

Commissioner Rechtschaffen Remarks at November 8, 2018 Voting Meeting

Resolution E-4949. Pacific Gas and Electric requesting approval of four energy storage facilities with the following counterparties: mNOC, Dynegy, Hummingbird Energy Storage, LLC, and Tesla.

I want to echo my thanks to that staff who spent a lot of time with me and my office [in preparing for this proceeding]. I completely agree with what Commissioner Randolph just said, they're a real treasure to have at the Commission.

I think this is a very good decision to be voting on. There is a lot of elegance to it, as Commissioner Peterman said. When we first directed PG&E to do this procurement, I certainly didn't quite know what to expect. Few of the rest of us knew that we would get such competitively priced bids, and that's extremely encouraging. And it does speak very well that we are using batteries to help provide reliability services and displace the need for fossil generation – that's very positive.

My main concern with the Resolution is that I would have preferred to see the review of the utility owned storage resource proceed by way of an application rather than this Advice Letter. A substantial portion of the overall project costs will go into that utility owned asset. I think when we authorize spending on utility owned assets, we have a special obligation to make sure that the investments are prudent.

As my colleagues said, we're dealing with uncertainty here. We all accept that, but the overall valuation for the utility owned storage is based on assumptions about the market revenues that will be realized as the project operates. Those assumptions haven't been tested by the evidentiary challenges of a full application, with parties commenting back and forth. There's also some risk in case the third party who developed the battery goes out of business or can't perform, and I would have liked to see us evaluate that more in an application. In this case, while I don't disagree at all about the need for all the storage projects to meet the increasing local demand in 2023, there is no longer an immediate need to deploy the assets right now. We have until 2023, so even if we want to take time for review, we have it.

I also think it's important to put this solicitation in the broader context of some of the changes that are going on right now in energy sector. The Resolution appropriately talks about the concerns about market power in the local area. We are trying to address those concerns in other proceedings, including our resource adequacy proceeding. We are also dealing with a very fast-changing customer choice environment in California, where we have community choice aggregation districts who said in their comments that they would like the ability to procure some of these same storage resources. If we had an application, we could get the benefit of comments like that. While it's true that we authorized utility owned storage assets in response to the Aliso Canyon situation without an application, that was truly an urgent need. We don't have that urgent need right now.

The better practice for utility-owned projects of this size is to go through a more formal application process. Hopefully, as Commissioner Randolph says, we won't have many of these one-off requests going forward, and we will instead discuss and plan for this type of procurement in the context of our integrated resource planning and other longer-term evaluations.

As I said, overall, it's a very good decision to have to vote on because we have four storage projects that are displacing fossil fuel resources, even though I would have preferred that we consider and vote on the PG&E-owned project [the Tesla-developed battery] in a separate application.