

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



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Order Instituting Rulemaking Regarding Policies,
Procedures and Rules for the California Solar
Initiative, the Self-Generation Incentive Program
and Other Distributed Generation Issues.

Rulemaking 08-03-008
(Filed March 13, 2008)

**COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE
ON PROPOSED DECISION ADOPTING COST-BENEFIT
METHODOLOGY FOR DISTRIBUTED GENERATION**

Donald C. Liddell
DOUGLASS & LIDDELL
2928 2nd Avenue
San Diego, California 92103
Telephone: (619) 993-9096
Facsimile: (619) 296-4662
Email: liddell@energyattorney.com

Counsel for the
CALIFORNIA ENERGY STORAGE ALLIANCE

July 9, 2009

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Pursuant to Rule 14.3 of the California Public Utilities Commission's ("Commission's") Rules of Practice and Procedure, the California Energy Storage Alliance ("CESA")¹ hereby submits these comments on the *Proposed Decision Adopting Cost-Benefit Methodology for Distributed Generation* mailed on June 19, 2009 ("Proposed Decision"). CESA is an advocacy group made up of renewable energy system integrators, consultants, solar and wind developers, and energy storage system manufacturers. CESA's mission is to expand the role of energy storage to promote faster adoption of renewable energy and a more stable and secure electricity grid in California.

I. INTRODUCTION.

CESA urges the Commission to explicitly include energy storage within the scope of its final decision. CESA takes the strongest possible issue with the following statement of the purpose of the Proposed Decision:

"Since the time that we began this effort in 2004, DG has expanded and evolved. The term DG is no longer limited to customer-owned facilities, as the facilities may be owned by a third party, and may refer to generation that is either on the "customer-side" of the meter, with occasional export to the grid, or generation that is on the utility, or "system-side" of the meter, with occasional customer use, but expressly designed to net export. System-side DG can also be thought of as wholesale DG. Our SGIP also provides incentives to advanced

¹ The California Energy Storage Alliance consists of A123 Systems, Beacon Power Corporation, Chevron Energy Solutions, Debenham Energy, Fluidic Energy Inc., Ice Energy, Inc., PVT Solar, StrateGen Consulting, XtremePower, and ZBB Energy Corporation.

energy storage technologies that accompany DG facilities. The methodology we adopt today may have applicability to these other forms of DG, which may be larger than 5 MW and *the Commission may, at a future date or in another proceeding, choose to explore application of this methodology to other forms of DG.*” [Emphasis added] (Mimeo, pp. 4-5).²

Emphasis in the Proposed Decision on the definition of “distributed energy resources” or “DER”, set forth in Public Utilities Code § 353.1 is misplaced because it equates DER exclusively with generation.³ The Commission’s sound reasons for addressing cost-benefit methodology in this proceeding will be far better served by evaluating DER rather than just distributed generation, or “DG” - particularly as the Commission has already begun coming to grips with the integrative conceptual underpinnings of the “smart grid” in the SGIP.⁴ The Commission always intended the SGIP to encompass not only DG technologies, but also other forms of DER, such as energy storage and other demand side technologies. The Commission should therefore anticipate the need for a cost-benefit methodology for energy storage in the broad context of the smart grid *now* by expanding the scope of the Proposed Decision to encompass all DER – not simply DG.

II. THE SCOPE OF THE PROPOSED DECISION SHOULD BE EXPANDING TO ENCOMPASS BOTH DISTRIBUTED GENERATION AND ENERGY STORAGE RESOURCES.

It is very clear that energy storage has always been contemplated as part of California’s load management policy well before the SGIP, and the California Solar Initiative programs were designed and implemented by the Commission. In D.99-10-065, issued on October 21, 1999,⁵ the Commission articulated its original frame of reference for encouraging development of DER in the following way:

² The same intention to defer consideration of energy storage is expressed later in the Proposed Decision, at page 53.

³ The Commission should look instead to P.U. Code § 379.6 (formerly codified as P.U. Code § 399.15) because it codifies the Self Generation Incentive Program “SGIP” as it was approved by the legislature with passage AB 970 in February 2000. The statute requires the Commission to “adopt energy conservation demand-side management and other initiatives in order to reduce demand for electricity and reduce load during peak demand periods. *Those initiatives shall include, but not be limited to, all of the following: . . . (6) Incentives for load control and generation to be paid for enhancing reliability.* (Emphasis added).

⁴ See e.g., the Commission’s recent decision adding a \$2/KW incentive for advanced energy storage coupled with eligible renewable resources in the SGIP (D.08-11-044, issued November 1, 2008).

