



July 19, 2018

CPUC, Energy Division  
EDTariffUnit  
505 Van Ness Ave., 4th Floor  
San Francisco, CA 94102  
E-mail: [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)

Pacific Gas and Electric Company  
Attn: Erik Jacobson  
Director, Regulatory Relations  
c/o Megan Lawson  
77 Beale Street, Mail Code B13U  
P.O. Box 770000  
San Francisco, CA 94177  
E-mail: [PGETariffs@pge.com](mailto:PGETariffs@pge.com)

Subject: **Protest of CalCCA to Pacific Gas and Electric Company Advice Letter 5322-E (Energy Storage Contracts Resulting from PG&E's Local Sub-Area Request for Offers Per Resolution E-4909)**

## **INTRODUCTION**

Pursuant to Section 7.4 of California Public Utilities Commission (“Commission”) General Order (“GO”) 96-B, CalCCA submits this protest to Pacific Gas and Electric Company’s (“PG&E”) Advice Letter (“AL”) 5322-E. AL 5322-E requests Commission approval of four energy storage projects resulting from PG&E’s Local Sub-Area Energy Storage Request for Offers. This protest is being sent to PG&E concurrently with its submittal to the Commission’s Energy Division.

## **BACKGROUND**

Commission Resolution E-4909, issued on January 12, 2018, ordered PG&E to hold one or more competitive solicitations for energy storage and/or preferred resources to address the South Bay - Moss Landing and Pease local sub-area capacity deficiencies and to manage voltage issues in the Bogue sub-area. PG&E’s AL acknowledges that its transmission projects in the South Bay - Moss Landing sub-area, which are expected to be complete by February 2019, would reduce the Local Capacity Requirement (“LCR”) needs by 568 MW, addressing the LCR needs and issues identified by the Resolution and the CAISO that resulted in backstop procurement by the

CAISO.<sup>1</sup> PG&E cites a CAISO study indicating that there may be additional local sub-area needs by 2023;<sup>2</sup> however, this timeframe falls outside the 2019-2022 period of need authorized in Resolution E-4909. PG&E's AL also states that it did not select any energy storage projects in the Pease sub-area because the transmission solutions would eliminate the LCR need completely by December 2020.<sup>3</sup> PG&E's AL further states that it did not select any energy storage projects in the Bogue local sub-area because the transmission solutions would eliminate the voltage mitigation need and the proposed projects would be ineffective as a single solution to mitigate the high voltages mostly under light load conditions.<sup>4</sup>

CalCCA protests this AL on the grounds that:

- a. The relief requested in the advice letter is not authorized by the Commission order on which the utility relies,
- b. The analysis in the advice letter contains material omissions,
- c. The relief requested in the advice letter is inappropriate for the advice letter process, and
- d. The relief requested in the advice letter is unjust, unreasonable, and discriminatory.<sup>5</sup>

## **DISCUSSION AND RECOMMENDATION**

CalCCA supports efforts statewide to expeditiously replace fossil fuel-powered generation resources with energy storage and preferred resources in order to address local reliability needs and to obviate the need for reliability must-run (RMR) resources. Community Choice Aggregators (CCAs) have initiated such efforts on behalf of their customers. East Bay Community Energy has partnered with PG&E as part of the Oakland Clean Energy Initiative to contract for energy and resource adequacy from locally-sited renewable generation and/or storage while PG&E procures reliability products, in order to avoid the need for an aging jet fuel-fired RMR facility.<sup>6</sup> MCE is discussing several energy storage RA offers with suppliers, including 25 MWs in the Bay Area, 20 MWs in the Big Creek Area, and a few behind-the-meter offers ranging from one to 20 MWs in the Bay Area. Silicon Valley Clean Energy and Monterey Bay Community Power are in negotiations for 278 MWs of solar paired with 85 MWs of energy storage, which would pair storage with over 30% of the capacity of the solar projects in order to mitigate use of gas-fired resources.

However, in this instance, CalCCA is concerned that PG&E has not properly accounted for transmission solutions that eliminate the need for RMR contracts or additional energy storage projects in the particular local sub-areas identified by Resolution E-4909. By failing to take local need into account, PG&E's energy storage projects will increase ratepayer costs without commensurate local reliability benefits. While increased investment in storage is desirable, it must be deployed to maximize benefits. Deploying new energy storage in an area that no longer has a local reliability need is clearly not the best way to maximize such benefits. There are undoubtedly other local areas in the state where deployment of new energy storage is needed in

---

<sup>1</sup> AL 5322-E at 7.

<sup>2</sup> Id. at 13.

<sup>3</sup> Id. at 14.

<sup>4</sup> Id. at 15.

<sup>5</sup> General Order No. 96-B, General Rules § 7.4.2 ("GO 96-B").

