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PRESS RELEASE

Docket #: A.09-09-019

CPUC APPROVES PG&E REQUEST TO MATCH U.S. DEPARTMENT OF ENERGY AWARD FOR COMPRESSED AIR ENERGY STORAGE PROJECT

SAN FRANCISCO, January 21, 2010 – The California Public Utilities Commission (CPUC) today approved Pacific Gas and Electric Company's (PG&E) request to provide matching funding for a Compressed Air Energy Storage demonstration project in Kern County. Today's approval enables PG&E to receive an award of matching funds from the U.S. Department of Energy (DOE) under the American Recovery and Reinvestment Act.

On November 24, 2009, the DOE awarded PG&E \$24.9 million in matching funds to determine the feasibility of a Compressed Air Energy Storage project to be located in Kern County. Overall, California projects were awarded more than \$400 million through the DOE's Smart Grid grant programs.

The CPUC allowed PG&E to match the DOE award and commit up to \$24.9 million to Phase 1 of a three phase Smart Grid Compressed Air Energy Storage demonstration project, which includes all permitting, transmission interconnection, and plant design leading up to construction. A Compressed Air Energy Storage facility, if constructed, would use off-peak energy from renewable sources such as wind energy to inject compressed air into an underground rock formation, and then use the compressed air to power a generator during peak periods when energy is most needed. The completed Compressed Air Energy Storage project would have a generation capacity of 300 megawatts for up to 10 hours. Information obtained during Phase 1 will be used to determine whether PG&E should proceed to subsequent phases.

The CPUC found that the Compressed Air Energy Storage demonstration project will provide PG&E with a better understanding of a promising technology, which has the potential to improve lower costs for its consumers and reduce greenhouse gas emissions.

“I would like to applaud my fellow Commissioners for acting quickly to approve funding for this project so that California can take advantage of \$25 million in matching funds from the Department of Energy,” said CPUC President Michael R. Peevey. “This project is especially beneficial to PG&E customers since it can increase the value of renewable energy.”

The proposal voted on is available at

http://docs.cpuc.ca.gov/word_pdf/AGENDA_DECISION/112582.pdf.

For more information on the CPUC, please visit www.cpuc.ca.gov.

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