⁵ Decision issued in *Rulemaking on the Commission’s Own Motion to solicit Comments and Proposals on Distributed Generation and Competition in Electric Distribution Service*, R.98-12-015, filed December 17, 1998.

“In this decision we use the term ‘distributed generation’ to refer to those small scale electric generating technologies such as internal combustion engines, microturbines, wind turbines, photovoltaics, and fuel cells. We use the term DER to refer to the distributed generation technologies, storage technologies, end-use technologies and DSM technologies.

‘Distributed generation’ has also been referred to as ‘distributed energy resources’ (DER) or ‘distributed resources’ (DR). (OIR, p. 2, fn. 1). DER appears to be the broadest of all three terms, and includes distributed generation, as well as energy storage technologies such as battery energy storage, superconducting magnetic energy storage, flywheel energy storage, and compressed air energy storage. DER can also refer to targeted “end-use technologies” or targeted DSM techniques.’

In general, a DER has the following attributes: the DER is usually located at or near the load center; it may be connected to the distribution system or it can operate independently of the distribution system; it provides an enhanced value other than its energy and capacity; the DER is usually small in terms of electric power output; and the DER facility is usually automated, modular and mass produced.” [Emphasis added] (Mimeo, p. 14).

The Commission subsequently opened a successor proceeding for the purpose of articulating a new comprehensive framework for DER.⁶ This new proceeding further emphasized the growing importance of DER - including energy storage:

“In this proceeding we continue our consideration of rules and policies impacting distributed generation (DG). DG has taken on greater significance in the energy industry since this Commission opened its last DG rulemaking in October of 1999 (R.99-10-025). The technologies of DG continue to evolve, and their potential benefits present a compelling set of options to be considered in the resource planning and procurement context. As expressed in state legislation, in the joint agency Energy Action Plan and the California Energy Commission’s (CEC) recently adopted Integrated Energy Policy Report, evaluating and deploying DG is a priority for California’s energy future. (footnote omitted). There are multiple efforts underway to achieve these goals. (Mimeo, p. 1).

. . .

In addressing what we consider to be the three central issues in this rulemaking – cost-benefit analyses, incentives and IOU procurement guidance – we intend to develop a conceptual framework that will allow us to evaluate these similar resource options on an equal footing. *With this Rulemaking we will begin to employ the name Distributed Energy Resources (DER) to encompass*

⁶ Order Instituting Rulemaking Regarding Policies, Procedures and Incentives for Distributed Energy Resources, R.04-03-017, filed March 16, 2004.

distributed generation, energy efficiency, demand response and electrical storage. These resource options share common characteristics in their ability to serve or otherwise manage onsite load, and in the potential benefits they can provide to the electrical network if employed with sufficient care and foresight . . .” [emphasis added] (Mimeo, p. 2).

CESA’s view is that energy storage should be included as part of the Commission’s cost-benefit methodology, not because of its commercial progress *per se*, but because of storage’s technical and economic synergy with other distributed energy demand and generation resources - in particular fuel cells, wind and solar resources. The Commission has followed exactly this logic with its recent decision to allow SGIP incentives for advanced energy storage, when coupled with SGIP-eligible distributed generation technologies (currently wind and fuel cells).⁷

III. **CONCLUSION.**

CESA appreciates this opportunity to comment on the Proposed Decision, and urges the Commission to articulate a cost-benefit methodology applicable to both generation *and* energy storage forms of DER in its final decision.

Respectfully submitted,



Donald C. Liddell
DOUGLASS & LIDDELL
2928 2nd Avenue
San Diego, California 92103
Telephone: (619) 993-9096
Facsimile: (619) 296-4662
Email: liddell@energyattorney.com

Counsel for the
CALIFORNIA ENERGY STORAGE ALLIANCE

Date: July 9, 2009

⁷ See, footnote. 4, *infra*.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of *Comments of the California Energy Storage Alliance on Proposed Decision Adopting Cost-Benefit Methodology for Distributed Generation* on all parties of record in proceeding *R.08-03-008* 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 July 9, 2009, at Woodland Hills, California.