<sup>6</sup> See [EBCE News Release](#)

order to displace fossil-fueled generation facilities and positively impact air quality for local residents. LSEs should be focused on deploying energy storage strategically in order to maximize greenhouse-gas reductions and local air quality benefits at lowest cost.

**a. Approval of the four energy storage projects proposed in the AL is not authorized by Resolution E-4909**

An AL should be rejected when the relief requested in the advice letter would violate a Commission order or is not authorized by the order on which the utility relies.<sup>7</sup> Resolution E-4909 provided the following relevant Parameters for Procurement that PG&E was required to follow in order to procure the resources at issue in AL 5322-E:<sup>8</sup>

1. PG&E is required to take into consideration any new or planned transmission solutions that reduce or eliminate the need for RMR contracts or their extension, when it selects resources for procurement in this solicitation.

...

4. Resources procured pursuant to this solicitation must be both:

- a. On-line and operational on or before a date sufficient to ensure that the RMR contracts for the three plants – Metcalf Energy Center, Feather River Energy Center, and Yuba City Energy Center – will not be renewed in any year from 2019 through 2022.
- b. Located within the relevant sub-area(s) and be interconnected at location(s) that will mitigate local capacity and voltage issues sufficient to obviate the need for RMR contracts for the aforementioned plants.

5. Resources procured in this solicitation should be at a reasonable cost to ratepayers, taking into consideration the cost and value to PG&E, previous solicitations in which PG&E has awarded contracts to similar resources, the cost of the specific RMR contracts, with adjustments for contract terms such as contract length and expedited delivery date, and the known or estimated cost and benefits associated with new and planned transmission solutions.

6. The portfolio of resources selected and contracted with must be of sufficient capacity and attributes to reduce or eliminate the deficiencies identified, as determined in coordination with the CAISO.

---

<sup>7</sup> GO 96-B, General Rules §§ 5.1(1), 7.4.2(2).

<sup>8</sup> Resolution at 7.

Furthermore, the Resolution provided specific guidance around cost recovery:<sup>9</sup>

Per Public Utilities Code § 365.1(c)(2)(A) and (B) costs for procurement to address and alleviate local reliability issues, that are determined by the Commission to benefit all customers, may be recovered from all customers. The procurement directed by this Resolution would be required to alleviate local reliability issues in specific sub-areas as described in this Resolution. Thus, we authorize PG&E to request recording of costs of any contracts resulting from this solicitation in its Cost Allocation Mechanism, for recovery from all benefitting ratepayers.

As mentioned above, PG&E's AL directly states that its transmission projects address the sub-local deficiencies that gave rise to the Resolution's requirements. PG&E is required to take into account the effect these transmission projects have on eliminating the need for additional procurement. None of the proposed projects ensure that the need for the Metcalf Energy Center, Feather River Energy Center, and Yuba City Energy Center RMR contracts will be obviated between 2019-2022 because the transmission projects have already served this function. Therefore, the AL does not meet the standards set forth in Resolution E-4909: (1) that the procurement is necessary to mitigate local capacity and voltage issues in the applicable timeframe and (2) that these resources have been procured at a reasonable cost to ratepayers, because any cost for an unneeded resource is necessarily unreasonable.

**b. By failing to provide the required determination from CAISO that the projects would reduce or eliminate the identified local sub-area deficiencies, the analysis in the AL contains material omissions**

An AL should be rejected when it contains material omissions.<sup>10</sup> PG&E's attached letter from CAISO, while recognizing the benefits of storage generally and acknowledging that additional storage reduces risk of future local need, does not conclude that the projects selected would reduce or eliminate the deficiencies at issue. Instead, the letter mentions the transmission mitigations already approved or underway to address the specific needs that led to the RMR designations.<sup>11</sup> Such analysis is insufficient to justify the relief requested given the standard the Commission set forth in Resolution E-4909.

**c. Because Resolution E-4909 does not authorize energy storage projects that do not mitigate a specific identified sub-local need, approval is inappropriate for the AL process and should only be granted via a formal Commission process**

General Order 96-B limits the use of the advice letter process to request the approval of resource procurement where the utility has been authorized by "Commission order to seek the requested relief by means of an advice letter" and where the request is "expected neither to be controversial

---

<sup>9</sup> Id. at 8.

<sup>10</sup> GO 96-B, General Rules § 7.4.2(3).

