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April 9, 2018

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

Advice Letter PCE 002-E

RE: ENERGY STORAGE PROCUREMENT

EFFECTIVE DATE

Peninsula Clean Energy (“PCE”) requests that this Tier 2 Advice Letter become effective on May 9, 2018, which is 30 days after the date of this filing.

TIER DESIGNATION: Tier 2 Designation

PURPOSE

California Public Utilities Commission (“Commission”) Decision (“D.”) D.13-10-040, *Decision Adopting Energy Storage Procurement Framework and Design Program* establishes an energy storage (“ES”) procurement goal of 1% of 2020 peak load for Community Choice Aggregation (“CCA”) programs.¹ D.17-04-054 modifies this requirement by implementing an “automatic limiter” that reduces a CCA program’s 1% ES procurement obligation as needed to ensure that the CCA program’s total ES procurement (its direct ES procurement plus its proportional share of Investor-Owned Utility (“IOU”) ES procurement paid for through distribution rates and non-bypassable charges) does not exceed the ES procurement obligation of its distribution IOU.²

PCE submits this Tier 2 Advice Letter to inform the Commission about the status of its ES procurement activities and its progress toward meeting its ES procurement goal of 7.16 MW (1% of PCE’s 2020 projected peak load of 716 MW). PCE’s ES procurement is as follows:

1. PCE currently has 0 MW of ES resources under contract.

¹ D.13-10-040 at 36, 77 (Ordering Paragraph 5); D.17-04-039 at 63 (Finding of Fact 13).

² D.17-04-039 at 68 (Ordering Paragraph 6).

2. PCE's planned ES procurement is 7.16 MW.
3. PG&E has reported one Self Generation Incentive Program ("SGIP") funded ES projects in PCE territory with a total capacity of 7.992 kW. PCE is entitled to ES credit for 50% of this project: 3.996 kW.
4. As of January 2018, the customers of all CCA programs in PG&E's service territory, as a group, are paying for 2.8 MW of PG&E's ES procurement through non-bypassable charges ("NBC") and/or distribution rates.³ PCE's share of this procurement counts towards PCE's automatic limiter (discussed below), but not PCE's 1% target.

With 7.16 MW of planned ES procurement and ES credits, PCE is on pace to meet or exceed its 1% ES target by 2020.

BACKGROUND

The Commission issued D.13-10-040 on December 21, 2013, pursuant to Assembly Bill ("AB") 2514, and adopted the Energy Storage Procurement Framework and Design Program for IOUs, Electric Service Providers ("ESPs"), and CCA programs. D.13-10-040 establishes a goal for CCA programs to procure ES resources equal to 1% of their 2020 peak load.⁴ While this goal does not have to be met until 2020, the Commission stated that it does not want CCA programs "to delay procurement until that time," so D.13-10-040 accordingly requires that each CCA program file a Tier 2 Advice Letter to show progress toward the 2020 goal every two years, beginning on January 1, 2016.⁵

In D.17-04-054 the Commission recognized that CCA customers may be required to pay for ES procurement by Investor Owned Utilities ("IOUs") through their distribution rates and/or NBCs. To prevent the total effective ES procurement that a CCA customer is responsible for from exceeding the ES procurement obligation that an IOU customer is responsible for, the Commission adopted an "automatic limiter" that:

...proportionately reduces each Community Choice Aggregator's and Energy Service Provider's one percent procurement obligation by the amount that the load serving entity's own procurement plus its customers' share of non-bypassable charges exceeds the utility bundled customer obligation as a percentage of load. If the limiter is reached, the consolidated utility compliance filing shall automatically reflect the reduced Community Choice Aggregator / Energy Service Provider energy storage procurement obligation.⁶

To count toward the 2020 goal, ES projects must meet the following eligibility requirements:

³ PG&E Advice Letter 5119-E-A, Table 5.
⁴ D.13-10-040 at 43, 47.
⁵ D.13-10-040 at 47.
⁶ D.17-04-039 at 68 (Ordering Paragraph 6).

1. **ES systems must be installed and operational after January 1, 2010:** As required by California Public Utility Code section 2835, subdivision (c), a “new energy storage system” is a “system that is installed and first becomes operational after January 1, 2010.”
2. **ES systems must be online and delivering by the end of 2024:** All 2020 compliance target procurements must be “installed,”⁷ or “online and delivering,” by December 31, 2024.⁸
3. **Distributed storage qualifies:** The Commission “shall allow customer sited or customer-owned energy storage to count toward the 1% target” for CCA programs.⁹
4. **Electric vehicle programs qualify:** IOUs, ESPs, and CCA programs may count “[e]nergy storage that could be obtained from plug-in vehicles and programs/systems that utilize electric vehicles for grid services (Vehicle to Grid)” for their procurement goals.¹⁰
5. **Storage funded by departing utility customers is excluded:** The load associated with customers departing from utility bundled services for CCA participation “shall not be counted towards meeting the CCA or ESP’s 1 percent procurement target.”¹¹
6. **ES projects must further a relevant purpose:** Projects must demonstrate their ability to meet one or more of the following purposes: grid optimization, integration of renewable energy, or reduction of greenhouse gas emissions.¹²
7. **Government funded projects may be included:** “It is reasonable to include any PIER- or EPIC- funded projects toward the procurement targets under certain conditions.”¹³
8. **ES procurement must be cost-effective:** AB 2514 provides that ES must be “viable and cost-effective,” but the Commission has not adopted a specific cost-effectiveness methodology. D.13-10-040 requires each CCA program to “describe its methodology for measuring cost-effective projects.”¹⁴

⁷ D.13-10-040 at 43.

⁸ D.13-10-040 at 48.

⁹ D.13-10-040 at 59.

¹⁰ D.13-10-040 at 32; Appendix A at 5.

