



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

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In the Matter of:)
)
Order Instituting Rulemaking to Consider Smart)
Grid Technologies Pursuant to Federal Legislation)
and on the Commission's own Motion to Actively)
Guide Policy in California's Development of a)
Smart Grid System.)
_____)

RULEMAKING 08-12-009

REPLY COMMENTS OF CURRENT GROUP, LLC

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Date: March 9, 2009

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REPLY COMMENTS OF CURRENT GROUP, LLC

CURRENT Group, LLC (“CURRENT”) hereby submits these reply comments in response to the Order Instituting Rulemaking (“OIR”) in the above-captioned proceeding. CURRENT notes that the majority of the commenting parties, including the electric distribution utilities, support the implementation of Smart Grid technology for California’s electric grids. The comments vary only in terms of the details of the procedures and timelines that would apply to such an effort, and what level of regulatory scrutiny should be adopted during the process.

Given the relative consensus about the value of Smart Grid technology, CURRENT will use these Reply Comments to offer a proposal that would enable California to take advantage of the unique opportunity that now exists to obtain additional federal matching grant funding for Smart Grid implementation.

I. THE AVAILABILITY OF \$4.5 BILLION IN FEDERAL FUNDING PRESENTS A UNIQUE OPPORTUNITY FOR SMART GRID DEPLOYMENTS IN CALIFORNIA

The American Recovery and Reinvestment Act of 2009 (“ARRA” or “Act”), enacted on February 17th, makes available \$4.5 billion under the Department of Energy (“DOE”) for modernization of the electric grid and “implementation of programs

authorized under title XIII of the Energy Independence and Security Act of 2007 [EISA].”¹ In addition, section 405 of ARRA amends title XIII of EISA in order to further spur the deployment of Smart Grid technology. For example, ARRA removes the cap on the number of Smart Grid demonstration projects that may take advantage of up to 50% cost-share for Smart Grid investments to carry out DOE-sponsored demonstration projects and widened the eligibility for such funding to all entities, not just utilities.² Further, ARRA increases matching fund grants to 50% for other Smart Grid investments not associated with DOE-sponsored demonstration projects.³ ARRA requires that the DOE establish by April 17, 2009 both grant application procedures by which applicants may obtain Smart Grid funding and procedures to ensure such grant funding facilitates Smart Grid developments.⁴

In fact, the DOE has already released its notice of intent to provide funding for Smart Grid demonstration projects and stated its expectation to issue its announcement of specific funding availability for such projects later this month.⁵ Accordingly, California utilities should take advantage of these significant Smart Grid funding efforts at the federal level and bring true Smart Grid deployment to the State.

¹ American Recovery and Reinvestment Act of 2009 (H.R. 1), Title IV—Energy and Water Development, Electricity Delivery and Energy Reliability. Title XIII of EISA calls the implementation of Smart Grid systems a “policy of the United States.”

² See ARRA, Sections 405(1) and (2). Previously, only five demonstration projects could receive funding, and only utilities were eligible for demonstration project funding.

³ See ARRA, Section 405(5). Previously, the maximum matching fund grant was 20% for Smart Grid investments.

⁴ See ARRA, Section 405(8).

⁵ See the DOE’s Notice of Intent to Issue Funding Opportunity Announcement No. DE-FOA-0000036 entitled “Smart Grid Demonstrations” available at: <https://e-center.doe.gov/doebiz.nsf/d76fbc294818822885256d98006c63b6/08c978e8e5bddde38525756d006f14d1?OpenDocument>.

II. THE COMMISSION SHOULD QUICKLY ADOPT A POLICY OF RATE RECOVERY FOR SMART GRID INVESTMENTS THAT QUALIFY FOR FEDERAL MATCHING GRANT FUNDS

The Commission should move toward requiring Smart Grid deployments at the earliest possible opportunity to ensure that California utilities can access federal stimulus Smart Grid funding. The stated purposes of ARRA include preservation and creation of jobs, promotion of economic recovery, and investment in infrastructure – including energy infrastructure⁶ – that will provide long-term economic benefits.⁷ Moreover, ARRA directs federal entities quickly to disburse the funding.⁸

In order to maintain a position at the forefront of the new green economy, the Commission and stakeholders should take significant steps to accelerate Smart Grid deployment. The four workshops described in the OIR, however, would unduly delay Smart Grid system deployment and significantly hamper any California utility's efforts in seeking available federal Smart Grid funding. This is particularly true as DOE has already released its first notice of intent regarding Smart Grid demonstration project funding. CURRENT suggests that the Commission minimize the number of workshops and limit the first workshop to positioning utilities to receive federal funding in support of their Smart Grid investments. Consolidating and prioritizing the workshops will allow California utilities to timely file applications for such funding. Therefore, the Commission should provide incentives for California electric utilities to act now, not in

⁶ Just prior to signing ARRA into law, the President restated the pressing need for more Smart Grid deployment similar to the deployment currently taking place in Boulder, Colorado. *See* Obama Signs the Stimulus Package (February 17, 2009) at: http://www.realclearpolitics.com/articles/2009/02/obama_signs_the_stimulus_packa.html. (“Today, the electricity we use is carried along a grid of lines and wires that dates back to Thomas Edison - a grid that can't support the demands of clean energy. This means we're using 19th and 20th century technologies to battle 21st century problems like climate change and energy security.... The investment we are making today will create a newer, smarter electric grid that will allow for the broader use of alternative energy. We will build on the work that's being done in places like Boulder, Colorado - a community that is on pace to be the world's first Smart Grid city.”)

