REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE
ON ADMINISTRATIVE LAW JUDGE’S RULING REQUESTING COMMENTS
ON REVISED STAFF PROPOSAL REGARDING MODIFICATIONS
TO THE SELF GENERATION INCENTIVE PROGRAM

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REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON ADMINISTRATIVE LAW JUDGE’S RULING REQUESTING COMMENTS ON REVISED STAFF PROPOSAL REGARDING MODIFICATIONS TO THE SELF GENERATION INCENTIVE PROGRAM

The California Energy Storage Alliance (“CESA”)1 hereby submits these reply comments on Administrative Law Judge’s Ruling Requesting Comments on Revised Staff Proposal Regarding the Self Generation Incentive Program, filed on April 21, 2011 (the “ALJ’s Ruling”).

I. INTRODUCTION.

CESA supports use of a cost-effectiveness screen for SGIP eligibility in principal if, and only if, such a cost-effectiveness screen is based on an analytically sound cost-benefit methodology. However, the “Itron Report”2 that was expected to provide such an underpinning for consideration of energy storage has proven to be extremely limited – if not useless – for its intended purpose of determining storage’s cost-effectiveness. As noted in detail in CESA’s Opening Comments, the Itron Report has fundamental substantive flaws, most notably analyzing the cost-effectiveness of only Lithium Ion batteries but of no other battery or non-battery energy storage technologies. Accordingly, CESA must agree with parties that advocate for not using a


cost-effectiveness eligibility screen in the SGIP at this time.\(^3\) CESA also agrees with parties that advocate for performing the anticipated analytically rigorous study in the Commission’s Energy Storage Rulemaking proceeding.\(^4\) However, consideration of energy storage in the SGIP should not wait for the completion of any study for energy storage, as it will be many months before a cost-effectiveness methodology will be developed and approved, and potentially even longer until it has been utilized on the various energy storage technologies and applications.

Such a delay is both unnecessary and unwise, and would lead to the perverse consequence of AB 2514 and the Energy Storage OIR proceeding delaying rather than accelerating the deployment of storage among the State’s utilities. Therefore the Commission should include standalone energy storage and energy storage integrated with renewables that are eligible for the SGIP and the CSI\(^5\) program as soon as practicable.

II. **COST-EFFECTIVENESS SHOULD NOT BE A REQUIREMENT FOR SGIP ELIGIBILITY FOR THE FORESEEABLE FUTURE.**

In the absence in the foreseeable future of a sound cost-benefit methodology, CESA agrees with parties that advocate in their Opening Comments for not disqualifying technologies that have not yet been proven cost-effectiveness on an *ex ante* basis.\(^6\) The rationale for such a pragmatic view is stated well by Pacific Gas and Electric Company (“PG&E”) in its Opening Comments:

“There continue to be several reasons why a cost-effectiveness screen will prove difficult to implement in an equitable manner. Unlike energy efficiency, for which the E3 model was originally designed, technology costs for distributed generation are frequently site specific, vary significantly with capacity, and are based on far fewer data points (sometimes tens or less, rather than thousands). While installation costs for some distributed generation, such as residential solar generation, can be well understood, almost all nonresidential and certainly all non-PV technology costs are much more

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\(^3\) CESA’ general criticism of the Itron Report is included in its Opening Comments, filed May 2, 2011, and will be supplemented in further comments to be filed in accordance with **ALJ’s Ruling Requesting Comments on Consultant’s Cost-Effectiveness Report**, issued May 3, 2011.

\(^4\) **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, issued December 10, 2010 (“Energy Storage OIR”).

\(^5\) **California Solar Initiative** See the Commission’s website: [http://www.cpuc.ca.gov/puc/energy/solar/aboutsolar.htm](http://www.cpuc.ca.gov/puc/energy/solar/aboutsolar.htm)

\(^6\) For example, Opening Comments of Pacific Gas and Electric Company, Southern California Edison Company, and the California Center for Sustainable Energy, filed on May 1, 2011.
problematic and there are few openly available cost data.” (PG&E Opening Comments, pp. 2-3).

This perspective is, of course, consistent with the specific recommendation contained in the Staff Proposal:

“This policy objective that SGIP fund technologies that have a potential to be cost-effective in the near or medium term is not a current requirement for SGIP eligibility. However, it is consistent with many of the other demand side management programs the Commission oversees, including the IOU’s energy efficiency programs. Staff recommends that investment of ratepayer funds in the amount that has been authorized for SGIP should be made to technologies that are cost-effective or represent the potential to become cost-effective in the near future. [Emphasis added]” (Staff Proposal, p. 20).

### III. COST-EFFECTIVENESS OF ENERGY STORAGE SHOULD BE CONSIDERED IN THE COMMISSION’S ENERGY STORAGE RULEMAKING PROCEEDING AND ALSO IMMEDIATELY ELIGIBLE TO PARTICIPATE IN THE SGIP.

Energy storage should be deemed immediately and effectively SGIP-eligible in parallel with, and not dependent on, other Commission proceedings or a revised cost-effectiveness analysis. San Diego Gas & Electric Company (“SDG&E”) and the Southern California Gas Company (together, “Sempra Utilities”) make the same essential points in their Opening Comments regarding cost-effectiveness of energy storage. For example:

“SoCalGas submits that the Staff Report shows that critical analysis which would inform the Commission’s decision making in this proceeding concerning AES is missing from the record. In order to remedy this evidentiary deficiency, SoCalGas recommends the Commission require Itron to conduct and complete a TRC analysis concerning AES coupled with clean DG (“AES/DG”). Since AES/DG is currently eligible for SGIP, SoCalGas supports continuing AES/DG as an eligible SGIP option. SoCalGas further recommends that the Commission revisit the eligibility of AES/DG in SGIP in the context of the Energy Storage OIR just begun in Rulemaking 10-12-007.” (SoCalGas Comments, p. 6).

