BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA


Rulemaking 13-11-005
(Filed November 14, 2013)

PREHEARING CONFERENCE STATEMENT
OF MARIN CLEAN ENERGY

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January 27, 2016
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PREHEARING CONFERENCE STATEMENT
OF MARIN CLEAN ENERGY

I. INTRODUCTION

Pursuant to Rule 7.2 of the California Public Utilities Commission’s ("Commission") Rules of Practice and Procedure and the Administrative Law Judge’s Email Ruling Regarding Conference (PHC) Statements for February 1, 2016 PHC issued on January 19, 2016 ("ALJ Ruling"), Marin Clean Energy ("MCE") submits this prehearing conference ("PHC") statement responding to each of the questions posed in the ALJ Ruling.

MCE needs sufficient time to implement its 2016 Energy Efficiency Business Plan ("Business Plan") proposal and meet the 1.25 Total Resource Cost ("TRC") ratio\(^1\) required by Decision 14-01-033.\(^2\) For that reason, MCE filed Application ("A.") 15-10-014 ("the

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\(^1\) The TRC ratio measures the net costs of a demand–side management program as a resource option based on the total costs of the program, including costs incurred by both the participants and the utilities, divided by the total benefits of the program, including energy cost savings. Business Plan, at 12.

\(^2\) See D.14-01-033, mimeo at 44 (Conclusions of Law No. 1).
Application”) well before the September 1, 2016 deadline established in D.15-10-028 and it is critical that the Commission rule on MCE’s Application as expeditiously as possible.

MCE is currently the only Community Choice Aggregator (“CCA”) serving as a Program Administrator (“PA”) for energy efficiency (“EE”) programs. Thus, there is no immediate need for the Commission to definitively resolve policy issues relevant to all CCA PAs in Rulemaking 13-11-005 (“the Rulemaking”) prior to processing MCE’s Application. While the Commission’s determinations regarding MCE’s Application will likely inform the Rulemaking, the Commission must move forward with processing MCE’s Application and expeditiously resolve all of the issues raised in its Application (regardless of their overlap with issues to be raised in the Rulemaking) in order to timely provide MCE with the appropriate tools necessary for it to successfully implement its proposed EE Business Plan and meet the 1.25 TRC ratio requirement.

II. RESPONSES TO QUESTIONS

1. What if any issues raised by the application should the Commission address in R.13-11-005?

MCE recognizes that many of the issues raised in MCE’s Application are also relevant in the Rulemaking. MCE supports the Commission raising these issues in the Rulemaking so long as doing so does not delay the Commission’s review of the Application.

1.1 How to address CCA service territory expansion?

MCE recommends that the Commission address the issue of CCA service territory expansion in the Rulemaking and adopt a strategy applicable to all CCAs, as this scenario will not be limited to MCE. MCE’s Application addresses this issue through a budget expansion mechanism designed to facilitate streamlined delivery of services to customers in new

3 See D.15-10-028, mimeo at 56.
communities by providing a budget adjustment based on the proportionate change in customers by class.\textsuperscript{4} MCE requests that the Commission consider and approve the mechanism proposed in the Application as the interim strategy until the Commission adopts a policy in the Rulemaking.

1.2 \textbf{Whether/how to ensure continuation of gas funding for CCA energy efficiency activities?}

MCE’s Application requests continuation of gas funding\textsuperscript{5} and the Commission should consider this request without delay. MCE requests that the Commission approve its proposed budget for gas funds and extend funding for a full ten-year period (2016–2026) since MCE’s current funding only goes through 2025.\textsuperscript{6} However, MCE recommends that the Commission also address in the Rulemaking the continuation of gas funding for the EE activities of all CCA PAs, not just MCE, as this will be universal to any CCA applying to administer energy efficiency programs.

1.3 \textbf{How CCAs should “accommodate” statewide and regional programs, as Section 381.1 requires?}

1.3.1 \textbf{Should we address this issue for CCAs generally, or for CCAs individually on a program-by-program (or other) basis?} MCE proposes that a CCA become the “default” administrator of energy efficiency programs within a CCA’s service territory, which is an example of a general resolution of the issue.

As stated in the question prompt, MCE supports a general approach that a CCA become the “default” administrator of EE programs within a CCA’s service territory. MCE requests that the Commission adopt this approach first for MCE by approving the Application\textsuperscript{7} and then for all

\textsuperscript{4} See A.15-10-014, at 12–13; Business Plan, at 58 (Figure 29. Formula for Expansion of MCE’s Energy Efficiency Budget).

\textsuperscript{5} See A.15-10-014, at 14.

\textsuperscript{6} See D.14-10-046, mimeo at 168 (Ordering Paragraph 26) (granting funding to MCE “until 2025 or until modified or superseded by further Commission direction”).

\textsuperscript{7} See A.15-10-014, at 7–11.
CCAs through the Rulemaking. Adopting this approach in the Application will provide an opportunity to test that particular approach with MCE before adopting a general approach for all CCAs. In the Rulemaking, MCE may recommend that the Commission institute eligibility criteria before CCAs are permitted to obtain default administrator status. For example, the Commission might require that a CCA complete the three-year “on-ramp” period discussed in D.14-01-033.8 This general discussion of how CCAs accommodate statewide and regional programs is more appropriately addressed in the Rulemaking rather than in the context of MCE’s Application.

1.3.2 In what proceeding should the Commission examine how RENs intersect with CCA administrators, and what are the associated issues for RENs?

The Commission should first examine the intersection of Regional Energy Networks (“RENs”) and CCA administrators in the Application to develop an appropriate framework for MCE’s service territory. Significant deliberation in the Application is likely unnecessary because the Commission can model the current relationship RENs have with IOUs as a framework for RENs and MCE. MCE believes the issue of how RENs intersect with CCA PAs should eventually be decided for all CCAs in the Rulemaking. The framework developed in MCE’s Application may help inform this broader discussion.

2. What issues raised by the application should the Commission address in A.15-10-014?

MCE requests that the Commission address all issues raised in the Application within the Application proceeding.9

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8 See D.14-01-033, mimeo at 32.
9 See A.15-10-014, at 14 (Section D. Issues to be Considered).
3. **What if any issues raised by the application need resolution prior to all PAs filing business plans by this September?**

All of the issues raised in the Application must be resolved prior to the September 1, 2016 business plan filing deadline the Commission established for PAs in D.15-10-028. Final Commission authorization of its comprehensive portfolio of programs is needed as soon as possible to enable MCE to implement its programs with sufficient time to meet the required 1.25 TRC ratio as expeditiously as possible.

4. **How if at all should we amend the scoping memorandum in R.13-11-005 to accommodate issues raised by the application:**

4.1 **Changes to current scope?**

MCE requests that the Commission limit the scope of the Rulemaking to address policy issues that are generally applicable to all CCAs and not to the MCE-specific issues raised in its Application. Where there is overlap, the Commission should move forward to resolve the issue within MCE’s Application as soon as possible. The Commission can then consider the manner in which the issue was resolved with respect to MCE’s Application when deliberating on the same issue for all CCAs as part of the Rulemaking.

Notwithstanding the scope of the Rulemaking, the Commission need not resolve the issues scoped for the Rulemaking prior to deciding MCE’s Application. The resolution of MCE’s Application will provide important context for the Commission’s broader review in the Rulemaking.

4.2 **Changes to current schedule?**

MCE has no proposed changes to the current schedule of the Rulemaking at this time.

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10 See D.15-10-028, mimeo at 56.
5. What should the procedural schedule be in A.15-10-014? In particular, should the Commission hold some/all of the application in abeyance pending resolution in R.13-11-005 of details relating to business plan filings (e.g., development of the staff filing guidance referenced in D.15-10-028 at 57)?

MCE proposes the following schedule for consideration of the Application:

- Prehearing Conference: February 1, 2015
- Scoping Memo: February 9, 2015
- Opening Comments: February 25, 2016
- Reply Comments: March 3, 2016
- Proposed Decision: April 4, 2016
- Opening Comments on Proposed Decision: April 25, 2016
- Reply Comments on Proposed Decision: May 2, 2016
- Final Decision: May 2016

The Application complies with the Commission’s existing business plan guidance.\(^\text{11}\)

While the Rulemaking leaves open the possibility that the Commission may develop additional business plan guidance,\(^\text{12}\) this future possibility should in no way cause the Commission to delay review of MCE’s Application today.

MCE seeks to utilize the “rolling portfolio” process the Commission launched in D.14-10-046. This framework will enable MCE to update its business plan and implementations plans as needed on a rolling basis. As MCE has emphasized repeatedly, it is critical that the Commission review MCE’s Application as expeditiously as possible given that MCE has been directed to meet a 1.25 TRC ratio following three years of energy efficiency program administration. Accordingly, MCE respectfully requests that there be no further delay in the Commission’s review of its Application.

\(^{11}\) See D.15-10-0128, Appendix 3, Business Plan Template.
\(^{12}\) See D.15-10-0128, mimeo at 57. At the first Coordinating Committee meeting held on January 15, 2016, the Committee indicated that it anticipated providing additional guidelines around business plan formats. Since MCE’s Application contains the first completed Business Plan, it will likely serve as the starting point for that discussion.
III. CONCLUSION

MCE thanks Commissioner Peterman and Administrative Law Judge Edmister for their thoughtful attention to this PHC Statement.

Respectfully submitted,

/s/Michael Callahan-Dudley

Michael Callahan-Dudley
Regulatory Counsel

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January 27, 2016
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA


Rulemaking 13-11-005 (Filed November 14, 2013)

MARIN CLEAN ENERGY
PETITION FOR MODIFICATION OF DECISION 14-10-046

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January 25, 2016
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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA


MARIN CLEAN ENERGY
PETITION FOR MODIFICATION OF DECISION 14-10-046

In accordance with the provisions of Rule 16.4 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), Marin Clean Energy (“MCE”) respectfully submits this Petition for Modification (“Petition”) of Decision (“D.”) 14-10-046, Decision Establishing Energy Efficiency Savings Goals and Approving 2015 Energy Efficiency Programs and Budgets (“Decision”). MCE seeks to make a one-time adjustment to its energy efficiency budget to reflect an expanded customer base with a number of new communities. A procedural query to Commission staff regarding this matter indicated a Petition for Modification was the appropriate procedural vehicle by which to make this request.

The Decision was issued on October 24, 2014, and this Petition is filed beyond the one year timeframe described under Rule 16.4(d). However, the petition could not have been presented by October 24, 2015 due to MCE’s reasonable belief that the Commission would provide an opportunity to request a different 2016 budget.

