

# INDEPENDENT ENERGY PRODUCERS

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October 5, 2018

Energy Division  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

**Re: Comments of the Independent Energy Producers Association on Draft Resolution E-4949**

Dear Sir or Madam:

The Independent Energy Producers Association (IEP) respectfully comments on Draft Resolution E-4949 (Draft Resolution) approving cost recovery for three power purchase agreements and one engineering, procurement and construction (EPC) agreement for four energy storage facilities. Originally, by Resolution E-4909, the Commission authorized Pacific Gas and Electric Company (PG&E) to procure storage or preferred resources to address local deficiencies and ensure local reliability in local sub-areas and to manage voltage issues. In response, PG&E submitted Advice Letter (AL) 5322-E seeking approval of four energy storage projects resulting from PG&E's Local Sub-area energy storage Request for Offers (LSA ES RFO). In response to AL 5322-E, Draft Resolution E-4949 would approve 567.5 MWs of additional storage, including 182.5 MWs of utility-owned storage in the Moss Landing location procured via an EPC contract.

The Draft Resolution should be modified to deny cost recovery of the EPC contract to support a utility-owned asset at Moss Landing (182.5 MWs). As explained more fully below, the utility-owned storage resource procured via the EPC contract is not consistent with Commission policy and objectives. Specifically, the EPC contract is not needed to ensure grid reliability; it is inconsistent with past Commission direction related to utility storage procurement; and, it undermines the integrity of the Commission's integrated resource planning (IRP).

**A. PG&E’s Proposed EPC Contract Is Not Needed to Address Local Deficiencies and Ensure Local Reliability**

Originally, Resolution E-4909 directed PG&E to hold a competitive solicitation for energy storage and preferred resources to address two specific local sub-area capacity deficiencies (South Bay- Moss Landing and Pease local sub-areas) and to manage voltage issues in another sub-area (Bogue sub-area).<sup>1</sup> Among other goals, Resolution E-4909 sought to reduce or eliminate the need for RMR contracts in the local sub-areas.<sup>2</sup> Resolution E-4909 also directed PG&E to take into account any new or planned transmission solutions that reduce or eliminate the need for RMR contracts or their extensions when determining the amount of storage resources and/or preferred resources to procure.<sup>3</sup>

AL 5322-E acknowledges that several transmission projects in the South Bay Moss Landing Sub-area replace the Local Capacity Reliability (LCR) needs by 568 MWs. Specifically, PG&E notes that the collection of transmission projects, expected to be completed by February 2019, “will together address the LCR needs and issues identified by the Resolution” (i.e. Resolution E-4909) and, thereby, mitigate the need for CAISO RMR backstop procurement in the local sub-area.<sup>4</sup>

Accordingly, the necessity to contract with resources that no longer help address local deficiencies and ensure local reliability is moot. As a result, approval of the various projects contracted by PG&E must rely on other policy to support the reasonableness of their procurement individually and in aggregate.

**B. The Storage Procurement Mandate Does Not Justify PG&E’s Proposed EPC Contract**

PG&E seeks a Commission finding that the procurement of all four projects are justified under Decision 13-10-040.<sup>5</sup> Decision 13-10-040 set the following storage procurement targets for PG&E with installations required no later than the end of 2024:

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<sup>1</sup> Resolution E-4909, p. 1

<sup>2</sup> Resolution E-4909, Ordering Paragraph 6, p. 20

<sup>3</sup> Resolution E-4909, Ordering Paragraph 4, p. 20

<sup>4</sup> PG&E Advice Letter 5322-E, p. 11

<sup>5</sup> Resolution E-4909, p. 5

### Proposed Energy Storage Procurement Targets (in MW)<sup>6</sup>

Storage Grid Domain Point of Interconnection	2014	2016	2018	2020	Total
<b>Pacific Gas and Electric</b>					
<i>Transmission</i>	<b>50</b>	<b>65</b>	<b>85</b>	<b>110</b>	<b>310</b>
Distribution	30	40	50	65	185
Customer	10	15	25	35	85
<b>Subtotal PG&amp;E</b>	<b>90</b>	<b>120</b>	<b>160</b>	<b>210</b>	<b>580</b>

For storage resources that fall within the transmission-domain, Decision 13-10-040 set a PG&E procurement target of 200 MWs by 2018. In addition, Decision 13-10-040 set an overall target for storage within the transmission-domain at 310 MWs by 2020.

