

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

Application of Pacific Gas and Electric  
Company (U 39-E) for Approval and Recovery  
of Oakland Clean Energy Initiative Preferred  
Portfolio Procurement Costs.

Application 20-04-013  
(Filed April 15, 2020)

**RESPONSE OF THE CALIFORNIA ENERGY STORAGE ALLIANCE TO THE  
APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) FOR  
APPROVAL OF OAKLAND CLEAN ENERGY INITIATIVE PREFERRED  
PORTFOLIO PROCUREMENT COSTS**

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May 18, 2020

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In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the California Energy Storage Alliance (“CESA”) hereby submits this response to the *Application of Pacific Gas and Electric Company (U 39 E) for Approval of Oakland Clean Energy Initiative Preferred Portfolio Procurement Costs* (“Application”), submitted and filed by Pacific Gas and Electric Company (“PG&E”) on April 15, 2020.

**I. INTRODUCTION.**

PG&E submitted this Application seeking approval from the Commission to procure a portfolio of energy storage resources and recover costs resulting from the Oakland Clean Energy Initiative (“OCEI”). Specifically, PG&E executed a Local Area Reliability Service (“LARS”) agreement with Dynegy Marketing and Trade (Vistra) for a 36.25-MW energy storage project located at the site of the existing Oakland Power Plant, which is connected to the Oakland C substation in an urban area and is similarly owned by Dynegy. In addition, PG&E also executed a LARS agreement with Tierra Robles Energy Storage, LLC (esVolta) for a 7-MW energy storage project electrically interconnected to the Oakland L substation. In total, the proposed OCEI procurement portfolio includes 43.25 MW (173 MWh) of energy storage, including sufficient

quantities electrically interconnected to Oakland C and Oakland L substations to meet the energy storage requirement established in the 2019-2020 Transmission Plan of the California Independent System Operator (“CAISO”).

CESA commends PG&E for this successful procurement. The OCEI represents an innovative, one-of-a-kind solicitation in collaboration with East Bay Community Energy (“EBCE”) that advances the state’s decarbonization goals while delivering ratepayer value by providing both transmission reliability to PG&E and resource adequacy (“RA”) benefits to EBCE. Such value stacking with two buying parties for different services represents a cost-effective means to extract additional local value and to increase the utilization of ratepayer-funded investments. Additionally, through these contracts, PG&E will be supporting the replacement of the Oakland Power Plant, the fossil-fueled generation facility, reducing its greenhouse gas (“GHG”) emissions contributions in line with the state’s long-term decarbonization objectives.

CESA supports PG&E’s Application and looks forward to participating in this proceeding to further assess and understand the procured energy storage contracts and PG&E’s requested relief.

## **II. RESPONSE.**

Based on the preliminary information presented by PG&E in its Application and Prepared Testimony, CESA generally supports the approval of the two energy storage contracts. In this initial response, CESA observed the following about the proposed contracts submitted for Commission approval:

- **Addresses the transmission-related reliability need identified by the CAISO:** The CAISO letter of support for the OCEI resources presents compelling support for how the two energy storage contracts address the transmission reliability needs. By contrast, the current Oakland Power Plant does not meet the reliability

requirements at the Oakland L substation.<sup>1</sup> CESA also agrees with PG&E that certain transmission alternatives are “unrealistic” due to siting challenges from urban density, while new gas generation alternatives would likely face opposition based on the experience with the Moss Landing and Moorpark resource procurements.<sup>2</sup>

- **Represents the most cost-effective solution:** While CESA does not have visibility into the actual procurement costs submitted for recovery in this Application, the estimated costs of the OCEI preferred resource portfolio were reported as being lower than other alternatives studied in the CAISO’s 2017-2018 Transmission Plan.<sup>3</sup> In addition, the Independent Evaluator (“IE”) Report found that the two contracts submitted for Commission approval represented the most cost-effective solutions.<sup>4</sup> These two data points suggest favorable results in support of these contracts.
- **Aligns with the state’s decarbonization goals:** The replacement of a fossil source with energy storage will deliver immediate GHG-reducing benefits,<sup>5</sup> which is especially important in the pollution-burdened Oakland area. Notwithstanding the direct GHG benefits of replacing a fossil resource, in-front-of-the-meter (“IFOM”) energy storage operations can reasonably be assumed to reduce GHG emissions given that marginal GHG emission rates are relatively well-correlated with wholesale energy market prices<sup>6</sup> and considering how these resources will also be operating under RA contracts with Availability Assessment Hours (“AAH”) set between 4pm and 9pm to incentivize availability and discharge during the hours of greatest need and greatest marginal emissions.
- **Represents a fair process for bid/offer selection:** The findings from the IE Report suggest that the solicitation outreach, evaluation, and negotiations were conducted in a fair and reasonable fashion.<sup>7</sup> Furthermore, the fallout of the utility-owned storage track in the OCEI solicitation simplifies this evaluation for fairness and reasonableness of the solicitation-related conduct and process.