1 MCE is the first operational Community Choice Aggregator (“CCA”) in California, and provides generation service to over 171,000 customer counts throughout Marin County, unincorporated Napa County, and the cities of Richmond, San Pablo, El Cerrito, and Benicia. MCE is also an energy efficiency Program Administrator approved by the Commission to implement ratepayer funded energy efficiency programs.
When the Decision set MCE’s total resource cost ratio (“TRC”) requirement for 2015 at 1.0, it also indicated that revisiting the budget to meet the higher 1.25 TRC requirement for 2016 was a “2016 and beyond issue….”\(^2\) The February 24, 2015 Assigned Commissioner and Administrative Law Judge’s Ruling and Scoping Memorandum Regarding Implementation of Energy Efficiency “Rolling Portfolios” (“Scoping Ruling I”) reiterated the Commission’s intent to address this issue for 2016 portfolios.\(^3\) Specifically, Section 2.2 of that ruling describes the necessary changes to 2016 portfolios including “[c]hanges to maintain portfolio cost-effectiveness (for all PAs except Regional Energy Networks)….”\(^4\) The first Phase II decision clarified that changes to 2016 portfolios would be taken up in the second Phase II decision.\(^5\) Then, precisely one year and four days after the Decision was issued, the Commission revised the scope of Phase II and excluded any mention of changes to 2016 portfolios to maintain cost-effectiveness.\(^6\)

The Decision, Scoping Ruling I, and the first Phase II decision all indicated that the scope of Phase II included an opportunity to change the 2016 budget to maintain portfolio cost-effectiveness. Over a year after the Decision was issued, the Commission revised the scope to exclude budget changes to the 2016 portfolio. Since the scope was revised more than one year after the Decision was issued, MCE could not have foreseen the need to file this petition within

\(^2\) “We expect the TRC and PAC values to be at or above 1.25 in subsequent years, but recognize there is a tension between that expectation and this decision setting spending levels until 2025 or we change them. We do not resolve that tension, which is a 2016 and beyond issue, here.” D. 14-10-046 at p. 110 FN 96.
\(^3\) Scoping Ruling at p. 6.
\(^4\) Scoping Ruling at p. 6.
\(^5\) D.15-10-028 at p. 103 FN 162.
one year of the Decision being issued. The Commission should not summarily deny this Petition for Modification under Rule 16.4(d).

I. INTRODUCTION

In 2014, MCE’s energy efficiency budget was set at $1.2 million per year for 2015-2025 or until “the Commission issues a superseding decision on funding levels.”7 MCE seeks a superseding decision in order to account for MCE’s inclusion of new communities in 2015. Unincorporated Napa County, the city of San Pablo, the city of Benicia, and the city of El Cerrito joined MCE’s service territory in 2015. The inclusion of these communities resulted in 49,383 additional customer accounts, a 30% increase compared to 2014. MCE is authorized to administer energy efficiency programs throughout its service territory, even to non-CCA customers, under California Public Utilities Code sections 381.1(a)-(d).8 This increase in customer accounts within MCE’s service territory should be reflected through a proportional increase to MCE’s annual energy efficiency budget. MCE needs an opportunity to request an increased budget to support energy efficiency rebates and high-quality service for all communities within MCE’s service territory.

II. THE INCREASE IN BUDGET SHOULD BE PROPORTIONATE TO THE INCREASE IN CUSTOMERS

MCE requests an increase to the annual budget to account for MCE’s inclusion of new communities. The requested increase is based on a formula that may be useful for future CCA community inclusion. The formula produces a budget projection that is proportionately increased based on the increase in customer accounts. The formula also incorporates the budgetary differences between customer sectors (i.e. residential versus commercial) to ensure that the

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8 D.14-01-33 at p. 35.
portfolio is balanced. Figure 1 below demonstrates how the formula applies to the residential sector. Table 1 below provides the results of applying the formula for MCE’s existing energy efficiency budget.

**Figure 1: Formula to Account for New Community Inclusion Applied to the Residential Sector**

\[
\frac{(\text{Existing MCE Residential Budget})}{(\text{Existing Number of Residential Account})} \times \text{Number of New Residential Accounts} = \text{New Residential Energy Efficiency Budget}
\]

**Table 1: Application of Formula to MCE’s Energy Efficiency Budget**

<table>
<thead>
<tr>
<th></th>
<th>Existing Budget</th>
<th>Existing Accounts</th>
<th>Budget per Existing Account</th>
<th>New Accounts from New Communities</th>
<th>Additional Budget to Support New Communities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Sector</td>
<td>$657,956</td>
<td>145,019</td>
<td>$4.54</td>
<td>43,831</td>
<td>$198,992</td>
</tr>
<tr>
<td>Commercial Sector</td>
<td>$562,311</td>
<td>17,836</td>
<td>$31.53</td>
<td>5,552</td>
<td>$175,054</td>
</tr>
<tr>
<td>Total</td>
<td>$1,220,267</td>
<td>162,855</td>
<td></td>
<td>49,383</td>
<td>$374,046</td>
</tr>
</tbody>
</table>

Based on the results of applying the formula (Table 1), MCE requests the Commission increase its annual budget by $374,046 to account for the inclusion of new communities. This adjustment includes a proportional increase to each program budget (Table 2 below). This increase consists entirely of electric funds, as opposed to gas funds.\(^9\) Increasing the budget for 2016 should be accomplished through making changes to the Decision, specifically adding Table 2 and editing OP 21.

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\(^9\) Changes to the approved gas funding will be made if needed via advice letter as was done with Pacific Gas and Electric’s Advice Letter 3642-G/4720-E.
Table 2: Proportional Increase to MCE Program Budgets Starting in 2016

<table>
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<th></th>
<th>2015 Budget</th>
<th>Additional Budget for New Communities</th>
<th>2016-2025 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family</td>
<td>$227,470</td>
<td>$68,796</td>
<td>$296,266</td>
</tr>
<tr>
<td>Multi-Family</td>
<td>$430,486</td>
<td>$130,196</td>
<td>$560,683</td>
</tr>
<tr>
<td>Small Commercial</td>
<td>$462,311</td>
<td>$175,054</td>
<td>$637,365</td>
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<tr>
<td>Financing</td>
<td>$100,000</td>
<td>$0</td>
<td>$100,000</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$1,220,267</strong></td>
<td><strong>$374,046</strong></td>
<td><strong>$1,594,314</strong></td>
</tr>
</tbody>
</table>

The proposed language for OP 21 is included as Appendix A. A copy of Table 2 can be used for “Table XX” in the proposed language.

III. **CONCLUSION**

MCE thanks the Commission, Assigned Commissioner Peterman, and Assigned Administrative Law Judge Edmister for their thoughtful consideration of this Petition for Modification.

Respectfully submitted,

Michael Callahan-Dudley
Regulatory Counsel

By: /s/ Michael Callahan-Dudley
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January 25, 2016
OP 21. Program Administrators’ existing energy efficiency program funding shall be extended annually through 2015, at the 2015 annually spending levels by program administrators as approved in this Decision until the earlier of 2025 or when the Commission issues a superseding decision on funding levels. To accommodate growth in MCE’s service territory, starting on January 1 2016, MCE’s annual funding will increase to $1,594,314 as indicated in Table XX. IOUs are to collect in rates the annual authorized budget levels for the program administrators in their service territory at the 2015 level, less carry-forward of unspent funds from prior portfolio cycles, until the earlier of 2025 or when the Commission issues a superseding decision on funding. PG&E will collect in rates a sufficient amount to account for the increase of MCE’s budget starting in 2016.
APPENDIX B

DECLARATION OF REBECCA MENTEN

I, Rebecca Menten, declare as follows:

1. I am the Energy Efficiency Program Director at Marin Clean Energy (“MCE”). As the Energy Efficiency Director, I am responsible for the oversight and implementation of MCE’s Energy Efficiency Programs. I have personal knowledge of the matters set forth herein.

2. I have been employed by MCE since 2012 overseeing Energy Efficiency programs. I have a two Bachelors degrees from Humboldt State University and a Masters of Science degree in Energy, Environment, and Society from Humboldt State University. I was a Switzer Fellow in 2008, was employed at the California Public Utilities Commission as a research fellow from 2010 – 2011, and was employed as a Commission Specialist II at the California Energy Commission from 2011 – 2012.

3. As the Director of MCE’s Energy Efficiency Programs, I have overseen the design, authorization, and implementation of Energy Efficiency Programs that focus on hard-to-reach customers and possess innovative and unique program design.


5. In 2015, MCE’s service territory increased to include 43,831 additional residential accounts and 5,552 commercial accounts as a result of including the following communities within its service territory: Unincorporated Napa County, the city of San
Pablo, the city of Benicia, and the city of El Cerrito. Previously, MCE’s service territory had 145,019 residential accounts and 17,836 commercial accounts.

6. The inclusion of new communities and corresponding growth of MCE’s service territory during 2015 means the Decision as it currently stands provides an insufficient budget for 2016 and beyond, thereby limiting MCE from effectively administering energy efficiency programs to all communities within its service territory.

I assert under penalty of perjury that the forgoing is true and correct.

Executed January 25, 2016, at San Rafael, California.

By: /s/ Rebecca Menten
    REBECCA MENTEN

Rulemaking 15-03-011
(Filed March 26, 2015)

OPENING COMMENTS OF MARIN CLEAN ENERGY AND THE CITY OF LANCASTER ON ASSIGNED COMMISSIONER AND ASSIGNED ADMINISTRATIVE LAW JUDGE’S SCOPING MEMO AND RULING SEEKING PARTY COMMENTS

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OPENING COMMENTS OF MARIN CLEAN ENERGY AND THE CITY OF LANCASTER ON ASSIGNED COMMISSIONER AND ASSIGNED ADMINISTRATIVE LAW JUDGE’S SCOPING MEMO AND RULING SEEKING PARTY COMMENTS

I. INTRODUCTION

Pursuant to the directions set forth in the Assigned Commissioner and Assigned Administrative Law Judge’s Scoping Memo and Ruling Seeking Party Comments (“Scoping Memo”) issued on January 5, 2016, Marin Clean Energy (“MCE”) and the City of Lancaster (“Lancaster”), which manage and operate Community Choice Aggregation (“CCA”) programs, (collectively, “CCA Parties”) respectfully submit the following comments on the Scoping Memo. The comments of the CCA Parties respond to questions on energy storage procurement targets and cost recovery. Specifically, the CCA Parties make the following points for the Commission’s consideration:

• The CCA Parties find the current targets for existing CCAs reasonable, and the Commission should not revise the procurement targets for CCAs. The CCA Parties view the required procurement targets as a baseline that can send market signals to increase technology acceptance, and urge the Commission to avoid being overly prescriptive.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA


Rulemaking 15-03-011
(Filed March 26, 2015)
• The CCA Parties also urge the Commission to consider alternative procurement targets for future CCAs. The current procurement targets will be unreasonable for emerging CCAs that will begin procurement much closer to the compliance deadline in 2020. The Commission should either adopt a lower procurement target for emerging CCAs that have not yet commenced customer enrollment, or defer the storage procurement compliance deadline for those CCAs.

