

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

Application of Pacific Gas and Electric Company (U 39-E) for Approval of Demand Response Programs, Pilots and Budgets for 2012-2014.	Application 11-03-001 (Filed March 1, 2011)
Application of San Diego Gas & Electric Company (U902M) for Approval of Demand Response Programs and Budgets for Years 2012-2014.	Application 11-03-002 (Filed March 1, 2011)
Application of Southern California Edison Company (U338E) for Approval of Demand Response Programs, Activities and Budgets for 2012-2014.	Application 11-03-003 (Filed March 1, 2011)

REPLY BRIEF OF THE CALIFORNIA ENERGY STORAGE ALLIANCE

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

September 9, 2011

TABLE OF CONTENTS

I. INTRODUCTION.....2

II. THE UTILITIES INCORRECTLY FOCUS EXCLUSIVELY ON COST-EFFECTIVES AND IGNORE THE OTHER IMPORTANT FACTORS THE COMMISSION CONSIDERS TO EVALUATE PLS PROPOSALS.2

III. THE COMMISSION SHOULD ORDER THE UTILITIES TO SUBMIT REVISED APPLICATIONS BASED ON THE PROGRAM DESIGNS AND BUDGETS PROPOSED BY THE PLS ADVOCATES.3

 A. The Utilities Have Not Met Their Burden Of Proof To Demonstrate That Their Proposals are Reasonable.....3

 B. CESA’ Proposal Presents A Detailed Alternative PLS Program That The Commission Should Order The Utilities To Adopt In Revised Applications.....4

IV. CONCLUSION.....5

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

Application of Pacific Gas and Electric Company (U 39-E) for Approval of Demand Response Programs, Pilots and Budgets for 2012-2014.	Application 11-03-001 (Filed March 1, 2011)
Application of San Diego Gas & Electric Company (U902M) for Approval of Demand Response Programs and Budgets for Years 2012-2014.	Application 11-03-002 (Filed March 1, 2011)
Application of Southern California Edison Company (U338E) for Approval of Demand Response Programs, Activities and Budgets for 2012-2014.	Application 11-03-003 (Filed March 1, 2011)

REPLY BRIEF OF THE CALIFORNIA ENERGY STORAGE ALLIANCE

Pursuant to the *Joint Assigned Commissioner and Administrative Law Judge’s Scoping Order and Memo* of Assigned Commissioner Michael R. Peevey and Administrative Law Judge Kelly A. Hymes, issued May 13, 2010 (“Scoping Order”), and *Administrative Law Judge’s Ruling Providing Guidance for Briefs*, issued by Administrative Law Judge Kelly A. Hymes, on August 1, 2011 (“Briefing Ruling”), the California Energy Storage Alliance (“CESA”) ¹ respectfully submits this reply brief regarding the investor-owned utility applications demand response (“DR”) program, pilot and budget (“Applications”)

¹ The California Energy Storage Alliance consists of A123 Systems, Altairnano, Applied Intellectual Capital/East Penn Manufacturing Co., Inc., Beacon Power Corporation, CALMAC, Chevron Energy Solutions, Debenham Energy, Deeya Energy, Enersys, EnerVault, Exide Technologies, Fluidic Energy, General Compression, Greensmith Energy Management Systems, HDR, Inc., Ice Energy, International Battery, Inc., LG Chem, LightSail Energy, Inc., MEMC/SunEdison, Powergetics, Primus Power, Prudent Energy, RedFlow, RES Americas, Saft America, Inc., Samsung SDI, SANYO, Seo, Sharp Labs of America, Silent Power, Sumitomo Electric, Suntech, SunPower, Sunverge, SustainX, Xtreme Power, and Younicos. The views expressed in these Comments are those of CESA, and do not necessarily reflect the views of all of the individual CESA member companies. <http://www.storagealliance.org>.

I. INTRODUCTION.

In this reply brief CESA responds to the Opening Briefs filed by Southern California Edison (“SCE”) Pacific Gas and Electric Company (“PG&E”), and San Diego Gas & Electric Company (“SDG&E”), (collectively, “the Utilities”). CESA defers to CALMAC Manufacturing Corporation (“CALMAC”) and Ice Energy, Inc. (“Ice Energy”) to reply to points in the Openings Briefs of the Utilities specifically directed to their testimony in this proceeding.

II. THE UTILITIES INCORRECTLY FOCUS EXCLUSIVELY ON COST-EFFECTIVES AND IGNORE THE OTHER IMPORTANT FACTORS THE COMMISSION CONSIDERS TO EVALUATE PLS PROPOSALS.

In its Opening Brief, SCE states the sole focus of the Division of Ratepayers Advocates (“DRA”) and The Utility Reform Network (“TURN) on the DR Reporting Template cost-effectiveness analysis “undermines CPUC guidance that lists several other reasonableness factors. Neither TURN nor DRA addressed in a substantive manner any of the other evaluation criteria that Commissioner Peevey and Administrative Law Judge (ALJ) Hymes outlined in their Joint Scoping Memo of May 13, 2011. The Scoping Memo explicitly states:

“This proceeding will evaluate the reasonableness of program and portfolio design, measured in terms of cost effectiveness, track record, future performance, cost, flexibility and versatility, adaptability, locational value, integration, consistency across the Joint Applicants’ applications, simplicity, recognition, environmental benefits, consistency with Commission policies and general policies affecting revenue allocation.”

In their program review, TURN and DRA failed to consider the ALJ’s Scoping Memo and the Commission’s history of evaluating programs by looking at the many factors identified in the scoping memo. “. . . Cost-effectiveness is certainly an important aspect of program evaluation, but not to the exclusion of other important considerations. . . . TURN and DRA’s recommendations to reject programs solely on cost-effectiveness are without merit and should be rejected.” (SCE’s Opening Brief, pp. 20-21).