Michelle Dangott

SERVICE LIST – R.08-03-008

abb@eslawfirm.com
abrowning@votesolar.org
aes@cpuc.ca.gov
akbar.jazayeri@sce.com
allenseligson@yahoo.com
amber@iepa.com
andrew.mcallister@energycenter.org
annette.gilliam@sce.com
annie.henderson@energycenter.org
arr@cpuc.ca.gov
artrivera@comcast.net
astele@hanmor.com
atrowbridge@daycartermurphy.com
AXY4@pge.com
bawilkins@sbcglobal.net
bbaker@summitblue.com
bbarkett@summitblue.com
bchao@simmonsco-intl.com
bcragg@goodinmacbride.com
ben@solarcity.com
benjamin.airth@energycenter.org
bernardo@braunlegal.com
bill@brobecksolarenergy.com
bjeider@ci.burbank.ca.us
bob.ramirez@itron.com
brbarkovich@earthlink.net
brenda.latter@itron.com
C2M1@pge.com
CABe@pge.com
case.admin@sce.com
Cathy.lazarus@mountainview.gov
cec@cpuc.ca.gov
cem@newsdata.com
CentralFiles@semprautilities.com
chuck@csolt.net
CJSv@pge.com
clamasbabbini@comverge.com
CLHs@pge.com
cln@cpuc.ca.gov
cmanson@semprautilities.com
colin@tiogaenergy.com
cp@kacosolar.com
cpucdockets@keyesandfox.com
craig.lewis@greenvolts.com
croaman@ccsf.edu
css@cpuc.ca.gov
ctai@edgetechsolar.com
ctoca@utility-savings.com
dakinports@semprautilities.com
dan@energysmarthomes.net
david.kopans@fatspaniel.com
dbp@cpuc.ca.gov
dcarroll@downeybrand.com
dchong@energy.state.ca.us
deden@energy.state.ca.us
dennis@ddecuir.com
dgrandy@caonsitegen.com
dhaines@environmentalpower.com
dm1@cpuc.ca.gov
dmcfely@solartech.org
dot@cpuc.ca.gov
dschneider@lumesource.com
dseperas@calpine.com
dtf@cpuc.ca.gov
dvidaver@energy.state.ca.us
ebrodeur@steadfastcompanies.com
ecarlson@solarcity.com
ek@a-klaw.com
eklinkner@cityofpasadena.net
elee@davisenergy.com
elee@sandiego.gov
elvine@lbl.gov
emackie@gridalternatives.org
enriqueg@lif.org
ensmith@mwe.com
erickpetersen@pvpowered.com
Eriks@ecoplexus.com
eyhecox@stoel.com
filings@a-klaw.com
fmazanec@biofuelsenergyllc.com
fortlieb@sandiego.gov
fsmith@sfwater.org
fwmonier@tid.org
george.simons@itron.com
ghinners@reliant.com
gilligan06@gmail.com
glw@eslawfirm.com
gmorris@emf.net
gopal@recolteenergy.com
grant.kolling@cityofpaloalto.org
gteigen@rcmdigesters.com
heidi@sunlightandpower.com
hgreen@sunedison.com
hhh4@pge.com
hodgesjl@surewest.net
HYao@SempraUtilities.com
info@calseia.org
irene.stillings@energycenter.org
j2t7@pge-corp.com
jamckinsey@stoel.com
james.lehrer@sce.com
jarmstrong@goodinmacbride.com
jason.houck@sfgov.org
jason.jones@tiltsolar.com
jbarnes@summitblue.com
jbarnet@smud.org
jeanne.sole@sfgov.org
jennifer.chamberlin@directenergy.com
jennifer.porter@energycenter.org
JerryL@abag.ca.gov
jf2@cpuc.ca.gov
jharris@volkerlaw.com
jholmes@emi1.com
jim.howell@recurrentenergy.com
jimross@r-c-s-inc.com
jgg@eslawfirm.com
jkarp@winston.com
jlarkin@us.kema.com
jlin@strategen.com
jmcfarland@treasurer.ca.gov
JMCLA@comcast.net
jmgarber@iid.com
jna@speakeasy.org
joc@cpuc.ca.gov
jody_london_consulting@earthlink.net
joelene.monestier@spgsolar.com
john.supp@energycenter.org
john@proctoreng.com
jon.bonk-vasko@energycenter.org
jordan@tiogaenergy.com
jpalmer@solarcity.com
jrathke@capstoneturbine.com
jrichman@bloomenergy.com
jrohrbach@rrienergy.com
jsomers@lisc.org
julie.blunden@sunpowercorp.com
justin@sunwatersolar.com
jwwd@pge.com
jyamagata@semprautilities.com
kar@cpuc.ca.gov
karen@klindh.com
karin.corfee@kema.com
karly@solardevelop.com
katie@sunlightandpower.com
katrina.perez@energycenter.org
kbest@realenergy.com
kcooney@summitblue.com
kellie.smith@sen.ca.gov
kenneth.swain@navigantconsulting.com
kfox@keyesandfox.com
kirby.bosley@jpmorgan.com
kirk@NoElectricBill.com
kmerrill@energy-solution.com
Kurt.Scheuermann@itron.com
kxn8@pge.com
lauren@sunlightandpower.com