• As the Commission considers cost recovery for multiple-use applications of storage procurement conducted by the Investor Owned Utilities (“IOUs”), the Commission should ensure that cost allocation will align with resource use.

II. BACKGROUND

MCE is the first operational Community Choice Aggregation (“CCA”) program in California. MCE currently serves over 171,000 customers in Marin County, unincorporated Napa County, and the cities of Richmond, El Cerrito, San Pablo, and Benicia. MCE has played an active role in this proceeding along with the City of Lancaster to provide comments that reveal challenges and opportunities related to energy storage adoption for CCAs.

The deployment of energy storage is a critical strategy for the CCA Parties to realize their mission of reducing Greenhouse Gas (“GHG”) emissions and producing cost savings for its customers. MCE, for example, played an instrumental role in facilitating the installation of two Tesla batteries at the two campuses of College of Marin (“COM”), which totaled to 1.6 MW of storage capacity for COM. MCE devoted significant staff resources to facilitating the completion of this project, providing support to coordinate dialogue and educational meetings between COM and Tesla, developing billing and data transfer mechanisms for On-Bill Repayment (“OBR”), performing data analysis to model potential customer cost savings, and providing legal support to
enable OBR. In addition to this project, MCE is exploring other customer-sited, behind-the-meter storage opportunities with municipal agencies in its service territory.

Lancaster is a community of approximately 160,000 residents located in northern Los Angeles County, in the High Desert region of the western Mojave Desert, which is rich in solar resources. Lancaster is aggressively pursuing alternative energy solutions, principally solar energy, in hopes of bettering the current and future environmental and economic conditions of its community and region. As a means of advancing these goals, the Lancaster City Council approved a CCA Implementation Plan, which was certified by the Commission’s Energy Division on October 16, 2014. A revised CCA Implementation Plan was filed at the Commission and certified by the Energy Division on March 13, 2015. Lancaster’s CCA program, known as Lancaster Choice Energy (“LCE”), launched in May 2015 by enrolling municipal accounts and completed the launch for all other customer classes in October 2015.

The CCA Parties’ primary interest in Track 2 is to ensure that i) energy storage procurement targets are appropriately set for different Load Serving Entities (“LSEs”), and ii) cost recovery for procurement targets does not unfairly impact CCA customers. The CCA Parties’ responses will directly correspond with the questions that concern these two issues.
III. **RESPONSES OF CCA PARTIES TO TRACK 2 QUESTIONS**

A. Revision of Energy Storage Procurement Targets

1. Should the Commission increase the adopted ESP targets applicable for the 2018 and 2020 solicitations? The Commission would also consider revision of targets for IOUs and LSEs/CCAs. What factors would the Commission consider in increasing the adopted ESP?

The current procurement target for CCAs set in Decision ("D.") 13-10-040 is 1% of the program’s annual peak load in 2020,\(^1\) and the CCA Parties find this target reasonable. In the CCA Parties’ experience, customer-sited energy storage deployment still faces significant barriers to consumer acceptance and economic viability. These barriers necessitate the availability of incentives and staff resources to encourage adoption. The CCA Parties believe that setting the procurement target at 1% of the CCA’s annual 2020 peak load remains reasonable, given that revenue streams for energy storage are uncertain, and consumers are not yet ready to voluntarily adopt energy storage devices without incentives. In addition, the Commission should consider either lowering the procurement targets of emerging CCAs that have not begun customer enrollment, or defer the procurement deadline for those CCAs until a later year.

The CCA Parties are supportive of distributed energy technology adoption, including energy storage, and are devoting staff resources to research technologies and sourcing mechanisms that are the most cost-effective and can best serve the needs of MCE customers. Based on MCE’s experiences in procuring energy storage resources and designing pilots, significant staff time and resources are needed to overcome the various informational and financial barriers in order to facilitate the adoption of storage technologies at the customer level.

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\(^1\) D. 13-10-040 at 46, 74.
Any increase in procurement targets for CCAs would require a greater commitment of financial resources, and more lead time to procure energy storage technologies.

At this point in time, the CCA Parties do not believe that the procurement targets should be overly prescriptive. Similar to the Renewable Portfolio Standard (“RPS”), the CCA Parties see the target as the floor for energy storage procurement, not the ceiling. It is the intention of the CCA Parties to use the 1% peak load target as a baseline for procurement, and further procurement conducted by CCAs should be determined by customer demand and ultimately market price signals.

Additionally, the CCA Parties urge the Commission to consider an alternative procurement target for CCAs that have yet to begin customer enrollment. Full customer enrollment in MCE’s service territory was accomplished in three phases and spanned three years, from May 2010 to July 2012. Emerging CCAs will require similar timelines to conduct their customer enrollment. This process will likely present challenges for emerging CCAs to project their 2020 annual peak load, research best-fit storage technologies for their territories, educate their customers, and procure enough resources to meet the 1% procurement target by 2020. The CCA Parties believe that a more reasonable approach would be to reduce the storage procurement target for emerging CCAs. Alternatively, the Commission could extend the procurement deadline for emerging CCAs while maintaining the 1% annual peak load target, so that newly formed CCAs will have a comparable amount of time to plan and procure in order to meet their storage procurement obligation as currently operational CCAs have had. Either approach will provide emerging CCAs with appropriate lead time to conduct research, outreach, and procurement of energy storage resources.
2. If increased targets are adopted for ESPs/CCAs, what implications are there for PCIA/cost recovery, and how should the Commission balance the storage targets against the level of non-by-passable charges imposed upon ESPs/CCAs?

   As stated above, the CCA Parties believe that the current procurement targets for CCAs are appropriate, and should not be increased so as to avoid being overly prescriptive. Furthermore, since the revenues of CCAs are not decoupled from their rates, increasing the procurement targets may create excessive burden on their customers.

   If the Commission intends to increase the targets for CCAs, the Commission should consider setting a deadline for CCAs later than 2020. As the CCA Parties indicated in the Joint CCA Parties Comments on the Proposed Decision (“PD”) on Track 1 Issues, while the Commission allows CCAs free reign to choose from all types of storage resources, economic realities limit CCAs’ customer-sited or generation-sited storage opportunities. This is due to their nature as electricity generation providers, who are unable to monetize distribution and transmission grid benefits. Customer-sited storage technologies still need to overcome various adoption barriers, and a shift in procurement requirements would likely make storage procurement uneconomic for CCAs. As a result, CCAs would likely need to defer procurement until the market is conducive for voluntary adoption by customers. As a result, the CCA Parties urge the Commission to retain the current procurement targets for CCAs.

   If procurement targets are increased for CCAs, the Commission should ensure that the Power Charge Indifference Adjustment (“PCIA”) or other cost recovery mechanisms will not result in double payment for storage procurement obligations by CCA customers. As MCE has argued in the past, the Commission should ensure that processes and avenues are sufficiently transparent to protect unbundled ratepayers from unfair rate impacts, so that CCA customers will
not be paying twice over for customer-sited or generation-sited storage through both generation rates and the PCIA.

**B. Multiple-Use Applications**

1. What cost-recovery issues arise from the identified multiple-use applications?

   Multiple-use applications may present complex cost recovery issues, as the PCIA is tied to generation and such applications may encompass functions beyond generation. The Commission should ensure that cost allocation for multiple-use storage procurement will align with benefits to avoid double payments and cross-subsidies by CCA customers. The Commission should also ensure that the PCIA is only applicable to these storage procurement costs when the IOUs have demonstrated that there will indeed be stranded costs due to departing CCA loads.

   The CCA Parties believe that costs to bundled and unbundled customers should be proportional to the benefits incurred for bundled and unbundled customers, based on use cases of each storage device. For instance, if 80% of the storage device’s annual capacity is used for energy arbitrage, and 20% of the capacity is used for grid reliability, CCA customers should only contribute to the grid reliability portion through distribution rates. The remaining portion should be recovered by the IOUs through their generation rates. To ensure that the final cost recovery is fair to both bundled and unbundled customers, the Commission could provide regular true-up cycles to examine storage device uses, and use the evaluation results to ensure cost recovery and benefit allocations remain in alignment for deployed multiple-use storage.

   In addition, if the IOUs intend to recover their costs from CCA customers through the PCIA, they have to demonstrate that departing loads have indeed resulted in stranded assets and associated costs. To date, there has been no reasonable demonstration of stranded costs
associated with assets utilized at the generation level in the storage applications of the IOUs.\(^2\)

The Commission should consider these factors to ensure that cost recovery does not result in CCA customers bearing costs that are disproportionate to the benefits they experience.

**C. Evaluation of the Energy Storage Framework**

Finally, the CCA Parties look forward to working with the Energy Division to develop the Evaluation Plan for the Energy Storage Framework and Design Program (“ESP”). The CCA Parties urge the Energy Division to address elements of the ESP that will inform the Commission’s approach to cost recovery, and specifically shed light on the issue of stranded costs and their recovery through the PCIA, or a modified PCIA. As part of the Evaluation Plan, for example, the Energy Division may identify the various functions of energy storage systems that have been procured at that time, discuss the values that such storage provides, and examine the applicable cost recovery mechanism for different types of storage. The CCA Parties may encourage the Energy Division to examine other aspects of the program, as well.

**IV. RULE 6.2 COMPLIANCE**

**A. Issues to be Considered**

The Commission should consider the reasonableness of maintaining the procurement targets for existing CCAs, while revising the procurement targets for emerging CCAs that have not yet begun serving customers. Alternatively, the Commission could consider deferring the deadline for achieving the 1% peak load target to a later year for emerging CCAs.

**B. Category**

The proceeding is appropriately categorized as quasi-legislative.

\(^2\) D. 14-10-045 at 36-37.
C. Need for Hearing

Given the current scope of the proceeding, the CCA Parties do not find the need for evidentiary hearings at this point of time. If the scope of the proceeding changes, however, for example to include the PCIA methodology, or other parties’ comments necessitate hearings, then the CCA Parties reserve the right to request hearings and will follow the process described in the Scoping Memo.

D. Schedule

The CCA Parties find the schedule reasonable and do not propose changes to it.

V. CONCLUSION

The CCA Parties thank Assigned Commissioner Peterman and Assigned Administrative Law Judge Halligan for the opportunity to provide these comments on the OIR.

