

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

Order Instituting Rulemaking Pursuant to  
Assembly Bill 2514 to Consider the Adoption  
of Procurement Targets for Viable and Cost-  
Effective Energy Storage Systems.

Rulemaking 10-12-007  
(Filed December 16, 2010)

**THE REPLY OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E)  
TO THE OPENING COMMENTS FILED SEPTEMBER 23, 2013**

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September 30, 2013

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Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (the “Commission”), San Diego Gas & Electric (“SDG&E”) respectfully submits this reply to the opening comments filed September 23, 2013.<sup>1</sup>

**I. REPLY**

**A. Establishing a Cost-Effectiveness Methodology**

A number of parties commented on the need to establish a cost-effectiveness methodology and how it should be established.<sup>2</sup> The opinions on how it should be established covered a wide range of possibilities.<sup>3</sup>

SDG&E agrees with the importance of establishing a cost-effectiveness methodology. Such a methodology should include a least cost, best fit methodology to address cost effectiveness for projects that are necessary to comply with utility obligations related to reliability, power quality, safety and state policy.

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<sup>1</sup> For ease of reference, regardless of the actual title of each party’s September 23, 2013 opening comments, SDG&E shall refer to the opening comments as “Opening Comments,” preceded by the name of the party making the comments.

<sup>2</sup> Opening Comments Pacific Gas and Electric Company at Page 7; Opening Comments of Southern California Edison Company at Page 10; Opening Comments of the California Energy Storage Alliance at Page 7; and Clean Coalition Opening Comments at Page 4.

<sup>3</sup> *Id.*

A methodology for determining cost effectiveness based on an assessment of costs, benefits and other available alternatives will also have to be adopted for other kinds of projects. Once a project has been approved, assurance of cost recovery must also be provided, without the risk of hindsight disallowances based on facts that were not known at the time the project was proposed and approved. Due to the nascent nature of energy storage solicitation and the short time frame until the first application is due SDG&E advocates for the following process.

Each IOU should submit their own cost-effectiveness methodology via the first pre-solicitation application. After the first solicitation process is completed, Energy Division can convene a meeting in order to discuss and refine the methodologies. This may result in one common methodology across the IOUs or it may result in three similar, but not identical, methodologies. It is inappropriate to pre-judge the result at this time. In all cases, approved projects should be assured cost recovery.

On the basis of experience realized through utility-specific proceedings, the Commission may wish to consider adoption of a common methodology at some point in the future. But to do so at this time would result in unnecessary delay and deprive stakeholders of the ability to benefit through experience acquired in utility-specific proceedings.

## **B. Rate Recovery**

SDG&E re-iterates its request that the Commission provide greater certainty on rate recovery issues. SCE's Opening Comments speak specifically to the need for clarity regarding cost allocation and offer the following proposal:

- a. Distribution Reliability Storage – Should be owned and operated by IOUs as a component of their distribution system. Costs should be allocated to all benefiting customers (unbundled and bundled) through existing distribution wires charges along with other distribution costs.
- b. BTM [Behind-the-Meter] Storage – Should be available to all utility customers and the costs should be allocated to all customers through existing distribution charges similar to

[energy efficiency] EE, [demand response] DR, or [Self-Generation Incentive Program] SGIP Programs

c. The Net Cost of Transmission or Generation/Market Function – Should be appropriately allocated to all benefitting customers (unbundled and bundled).<sup>4</sup>

SDG&E agrees that costs should be allocated to all benefitting customers. Ordering Paragraph (OP) 3 of the PD provides the regulatory vehicle, an application, for addressing the solicitation.

Given the complexity in ensuring that the criteria of all benefitting customers paying their fair share be appropriately met for all categories of storage being addressed via transparent rates, specifically Distribution Reliability, BTM, and Net Cost of Transmission or Generation/Market Function, SDG&E recommends that the Commission ensure that there will be a regulatory vehicle in which to address rate recovery, either as part of the solicitation application (OP3 referenced above) or as a separate phase.

**C. Flexibility of Solicitation as Afforded in the Proposed Decision Should Not be Modified**

The Proposed Decision affords an appropriate level of flexibility. The PD introduces the procurement of a new product. There will inevitably be lessons learned regarding the need and functions of energy storage. It is unwise to create a too rigid and prescriptive regime for a nascent market. Parties must be allowed to negotiate, within a broad framework of regulations, to determine the most efficient balance of risks.

Certain parties recommend a more rigid program. For example, the California Energy Storage Alliance recommends limiting IOU ownership to 50% of bucket rather than 50% of the entire program,<sup>5</sup> reducing the amount of storage which can be transferred between the

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<sup>4</sup> Opening Comments of Southern California Edison Company at Page 4.

<sup>5</sup> Opening Comments of the California Energy Storage Alliance at Page 3.

distribution and transmission bucket<sup>6</sup>, reducing the amount which can be deferred between solicitation years<sup>7</sup> and minimum duration per contract<sup>8</sup>.

Since energy storage is a nascent technology and existing applications are limited, reducing the amount of flexibility in this new program ignores the fact that a rigid program may result in the procurement of unnecessary storage in a bucket, result in expensive storage due to rigid targets and ultimately hinder procurement of cost-effective and viable storage.

The PD strikes the appropriate level of flexibility and should not be modified.

**D. Future Electric Vehicle Charging Programs Should Count Toward Storage Procurement Targets**

SDG&E agrees with the recommendations made by SCE and PG&E to include additional future electric vehicles charging programs as qualified programs to count toward storage procurement targets. SCE's Opening Comments correctly recommend a broad definition of EV storage by stating the following: "EV Storage should be broadly defined to include services for IOU grid operation or for California Independent Systems Operator ("CAISO") programs, all types of managed charging (whether grid-to-vehicle or vehicle-to-grid), and include services from the second use of EV batteries". In addition, PG&E recommends in Opening Comments that "the PD be modified to clarify that any program or implementation that utilizes EVs for grid services can be counted toward the storage targets of the IOUs". SDG&E agrees with these requests and respectfully recommends that these broad and practical approaches to EV charging programs be recognized and that they be allowed to participate in the immediate storage procurement program.

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<sup>6</sup> *Id.* at Page 4.

<sup>7</sup> *Id.* at Page 10.

<sup>8</sup> *Id.* at Page 5.

## II. CONCLUSION

For the reasons discussed herein, SDG&E respectfully requests that the Commission consider the issues discussed in this reply when forming Energy Storage policy.

Respectfully submitted this 30<sup>th</sup> day of September, 2013.

By:                     /s/ Allen K. Trial                      
                    Allen K. Trial

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