

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

Application of Pacific Gas and Electric
Company for Approval of Agreements
Resulting from its 2016-2017 Energy Storage
Solicitation and Related Cost Recovery.

Application No. 17-12-003
(Filed December 1, 2017)

**RESPONSE OF THE CALIFORNIA ENERGY STORAGE ALLIANCE
ON THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY FOR
APPROVAL OF AGREEMENTS RESULTING FROM ITS 2016-2017 ENERGY
STORAGE SOLICITATION AND RELATED COST RECOVERY**

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In accordance with Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the California Energy Storage Alliance (“CESA”)¹ hereby submits this response on *Application of Pacific Gas and Electric Company for Approval of Agreements Resulting from its 2016-2017 Energy Storage Solicitation and Related Cost Recovery* (“Application”), filed by Pacific Gas and Electric Company (“PG&E”) on December 1, 2017.

¹ 8minutenergy Renewables, Able Grid Energy Solutions, Adara Power, Advanced Microgrid Solutions, AES Energy Storage, AltaGas Services, Amber Kinetics, American Honda Motor Company, Inc., Brenmiller Energy, Bright Energy Storage Technologies, BrightSource Energy, Brookfield, California Environmental Associates, Consolidated Edison Development, Inc., Customized Energy Solutions, Demand Energy, Doosan GridTech, Eagle Crest Energy Company, East Penn Manufacturing Company, Ecoult, EDF Renewable Energy, ElectriQ Power, eMotorWerks, Inc., Energport, Energy Storage Systems Inc., Engie, GAF, Geli, Greensmith Energy, Gridscape Solutions, Gridtential Energy, Inc., IE Softworks, Innovation Core SEI, Inc. (A Sumitomo Electric Company), Johnson Controls, LG Chem Power, Inc., Lockheed Martin Advanced Energy Storage LLC, LS Power Development, LLC, Magnum CAES, Mercedes-Benz Energy, National Grid, NEC Energy Solutions, Inc., NextEra Energy Resources, NEXTracker, NGK Insulators, Ltd., NICE America Research, NRG Energy, Inc., Ormat Technologies, Parker Hannifin Corporation, Qnovo, Recurrent Energy, RES Americas Inc., Sempra Renewables, Sharp Electronics Corporation, SNC Lavalin, Southwest Generation, Sovereign Energy, STOREME, Inc., Sunrun, Swell Energy, Viridity Energy, Wellhead Electric, and Younicos. The views expressed in these Comments are those of CESA, and do not necessarily reflect the views of all of the individual CESA member companies. (<http://storagealliance.org>).

I. INTRODUCTION.

In its Application, PG&E is requesting approval of five Capacity Storage Agreements (“CSAs”), totaling 145 MW of energy storage, to help meet its RA obligations, in addition to one PG&E distribution deferral project amounting to 20 MW under a Purchase-and-Sale Agreement (“PSA”). CESA supports the outcome of the competitive solicitation and believes that these results will support cost-effective and reliable grid operations, help transform the market for energy storage in California in compliance with Assembly Bill (“AB”) 2514 and D.13-10-040, and expand PG&E’s valuable procurement and operational experience with energy storage resources.

While supporting the approval of PG&E’s Application, CESA offers a limited response on one related matter: the need for a formal procedural venue by which to assess or review rate structures for utility-owned multiple use applications (“MUAs”). CESA maintains there is a need to keep the Energy Storage proceeding (R.15-03-011) open or to open a successor Energy Storage proceeding to address policy issues, like this rate issue in PG&E’s Application relating to cost recovery from a MUA resource. The Commission may also refer to CESA’s comments on the Proposed Decision on MUA issues, which proposes to close the proceeding, for additional reasons why this proceeding must remain open or a successor proceeding must be opened.²

II. THE ENERGY STORAGE PROCEEDING SHOULD REMAIN OPEN OR A SUCCESSOR PROCEEDING SHOULD BE OPENED TO REVIEW PG&E’S APPROACH AND TO ADDRESS ACCOUNTING ISSUES RELATED TO MULTIPLE-USE APPLICATIONS, AMONG MANY OTHER KEY ISSUES.

PG&E proposes to recover the costs of 145 MW under five CSAs from bundled customers through Energy Resource Recovery Account (“ERRA”) and to include these contracts

² *Comments of the California Energy Storage Alliance on the Proposed Decision of Commissioner Peterman on Multiple-Use Application Issues*, filed on November 28, 2017, pp. 9-11.

under the Power Charge Indifference Adjustment (“PCIA”) mechanism. However, for the one 20-MW project under the PSA to provide distribution deferral services, PG&E proposes a new “pilot” ratemaking mechanism whereby the resource is contracted to provide dual uses as a generation asset and a distribution system asset. PG&E appropriately notes that it will follow the principles set in D.14-10-045 to recover costs based on the function performed by the energy storage resource. As a result, under this pilot cost recovery mechanism, PG&E proposes to recover the market/generation function through generation rates and to recover the distribution reliability function in the ratebase through distribution rates. PG&E proposes this ratemaking mechanism “to capture the market value of this resource when it is not prioritized to provide distribution reliability services, and to use that value to reduce the costs that will be borne by distribution customers.”³ CESA generally supports PG&E’s efforts to explore and manage cost recovery from such multiple-use resources that provide both generation and distribution services. CESA agrees that additional value can be obtained on behalf of distribution customers when distribution reliability services are not prioritized and market revenues from energy and ancillary services as well as the Resource Adequacy (“RA”) value can be used to lower the ratebase of the resource, thereby delivering a cost-effective non-wires distribution asset.⁴ Importantly, CESA supports PG&E’s proposal to pilot this cost recovery mechanism with the appropriate oversight and evaluation process to advance a replicable cost recovery mechanism for multiple-use energy storage resources providing both generation and distribution functions. In one possible rate structure, CESA imagines that any rate-base amounts could be reduced by generation revenues earned by the resource.

³ *Pacific Gas and Electric Company Results of 2016 Energy Storage Solicitation Prepared Testimony*, filed on December 1, 2017, p. 1-3.

⁴ *Ibid*, p. 7-6.

While generally supportive of PG&E’s proposed cost-recovery mechanism for the PSA, CESA notes that there is no formal proceeding in place to address the “longer-term cost allocation” for MUAs, contrary to PG&E’s assertion.⁵ CESA believes that R.15-03-011 or a newly established and similar proceeding would be an appropriate proceeding to formally address these policy issues, considering this proceeding also has been working in detail on developing an MUA framework. However, the November 3, 2017 Proposed Decision does not address these cost recovery issues and proposes to prematurely close the proceeding.⁶ Thus, at the moment, the Commission could lack an open formal proceeding to address these issues and evaluate PG&E’s proposed pilot cost-recovery mechanism, as PG&E seeks to do as well. CESA therefore urges the Commission to revise the current Proposed Decision, scheduled to be approved at the January 11, 2018 meeting, to keep the proceeding open or to open a successor proceeding to address issues related to cost recovery for MUA assets, among many other issues CESA has previously highlighted.

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⁵ *Ibid*, p. 1-3, footnote 5.
⁶ *Proposed Decision on Multiple-Use Application Issues*, issued on November 3, 2017, pp. 23-24.

III. CONCLUSION.

CESA appreciates the opportunity to submit this response on PG&E's Application and looks forward to working with the Commission and parties going forward in this proceeding.

Respectfully submitted,



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