February 5, 2016

Respectfully submitted,

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA


COMMENTS OF MARIN CLEAN ENERGY AND THE CITY OF LANCASTER ON THE PROPOSED DECISION ON TRACK ONE ISSUES

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January 4, 2016
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA


R. 15-03-011
(Filed March 26, 2015)

COMMENTS OF MARIN CLEAN ENERGY AND THE CITY OF LANCASTER
ON THE PROPOSED DECISION ON TRACK ONE ISSUES

In accordance with Rule 14.3 of the Rules of Practice and Procedure of the Public Utilities Commission of the State of California (“Commission”), Marin Clean Energy (“MCE”) and the City of Lancaster (“Lancaster”) (collectively, the “CCA Parties”) hereby submits the following joint comments on the Proposed Decision of Commissioner Peterman, issued on December 15, 2015 (“Proposed Decision”).

I. INTRODUCTION

The CCA Parties, which operate Community Choice Aggregation (“CCA”) programs, recognize the central role that energy storage (“ES”) will play in expanding the use of renewable energy and reducing Greenhouse Gas (“GhG”) emissions, and have already taken steps to advance energy storage in their own service territories. The CCA Parties are planning to play an active role in the adoption of energy storage and the development of policies that govern it, and fully support the Commission’s leading role in the effort.

Previously in this proceeding, the CCA Parties addressed issues that rank high in terms of

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1 Pursuant to Rule 14.3, suggested changes to the Proposed Decision can be found in Attachment A, as further described below.
energy storage deployment in CCA program territories, including cost recovery, tracking for energy storage targets, and shifting between grid domains.\(^2\) The Proposed Decision addresses some of these issues, but unfortunately, it defers questions of cost recovery to the energy storage application cycle currently underway. The CCA Parties urge the Commission to address cost recovery in this proceeding in order to promote uniformity, efficiency and timeliness. In addition, while the CCA Parties support the Proposed Decision’s conclusion that customer projects should count toward a Load Serving Entity’s (“LSE”) storage targets, the CCA Parties do not support the part of the Proposed Decision that bars Community Choice Aggregators from counting projects that are funded through the Self Generation Incentive Program (“SGIP”) toward their respective targets. Such a policy is inequitable and puts CCA programs at a significant disadvantage in terms of financing, relative to the Investor-Owned Utilities (“IOUs”). Finally, while the Commission strikes a reasonable balance on shifting between grid domains, the CCA Parties remain concerned about how shifting among grid domains may ultimately affect cost recovery, and also about the prospects for energy storage projects in the customer domain.

II. BACKGROUND

MCE was the first CCA program to provide electricity service in California. MCE currently provides generation services to approximately 170,000 customer accounts within

seventeen distinct communities. MCE’s mission is to address climate change by reducing energy related GHG emissions and securing energy supply, price stability, energy efficiency and local economic and workforce benefits. MCE views the deployment of energy storage throughout its service territory as a key resource for enabling MCE to realize its objectives. MCE’s customers receive generation services from MCE, and receive transmission, distribution, billing and other services from Pacific Gas and Electric Company (“PG&E”).

At the other end of the state, Lancaster is a community of approximately 160,000 residents located in northern Los Angeles County, in the High Desert region of the western Mojave Desert, which is rich in solar resources. Lancaster is aggressively pursuing alternative energy solutions, principally solar energy, in hopes of bettering the current and future environmental and economic conditions of its community and region. As a means of advancing these goals, the Lancaster City Council approved Lancaster’s CCA program, known as Lancaster Choice Energy (“LCE”), which launched in May 2015 with partial rollout to municipal accounts, and full rollout to residential and commercial accounts in October 2015. Lancaster now serves approximately 55,000 customers. LCE’s customers receive generation services from Lancaster, and receive transmission, distribution, billing and other services from Southern California Edison Company (“SCE”).

Pursuant to Decision (“D.”)13-10-040, MCE and Lancaster are obligated to “procure energy storage equal to 1 percent of their 2020 annual peak load by 2020 with the projects online.

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3 Communities currently participating in MCE’s CCA program include: the City of Belvedere, City of Benicia, Town of Corte Madera, City of El Cerrito, Town of Fairfax, City of Larkspur, City of Mill Valley, County of Marin, County of Napa, City of Novato, City of Richmond, Town of Ross, Town of San Anselmo, City of San Pablo, City of San Rafael, City of Sausalito, Town of Tiburon.

4 See http://www.mcecleanenergy.org/about-us/.
and delivering no later than the end of 2024.”

MCE and Lancaster customers will also “remain responsible for any costs associated with energy storage procured on their behalf at the time they were bundled service customers.” As LSEs obligated to procure energy storage, the CCA Parties are very interested and plan to be closely involved in the Commission’s policymaking and implementation efforts related to this obligation, and in the adoption of energy storage more broadly.

III. COMMENTS

A. The Power Charge Indifference Adjustment Methodology Should Be Addressed In This Proceeding Rather Than In The Energy Storage Application Proceedings

The Power Charge Indifference Adjustment (“PCIA”) and its application to energy storage has been a contentious issue in this proceeding and in related proceedings, and one that continues to evade resolution. While there does not appear to be an easy solution on the horizon, there is a pressing need to address the issue. The uncertainty associated with costs that may or may not result from the PCIA as it applies to energy storage hampers the ability of CCA programs to conduct budget forecasting, plan for procurement and set rates. The Proposed Decision proposes to defer the development of a PCIA methodology for energy storage, as well as the duration of its application, to the energy storage application proceedings that were recently filed by the IOUs. The CCA Parties urge the Commission to reconsider deferring this issue. There are good reasons to address the PCIA methodology in this proceeding, and those reasons include uniformity, efficiency, and timeliness. Alternatively, the Commission could consolidate the energy storage application proceedings and satisfy some but not all of the same goals.

5 D.13-10-040 at 47.
6 D.13-10-040 at 47.
7 See Proposed Decision at 45.
Before addressing these points, the Commission should be made aware that the so-called “Joint IOU Protocol,” which was established as an informal process to resolve differences among the parties on the PCIA methodology, was unsuccessful. While the CCA Parties actively participated in the process in an effort to reach compromise with the IOUs, the CCA Parties ultimately withdrew because the IOUs were simply unwilling to make any changes to the existing PCIA formula, which is used for traditional generation resources but is unworkable for energy storage, as further described below.

1. The PCIA Methodology Used for Traditional Generation Resources Does Not Capture the Value of Energy Storage and Will Expose Departing Load Customers to Excessive Costs

The CCA Parties recognize that the Proposed Decision does not dispose of the PCIA or make a determination one way or the other as to how the PCIA should be applied to energy storage resources. Nevertheless, in order to underscore the CCA Parties’ recommendation that the Proposed Decision be modified to address the PCIA in this proceeding, instead of in the IOUs’ separate application proceedings, the CCA Parties offer the following points.

The CCA Parties oppose the IOU proposal to apply the PCIA to energy storage as if it were a traditional generation resource because, as the Commission has repeatedly recognized, energy storage is an entirely different kind of resource that provides different kinds of value. Applying the PCIA without modification will fail to capture the full and unique value of energy storage and will violate the indifference principle, which the PCIA was specifically designed to maintain, by passing along costs that are not derived from the resource to CCA customers.

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8 See D.14-10-045 at Ordering Paragraph 1.3 (requiring the IOUs to “to submit for Commission review and approval a “Joint Investor Owned Utility (IOU) Protocol” proposal for a PCIA methodology to determine potential above market stranded cost of bundled service storage (procured in the 2014-2016 solicitation) …”).

9 See, e.g., Proposed Decision at 21-22.
The CCA Parties described their specific concerns with the PCIA methodology as it applies to energy storage in comments submitted as part of the so-called Joint IOU Protocol discussions. A copy of the CCA Parties’ comments is attached. As noted above, the CCA Parties are providing a copy of the comments in order to underscore the complexity of the PCIA issue and to urge careful consideration of this issue as part of this proceeding, instead of the IOUs’ separate application proceedings.

2. Addressing the PCIA Methodology in this Proceeding Will Generate Uniform Results and Promote Efficiency and Timeliness in the Commission’s Energy Storage Agenda

The CCA Parties urge the Commission to address the PCIA as part of this proceeding, as opposed to the IOUs’ separate application proceedings, to produce uniformity of results. There are currently two application proceedings, but there will be at least three and potentially four IOU application proceedings in the near future. The parties, administrative law judges and assigned Commissioners in those proceedings may take different approaches with respect to developing the PCIA methodology and ultimately reach different results. Potentially, different PCIA methodologies could be developed, which would have many negative effects. For example, all else equal, one IOU may recover a greater share of costs from its departing load customers for energy storage procurement than another IOU, which would fly in the face of the bundled customer indifference principle. Addressing the PCIA in this proceeding will ensure that such disparate results do not come to pass.

10 Attachment B: Comments on the Joint IOU Proposal for the Power Charge Indifference Adjustment (“PCIA”) in Compliance with Decision (“D.”) 14-10-045, Ordering Paragraph 1.3.

11 PG&E has submitted an energy storage application for the 2014 procurement cycle, but is also seeking authorization to file a second application for Commission review within the same cycle. Presumably, this application will be given a separate proceeding. See Application of Pacific Gas and Electric Company (U 39-E) for Approval of Agreements Resulting from its 2014-2015 Energy Storage Solicitation and Related Cost Recovery at 13-14.
Related, the fact that there will be at least three (and perhaps four) IOU application proceedings means that the parties and the Commission will be addressing the PCIA methodology at least three separate times. For parties that take a strong interest in energy storage and associated cost recovery, the price of advocacy will be steep, and parties will likely be dissuaded from participating in each proceeding. The Commission will experience an even greater drain on resources in three separate proceedings, as it deploys staff and financial resources to address the same issue at least three and maybe four times. These resources can be conserved, and the Commission can accomplish that by addressing the PCIA methodology in this proceeding.

Finally, given its controversial history and substantial complexity, development of the PCIA methodology for energy storage in each application proceeding is likely to considerably slow the process of evaluating the applications. The IOUs’ PCIA proposals will probably be contested, a process that will most likely involve evidentiary hearings on the subject. The IOUs, in turn, will be required to defend their proposal by putting up their own witnesses. The fact that PG&E and SCE have already submitted testimony on the PCIA as part of their applications indicates as much. The briefing will also involve substantial back and forth on the subject of the PCIA methodology. These delays, which may ultimately force additional delays in the adoption of energy storage and certainly raise the costs, can be avoided if the Commission addresses the PCIA issue in this proceeding.