laurene_park@sbcglobal.net
liddell@energyattorney.com
linda.forsberg@mountainview.gov
lmerry@vervesolar.com
lmh@eslawfirm.com
lnelson@westernrenewables.com
lp1@cpuc.ca.gov
LPaskett@FirstSolar.com
lrosen@eesolar.com
ltaggart@cecmail.org
lwhouse@innercite.com
m.stout@cleantechamerica.com
marcel@turn.org
martinhomec@gmail.com
mary.tucker@sanjoseca.gov
matt@criterionmgt.com
matt@sustainablespace.com
mc3@cpuc.ca.gov
mdavis@barnumcelillo.com
mday@goodinmacbride.com
mdd@cpuc.ca.gov
mdorn@mwe.com
mdoughto@energy.state.ca.us
meb@cpuc.ca.gov
megan@nonprofithousing.org
mgh9@pge.com
michael.backstrom@sce.com
Michael.Brown@utcpower.com
michael.hindus@pillsburylaw.com
michael@awish.net
michaelkyes@sbcglobal.net
mike.montoya@sce.com
mike@ethree.com
mkober@pyramidsolar.com
mowrysswr@cox.net
mpa@a-klaw.com
mr_michael_norris@hotmail.com
mrw@mrwassoc.com
MtenEyck@ci.rancho-cucamonga.ca.us
mts@cpuc.ca.gov
mvc@cpuc.ca.gov
myuffee@mwe.com
nellie.tong@us.kema.com

paul@tiogaenergy.com
pepper@sunfundcorp.com
phammond@simmonsco-intl.com
pnarvand@energy.state.ca.us
preston@sonomaenergymgt.com
pstoner@lgc.org
rbaybaya@energy.state.ca.us
regrelcpucases@pge.com
rguild@solarcity.com
rhanna@rrienergy.com
rhuang@smud.org
rhwisser@lbl.gov
rishii@aesc-inc.com
rjl9@pge.com
rknight@bki.com
rl4@cpuc.ca.gov
rmccann@umich.edu
Robert.F.Lemoine@sce.com
robert.pettinato@ladwp.com
ronnie@energyrecommerce.com
rsa@a-klaw.com
rwebsterhawkins@CSD.ca.gov
ryan.amador@energycenter.org
rzhang@cityofpasadena.net
S2B9@pge.com
sara@solaralliance.org
sas@a-klaw.com
sbarata@opiniondynamics.com
sbeserra@sbcglobal.net
sco@cpuc.ca.gov
scott@debenhamenergy.com
sdhilton@stoel.com
sean.hazlett@morganstanley.com
sebesq@comcast.net
sendo@ci.pasadena.ca.us
sephra.ninow@energycenter.org
sewayland@comcast.net
sfrantz@smud.org
SGraham@navigantconsulting.com
sgreschner@gridalternatives.org
Sgupta@energy.state.ca.us
Shoeless838@comcast.net
skg@cpuc.ca.gov

susan.munves@smgov.net
susanne@emersonenvironmental.com
sww9@pge.com
tam.hunt@gmail.com
tam.hunt@gmail.com
taram@greenlining.org
tbardacke@globalgreen.org
tblair@sandiego.gov
ter@cpuc.ca.gov
tdfeder@lbl.gov
terry.clapham@energycenter.org
thamilton@icfi.com
tim_merrigan@nrel.gov
tomb@crossborderenergy.com
tzentai@summitblue.com
warehouse@mohrpower.com
whughes@smud.org
will@solarroofs.com
wlscott@earthlink.net
wpark@firstsolar.com
zfranklin@gridalternatives.org
nes@a-klaw.com
Nick.Allen@morganstanley.com
nick.chaset@tesseractosolar.com
njfolly@tid.org
nlong@nrdc.org
nmr@cpuc.ca.gov
npedersen@hanmor.com
nzigelbaum@nrdc.org
Olivia.puerta@mountainview.gov
patrick.lilly@itron.com
Paul.Tramonte@jpmorgan.com
smiller@energy.state.ca.us
social.forum@yahoo.com
spatrick@sempra.com
spauker@wsg.com
srt@cpuc.ca.gov
ssciortino@anaheim.net
ssmyers@att.net
stacey.reineccius@powergetics.com
stephen.morrison@sfgov.org
steven.huffman@morganstanley.com
steven@moss.net