FILED
04-09-12
04:59 PM

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company (U 39-E) for Approval of Demand Response Programs, Pilots and Budgets for 2012-2014.	Application 11-03-001 (Filed March 1, 2011)
Application of San Diego Gas & Electric Company (U902M) for Approval of Demand Response Programs and Budgets for Years 2012-2014.	Application 11-03-002 (Filed March 1, 2011)
Application of Southern California Edison Company (U338E) for Approval of Demand Response Programs, Activities and Budgets for 2012-2014.	Application 11-03-003 (Filed March 1, 2011)

OPENING COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE TO ALTERNATE PROPOSED DECISION ADOPTING ACTIVITIES AND BUDGETS FOR 2012 THROUGH 2014

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April 9, 2012

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The California Energy Storage Alliance ("CESA")[1] hereby submits these opening comments on the *Alternate Proposed Decision of Commissioner Mark J. Ferron Adopting Demand Response Activities and Budgets for 2012 through 2014 filed on March 20, 2012* ("Alternate").

I. INTRODUCTION AND SUMMARY.

CESA urges the Commission to reject the Alternate insofar as it relates to reduction of the budget proposed for activities related to Permanent Load Shifting ("PLS"). CESA is

[1] The California Energy Storage Alliance consists of 4R Energy, A123 Systems, Bright Energy Storage Technologies, CALMAC, Chevron Energy Solutions, Debenham Energy, Deeya Energy, East Penn Manufacturing Co., Inc., EnerVault, Fluidic Energy, Greensmith Energy Management Systems, HDR Engineering, Inc., Ice Energy, LG Chem, LightSail Energy, Inc., Powergetics, Primus Power, Prudent Energy, RedFlow Technologies Ltd., RES Americas, Saft America, Inc., Samsung SDI, SANYO Energy Corporation, Seeo, Sharp Labs of America, Silent Power, Sumitomo Electric, SunEdison, SunVerge, TAS Energy, and Xtreme Power. The views expressed in these Comments are those of CESA, and do not necessarily reflect the views of all of the individual CESA member companies. http://www.storagealliance.org.

generally pleased with the substance and tenor of the discussion in the Alternate to the extent that it is consistent with the corresponding discussion in the *Proposed Decision Adopting Demand Response Activities and Budgets for 2012 through 2014*, issued October 28, 2011 ("Proposed Decision"). CESA also continues to maintain its very strongly held reservations, however, as to the budget proposed in the Proposed Decision, which should be at least the $120 million (IOU-wide, over the three-year program cycle) advocated for by CESA and other parties in their testimony and briefs contained in the record in this proceeding. CESA concurs with Ordering Paragraphs 54-55 directing the IOUs to work collaboratively with each other and stakeholders to develop and propose a standardized state-wide.[2]CESA expresses no opinion on the non-PLS sections of either the Alternate or the Proposed Decision at this time.

The current energy supply and demand circumstances of California is starkly redolent of the situation California faced at the beginning of the heat storm of 2006, when brownouts appeared imminent and the Commission responded in significant part by its initial approval of the concept of requiring IOU investment in PLS to better manage peak demand. Accordingly, the Commission should approve a budget for PLS that is a significant increase in and acceleration from current levels to the CESA-recommended $120 million level, or *at least* the level proposed in the Proposed Decision – $50 million – rather than only the $32 million proposed in the Alternate or the $32.3 million proposed by the IOUs, which would fail to prompt adequate investment in cost-effective PLS when it is most needed in California. CESA strongly concurs with the Alternate's discussion of the PLS budget – "We agree with CESA, CALMAC, and ICE that the utility proposed budget levels of $32 million combined are not consistent with previous Commission guidance on expanding the use of PLS resources"[3] – and remains puzzled why the Alternate's PLS budget recommendation does not match the Commission's ongoing views on PLS.

II. <u>THE COMMISSION SHOULD REVISE THE ALTERNATE INSOFAR AS IT RELATES TO THE BUDGET PROPOSED FOR PERMANENT LOAD SHIFTING.</u>

CESA and other parties have submitted testimony and comments demonstrating the need for $120 million (divided between mature PLS technologies and emerging ones) in total IOU PLS budgets over the 2012-2014 program cycle. That level of total budget, combined with well-

[2] Alternate, p. 221.
[3] Alternate, p. 148.

designed IOU PLS programs with meaningful incentive levels, is expected to be adequate for end users considering PLS investments. For example, it has been estimated that in Southern California Edison's ("SCE's") service territory alone there is a cost-effective PLS resources of at least $60 million over the 2012-2014 period, and perhaps considerably more than that.[4] Furthermore CESA believes that that budget level and well-designed programs will substantially transform the market for PLS in California, bringing down delivery costs and greatly enhancing end users' knowledge of and confidence in PLS investments. CESA is also very hopeful that PLS resources, particularly thermal energy storage, will enter a new and more favorable regulatory and economic environment after the Commission completes its ongoing work on the Energy Storage OIR that was authorized by AB 2514.[5]

CESA believes that the current electricity supply and demand circumstances of California make the need to aggressively manage California's peak demand through PLS (and other means) greater than has been seen in years. Specifically, one, California's macro-economy, like the United States, appears to be steadily recovering from the depths of the recent "Great Recession" and an increase in power demand is likely to result from the recovery. Two, while it is impossible to predict the weather, the abnormally early heat that California saw in the winter of 2011-2012 is a worrisome sign for upcoming summers. And, three, the at least temporary loss of SONGS is of great concern – and even more worrisome to power planners and all in the electricity sector is the still great uncertainty in the cause and potential end-date for SONGS's problems that led to the 2,350 MW plant being shut down by the U.S. Nuclear Regulatory Commission.