For all of these reasons, the CCA Parties strongly urge the Commission to address the

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\[12\] See Application of Pacific Gas and Electric Company (U 39-E) for Approval of Agreements Resulting from its 2014-2015 Energy Storage Solicitation and Related Cost Recovery, December 1, 2015 (A.15-12-004); Application of Southern California Edison Company (U-338-E) for Approval of Contracts Resulting from 2014 Energy Storage Request for Offers (ES RFO), December 1, 2015 (A.15-12-003).
PCIA methodology in this proceeding.

3. **Alternatively, the Application Proceedings Should be Consolidated so that the PCIA Methodology Can Be Addressed in a Single Proceeding**

Another approach that would address many of the process-related concerns that the CCA Parties have is to consolidate the IOUs’ energy storage application proceedings – at least with respect to consideration of the PCIA methodology. Although less desirable than addressing the PCIA in this proceeding, consolidation would avoid the risk of disparate results and achieve far greater efficiency for the parties and the Commission than addressing the issue in three or four separate proceedings. The CCA Parties advance this suggestion so that the Commission may take it under advisement when it considers how best to manage the energy storage application proceedings.

**B. Community Choice Aggregators Should Be Permitted To Count Energy Storage Projects Funded By SGIP Toward Their Respective Procurement Targets**

The CCA Parties support the conclusion in the Proposed Decision that voluntary deployment of energy storage by CCA customers should count toward a Community Choice Aggregator’s storage target.13 The CCA Parties previously argued that energy storage projects installed by their customers should be eligible to count toward the targets, not only on grounds of basic fairness, but also because the CCA Parties believe such treatment will ultimately promote the widespread deployment of energy storage.14

However, the Proposed Decision states that Community Choice Aggregators will not be

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13 Proposed Decision at 40.

14 See Opening Comments of Marin Clean Energy and the City of Lancaster on the Assigned Commissioner and Administrative Law Judges’ Scoping Memo and Ruling Seeking Party Comments, July 8, 2015, at 5.
able to count projects funded by SGIP toward their energy storage targets.\textsuperscript{15} The Commission’s rationale is that permitting CCA programs to receive credit for projects funded by SGIP may result in “little or no incentive” for additional energy storage procurement.\textsuperscript{16} Respectfully, the CCA Parties disagree. Currently, Community Choice Aggregators are fully invested in adopting energy storage because of its potential for integrating renewable generation resources and many other positive attributes, and are exploring a wide range of funding mechanisms to support such projects, including existing budgets, partnerships, and grants. Furthermore, Community Choice Aggregators have been required by the Commission to procure energy storage equal to one percent of their 2020 annual peak load by 2020.\textsuperscript{17} Removing the opportunity for Community Choice Aggregators to finance projects under SGIP will not change the requirement.

1. **Prohibiting Community Choice Aggregators from Counting SGIP-Funded Energy Storage Could Potentially Jeopardize the Deployment of Customer-Sited Technologies**

Community Choice Aggregators are best positioned to deploy distributed, customer-sited ES technologies. Without the ability to count SGIP-funded customer-sited deployments towards their procurement targets, these deployments would not be cost-effective. This would lead to Community Choice Aggregators deferring procurement while the distributed ES market matures, and in turn could jeopardize the development of the market. The CCA Parties urge the Commission to remain technology-neutral, and continue to support ES technologies at all grid levels.

\textsuperscript{15} See Proposed Decision at 40.
\textsuperscript{16} See Proposed Decision at 40.
\textsuperscript{17} D.13-10-040 at 47.
D.13-10-040 recognized the nascent and uncertain nature of the ES market, and the Proposed Decision affirmed that the value of revenue streams tied to ES deployments is still uncertain and unquantifiable. Given the uncertainty of the market, SGIP serves the function to support the development and deployment of ES technologies. SGIP is funded by both bundled and unbundled ratepayers. While the IOUs are currently pursuing all ES projects mostly at the distribution and transmission levels, Community Choice Aggregators have a vested interest in deploying customer-sited projects to help customers manage their loads and produce energy savings.

Prohibiting Community Choice Aggregators from counting SGIP-funded projects towards their procurement targets would put Community Choice Aggregators at a disadvantage, since the projects would no longer be cost-effective at this stage of market development. The CCA Parties consider an energy storage project to be “cost-effective” if the upfront and operational costs of the project can be offset fully by monetary benefits resulting from the utilization of the project. These benefits can either result in revenue return to a Community Choice Aggregator or to a specific CCA customer if there is direct customer involvement. Since the potential future revenue streams for ES are still uncertain, a Community Choice Aggregator would not be able to justify paying for the upfront costs through its generation revenue.

In turn, Community Choice Aggregators would have to defer customer-sited ES procurement until the distributed ES market is less uncertain and revenue streams are more quantifiable and available. The postponement, while justifiable economically from the

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18 Proposed Decision at 25.
19 Proposed Decision at 13.
20 PG&E’s Application 15-12-004 at 1; SCE Application 15-12-003 indicated some customer-side projects.
perspective of Community Choice Aggregators, would miss out on an entire market segment, where customers are eager to adopt ES projects to produce cost savings. This could delay and jeopardize the development of customer-sited, distributed ES market. The CCA Parties strongly urge the Commission to reconsider its decision to prohibit Community Choice Aggregators from counting SGIP-funded ES projects so that the Commission’s policies remain agnostic in its support of a wide range of ES markets.

2. The Commission Should Avoid Creating Perverse Incentives for the IOUs to Take Credit for ES Initiatives of Community Choice Aggregators

Providing IOUs with credit for energy storage projects installed by CCA customers with substantial assistance through a CCA program creates perverse outcomes. For example, MCE devoted significant staff resources to the installation of 1.6 MW of Tesla Powerwall Batteries at the two campuses of the College of Marin (“COM”). MCE staff facilitated conference calls and meetings between Tesla and COM to help these parties understand COM’s storage needs and how Tesla’s product can meet those needs; developed a battery storage tariff to further incentivize battery storage adoption; worked with COM to apply for SGIP fund; and provided and facilitated financing mechanisms for COM, including obtaining approval from the Commission for On-Bill Repayment.

This experience revealed that both significant incentives and customer education and outreach are still necessary to overcome many market barriers for ES technologies. With or without assistance from SGIP incentives, MCE’s and other Community Choice Aggregators’ efforts in reducing ES technology adoption barriers should be recognized and rewarded. By denying Community Choice Aggregators the storage credits associated with SGIP funding and awarding them to the IOUs, the Commission would create perverse incentives that reward the IOUs for taking advantage of the work that Community Choice Aggregators invest in expanding
customer access to ES technologies.

3. The Commission Should Implement an Equitable Policy on SGIP for both IOUs and Community Choice Aggregators

As described above, the proposed policy is inequitable and would put Community Choice Aggregators at a disadvantage relative to the IOUs, which are able to count projects funded by SGIP to meet their storage targets.\(^{21}\) By the Commission’s logic, the IOUs should also have a diminished incentive to adopt energy storage by virtue of their ability to rely on SGIP. The IOUs should not be able to maintain a monopoly over this source of public funding for energy storage projects to the detriment of other LSEs, including Community Choice Aggregators.

The CCA Parties urge the Commission permit CCAs to count SGIP funded projects toward their procurement targets. Alternatively, the Commission should level the playing field by denying the IOUs their ability to count SGIP-funded projects toward their procurement targets. If the Commission wishes to maintain a strong incentive for energy storage procurement, and it believes that SGIP funding reduces the strength of that incentive, then it should simply bar all LSEs, including IOUs, from counting projects funded by SGIP toward energy storage targets.

4. As an Alternative Approach, the Commission Could Set a Maximum Percentage of the ES Target That Can Be Met by SGIP-Funded ES Resources

For the reasons stated above, the CCA Parties believe that Community Choice Aggregators should be permitted to count SGIP-funded projects toward their procurement targets. If, on further reflection, the Commission believes that some limit or constraint should be put on the ability of Community Choice Aggregators to use SGIP-funded projects toward their

\(^{21}\) D.13-10-040 at 27.
procurement targets, the Commission could impose a percentage limit. In other words, the Commission could specify that only XX percent of a Community Choice Aggregator’s ES procurement target can be met by projects that have been funded through the SGIP. This is a more measured approach, and while not perfect or fully equitable at least it provides a more reasonable glide path for SGIP-funded projects.

C. The Commission Strikes A Reasonable Balance Regarding Shifting Between Grid Domains But The Apparent Lack Of Customer Projects In The IOU Applications Is Troubling For The Market

The Proposed Decision permits some flexibility between grid domains and establishes both a floor and a ceiling for each domain, but importantly, establishes a floor in the customer domain of 100% of an IOU’s given target. The IOUs pressed for greater flexibility, but several parties, including the CCA Parties, cautioned against it. Standing alone, the Commission has struck a reasonable balance with respect to flexibility between grid domains. Nevertheless, although the Proposed Decision alleviates some of the CCA Parties’ concerns regarding compliance and cost impacts by permitting CCA programs to count energy storage that is voluntarily deployed toward their procurement targets, the CCA Parties remain wary about how shifting among grid domains may impact them, provided a generous cost recovery policy is afforded to the IOUs.

At the same time, the CCA Parties would like to draw the Commission’s attention to the fact that apparently none of the IOUs is seeking approval in their current applications for a

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22 See Proposed Decision at 30.
project that is eligible for the customer domain, at least not at this point in time. \(^{23}\) While the IOUs may be seeking customer-side energy storage outside the present applications, a limited number of customer domain projects will send a negative signal to the market that there will be little demand in the future for small-scale energy storage, especially if the IOUs continue to submit applications without customer projects. The long-term effect may be waning research and development spending in this area, which may stunt the market before it has a chance to develop. The CCA Parties support the development of small-scale energy storage technology, and respectfully ask the Commission to closely monitor whether the IOUs are making sufficient progress toward meeting their energy storage obligations in the customer domain to send a positive signal to the market.

IV. PROPOSED CHANGES

In accordance with Rule 14.3(c) and in light of the discussion above, the CCA Parties request that the changes set forth in Attachment A be made to the Proposed Decision.

\[^{23}\] PG&E has stated clearly in its application that it is seeking approval for energy storage procurement in the transmission and distribution grid domains only. Application of Pacific Gas and Electric Company (U 39-E) for Approval of Agreements Resulting from its 2014-2015 Energy Storage Solicitation and Related Cost Recovery, December 1, 2015 (A.15-12-004), at 12. SCE’s application, however, does not clearly identify the grid domain for selected projects, and they do not appear to include customer projects. Application of Southern California Edison Company (U-338-E) for Approval of Contracts Resulting from 2014 Energy Storage Request for Offers (ES RFO), December 1, 2015 (A.15-12-003).
V. CONCLUSION

For the reasons stated above, the CCA Parties ask the Commission to address the PCIA methodology, as it relates to energy storage, in this proceeding, and reconsider its stance on the eligibility of projects funded by SGIP. The CCA Parties support the Proposed Decision with respect to voluntary deployment and shifting between grid domains.