¹¹ D.13-10-040 at 48.

¹² D.13-10-040 at 32; Appendix A at 3.

¹³ D.13-10-040 at 63.

¹⁴ D.13-10-040 at 77 (Ordering Paragraph 5).

COST-EFFECTIVENESS

Cost is an important consideration in PCE's procurement of ES resources. PCE considers 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 PCE or to a specific PCE customer if there is direct customer involvement. These benefits can manifest as both short-term gains and long-term cost-savings. So long as these benefits meet or exceed the costs associated with the energy storage project, then PCE will consider the project as cost-effective. PCE will compare any proposed energy storage project costs with other proposals and publicly available information about energy storage project cost metrics to make sure that individual bids are competitive.

More generally, PCE manages its supply commitments with the objective of balancing cost stability and cost minimization, while leaving some flexibility to take advantage of market opportunities or technological improvements that may arise. PCE conducts most procurement through a competitive process to ensure we are procuring at the lowest cost possible. As part of the analysis for any procurement, PCE evaluates the benefits from a project against the up-front and ongoing costs.

ENERGY STORAGE PROJECTS

PCE does not currently have any ES projects under contract.

PCE is planning to procure an additional 7.16 MW of ES resources. All of these resources will be under contract by 2020 and will be active prior to 2024.

PCE recently closed a Request for Offers ("RFO") for new utility-scale renewable energy and storage projects. PCE is currently in the process of analyzing these offers. Additionally, PCE is currently conducting an evaluation of customers and sites within its territory that may be appropriate for distributed ES projects.

As discussed above, all planned ES procurement will be cost-effective.

SHARE OF SGIP-FUNDED PROJECTS

Based on PG&E's most recent SGIP advice letter, AL 5192-E, PG&E currently has one 7.992 kW SGIP-funded ES project in PCE territory. PCE is entitled for ES credit for 50% of the project, a total of 3.996 kW. Should any additional SGIP-funded ES projects be developed in PCE territory between now and 2020, PCE will be entitled to 50% of the ES credit for the project, with this credit counting towards PCE's 1% ES target.¹⁵

AUTOMATIC LIMITER AND SHARE OF IOU ES PROCUREMENT

¹⁵ D.16-01-032 at 61.

D.17-04-054 requires that each IOU provide updated data for calculating the automatic limiter via an annual Tier 1 advice letter filing. PG&E's most recent amended automatic limiter advice letter, Advice Letter 5119-E-A, was filed on January 16, 2018. This filing demonstrates that CCA customers in PG&E's distribution service territory, in aggregate, are currently paying for 2.8 MW of PG&E ES procurement through NBCs and/or distribution rates. PCE's customers are entitled to credit for their proportional share of this procurement. This credit counts towards the automatic limiter, but not towards PCE's 1% ES obligation. PCE's 1% direct ES obligation plus PCE's share of PG&E ES procurement recovered through NBCs does not exceed PG&E's stated ES obligation of 2.9% of 2020 peak load, meaning that the Automatic Limiter has not been triggered at this time, and PCE's direct ES obligation remains 1%.

NOTICE

Anyone wishing to protest this advice filing may do so by letter via U.S. Mail, facsimile, or electronically, any of which must be received no later than 20 days after the date of this advice filing. Protests should be mailed to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, California 94102
E-mail: EDTariffUnit@cpuc.ca.gov

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004 (same address above).

In addition, protests and all other correspondence regarding this advice letter should also be sent by letter and transmitted via facsimile or electronically to the attention of:

Jeremy Waen
Senior Regulatory Analyst
Peninsula Clean Energy
2075 Woodside Road
Redwood City, CA 94061
jwaen@PeninsulaCleanEnergy.com

There are no restrictions on who may file a protest, but the protest shall set forth specifically the grounds upon which it is based and shall be submitted expeditiously.

PCE is serving copies of this advice filing to the relevant parties shown on the R.10-12-007 service list. PCE is also serving copies of this advice filing as a courtesy to the newer energy storage roadmap proceeding R.15-03-011. For changes to these service lists, please contact the Commission's Process Office at (415) 703-2021 or by electronic mail at Process_Office@cpuc.ca.gov.

CORRESPONDENCE

For questions, please contact Jeremy Waen at (650) 257-8026 or by electronic mail at jwaen@PeninsulaCleanEnergy.com.

/s/ 

Jeremy Waen

Senior Regulatory Analyst
Peninsula Clean Energy

cc: R.10-12-007
R.15-03-011

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY LSE (Attach additional pages as needed)

Company name/CPUC Utility No. Peninsula Clean Energy

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person for questions and approval letters: Jeremy Waen

Phone #: (650) 257-8026

E-mail: JWaen@PeninsulaCleanEnergy.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: PCE 002-E

Subject of AL: Peninsula Clean Energy's Biannual Energy Storage Procurement Compliance Report

Tier Designation: 1 2 3

Keywords (choose from CPUC listing): Compliance

AL filing type: Monthly Quarterly Annual One-Time Other Biannual

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution: D.13-10-040

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL¹: n/a

Resolution Required? Yes No

Requested effective date: May 9, 2018

No. of tariff sheets: 0

Estimated system annual revenue effect (%): n/a

Estimated system average rate effect (%): n/a

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: n/a

Service affected and changes proposed¹: n/a

Pending advice letters that revise the same tariff sheets: n/a

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Ave.
San Francisco, CA 94102
EDTariffUnit@cpuc.ca.gov

Utility Info (including e-mail)
Peninsula Clean Energy
Jeremy Waen, Senior Regulatory Analyst
2075 Woodside Rd. Redwood City, CA 94061
JWaen@PeninsulaCleanEnergy.com

¹ Discuss in AL if more space is needed.