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Public Utilities Commission of Nevada
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Staff Counsel Division
BETORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Investigation and rulemaking to implement Senate Bill
204 (2017).  

REGULATORY OPERATIONS STAFF’S COMMENTS

The Regulatory Operations Staff (“Staff”) of the Public Utilities Commission of Nevada
(“Commission”) hereby submits its comments in response to Procedural Order No. 4 issued on
October 2, 2018. The Procedural Order No. 4 requested comments on whether it is in the public
interest to establish by regulation biennial targets for the procurement of energy storage systems by
an electric utility as required by Section 7 of Senate Bill (“SB”) 204. The inquiry was directly related
to the Brattle Group Study that was filed in this docket on October 2, 2018.

Staff believes that the study takes into account the purposes, as well as the costs and benefits
of energy storage set forth in Section 7 of SB 204. However, it is Staff’s understanding that the study
quantifies benefits associated with energy storage that are not known and measurable and may be
purely speculative. For example, the Brattle Group Study quantifies possible revenues NV Energy
may receive from off-system wholesale sales or the valuation and monetization resulting from an
energy storage device’s ability to reduce or prevent customer outages, which may be contrary to
Subsection 3 of Section 7 of SB 204. Additionally, on October 16, 2018, NV Energy issued a
Request for Proposals (“RFPs”) for up to 350 MW of long-term renewable energy and supplemental
battery storage system. Given the above, at this time, Staff believes that it is not in the public interest
to set in regulation biennial targets for the procurement of energy storage systems. However, even
though Staff is not recommending implementing storage targets at this time, if the storage levels that
are expected to be procured from current and near-term RFP’s and the Distributed Resource Plan

-1-
("DRP") do not come to fruition, Staff may request that the Commission reinvestigate whether or not to implement storage targets in the future.

**Discussion**

On February 5, 2018, the Governor’s Office of Energy issued the “2018 Nevada Energy Storage Study Request for Proposals” seeking a third-party study of the costs and benefits of energy storage in Nevada. The Brattle Group was selected to do the study and filed its results in this docket on October 2, 2018. The Brattle Group study concludes that “[u]nder the assumptions used in this study, a statewide deployment of up to 175 mega-watts (“MW”) of utility-scale storage could be cost-effective in 2020 if storage costs are at the lower end of the expected cost range.”\(^1\) However, the Brattle Group Study also finds that storage is not cost effective under the high end of projected costs.\(^2\)

Staff has concerns with the assumptions the Brattle Group utilized in its study. The first concern is with regard to monetizing the potential of an energy storage device to reduce customer outages. The ability to utilize energy storage devices to reduce or eliminate customer outages on the distribution system requires specialized equipment to be installed on the customer’s premise or the utility’s distribution system to isolate the customer from the utility’s distribution system or to create a micro grid – which is an incremental cost that may not be captured in the Brattle Group Study. The second concern is with the Brattle Group’s use of forecasting potential revenues NV Energy may receive as a result of its off-system wholesales sales associated with energy storage in the Brattle Group’s Nevada Adjusted Projection Costs. Forecasting the potential revenue NV Energy may receive from off-system wholesale sales is purely speculative, and as such, is typically not considered in the cost benefit analysis this Commission engages in in its adjudication of a utility’s Integrated Resource Plan (“IRP”).

SB 204 provides that “the Commission shall determine that the establishment of targets for the procurement of energy storage systems by an electric utility is in the public interest if the benefits to customers of the electric utility exceed the costs of the procurement of energy storage systems.” Looking at the Brattle Group Study’s finding that 175 MW would be the upper limit of cost effective

\(^{1}\) Brattle Group Study, Executive Summary, at page V.

\(^{2}\) Brattle Group Study, Executive Summary, at page IV.
utility-scale storage, Staff believes that NV Energy has already taken steps to potentially procure a
similar amount of storage in its normal course of business, and does not need a target set in regulation
to compel it to procure this amount of storage. While the 100 MW of storage in the current IRP is
included in the study’s baseline, the amount of storage being requested for approval in the most
recent IRP is a good indicator of the amount of cost effective storage that NV Energy could procure
in upcoming RFPs. On October 16, 2018, NV Energy issued an RFP for up to 350 MW of long-term
renewable energy and supplemental battery storage systems. More specifically, the RFP is soliciting
long-term dispatchable renewable energy resources and in addition to the 350 MW target energy
quantity, NV Energy states that it will consider supplemental battery storage systems that are eligible
for the Investment Tax Credit and that are associated with the Bidder’s proposed renewable energy
resources.4

The Brattle Group Study also concludes that the incremental cost-effectiveness of energy
storage decreases as its market penetration grows.5 This is another reason why Staff believes setting
targets at this time is not in the public interest. As stated above, NV Energy is on a track to
potentially procure the Brattle Group Study’s suggested cost-effective 175 MW of utility-scale
storage between now and 2020, and requiring NV Energy to procure more storage than it is already
seeking to procure under its normal course of business may not result in benefits for the ratepayers
who would likely be paying for such storage systems.

Additionally, as a result of SB 146, NV Energy will be filing its first DRP, on or before April
2019. One of purposes of the DRP is to analyze non-wires alternatives, including storage systems, to
delay or eliminate the need for traditional upgrades. The DRP will provide another avenue outside of
traditional RFP for NV Energy to procure, if the benefits outweigh the costs, additional front-of-the-
meter storage, getting NV Energy further toward the theoretical 175 MW cap that is suggested by the
Brattle Group Study.

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3 Docket No. 18-06003.
5 Brattle Group Study, Executive Summary, at page VI-VII.
One unexpected take away from the Brattle Group Study was how small the expected quantity of behind-the-meter ("BTM") storage was modeled to be incorporated in NV Energy’s system. The small amount of BTM modeled mirrors NV Energy’s current experience with its Renewable Generations’ BTM storage incentive programs, which have granted few reservations to date. The Brattle Group Study found that the addition of a utility tariff, one that provides a financial incentive to the customer in exchange for the utility being able to utilize the BTM storage system for grid services, creates a much larger demand for BTM storage. As such, Staff would be interested in working with NV Energy and any interested stakeholders to consider whether to develop a BTM tariff pilot program, to see if creating such a tariff would increase the BTM storage deployed in Nevada.

Staff looks forward to working with all of the participants to discuss these matters further.

RESPECTFULLY SUBMITTED this 31st day of October, 2018.

PUBLIC UTILITIES COMMISSION OF NEVADA
REGULATORY OPERATIONS STAFF

By: [Signature]
Meredith Barnett, Assistant Staff Counsel
PROOF OF SERVICE

I hereby certify that I have this day served the foregoing document upon all parties of record in this proceeding by electronic mail to the recipient’s current electronic mail properly addressed to:

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DATED at Carson City, Nevada, on the 31st day of October, 2018.

[Signature]
An employee of the Public Utilities Commission of Nevada