⁷ *See* ARRA, Section 3(a).

⁸ *See* ARRA, Section 3(b).

2020, to develop Smart Grid implementation proposals lest California miss the opportunity to benefit from newly available federal funding.

The federal matching grants will pay only 50% of Smart Grid investment costs; utilities may be unwilling to commit to such projects without assurance that the remainder of the funding can be obtained through the normal Commission regulatory processes. Accordingly, the Commission should adopt a policy that it will authorize rate recovery for Smart Grid investments that meet the following criteria:

- A utility's Smart Grid investment program that qualifies for federal Smart Grid funding will be eligible for pre-approved rate recovery for the portion of program costs not covered by federal matching grants. Investments that do not qualify for the federal funding, however, will not be able to take advantage of the pre-approval process, although the utility may still pursue cost recovery for such investments through traditional Commission ratemaking processes.
- A utility's Smart Grid investment program must cover a sufficient portion of its service territory and customer base in order to permit evaluation of savings from applications that reduce O&M costs for the distribution system itself (e.g., volt/VAR control, phase load balancing and conservation voltage reduction).
- A utility's Smart Grid investment program must include the following key functionalities in system design:
 - (1) Two-way, high-speed communications so that the utility can both monitor and control facilities along the electric distribution grid in real time;

(2) Advanced sensing capabilities which can provide real-time information about the distribution grid's condition and operations; and

(3) Enterprise systems that can collect and analyze the multiple streams of data coming from the distribution grid, integrate them with existing utility systems, and deliver actionable intelligence in usable forms.

- The utility must commit to applying for federal stimulus Smart Grid funding by the later of the first DOE specified date for acceptance of proposals for matching funds or September 1, 2009. DOE officials have already publicly stated that they expect sufficient applications will be filed to consume all such available funding in 2009. Such applications would have to commit to commencing implementation and installation of the respective Smart Grid systems in accordance with any time frames required by DOE.

Implementation of such a program will increase the likelihood that California utilities will be able to leverage the additional funding derived from ARRA to help secure California's leadership position in the advancement of Smart Grid technology.

III. THE COMMISSION CAN AUTHORIZE A TARGETED, HIGHLY COST-EFFECTIVE SMART GRID SYSTEM IMMEDIATELY AND EVALUATE THE BENEFITS OF SUCH A SYSTEM BEFORE PROCEEDING TO FULL SCALE DEPLOYMENT

The Commission and the utilities may not be prepared at this time to fully define a comprehensive and functional Smart Grid system complete with all the utility distribution grid and customer applications that could be supported. Indeed, one “size” will not necessarily fit every utility. Such precision in definitions, however, is not necessary at this time. For instance, there are highly cost-effective Smart Grid alternatives that utilities can implement relatively quickly that perhaps could better take advantage of the federal funding available in ARRA.

One such example would be to deploy sensors at carefully selected, i.e., fewer, locations on the electric distribution grid to implement system optimization, which can be implemented more quickly than a full-scale Smart Grid deployment. This type of targeted infrastructure solution augments existing SCADA management of substations and distribution feeders. Further, such a targeted infrastructure approach to Smart Grid allows utilities incrementally to deploy individual applications with a lower cost of entry, while retaining the option to grow and expand the overall Smart Grid system as needed. Significantly, this basic Smart Grid infrastructure system would serve as a communications backbone that can support full Smart Grid implementation at a later date, while providing the utilities and customers with immediate and demonstrable benefits that far exceed those expected from more expensive “smart meter” or Advanced Metering Infrastructure programs. At some later date when the Commission and utilities have reached agreement on the details, a full Smart Grid system with sensors and analytics installed much more ubiquitously, e.g., at each transformer location, could provide a richer set of applications and controls for an electric distribution network.

IV. CONCLUSION

CURRENT recommends that the Commission hold a single workshop to encourage the California electric utilities to submit qualifying Smart Grid proposals for federal matching funds in combination with an assurance of ratemaking recovery for the balance of qualifying projects. The Commission can then undertake further proceedings on a parallel track to discuss the merits of full scale Smart Grid functionality. The benefit of this approach is that the Commission can act with a high degree of confidence that the targeted Smart Grid infrastructure investment will produce substantial returns for the utility and for its customers, and at the same time utilities will develop the backbone of a fully functional high bandwidth, two-way communication system that can support future Smart Grid investments and a host of additional Smart Grid applications at such time as the Commission and the stakeholders agree on the parameters of full deployment.

Respectfully submitted this 9th day of March, 2009 at San Francisco, California.

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CERTIFICATE OF SERVICE

I, Melinda LaJaunie, certify that I have on this 9th day of March 2009 caused a copy of the foregoing

REPLY COMMENTS OF CURRENT GROUP, LLC

to be served on all known parties to R.08-12-009 listed on the most recently updated service list available on the California Public Utilities Commission website, via email to those listed with email and via U.S. mail to those without email service. I also caused courtesy copies to be hand-delivered as follows:

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I declare under penalty of perjury that the foregoing is true and correct.

Executed this 9th day of March 2009 at San Francisco, California.

/s/ Melinda LaJaunie
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