January 4, 2015

Respectfully Submitted,

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and the City of Lancaster

Attachment A: Redlined Changes to the Proposed Decision
Attachment B: The CCA Parties’ Comments on the Joint IOU Protocol
ATTACHMENT A

Redlined Changes to the Proposed Decision
Attachment A to the Comments of Marin Clean Energy and the City Of Lancaster on the Proposed Decision on Track One Issues

In accordance with Rule 14.3(c), Marin Clean Energy and the City of Lancaster request that the following changes be made to the Proposed Decision (as shown in redline format):

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<tr>
<td>5) Extends the authorization of the Power Charge Indifference Adjustment mechanism to recover potential above-market costs associated with departing load for market”/”bundled” energy storage services procured via the 2016 solicitation.</td>
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<td>6) Defers the resolution of the request for extension of the Power Charge Indifference Adjustment mechanism for market”/”bundled” energy storage contracts beyond 10 years to applications for approval of contracts resulting from the 2014 storage solicitations process— to Track 2 of the proceeding.</td>
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<td>7) Defers the resolution of the requests to change the Power Charge Indifference Adjustment mechanism to the applications for approval of contracts resulting from the 2014 storage solicitations process— to Track 2 of the proceeding.</td>
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<td>We remain concerned that allowing ESPs/CCAs to receive credit for SGIP-funded storage projects may result in ESPs/CCAs relying entirely on SGIP-funded projects to meet their procurement requirements, resulting in little or no incentive for incremental procurement of energy storage by ESPs/CCAs. Therefore, we will not change our prior determination regarding SGIP-funded storage projects at this time.</td>
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<td>Because ESPs/CCAs are under a standing obligation to procure energy storage equal to 1% of their peak load, and IOUs are permitted to receive credit for SGIP-funded storage projects, we will change our prior determination and permit ESPs/CCAs to count SGIP-funded projects toward their respective procurement targets.</td>
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<tr>
<td>We defer the resolution of the request for extension of the Power Charge Indifference Adjustment mechanism for market”/”bundled” energy storage contracts beyond 10 years to applications for approval of contracts resulting from the 2014 storage solicitations process— to Track 2 of the proceeding.</td>
</tr>
<tr>
<td>The IOU’s applications for approval of storage resources</td>
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stemming from the 2014 RFOs are expected to. Track 2 of the proceeding will address the mechanics of the PCIA in terms of how it should be applied when dealing with non-generation resources. We will consider these accounting and mechanics issues in the IOUs’ applications seeking approval for energy storage contracts, filed December 1, 2015. Track 2 of the proceeding. Cost recovery issues associated with any potential increase in targets or with multiple-use applications will be considered in Track 2 of this proceeding.

31. The mechanics of the PCIA in terms of how is should be applied when dealing with non-generation resources should be addressed in the investor-owned utilities’ applications for approval of storage resources stemming from the 2014 RFOs filed December 1, 2015—should be considered in Track 2 of this proceeding.

33. Extension of the PCIA mechanism for market/“bundled” energy storage contracts beyond 10 years should be considered in the applications for approval of contracts resulting from the 2014 storage solicitations process—should be considered in Track 2 of this proceeding.
ATTACHMENT B

The CCA Parties’ Comments on the Joint IOU Protocol
June 21, 2015

Sent Via Email

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Re: Comments on the Joint IOU Proposal for the Power Charge Indifference Adjustment (“PCIA”) in Compliance with Decision (“D.”) 14-10-045, Ordering Paragraph 1.3

Dear Mr. Greenacre, Ms. Wong and Mr. Fuller:

On July 1, 2015, the three investor-owned utilities (“IOUs”) distributed and requested comments on the so-called Joint IOU Proposal for the PCIA in compliance with D.14-10-045, Ordering Paragraph 1.3 (“Joint IOU Proposal”). Marin Clean Energy (“MCE”), Sonoma Clean Power (“SCP”) and the City of Lancaster (“Lancaster”) (collectively, the “CCA Parties”) welcome the opportunity to comment on the Joint IOU Proposal. The CCA Parties have a strong interest in energy storage and associated cost recovery, and are parties to Rulemaking (“R.”) 15-03-011, Order Instituting Rulemaking to consider policy and implementation refinements to the Energy Storage Procurement Framework and Design Program (D.13-10-040, D.14-10-045) and related Action Plan of the California Energy Storage Roadmap (“Energy Storage Proceeding”). In addition, the CCA Parties have taken a number of active steps and committed substantial resources to deploy energy storage resources in their service territories.

INTRODUCTION

The thrust of the Joint IOU Proposal is that the PCIA should apply to energy storage resources just like any other generation resource. With respect to the current PCIA calculation methodology that has been approved by the California Public Utilities Commission (“Commission”), the Joint IOU Proposal states that “no adjustment to this methodology is
necessary for the purpose of incorporating storage procurement contracts ….”1 The Joint IOU Proposal goes on to explain how the PCIA is calculated for traditional generation resources, and the IOUs contend that the same method should be used for energy storage resources.

Yet the Commission, among many others, has recognized that energy storage is unlike any other generation resource. As the Commission stated in its initial decision on the subject, energy storage “is multi-functional and can be used at the transmission, generation, and distribution levels” and therefore a “one-size fits all” approach is unwarranted.2 The Commission’s categorization of energy storage into several different grid domains presupposes the unique characteristics of the resource and distinguishes it from traditional generation resources.3 These unique characteristics must be taken into consideration when determining a reasonable and appropriate cost recovery methodology, just as they have been taken into consideration in other aspects of energy storage policy.

Furthermore, the energy storage market is rapidly evolving. As Pacific Gas and Electric (“PG&E”) stated in a previous energy storage proceeding, “the types of products and markets that will be available in the future are evolving. … While these potential new products may expand opportunities for participation by energy storage devices, the precise set of products available in the future is uncertain.”4 The pace of product development is another reason that energy storage must not be considered just like any other generating resource whose characteristics are already well known to us.

INITIAL COMMENTS ON THE JOINT IOU PROPOSAL

Below, the CCA Parties provide an initial explanation as to why the application of the PCIA as proposed in the Joint IOU Proposal is unworkable for energy storage resources. Given the importance of cost recovery to the continued viability and expansion of the energy storage market, there is a significant need for the Commission to address these matters in a formal setting and provide guidance on the subject. Accordingly, the CCA Parties propose that, instead of an informal process, the Commission should address cost recovery in a comprehensive fashion in R.15-03-011, where certain issues concerning the application of the PCIA to energy storage are already being addressed.

1. Application of the PCIA to Energy Storage as Proposed Will Not Reflect the Value of Stranded Resources, and Will Subject CCA Customers to Excessive and Inequitable Costs

There are a number of value streams associated with energy storage that are not captured in the PCIA methodology contained in the Joint IOU Proposal. In addition to the easily

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1 Joint IOU Proposal at 1.
3 D.12-08-016 at 23.
4 D.12-08-016 at 13.
recognizable streams, such as energy, capacity and renewable value, there are other value streams, such as system level benefits, for example, that are not currently reflected in existing storage markets, much less the proposed PCIA methodology. Similarly, the value of ancillary services and reliability for distributed generation resources, are not properly reflected in the methodology.

The Joint IOU Proposal does not account for these additional values, but the methodology that is ultimately adopted should. Some of these value streams will remain with the IOU even when customers depart from bundled “generation” service. For example, the IOU will continue to derive system or reliability benefits from energy storage resources irrespective of when a customer departs bundled generation service. To the extent these value streams are not stranded, but remain with the IOU when customers depart bundled generation service, the cost of these value streams should not be passed on through the PCIA. Accordingly, they should be excluded from the PCIA calculation, or, alternatively, an adder should be applied to the market price benchmark to reflect the value of these enduring attributes.

2. Without Revision or Adjustment, the Market Price Benchmark Proposed Will Not Reflect the Market Price of Energy Storage Resources

The Joint IOU Proposal states that “[t]he market price benchmark is intended to reflect the market value of the portfolio ….” The Joint IOU Proposal proposes to include all costs of energy storage in the total portfolio costs without a corresponding value adjustment to the market price benchmark. That methodology, however, fails to capture the market value because energy storage resources are unique as a product in the market and have unique value.

Determining the above-market cost of energy storage resources for inclusion in the PCIA requires consideration of a market value for such resources. Current storage costs are much higher than the value of the energy discharged into the market and the short-term capacity value reflected in the current market price benchmark. As a result, the Joint IOU Proposal would ensure that all energy storage contracts are above market from the moment the contracts are signed. This is so because the Joint IOU Proposal does not reflect or incorporate value “adders” associated with energy storage resources. In effect, the Joint IOU Proposal would treat storage projects as nothing more than very expensive generation, ignoring the unique value that storage provides.

The Commission’s past efforts to develop reasonable cost recovery methods have reflected the unique characteristics or values of different types of resources. For example, in D.11-12-018, the Commission adopted a “green” market benchmark for renewable resources that is heavily weighted toward recent IOU renewable procurement costs, recognizing that IOU

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6 Joint IOU Proposal at 6.
procurement is the largest component of the market.\textsuperscript{7} The rationale for adopting that benchmark or adder was “to recognize renewable resource attributes in the market benchmark.”\textsuperscript{8} The Commission’s recognition that the special attributes of a given resource should be reflected in the PCIA shows that blind application of the PCIA, without regard to the unique value attributes associated with specific resources as the IOUs propose in the Joint IOU Proposal, is not appropriate. The PCIA methodology must account for resources with different characteristics.

3. The Current Total Portfolio Indifference Calculation Includes Various Elements with an Inherent Bias Against Energy Storage Resources

The Joint IOU Proposal includes an extensive description of the “current total portfolio indifference calculation.”\textsuperscript{9} The IOUs assert that “[i]t is unnecessary to adjust the PCIA calculation method to incorporate storage resources.”\textsuperscript{10} The IOUs are simply wrong. Without adjustments to the PCIA calculation method to incorporate energy storage resources, or, alternatively a different method, the current PCIA calculation method will operate in a manner that is unfair to departing customers. The current PCIA calculation method is designed to reflect traditional generation where the primary products are energy, capacity, and in some cases renewable attributes. Storage provides other grid benefits that are not captured in the traditional market valuation formulas of the PCIA.

