

**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  
(Filed September 25, 2009)

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  
(Filed September 25, 2009)

**RESPONSE OF THE INDEPENDENT ENERGY PRODUCERS  
ASSOCIATION**

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Date: October 15, 2009

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**RESPONSE OF THE INDEPENDENT ENERGY PRODUCERS  
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Pursuant to Rule 2.6 of the Commission's Rules of Practice and Procedure, the Independent Energy Producers Association (IEP) submits its response to the application of Pacific Gas and Electric Company (PG&E) for authority to recover matching funds to support an award of \$24.9 million in federal funds for a Smart Grid Compressed Air Energy Storage (CAES) demonstration project under the American Recovery and Reinvestment Act of 2009 (ARRA).

**I. COMMENTS ON PG&E'S PROPOSAL**

The CAES project is an innovative research, development and demonstration (RD&D) project that will use compressed air as a storage medium. The project will be focused on assessing the extent to which a compressed air storage project can allow electricity produced during off-peak hours to be stored for later use during on-peak hours. The proposed project includes both a combustion turbine that will make use of the compressed air to generate

electricity and compressors that can be used to increase or decrease load at appropriate times. In combination, these elements of the proposed project provide a valuable array of generation, resource adequacy, and ancillary services that will help meet peak demand, stabilize the electric grid, and support increasing market penetration of renewable resources, consistent with state policy goals.

PG&E's request for recovery of \$24.9 million, combined with \$24.9 million in matching funds from the Department of Energy, will support Phase I of the project, which includes all permitting, transmission interconnection, and plant design costs leading up to plant construction. Phase I is a crucial but modest first step that will leverage ratepayers' money and allow PG&E to bring the project to the point of construction. PG&E proposes that the construction and operation of the plant will be subject to a competitive solicitation, consistent with the Commission's policies favoring competitive resource procurement. PG&E also proposes that the plant may ultimately be constructed, owned, and operated by PG&E or by an independent power producer developer under a Power Purchase Agreement with PG&E. In addition, consistent with the Commission's treatment of ratepayer-funded participation in another RD&D project,<sup>1</sup> IEP recommends that the Commission should require PG&E to make the results of the research associated with the CAES project available to all parties on a nondiscriminatory basis.

The proposed CAES project is the type of cutting-edge RD&D project in which utilities and their ratepayers should appropriately consider investing. IEP has puzzled over the rationale for and the workings of the hybrid market structure since its inception, and it strikes IEP that projects like the CAES project could help define an appropriate utility role in the hybrid

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<sup>1</sup> Res. E-4227A, Feb. 20, 2009, p. 14.

market structure. Rather than attempting to duplicate the efforts of the developers and owners of independent power projects to construct projects using emerging or commercially tested technologies, utilities could focus their efforts (and ratepayers' dollars) on promising new technologies that might become commercial once their feasibility is demonstrated.

IEP notes that utilities and this Commission once embraced a prominent utility role in sponsoring and developing demonstration projects like the Solar One project and the MOD-2 wind project. Although these projects did not appear to succeed at the time, with the benefit of hindsight we can now see how they started what were once "exotic" technologies on the path that led to refinements that now make these technologies both commercial and successful. The CAES project can help revive the utility role in pushing new technologies closer to commercial acceptance.

## **II. COMPLIANCE WITH RULE 1.4**

IEP seeks party status in this proceeding, and submits the following information in compliance with Rule 1.4(b) of the Commission's Rules of Practice and Procedure. IEP is a California nonprofit public benefit corporation formed to encourage the development and use of independent electric resources. Its members own and operate roughly 20,000 megawatts of electric generation capacity in California, including about 5,000 megawatts of renewable and alternative generating resources. IEP has been representing the interests of the developers and operators of renewable and other independent electric generation resources before the Commission, other agencies, the Legislature, and the courts since 1982. As made apparent in the preceding comments, IEP's contentions in this proceeding are reasonably pertinent to the issues raised in PG&E's application.

**III. CONCLUSION**

For the reasons stated in this response, IEP respectfully urges the Commission to grant PG&E's application.

Respectfully submitted this 15th day of October, 2009 at San Francisco, California.

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**CERTIFICATE OF SERVICE**

I, Linda Chaffee, certify that I have on this 27<sup>th</sup> day of October 2009 caused a copy of the foregoing

**RESPONSE OF THE INDEPENDENT ENERGY  
PRODUCERS ASSOCIATION**

to be served on all known parties to A.09-09-019; A.09-09-018; and 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 27<sup>th</sup> day of October 2009 at San Francisco, California.

/s/ Linda Chaffee  
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