrimination in favor of utility-owned storage.³⁷ The Commission requires the members of SDG&E’s UDT and BET to sign a code of conduct prior to the launch of the solicitation and operate under a firewall that is designed to prevent favoritism over utility-owned storage. Separate IEs also oversee SDG&E’s UDT and BET solicitation processes. We decline to impose additional safeguards.

Finally, IEP states that there was a typographical error in referencing Rule 7.4.2(6) of General Order 96-B which was incorrectly referred to as Rule 7.4.2(b). This error has been corrected. IEP also states that in its reply, SDG&E addressed the grounds stated in Rule 7.4.2(2), “[t]hat the relief requested in the advice letter would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies.” IEP states that SDG&E devoted much of its reply to addressing an allegation that IEP did not make. IEP proposes that the Draft Resolution should be modified to remove the summary of SDG&E’s response to an allegation that IEP did not make, as well as not repeat SDG&E’s unjustified charge that IEP has misstated facts to the Commission.³⁸ We acknowledge that SDG&E responded to the incorrect grounds for protest, possibly due to the typographical error. However, SDG&E’s response is part of the record and we decline to modify it. Further, our disposition of the request does not reference SDG&E’s incorrect response, therefore, we decline to modify the Draft Resolution.

³⁶ IEP Comments on Draft Resolution E-5303 at 2-3.

³⁷ Id. at 3-4.

³⁸ Id. at 4-5.

FINDINGS

1. Commission decisions D.21-02-028 and D.21-03-056 directed the IOUs to contract for incremental capacity available to serve peak and net peak demand during the summers of 2021 and 2022 on behalf of all benefitting customers and expressed a preference for storage resources. The Commission determined that potential resources may include utility-owned generation and authorized the IOUs to submit utility-owned generation projects through a Tier 2 Advice Letter.
2. Commission decision D.21-12-015 adopted several supply and demand-side requirements intended to ensure that there is adequate electric power in the event of extreme weather conditions during the summers of 2022 and 2023.
3. Commission decision D.23-06-029 extended D.21-12-015 and established a 17% PRM and an effective PRM procurement target of 170-320 MW for SDG&E.
4. SDG&E's methodology to evaluate the EPC energy storage procurement is reasonable.
5. The cost of the utility owned energy storage contracts is reasonable.
6. SDG&E's request to recover the costs of the utility owned energy storage projects through the Cost Allocation Mechanism is reasonable.
7. It is reasonable for SDG&E to regularly update the Cost Allocation Mechanism Procurement Review Group on project milestones during development as well as on operations once the projects are online.

THEREFORE IT IS ORDERED THAT:

1. The request of SDG&E to approve the utility-owned energy storage contracts as requested in Advice Letter ~~4920~~[4290](#)-E is approved.
2. The total cost (capital, operations, and construction) of \$110.4 million is reasonable.
3. SDG&E is authorized to recover the costs of the utility-owned energy storage contracts via the Cost Allocation Mechanism.

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 December 14, 2023; the following Commissioners voting favorably thereon:

Rachel Peterson
Executive Director