CESA general agrees with Sempra Utilities, but with one crucial caveat regarding sequencing of the Commission’s administrative processes. In fact, as made very clear by SDG&E’s representative at the workshop held in the Energy Storage Rulemaking on March 9, 2011 there is nothing that should be delayed in any way because the Energy Storage OIR is in progress, a view CESA strongly shares:

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7 Of course CESA does not endorse the Commission’s use of any particular consultant.
“MR. BIALEK: Yes, Tom Bialek, SDG&E. I think one of the things that was also mentioned both by myself and Janice from the Energy Alliance was the fact that, assuming that there are applications or we know some application where storage would be appropriate, that this particular rulemaking does not preclude that particular application moving forward to completion, and so that we're not waiting for the resolution of this OIR for many months.” (Transcript, page 24, lines 8-18).

In substantially the same vein, PG&E’s attorney stated at the Prehearing Conference in the Energy Storage Rulemaking that:

“MS. REID: We would just like to clarify from PG&E's standpoint, we think that the pumped storage application has to stand on its own. And I would just note that the legislation that this proceeding is seeking to implement in 2514 specifically addressed the fact that the overall proceeding on energy storage should not delay or affect applications that are currently ongoing.” Transcript, page 25, lines 27-28, and page 26, lines 1-8).

IV. STANDALONE ENERGY STORAGE AND ENERGY STORAGE INTEGRATED WITH ANY RENEWABLE RESOURCE ELIGIBLE TO PARTICIPATE IN THE SGIP AND THE CSI SHOULD BE ELIGIBLE TO PARTICIPATE IN THE SGIP.

As noted above, the Staff Proposal advocates for eligibility of technologies with the potential to become cost-effective in the near future. There is no credible evidence that standalone energy storage and energy storage integrated with CSI-eligible technology are not, or will not, become cost-effective. Whether or not they should be eligible to participate in the SGIP therefore should turn on the meaning of SB 412 (Kehoe). SB 412 was introduced by Senator Kehoe and coauthored by Assembly Member Skinner and then-Assembly Member Blakeslee. As discussed in CESA’s Opening Comments, prior to coauthoring SB 412, Senator Blakeslee had introduced AB 1536 (Blakeslee), a bill that would have explicitly required the Commission to include energy storage as an eligible asset class in the SGIP – specifically including energy storage used in standalone applications and energy storage used in conjunction with distributed PV. It was with this understanding that AB 1536 was combined with SB 412 prior to its amendment in the Senate to include distributed energy “resources” instead of distributed energy “generation”. While the legislative history is clear, the attached letter from Assembly Member

8 AB 1536 was also supported with amendments endorsing inclusion of standalone energy storage in the SGIP by the Commission’s approval of its Legislative Subcommittee’s Staff Memorandum, dated May 27, 2009.
Skinner (Attachment 1) should be noticed as a public record in this proceeding to lay to rest any possible doubt as to the intent of the legislature in enacting SB 412.

V. CONCLUSION.

CESA thanks the Commission for this opportunity to comment on the ALJ’s Ruling and looks forward to working with the Commission and stakeholders going forward.

Respectfully submitted,

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DOUGLASS & LIDDELL

Counsel for the
CALIFORNIA ENERGY STORAGE ALLIANCE

May 9, 2011
ATTACHMENT 1
May 9, 2011

Mr. Michael Peevey, President
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

SUBJECT: Revised CPUC Staff Proposal Regarding Modifications to the Self Generation Incentive Program

Dear President Peevey:

It has been brought to my attention that a Revised Staff Proposal, purporting to implement Senate Bill 412 would exclude key applications of energy storage -- standalone and storage integrated with distributed photovoltaics -- as eligible technologies under the Self Generation Incentive Program (SGIP). This letter is to inform you that such a proposal is contrary to my intent in coauthoring SB 412. As you know, I co-authored SB 412 along with Senator Kehoe, Senator Padilla and then-Assemblymember Blakeslee.

The intent of SB 412 was to grant the Commission the authority to add eligible technologies to the SGIP and include not only distributed generation, but also to include distributed energy storage. Collectively, these technology classes are referred to as “distributed energy resources” in the bill. Clarification that energy storage would be eligible for in the SGIP was one of the key reasons I decided to co-author SB 412. It was with this understanding that Assembly Bill 1536 (Blakeslee) was combined with SB 412 to include distributed energy “resources” instead of distributed energy “generation” prior to its amendment in the Senate and enactment as the current Section 379.6.

I am therefore requesting that you direct the Commission’s staff to rethink the matter in view of this very clear expression of my intent at the time that SB 412 was approved by the legislature.

Thank you for your attention to this request. If you have any questions, please don’t hesitate to contact me at (916) 319-2014.

Sincerely,

NANCY SKINNER
Assemblymember, 14th Assembly District
CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of *Reply Comments of the California Energy Storage Alliance on Administrative Law Judge’s Ruling Requesting Comments on Revised Staff Proposal Regarding Modifications to the Self Generation Incentive Program* on all parties of record in proceeding *R.10-05-004* by serving an electronic copy on their email addresses of record and by mailing a properly addressed copy by first-class mail with postage prepaid to each party for whom an email address is not available.

Executed on May 9, 2011, at Woodland Hills, California.

[Signature]
Michelle Dangott
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