



BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Application of Pacific Gas and Electric Company for Authority to Increase Electric Rates and Charges to Recover Smart Grid Costs Relating to American Recovery and Reinvestment Act of 2009 U 39 E	Application 09-09-018
Application of Pacific Gas and Electric Company for Authority to Increase Electric Rates and Charges to Recover Smart Grid Costs Relating to Compressed Air Energy Storage Demonstration Project under American Recovery and Reinvestment Act of 2009 U 39 E	Application 09-09-019

**RESPONSE AND PROTEST OF THE UTILITY REFORM NETWORK
TO PG&E'S ARRA APPLICATIONS**



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I. INTRODUCTION

Pursuant to Rule 2.6 of the Commission's Rules of Practice and Procedure and to the directions in the Chief Administrative Law Judge's Ruling of October 14, 2009, The Utility Reform Network (TURN) files this protest to Application 09-09-018 and this response to Application 09-09-019.

With respect to A.09-09-018, TURN recommends that the Commission deny the request for ratepayer funding to completely cover the cost of 75,000 in-premise display devices (IHDs or IPDs). The request violates explicit Commission direction in D.09-03-026, inappropriately subsidizes the private market and is a poor method of motivating the use of private in-premise displays. At most, PG&E should provide a subsidy for IPDs in the same manner as it provides a rebate for energy efficient products. There is absolutely no reason to completely subsidize IPDs, which provide customers with information they could obtain in other ways, while actual products that reduce energy use are only partially subsidized by ratepayers.

TURN does not protest A.09-09-019, a request for funding to perform an initial feasibility analysis of a compressed air storage project. TURN appreciates the fact that advancing electricity storage represents the holy grail for integrating intermittent renewable resources. TURN emphasizes, however, that California *ratepayers*, as opposed to state or federal taxpayers, are asked to subsidize an experimental project. At

the very least, any positive benefits of this project should flow to ratepayers. We would strongly object to having ratepayers subsidize the R&D and then having private generators reap the benefits.

II. PROTEST TO A.09-09-018

PG&E submitted this Investment Grant Project to the DOE seeking \$42.5 million in federal funds, and here requests a ratepayer contribution of \$23.5 million on top of \$12.4 million authorized in D.09-03-026 for HAN development.

As outlined in Figure 1 of PG&E's ARRA application, this investment project includes three related but separate projects which involve 1) the purchase and deployment of 75,000 in-premise display (IPD) devices, controllers and IT infrastructure, 2) the reconfiguration of eight feeders in areas with high penetration of solar photovoltaics to provide for voltage/VAR management, and 3) the deployment of two grid automation systems at PG&E and the CAISO.

Based on PG&E's budget, it appears that the incremental cost of the in-premise display devices is around \$13,000,000. It is this portion of the project that TURN objects to, for the following reasons:

1. The Request to Fully Fund Certain HAN Demonstration and Testing Activities Violates the Commission's Explicit Direction in D.09-03-026

In its Smart Meter Upgrade Application PG&E requested \$22.5 million for Technology Assessment to develop HAN standards, monitor technologies and develop enabling devices. The Commission explicitly rejected a portion of this request. The Commission explained that developing this technology was the job of private industry who would receive the profits from those efforts and that customers should pay for

their HAN devices. D.09-03-026, *mimeo.* at p. 84-86. The Commission allowed a total of \$6 million (out of \$12.5 requested) for laboratory testing and product demonstration of HAN, with the explicit directive that these funds were only to be used if PG&E provided matching outside funds. The Commission authorized \$5 million for HAN standards support work, and the Commission rejected the \$5 million request for developing IHD functionality for computers.

It is TURN's belief that the \$12.4 million that PG&E indicates was "already authorized" in D.09-03-026 for activities in this application consists of the amounts authorized for HAN technology assessment.¹ The Commission explicitly rejected additional funding for these activities.

It appears that PG&E is either re-requesting the additional portion of the \$22.5 million that was explicitly disallowed in D.09-03-026, and/or PG&E is requesting duplicate funding for tasks already funded in other proceedings. For example:

- PG&E intends to undertake another pre-deployment field test of 10,000 HAN/in-premise devices. Project Plan, p. 31. TURN believes that this project duplicates work included in the \$12.5 million request for "product demonstration" in D.09-03-026.
- PG&E intends to study security risks and mitigate cyber security breaches.

TURN believes that this project duplicates work included in the \$12.5 million request for "product demonstration" in D.09-03-026. The Commission authorized

¹ TURN notes that in the Project Plan iteslef PG&E indicates that the CPUC already approved \$15.4 million for HAN pilots. Project Plan, p. 37. TURN is uncertain of the correct number and which costs PG&E is including from D.09-03-026.

\$6 million for this work with the explicit understanding the PG&E would obtain matching funds.

- PG&E intends to upgrade its CC&B system to track HAN devices status. Project Plan, p. 28. PG&E has previously requested substantial amounts for upgrading CC&B in the AMI proceeding and the Rate Design Window proceeding.

All in all, it appears that PG&E is requesting matching funds from the DOE as ordered by the Commission in D.09-03-026, but is also seeking more ratepayer funds for work that arguably was already rejected in D.09-03-026.

2. PG&E's proposal to completely subsidize In-Premise Display Devices (IPDs) is Poor Public Policy

PG&E's budget includes about \$3.2 million for PCTs and IHDs during the HAN pre-deployment field test and includes \$11,104,400 for the procurement of 69,403 notification devices for the full scale deployment. The notification devices will be "some combination of Customer Energy Management Systems, Basic In-Home Displays and In-Home Displays."

Based on this budget information, it is TURN's impression that PG&E intends to subsidize the entire cost of an EMS or an IHD to be delivered (primarily commercial) customers at an average unit cost of \$160. This appears to be by far the single largest equipment cost for the entire project (including all three components), which has a total equipment budget of \$41 million. TURN has several concerns regarding this cost item:

- On a policy basis, the presumed outcome of dynamic pricing was to spur the development of a private market that would provide customers with the option to purchase their own behind-the meter automation and information devices.
- It is highly poor public policy to provide partial rebate subsidies for energy efficient products but to subsidize 100% of the cost of an information product that may or may not result in any demand or energy savings.
- Various EMS and IHD devices may already be eligible for subsidy through the Technical Incentives programs, and the Commission just recently authorized PG&E's requested \$10.3 million 3-year budget for TI. D.09-08-027, pp. 75-76, 84-85.
- The IHD or IPD merely provides customers with information. The customer has to act upon that information by changing their energy use, or has to automate their systems to respond without any further action (in which case the IHD is somewhat superfluous). In a situation where continued customer use of a product is warranted, it is always beneficial for the customer to appreciate the value of the product. Such customer value is better achieved by having the customer pay for a portion of the product cost. In simple terms, the customer is more likely to use an IHD if they have to pay some money for it!

III. RESPONSE TO A.09-09-019

TURN does not protest A.09-09-019, a request for funding to perform an initial feasibility analysis of a compressed air storage project. TURN appreciates the fact that

CERTIFICATE OF SERVICE

I, Larry Wong, certify under penalty of perjury under the laws of the State of California that the following is true and correct:

On October 16, 2009 I served the attached:

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on all eligible parties on the attached lists **A.09-09-018**, **A.09-09-019** and **R.08-12-009** by sending said document by electronic mail to each of the parties via electronic mail, as reflected on the attached Service List.

Executed this October 16, 2009, at San Francisco, California.

/S/
Larry Wong

Service Lists for A.09-09-018, A.09-09-019 and R.08-12-009

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