Displaying a breathtaking absence of a sense of irony, SCE proceeds to attack the permanent load shifting (“PLS”) proposals detailed by CESA, CALMAC and Ice Energy (collectively, “PLS Advocates”), stating that, “PLS program incentives, if cost effective, would be a worthy addition to the IOUs’ demand side management program portfolios. . . . [N]one of the vendors could establish that higher incentive rates than the incentives proposed by SCE

would be cost effective. . . . The Commission should therefore not approve the PLS vendors' proposals to further increase the size of the subsidy by increasing incentive levels and the program size." (SCE Opening Brief, pp. 55-56).

Pacific Gas & Electric Company ("PG&E") takes an essentially identical approach, simply inverting the order of its argument, stating that the Commission should "[d]eny the proposals of the PLS vendors to increase the size of the program and the amount of the incentives as the proposals are not cost effective and would unnecessarily increase incentives beyond the amounts paid in other states." (PG&E's Opening Brief, Introduction, p. x). Later PG&E states, "as noted in the Scoping Memo, but not addressed by DRA, the cost-effectiveness of a program is only one of many criteria the Commission considers in determining whether or not to continue a DR program." (PG&E's Opening Brief, p. 7).

San Diego Gas & Electric ("SDG&E") does not address the testimony of any of the PLS Advocates at all, leaving them un-rebutted, noting only that although historic costs for PLS systems may have supported the need for CALMAC's proposed incentive level, SDG&E *believes* that as these costs continue to come down, CALMAC's suggested high incentive levels will not be needed [Emphasis added]." (SDG&E's Opening Brief, p. 15).

III. THE COMMISSION SHOULD ORDER THE UTILITIES TO SUBMIT REVISED APPLICATIONS BASED ON THE PROGRAM DESIGNS AND BUDGETS PROPOSED BY THE PLS ADVOCATES.

A. The Utilities Have Not Met Their Burden Of Proof To Demonstrate That Their Proposals are Reasonable.

The Utilities have completely ignored all but one of the factors they acknowledge must be addressed and tactically placed all of their eggs in one basket, opting to focus solely on cost-effectiveness - to the exclusion of the *thirteen* other enumerated other factors that that they must address.² CESA has demonstrated in its testimony and Opening Brief that, as designed, it's proposed PLS program *is in fact cost-effective*, but need not debate the point here.³ SDG&E did

² The same factors were utilized in the Commission's evaluation of the 2009-2011 Applications. Importantly, the Commission has assigned no particular allocation of weight or order of priority or importance to any of the listed factors as dispositive.

³ It is of interest to note that PG&E found that PLS *was in fact cost-effective* in its 2009-2011 Application, but has reversed it position since then. Whether PG&E was right then or now, is of academic interest but should not matter since all of the other remaining factors have been completely ignored by all of the Utilities.

not submit rebuttal testimony and SCE and SDG&E both waived cross-examination of CESA's witness.

B. CESA' Proposal Presents A Detailed Alternative PLS Program That The Commission Should Order The Utilities To Adopt In Revised Applications.

The Utilities have chosen to completely dismiss the testimony of the PLS Advocates as having no probative value whatsoever, but they make no showing at all to support such an ill-conceived proposition.⁴ As noted, SCE and SDG&E elected to waive cross-examination of the witnesses that sponsored testimony submitted by all of the PLS Advocates. PG&E' also waived cross-examination of CESA's witness. The testimony submitted by CESA is credible, detailed, and responsive to the standard of proof required by the Commission.

SCE asserts in its Opening Brief that "the Commission previously determined that PLS proposals lacking a detail [sic] cost-effectiveness analysis should be denied as insufficient" (SCE's Opening Brief, p. 59). The Commission has made no such determination.⁵ SCE also cites AB 2514 for the proposition that "state policy supports PLS that is cost-effective and decreases generation cost for utility customers." This is also incorrect and misleading because, AB 2514 says no such thing. AB 2514 specifically calls for the Commission to evaluate energy storage procurement targets for load serving entities. As such, it does not address customer-side of-the-meter applications of energy storage such as PLS. Rather, by demonstrating leadership for this important application of energy storage, the results and impacts of a well designed and administered PLS program can be used as a key consideration and example of energy storage technology performance for the purposes of considering utility procurement targets pursuant to AB 2514.⁶

⁴ In contrast, CESA does not assert that the testimony submitted by the Utilities is devoid of any value, only that it is incomplete and inadequate to support a Commission finding that their PLS programs are reasonable.

⁵ The page reference in D.09-08-027 is in error, but SCE is aware that the example cited from discussion elsewhere in the text related to one specific application, and cannot be interpreted as a statement of Commission policy generally applicable to all PLS applications. SCE is also aware that D.10-03-023 mentions level of detail, but more accurately, spoke to Commission policy regarding the overall quality of PLS proposals and whether or not they were in the public interest.

⁶ SCE does not quote the language of AB 2514, because the general reference is misleading. The statute primarily relates to what utilities should use as energy storage procurement targets, which can include energy storage assets on either the customer or the utility side of the meter.

IV. CONCLUSION.

For all of the reasons discussed in this reply brief, the Utilities should be ordered by the Commission to revise and resubmit their PLS proposals to comport with program design features and qualities detailed in the Opening Briefs of the PLS Advocates.

Respectfully submitted,



Donald C. Liddell
DOUGLASS & LIDDELL
Email: liddell@energyattorney.com

Counsel for the
CALIFORNIA ENERGY STORAGE ALLIANCE

September 9, 2011