The inherent bias of the current total portfolio indifference calculation is apparent in three aspects of the methodology. First, the current total portfolio indifference calculation includes, on one side of the equation, as part of the total portfolio costs, “[t]he utility’s expected generation costs based on the efficient dispatch of available resources” while, on the other side of the equation, as part of the market price benchmark, “an energy value [based on] forecasted generation associated with the utility’s vintage resource portfolio” is included.\textsuperscript{11}

This is appropriate for traditional resources that are forecast to operate over a reasonably sufficient number of hours. However, for capacity based resources, such as energy storage, which may only operate during limited, peak periods, such an approach is unfair. As proposed by the IOUs, the entire cost of energy storage resources, which consist primarily of fixed, capital costs, is included as part of the total portfolio cost, while the market value of these resources is determined by applying an energy value to a limited amount of forecasted generation and applying a modest capacity value that is well below the cost of storage capacity. This bias will inevitably result in above-market costs.

Second, the current total portfolio indifference calculation is based on an assumption that the market value of energy is based on a traditional load-derived forward energy price. This is

\textsuperscript{7} Decision Adopting Direct Access Reforms, D.11-12-018 at 17-25.
\textsuperscript{8} D.11-12-018 at 2-3.
\textsuperscript{9} Joint IOU Proposal at 5-7.
\textsuperscript{10} Joint IOU Proposal at 9.
\textsuperscript{11} Joint IOU Proposal at 5-6.
seen in the fact that energy associated with the market price benchmark is determined by taking a “weighted average forward power cost” and applying “weighting factors…based on the most recent publicly available on and off-peak bundled load weighting.” This weighting may be appropriate for most traditional generation resources, but this weighting is not appropriate for energy storage resources. Energy storage resources are designed to discharge during times of greatest value, either for peak-shaving purposes or for reliability purposes. The current calculation method would not recognize the market value of this capability, and would under-value energy discharged by energy storage resources.

Third, as has been summarized above, the current total portfolio indifference calculation does not reflect an “adder” or adders for market premium attributes associated with energy storage resources. In the absence of appropriate adders, the market value of resources would be derived solely based on market energy and short-term capacity values. This would be unfair as it would fail to capture the full market value of storage and overstate its above-market costs.

This situation is analogous to treatment of renewable energy attributes in the PCIA market price benchmark. The Commission found that the IOUs were including the full cost of renewable energy resources in the PCIA but were not including the market value of renewable energy attributes, and so adders have been included in the current method to reflect these market premiums. The IOUs, however, do not propose inclusion of an additional adder or adders for energy storage resources, and this failure to address storage market value would unfairly inflate the PCIA and violate the customer indifference principal by inappropriately shifting IOU costs to CCA customers.

NEXT STEPS

Cost recovery is important to the viability and expansion of the energy storage market. As a result, the Commission should address cost recovery comprehensively and provide guidance to affected parties and the market. Instead of an informal process that suffers from a lack of procedural order and related safeguards, the Commission should address cost recovery in a comprehensive fashion in the current Energy Storage Proceeding, R.15-03-011, where certain issues concerning the application of the PCIA to energy storage are already being addressed.

An informal process, as described in the Joint IOU Proposal, presents a number of problems, and will lead to continued debate about cost recovery – and the PCIA – in the next energy storage application cycle. Because the likely parties in those proceedings do not see eye to eye, there is a strong possibility that extensive litigation may take place. That in turn may lead to delays in the approval of energy storage applications and deployment of energy storage projects. It may lead to different cost recovery treatment for different projects. And it may lead to unintended consequences that provide greater incentives for certain types of technologies or projects, than others of the same value.

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12 Joint IOU Proposal at 6.
CONCLUSION

For these reasons, the CCA Parties strongly believe that treating energy storage resources just like any other generation resources is the wrong approach. Energy storage has many unique characteristics, and the cost recovery methodology that is ultimately adopted must reflect this fact. Because there are many outstanding questions about how cost recovery should be applied to energy storage resources, the CCA Parties urge the IOUs to join them in seeking comprehensive treatment of the PCIA in R.15-03-011, so that a fair cost recovery methodology can be developed that is consistently applied.

Respectfully Submitted,

/s/ Ty Tosdal

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July 21, 2015

Counsel for the CCA Parties

Copy (via e-mail): CPUC Service List (R. 15-03-011)
REPLY COMMENTS OF THE
ALLIANCE FOR RETAIL ENERGY MARKETS,
DIRECT ACCESS CUSTOMER COALITION,
MARIN CLEAN ENERGY, CITY OF LANCASTER
AND SHELL ENERGY NORTH AMERICA (US), L.P.
ON THE TRACK 1 PROPOSED DECISION

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CONSULTANT TO THE
ALLIANCE FOR RETAIL ENERGY MARKETS
DIRECT ACCESS CUSTOMER COALITION

And on behalf of Marin Clean Energy, the City of Lancaster and Shell Energy North America (US), L.P.

January 11, 2016
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Order Instituting Rulemaking to consider policy and implementation refinements to the Energy Storage Procurement Framework and Design Program (D.13-10-040, D.14-10-045) and related Action Plan of the California Energy Storage Roadmap  

Rulemaking 15-03-011  
(Filed March 26, 2015)

REPLY COMMENTS OF THE ALLIANCE FOR RETAIL ENERGY MARKETS,
DIRECT ACCESS CUSTOMER COALITION,
MARIN CLEAN ENERGY, CITY OF LANCASTER
AND SHELL ENERGY NORTH AMERICA (US), L.P.
ON THE TRACK 1 PROPOSED DECISION


1 AReM is a California non-profit mutual benefit corporation formed by electric service providers that are active in the California’s direct access market. This filing represents the position of AReM, but not necessarily that of a particular member or any affiliates of its members with respect to the issues addressed herein.

2 DACC is a regulatory alliance of educational, commercial, industrial and governmental customers who have opted for direct access to meet some or all of their electricity needs. In the aggregate, DACC member companies represent over 1,900 MW of demand that is met by both direct access and bundled utility service and about 11,500 GWH of statewide annual usage.

3 Pursuant to Rule 1.8(d), the CCA Parties and Shell Energy North America (US), L.P. authorize the filing of this document on their behalf.
I. **PCIA ISSUES SHOULD BE ADDRESSED IN TRACK 2 OF THIS PROCEEDING.**

Power Charge Indifference Adjustment ("PCIA") policy issues should be addressed uniformly, for all three electric utilities, in Track 2 of this rulemaking. The CCA/DA Parties agree with Southern California Edison Company ("SCE") that the Commission should resolve PCIA policy issues in this proceeding, rather than in the separate IOU energy storage applications (as recommended in the PD). As stated by SCE, addressing PCIA policy issues in a single proceeding will be “procedurally more expeditious” and “ensure consistency.”\(^4\) The CCA/DA Parties agree with SCE that Track 2 of this proceeding is “better suited to determine broader policy issues than the IOUs’ individual contract approval applications.”\(^5\) The Commission should modify the PD accordingly.

II. **PCIA ISSUES SHOULD NOT BE DEFERRED TO THE IOUS’ ENERGY STORAGE APPLICATIONS.**

Notwithstanding its proposal to address PCIA policy issues in Track 2 of this rulemaking proceeding, SCE asserts that certain PCIA issues should be addressed in the IOUs’ energy storage applications. SCE proposes that the “Joint IOU Protocol” addressing a proposed PCIA calculation methodology should be considered in each IOU’s energy storage application proceeding. SCE also proposes that the Commission should address, in each IOU application proceeding, whether the PCIA cost recovery period for the IOUs’ individual energy storage contracts should be extended beyond the current ten years.\(^6\) SCE’s recommendation on these PCIA policy issues conflicts with its recommendation on PCIA policy issues generally.

SCE’s position that “broader [PCIA] policy issues” should be addressed in Track 2 of this rulemaking proceeding is at odds with its argument that calculation of the PCIA belongs in the

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\(^4\) SCE Comments, p. 2.
\(^5\) SCE Comments, p. 3.
\(^6\) SCE Comments, p. 2.
IOUs’ separate energy storage applications. A uniform PCIA calculation methodology is required for all three IOUs; addressing a proposed PCIA methodology in two (and then three) separate IOU applications presents the possibility of different outcomes from the three IOUs’ applications. Moreover, forcing parties to address the PCIA methodology in multiple proceedings is wasteful of limited Staff and intervenor resources. The PD should be revised to provide that all PCIA policy issues, including the PCIA calculation methodology, will be addressed consistently (and uniformly) in Track 2 of this rulemaking.

In addition, SCE errs in claiming, without attribution, that the PCIA cost recovery period for energy storage contracts resulting from the IOUs’ 2014 solicitations is a valid issue to be addressed within the scope of the IOUs’ energy storage applications. As thoroughly explained in the comments filed by AReM and DACC, the period of PCIA cost recovery for the IOUs’ 2014 solicitations is ten years, as determined by the Commission in D.14-10-045. SCE’s comment on this issue should be disregarded as factually incorrect.

III. PG&E’S REQUEST TO ADD ISSUES TO TRACK 2 IS PROCEDURALLY IMPROPER.

PG&E seeks to modify the PD in order to ensure that Track 2 addresses allocation of the net costs of “incremental renewable integration resources.” PG&E references new provisions added to the Public Utilities Code by Senate Bill (“SB”) 350, which was signed by the Governor on October 7, 2015. PG&E asserts that Track 2 of this proceeding “provides the appropriate venue for the Commission to consider cost allocation issues for energy storage that fulfills the

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7 See, for example, AReM-DACC Comments, pp. 10-12 and pp. 13-14; MCE-Lancaster Comments, pp. 6-8; Shell Comments, pp. 3-7.
6 SCE Comments, p. 2.
9 D.14-10-045, pp. 46-47 and p. 89.
10 Stats. 2015, Ch. 547.
11 PG&E Comments, p. 5.
requirements of Section 454.51.”¹² PG&E’s request is premature, procedurally improper and outside the scope of this proceeding.

Implementation of SB 350 is not within the scope of this rulemaking. The Commission has not addressed whether, and to what extent, energy storage constitutes a “renewable energy integration resource” within the meaning of SB 350. Furthermore, the Commission has previously addressed the cost allocation protocol for the IOUs’ energy storage, including transmission-, distribution-, and customer-connected energy storage. The Commission should not address, in Track 2 of this proceeding, the cost allocation for IOU energy storage that may provide a renewable energy integration function. That issue should be addressed in a proceeding that is devoted to implementation of SB 350.