Draft Resolution E-4949, in contrast, would enable the cost recovery of 567.5 MWs of incremental storage capacity within the transmission-domain. The amount of incremental capacity exhausts the entirety of PG&E’s obligation for transmission interconnected storage established by Decision 13-10-040. Moreover, the amount of storage proposed to be approved exceeds the procurement targets set for PG&E not by a little but by a lot: the amount of transmission-domain storage proposed to be approved exceeds PG&E total procurement target set in Decision 13-10-040 by fully 183 percent (i.e. 257.5 MWs). To the extent that PG&E has procured storage that is expected to come online within the transmission-domain by 2024, then the amount of over-procurement conducted by PG&E will increase.

The Draft Resolution describes that PG&E’s solicitation resulted in 385 MWs of competitively procured storage that is not utility-owned. In aggregate, the non-utility owned storage resources align better with PG&E’s energy storage procurement targets. To the extent that the Commission approves cost-recovery of the storage projects proposed to be procured by PG&E, the Commission should limit cost recover to the non-utility owned projects.

On the other hand, the Commission should deny cost recovery for the single utility-owned, EPC project totaling 182.5 MWs. The MWs associated with the utility-owned project are not needed to help ensure grid reliability; they are not needed to meet the storage targets prescribed

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<sup>6</sup> D. 13-10-040, Table 2, p. 15

in D. 13-10-040; and, they are not needed to identify changes to Commission practices and procedures that may be necessary to support the cost-effective deployment of utility-owned energy storage systems as suggested by the Draft Resolution.<sup>7</sup>

**C. The Draft Resolution Conflicts with Prior Commission Decisions related to Storage Procurement and Integrated Resource Planning (IRP)**

Decision 13-10-040 recognized opportunities for utility-owned storage, but the Commission established some important guiding principles in that decision when considering utility-owned storage. Notably, the Commission established the primacy of integrated resource planning in establishing the scope and scale of future utility-owned storage: “Although we allow utility ownership of energy storage systems, we believe that the primary means for procuring energy storage systems should be through competitive solicitations. Thus, *an IOU proposing utility-owned storage in any grid domain shall pursue a competitive process consistent with LTPP [long-term procurement plan] processes outlined in D.07-12-052.*”<sup>8</sup> (emphasis added)

The Commissions’ LTPP planning process was superseded by the IRP. The IRP has not yet been completed. Accordingly, the Draft Resolution proposes a level of utility ownership of energy storage system that conflicts with the key principle established in Decision 13-10-40 without justification. Moreover, in advancing utility-ownership of energy storage systems, the Draft Resolution without justification tilts the competitive playing field toward utility-owned resources while non-utility developers of alternative resources (as well as additional storage beyond that proposed in the Draft Resolution) must await the IRP.

In summary, PG&E seeks to procure utility-owned storage (through an EPC contract) that is not needed to meet grid reliability and not needed to meet Commission prescribed storage

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<sup>7</sup> Draft Resolution, p. 35.

<sup>8</sup> Decision 13-10-040, p. 52

procurement targets. Moreover, the Draft Resolution undermines the Commission's IRP, where utility-owned storage resources are to be considered in an integrated manner with other resource alternatives given state policy objectives. Accordingly, to avoid circumvention of established policy and procurement, the Draft Resolution should be modified to deny PG&E cost recovery of the utility-owned resource at Moss Landing (182.5 MWs) procured through an EPC contract.

Respectfully submitted,

A handwritten signature in black ink that reads "Steven Kelly". The signature is written in a cursive style with a large, sweeping flourish at the end of the name.

Steven Kelly  
Policy Director  
Independent Energy Producers Association  
916-448-9499

**CERTIFICATE OF SERVICE**

I certify that I have by mail this day served a true copy of Draft Resolution E-4909 on all parties or their attorneys as shown on the attached service list.

Dated October 5, 2018; at San Francisco, California.

/s/Steven Kelly  
Steven K. Kelly

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