Taking into account the information made available through the Application and Prepared Testimony, the proposed contracts have early signs that potentially support approval by the Commission. While the above criteria may not represent the exhaustive list of issues and though

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<sup>1</sup> Prepared Testimony Chapter 1 Attachment 1 and Chapter 2 at 5.

<sup>2</sup> Prepared Testimony Chapter 2 at 4.

<sup>3</sup> Prepared Testimony Chapter 1 at 8.

<sup>4</sup> Prepared Testimony Appendix C at 31.

<sup>5</sup> Prepared Testimony Chapter 1 at 10.

<sup>6</sup> See *SGIP GHG Signal Working Group Final Report* published on September 6, 2018 at 127.

<sup>7</sup> Prepared Testimony Appendix C at 5-6.

additional information may be introduced over the course of this proceeding, CESA understands that many previous Applications for contract and cost recovery approval have involved the above issues for Commission consideration. Based on the above criteria, PG&E has presented compelling preliminary information that provide early indications of reasonableness and benefit to ratepayers at this time.

### **III. ISSUES TO BE CONSIDERED.**

Other than to assess the reasonableness of the Application on the basis of need, effectiveness, cost, and alignment with policy objectives, as done for other Applications, CESA does not recommend other additional or specific unique issues to be addressed in this proceeding at this time.

### **IV. CATEGORIZATION, HEARINGS, AND SCHEDULE.**

CESA agrees that no evidentiary hearings are needed, and that this Application should be categorized as a “ratesetting” proceeding.

CESA also supports PG&E’s proposed expedited schedule to ensure timely deployment, construction, and delivery of transmission benefits in the Oakland sub-area by February 1, 2022, and urges the Commission to act in a timely manner. Considering typical equipment procurement and construction timelines can span 12 months to complete, along with the 365-day termination clause in the contracts,<sup>8</sup> CESA supports PG&E’s proposed schedule to have a Final Decision issued on the OCEI contracts and associated cost recovery on or before December 2020,<sup>9</sup> which will be essential to achieving the February 1, 2022 commercial online date and to addressing the transmission reliability needs. Furthermore, given that EBCE contract is contingent upon

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<sup>8</sup> Prepared Testimony Chapter 3 at 18.

<sup>9</sup> Application at 14.

Commission approval of PG&E’s contract, expedited processes are reasonable and prudent to ensure timely delivery of System and Local RA benefits as well.<sup>10</sup> As the Commission is already aware, all load-serving entities (“LSEs”) within the jurisdiction of the Commission’s RA Program are subject to System RA procurement requirements pursuant to Decision (“D.”) 19-11-016. Timely contract approval will ensure that EBCE is able to meet their System RA needs pursuant to their share of the 2022 requirements, which require deliveries by August 1, 2022.

CESA stresses how Commission approval of contracts is important for storage counterparties to begin deployment activities. Furthermore, it is important to note that the current economic climate and public-health-related guidelines due to the COVID-19 pandemic create some level of uncertainty in financial markets, supply chains, and staffing/labor, where the margin to commence deployment activities should not be minimized to ensure timely delivery of the transmission reliability services.

A typical Application review and resolution processes lasting up to 18 months, pursuant to Rule 2.1(c), is not feasible to ensure the timely and successful deployment of these two energy storage projects, and thus, an expedited schedule is reasonable and necessary. Based on the information presented in the Application and Prepared Testimony, CESA does not see major issues at this time that would warrant extensive review and resolution processes.

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<sup>10</sup> Prepared Testimony Chapter 1 at 4-5.

**VII. CONCLUSION.**

CESA appreciates the opportunity to submit this response and looks forward to working with the Commission and stakeholders in this proceeding.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Alex J. Morris".

Alex J. Morris  
Executive Director  
**CALIFORNIA ENERGY STORAGE ALLIANCE**

Date: May 18, 2020