Even if the Commission wishes to consider SB 350-related issues in Track 2 of this proceeding, PG&E’s request, at this juncture, is premature and procedurally improper. Rule 14.3(c) states that comments on the PD should focus on “factual, legal or technical errors.” PG&E’s comments on cost recovery are not based on any findings of error, and attempt to introduce new language to the PD without proposing specific changes that should be accompanied by supporting findings of fact and conclusions of law. More importantly, the Commission recently released the Track 2 Scoping Memo and is seeking comments from parties.¹³ If PG&E finds that the existing language in the Track 2 Scoping Memo related to cost recovery issues is insufficient and does not address SB 350-related issues, PG&E should request revisions to the Track 2 scope through PG&E’s opening comments on the Track 2 Scoping Memo.

¹² PG&E Comments, p. 2.
IV. **CONCLUSION.**

The CCA/DA Parties respectfully request that:

- The Commission adopt the revisions requested by each of the CCA/DA Parties in their January 4th comments.

- The PD be revised to adopt SCE’s request, endorsed by the CCA/DA Parties, to address all PCIA policy matters in Track 2 of this rulemaking.

- The Commission reject SCE’s proposals to address the PCIA calculation methodology and the 2014 PCIA cost-recovery period in the IOUs’ energy storage applications for their 2014 solicitations.

- Reject PG&E’s request to add SB 350 issues to the scope of Track 2 of this rulemaking.

Respectfully submitted,


![Signature]

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CONSULTANT TO THE  
**ALLIANCE FOR RETAIL ENERGY MARKETS**  
**DIRECT ACCESS CUSTOMER COALITION**

And on behalf of Marin Clean Energy, the City of Lancaster and Shell Energy North America (US), L.P.

January 11, 2016
January 15, 2016

CPUC Energy Division
Attention: Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102-3298

Re: Protest of Marin Clean Energy to Pacific Gas and Electric Company’s (“PG&E”) Advice Letter 4761-E seeking Approval of Forbearance Agreements between PG&E and Solar Partners II, LLC and Solar Partners VIII, LLC for Ivanpah Units #1 and #3

Dear Energy Division:

On December 18, 2016, PG&E served the advice letter (“Advice Letter”) 4761-E entitled Approval of Forbearance Agreements between PG&E and Solar Partners II, LLC and Solar Partners VIII, LLC for Ivanpah Units #1 and #3. While Protests to this Advice Letter were originally due January 7, 2016, Energy Division partially approved the Office of Ratepayer Advocates’ request and extended the Protest deadline to January 15, 2016. As such Marin Clean Energy (“MCE”) timely protests this Advice Letter, because (i) it would not comply with Commission Decision (“D.”) 04-12-046,1 and (ii) it has the potential to create an anti-competitive dynamic between PG&E’s bundled customers and Community Choice Aggregation (“CCA”) departing load customers if CCA customers are kept from receiving their appropriate share of consideration payments associated with the underperformance of these resources.

First, PG&E’s request for approval of a Forbearance Agreement signifies the fact that the costs associated with the Ivanpah Units #1 and #3 (“Ivanpah Facilities”) are avoidable. In other words PG&E has the opportunity to choose to no longer impose the present costs associated with the Ivanpah Facilities onto the ratepayers within its service territory by either renegotiating or terminating the contracts for these underperforming resources. As such, if PG&E ratepayers continue to bear this burden because of PG&E’s Forbearance Agreement is approved, then the costs associated with the Ivanpah Facilities should no longer be imposed upon CCA departing load customers that chose to leave PG&E’s bundled electricity service prior to effective date of this Forbearance Agreement.

1 D.04-12-046 states that the PCIA “should not include costs that may have been avoidable or are not otherwise attributable to CCA’s customers” at 65.
Second, if the Forbearance Agreement is granted in its present state, the language within the Advice Letter is too vague\(^2\) to determine whether PG&E will return consideration payments to CCA departing load ratepayers, as well as bundled service ratepayers, within PG&E’s service territory in an appropriate manner.

**Overview of Concerns and Recommendations:**

MCE believes Energy Division should direct PG&E to amend its Advice Letter to clearly address the following:

(i) Ratepayers in PG&E’s service territory that have departed from PG&E’s bundled electricity service to participate in CCA programs prior to the effective date of the Forbearance Agreement will no longer pay the power costs associated with the Ivanpah Facilities through their Power Charge Indifference Adjustment (“PCIA”) rates;

(ii) Any consideration payments made to “PG&E and its customers” for Ivanpah Facilities’ underperformance will be passed through to both PG&E’s bundled customers and CCA departing load customers in an equitable manner.

**Background:**

As explained within the Advice Letter, though the Commission originally approved the Power Purchase Agreements (“PPAs”) relating to the Ivanpah Facilities in May 2009,\(^3\) these facilities did not become operational until January, 2014.\(^4\) Additionally the adjusted expected capacities for these resources are now 118 MW for Unit #1 and 130 MW for Unit #3.\(^5\)

Though MCE cannot say with certainty what the exact prices are that PG&E ratepayers are paying for these facilities because MCE is a market participant and PG&E keeps this information confidential, based on the information presented within the media MCE considers the Ivanpah Facilities to be extremely expensive resources in light of present renewable market rates.\(^6\) What is more, the Ivanpah Facilities are significantly impacting the environment, in a way that renewable and sustainable electricity generation simply should not, by killing wildlife.\(^7\) For both of these reasons MCE questions whether the continued operation of the Ivanpah facilities

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\(^2\) Advice Letter 4761-E states that consideration will be paid to “PG&E and its customers” but does not clarify whether CCA departing load customers are included (at 4).

\(^3\) See Advice Letter at 2.

\(^4\) See Advice Letter at 3.

\(^5\) See Advice Letter at 2.


should be considered *reasonable* and *within the interest* of both the ratepayers and the State of California.

However if the Commission ultimately does not agree with MCE’s assessment and determines it is reasonable to continue requiring the ratepayers to support the Ivanpah Facilities, then the Commission at the very least ought to direct PG&E to amend its Advice Letter 4761-E so that CCA customers are not harmed by its approval.

1) **Ivanpah Facility Costs Should No Longer Be Recovered from CCA Departing Load**

As stated prior MCE believes the Advice Letter 4761-E would violate D.04-12-046 if approved in its present state. This Decision clearly states that the PCIA “should not include costs that may have been avoidable or are not otherwise attributable to CCA’s customers” (at 65). In filing this Advice Letter, PG&E has *chosen* to seek the Commission’s approval for the continued purchasing of power from the Ivanpah Facilities. In the period of time between when the Ivanpah Facilities PPAs were initially approved (May 2009) and now, many ratepayers have departed from PG&E’s bundled electricity service to participate in CCA programs. In that time MCE, California’s first operational CCA, launched service in Marin County and then expanded service to its present state of including 17 communities and approximately 171,000 accounts. Additionally during that period of time Sonoma Clean Power (“SCP”) launched its service and now serves approximately 196,000 accounts throughout the entirety of Sonoma County. Due to the PCIA, both MCE’s and SCP’s customers have continued to pay the above market portion of the costs associated with the Ivanpah Facilities.

Due to the underperformance of the Ivanpah Facilities, PG&E presently has a rare opportunity to choose whether to continue purchasing power from these facilities, renegotiate the terms of the PPAs, or seek termination of these PPAs. The fact remains, PG&E is making a *choice* to continue to purchase power from these facilities through its proposed Forbearance Agreement, and this choice is both informed by and occurring *after* CCA departing load has transpired. As such, PG&E is choosing to continue purchasing power from these facilities to meet the load of its *present* customer basis. Because PG&E is choosing not to *avoid* the costs associated with the Ivanpah Facilities by pursuing renegotiation or termination of the now stale PPAs, ratepayers that have departed from PG&E’s bundled electricity service prior to this choice should no longer be obligated to bear the financial burden of the Ivanpah Facilities via the PCIA.

As such, the Commission should direct PG&E to amend Advice Letter 4761-E to clearly state that the procurement costs associated with the Ivanpah Facilities will no longer be included in PCIA vintages up to the effective date of the Forbearance Agreement. Furthermore, the exclusion of these costs should be made retroactively effective as of January 1, 2016, when PG&E last adjusted its PCIA rates.

2) **Consideration Payments Must Be Passed Back to CCA Customers**

As stated prior, the language present within the Advice Letter 4761-E vaguely states that considerations will be paid to “PG&E and its customers.” The Advice Letter does not provide enough detail to understand whether or not CCA customers are considered part of “its

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9 MCE presently serves the entirety of Marin County along with unincorporated Napa County and the Cities of Benicia, El Cerrito, Richmond and San Pablo.

10 *Per e-mail correspondence with SCP staff on January 1, 2015. Note SCP does not serve the City of Healdsburg because it operates its own public utility.*

11 *See Advice Letter 4761-E at 4.*
customers.” Since CCA customers have continued to pay the above market costs associated with the Ivanpah Facilities via the PCIA since these facilities began delivery of energy in January 2014, CCA customers should also be entitled to a proportionate share of these consideration payments being provided to PG&E for underperformance of the resource.

Though current CCA load should no longer be paying for this resource within their PCIA rates (per the above argument) and therefore should only receive consideration payments associated with previous underperformance of the Ivanpah Facilities, there will be additional load departing from PG&E’s bundled service after the Forbearance Agreement becomes effective due to additional CCA program formation and expansion. As such any CCA load that departs after the effective date of the Forbearance Agreement will both be obligated to pay for this resources’ above market costs via the PCIA, and be eligible to receive consideration payments associated with the facilities underperformance on a going forward basis.

As such the Commission should direct PG&E to amend Advice Letter 4761-E to clearly state that (i) CCA departing load which has departed from PG&E’s bundled electricity service prior to the effective date of the Forbearance Agreement, will receive a share of the consideration payments for prior underperformance of the Ivanpah Facilities in a manner proportionate to the share of the resource costs paid for by these customers, and (ii) CCA departing load which has departed from PG&E’s bundled electricity service after the effective date of the Forbearance Agreement will receive a share of the consideration payments for both prior and future underperformance of the Ivanpah Facilities in a manner proportionate to the share of the resource costs paid for by these customers.

In either case these consideration payments should be used to offset these CCA departing load customers’ PCIA rates. Moreover, for the consideration payments being passed back to previously departed load, these payments should be applied retroactively to PCIA rates as of January 1, 2016.

Conclusion:

MCE thanks the attention of the Commission and its Energy Division staff to considering this protest to PG&E’s Advice Letter 4761-E Approval of Forbearance Agreements between PG&E and Solar Partners II, LLC and Solar Partners VIII, LLC for Ivanpah Units #1 and #3.

Respectfully Submitted,

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