<sup>11</sup> AL 5322-E at Appendix J.

nor to raise important policy questions.”<sup>12</sup> “The advice letter process does not provide for an evidentiary hearing” and “a matter that requires an evidentiary hearing may be considered only in a formal proceeding.”<sup>13</sup>

AL 5322 is procurement in search of a need. The justification for executing the four contracts no longer existed once PG&E’s transmission solutions eliminated the need for the RMR contracts or their extension in the 2019-2022 time period. Because the projects no longer mitigate a specific local capacity issue, PG&E has no clear authorization for the procurement and must seek Commission approval of the projects pursuant to authority other than the now unnecessary special carve-out provided for in Resolution E-4909. Such authority may be granted as part of a separate application specific to these projects, as part of its biennial storage solicitation in A.18-03-001,<sup>14</sup> or as part of solicitations undertaken under some other type of procurement authority, such as PG&E’s upcoming SB 350 Integrated Resource Plan in R.16-02-007. Only in such formal processes can the Commission develop the record, via discovery, comments, testimony, hearings, and/or briefing, necessary to resolve disputed issues of fact regarding whether a need exists for these projects.

In the context of the State’s evolving energy procurement paradigm, and without a reliability need to justify it, Cost Allocation Mechanism (CAM)-based procurement is without question controversial and raises important policy questions. PG&E should have sought Commission permission to cancel, delay or modify its RFO once it recognized transmission solutions would resolve these reliability issues rather than proposing the double-procurement of resources, *i.e.*, both transmission capacity and local storage projects, to address the same reliability issue. Regardless, the Commission should not burden ratepayers with these costs via an advice letter process incapable of developing a record sufficient to make conclusions of fact regarding resource needs.

**d. Approving these projects and their associated cost recovery would be unjust, unreasonable, and discriminatory.**

Ratepayers may only be subject to costs which are just and reasonable.<sup>15</sup> While costs for procurement to address and alleviate local reliability issues may meet this threshold,<sup>16</sup> in the immediate instance the procurement does not in fact alleviate any current local reliability issues. Furthermore, it is too uncertain whether future local reliability needs will materialize by 2023. Even if a need did develop in the South Bay - Moss Landing sub-area by 2023, it is unlikely that procurement five years in advance will result in a reasonable price, since storage prices continue to decline each year as the technology advances.<sup>17</sup> Finally, the projected potential new need in the South Bay - Moss Landing sub-area by 2023 (up to 243.5 MW, depending on what else gets contracted for) is less than half the MW for which PG&E seeks approval and cost recovery in this AL (567.5 MW).

---

<sup>12</sup> GO 96-B, General Rules §§ 5.1-5.2.

<sup>13</sup> GO 96-B, General Rules § 5.1.

<sup>14</sup> See Assigned Commissioner’s Scoping Memo and Ruling, A.18-02-016, A.18-03-001, and A.18-03-002 (consolidated) (May 24, 2018).

<sup>15</sup> Public Utilities Code § 451.

<sup>16</sup> Public Utilities Code § 365.1(c)(2)(A) and (B)

<sup>17</sup> See [Greentech Media Report: U.S. Front-of-the-Meter Energy Storage System Prices 2018-2022](#).

Additionally, resources subject to CAM treatment allocate the net costs and benefits to all benefiting customers in PG&E's service territory, which include direct access and community choice aggregation customers, for the duration of the contracts. If approved, PG&E would be procuring resources on behalf of CCA customers even though there is no current local reliability need. This would discriminate against CCAs, which would be prevented from choosing their own resources. As expressly set forth in statute, CCAs are solely responsible for all generation procurement activities for their customers, unless expressly stated otherwise in statute. Moreover, statute directs the Commission to pursue objectives that maximize the ability of CCA programs to determine the generation resources used to serve their customers.<sup>18</sup> Approving PG&E's advice letter in the instant situation where the resources are unneeded, can be procured at lower cost at a future date, and where the facts animating the underlying Resolution have changed would be a direct violation of both of these statutory mandates.

## CONCLUSION

CalCCA supports increased deployment of energy storage in California. However, given the lack of 2019-2022 sub-local needs in the South Bay - Moss Landing sub-area, which ostensibly form the basis for justifying these projects and the cost recovery from all customers in response to Resolution E-4909, CalCCA requests that the CPUC reject PG&E's AL and deny PG&E's four energy storage projects resulting from PG&E's Local Sub-Area Energy Storage Request for Offers. Please contact Beth Vaughan at [beth@cal-cca.org](mailto:beth@cal-cca.org) or (925) 408-5142 with any questions about these comments.

/s/ Beth Vaughan

---

Beth Vaughan  
Executive Director, CalCCA

cc: President Michael Picker, CPUC  
Commissioner Carla Peterman, CPUC  
Commissioner Liane Randolph, CPUC  
Commissioner Martha Guzman Aceves, CPUC  
Commissioner Clifford Rechtschaffen, CPUC  
Alice Stebbins, CPUC Executive Director  
Edward Randolph, Director, CPUC Energy Division  
Service Lists in R.15-03-011 and R.17-09-020

---

<sup>18</sup> See, e.g., Pub. Util. Code §§ 366.2(a)(5) and 380(a)(4) (added by Senate Bill ("SB") 790) (2011).