CESA does recognize that the worrisome electricity supply and demand situation in the State also puts additional emphasis on Demand Response ("DR") and other programs in the Alternate. CESA does not challenge that emphasis but does underscore that PLS would be only 11 % of the total DR budget, even at the higher levels for PLS recommended in the Proposed Decision. Furthermore, PLS has the advantage of being a long-lived capital asset that will continue to deliver cost-effective peak load reductions for 20 years or longer, and without any diminution in comfort, productivity or service.

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[4] *See, Opening Brief Of Ice Energy, Inc.",* August 22, 2011, p. 6 http://docs.cpuc.ca.gov/efile/BRIEF/142018.pdf

[5] *Order Instituting Rulemaking Pursuant to Assembly Bill 2514 to Consider the Adoption of Procurement Targets for Viable and Cost-Effective Energy Storage Systems*, R.10-12-007, filed December 16, 2010 ("Energy Storage OIR").

CESA underscores the Alternate's acknowledgment that "We [the Commission] agree with CESA, CALMAC, and ICE that the utility proposed budget levels of $32 million combined are not consistent with previous Commission guidance on expanding the use of PLS resources." CESA is therefore quite perplexed as to how the Alternate could nonetheless recommend just such a $32 million PLS budget. Furthermore, the Alternate's subsequent two points – "we acknowledge that there are still many unknowns as to what a wider implementation of a successful PLS program entails. As discussed previously, not all of the benefits of PLS are accurately captured in the cost-effectiveness protocols." – logically argue for a larger PLS budget, not the smaller one found in the Alternate.

III. THE COMMISSION SHOULD STRONGLY ENDORSE AND BUILD ON THE COST-EFFECTIVENESS CONCEPTS CONTAINED IN THE ALTERNATE DECISION THAT RELATE TO PERMANENT LOAD SHIFTING.

The Alternate includes a robust and thoughtful discussion regarding the cost-effectiveness of PLS. CESA applauds the Alternate's efforts in this area, including the acknowledgment that there is still uncertainty regarding the most accurate means to determine PLS's cost-effectiveness. CESA recommends that the Commission endorse the Alternate in this regard, including the need for the Commission staff to continue the analysis and communications with the energy storage industry, the IOUs and other knowledgeable experts and stakeholders. CESA recognizes that the Energy Storage OIR will also make important and relevant progress on the optimum cost-effectiveness evaluation methodology.

IV. INCENTIVE LEVELS FOR PERMANENT LOAD SHIFTING MAY OFTEN EXCEED $1,000/KW TO ENCOURAGE CONSUMER ADOPTION OF PLS WHILE REMAINING COST-EFFECTIVE, AND SHOULD NOT BE UNDULY RESTRAINED BY ONLY THE RIM TEST.

CESA cautions against the Alternate's recommendation that "direct[s] the Utilities to revise the cost-effectiveness analyses using *incentive levels up to $1000/kW* [emphasis added]."[6]

CESA concurs with the Alternate statement that "recognizes that TRC as calculated by the utilities is perhaps not the most appropriate metric to evaluate the cost-effectiveness of PLS…[the Commission has] determined that we will not rely upon the TRC in our review of PLS cost-effectiveness analyses."[7] But CESA strongly disagrees with the Alternate's next

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[6] Alternate p. 148

[7] Alternate pp. 146, 150.

conclusion that – that "[t] o evaluate the reasonableness of proposed incentive levels, it is more important to examine the impact on ratepayers via the RIM test." The RIM test is naturally a relevant test for all resources, on both the demand and the supply side of the meter, but the RIM test's importance should not be over-emphasized due to the failure of the current TRC test to fully evaluate the cost-effectiveness of either PLS, or the best levels of incentives levels for PLS.

As demonstrated in the briefs, testimony, and other evidence in the record introduced by CESA, CALMAC, and Ice Energy, incentive levels below $1,000/kW are not adequate in California to attract a sufficient share of end users to invest in available cost-effective PLS and thus will fail the Alternate's test that PLS incentive levels not only be low enough to ensure cost-effectiveness but be "high enough to encourage customer adoption of PLS."[8] . Furthermore, analysis shows that incentives up to $2,000/kW will be cost-effective for at least a large share of PLS technologies. Accordingly, the Alternate should be revised to direct the IOUs to revise the cost-effectiveness analyses using incentive levels <u>up to $2,000/kW</u> (not $1,000/kW), or at a minimum, the Alternate should direct the IOUs to revise the cost-effectiveness analyses using incentive levels <u>no less than $1,000/kW</u>.

V. CONCLUSION.

CESA thanks the Commission for this opportunity to comment on the need for a more adequate Permanent Load Shifting budget, and looks forward to working with the Commission and the parties to this proceeding.

Respectfully submitted,

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[8] Alternate, p. 149.