

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

**Order Instituting Rulemaking Pursuant to
Assembly Bill 2514 to Consider the Adoption
of Procurement Targets for Viable and Cost-
Effective Energy Storage Systems.**

Rulemaking 10-12-007
(Filed December 16, 2010)

**EAGLE CREST ENERGY COMPANY
OPENING COMMENTS OF ON THE STAFF INTERIM REPORT
ON ENERGY STORAGE**

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February 4, 2013

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Pursuant to the Administrative Law Judge's ("ALJ") Ruling Entering Interim Staff Report Into Record and Seeking Comments ("ALJ Ruling") issued on January 18, 2013, Eagle Crest Energy Company ("Eagle Crest") respectfully submits these comments to the California Public Utilities Commission ("Commission" or "CPUC") Energy Division Staff ("Staff") Energy Storage Phase 2 Interim Staff Report ("Staff Report") issued in the CPUC Energy Storage Proceeding Rulemaking ("R") 10-12-007, on January 4, 2013.

I. INTRODUCTION

Eagle Crest appreciates the opportunity to provide comments on the Staff Report. Eagle Crest's comments support the Staff's actions to date in this Rulemaking, including the contents of the Staff Report. Eagle Crest urges the Staff to focus its efforts in the next phase of this proceeding on reasonable accommodation of the long development times and contracting needs of large

bulk-storage projects, as well as recognition in competitive procurement solicitations of all of the capabilities and benefits of storage technologies. Mature, viable bulk storage technologies are among the most cost effective and care must be taken to ensure that the policies developed by the Commission encourage the additional development of such technologies in California. According to a 2010 EPRI Study, "...in the near term, underground compressed air energy storage (CAES) and pumped hydro systems are found to be lowest in cost in terms of \$/KW-h,..."¹

II. PUMPED STORAGE PROJECTS OFFER SIGNIFICANT BENEFITS TO CALIFORNIA

Eagle Crest is developing the 1300MW Eagle Mountain pumped storage facility near Desert Center, CA. Pumped storage is the predominant form of bulk energy storage both in the United States and around the world, with over 270 plants and over 127,000MW of capacity in operation or under construction.²

Pumped hydro storage projects such as Eagle Mountain can cost effectively provide, among other things, energy, capacity, renewables integration and other ancillary services to California utilities, the California Independent System Operator ("CAISO") and California ratepayers. In addition, bulk storage projects such as Eagle Mountain would likely reduce the need for future gas-fired peaking plants, potentially reducing future greenhouse gas emissions. Over the

¹ Electric Energy Storage Technology Options: A White Paper Primer on Applications, Costs and Benefits, Final Report; Electric Power Research Institute; December 2010; p. ES 21.

² Challenges and Opportunities for New Pumped Storage Development, National HydroPower Association, 2012, p. 2

last four years, Eagle Crest has met with numerous state, federal and utility personnel to discuss these numerous benefits.

III. EAGLE CREST COMMENTS

The current methods of procuring capacity, energy and ancillary services in California make it difficult for large bulk-storage projects such as Eagle Mountain to be developed and constructed. The following key elements are needed to finance the development, construction, and operation of cost-effective, large bulk-storage projects:

1. A procurement process that recognizes both the long-lead time necessary for these asset types and the cost-effectiveness of such projects. Large bulk-storage projects have extended development and permitting periods and long construction times, and both of these features must be recognized and accommodated.
2. Off-take agreements with creditworthy counterparties. As with generation projects, private developers are unlikely to build billion-dollar facilities if they must recover their costs in day-ahead markets.
3. Planning models that incorporate all of the capabilities of advanced storage technologies, including advanced pumped storage, which regulators and utilities currently lack. The parties have spent part of Phase 2 of this proceeding becoming familiar with certain third-party software tools and models that can help evaluate the cost effectiveness of storage technologies. We will continue to participate in these efforts and acknowledge the success of early efforts by Staff and other participants in

this proceeding to advance the capabilities of these cost-effectiveness tools.

Eagle Crest applauds the Staff's efforts to date to focus the diverse parties to this proceeding on the issues raised by AB 2514, the Order instituting this rulemaking and the Decision Adopting Proposed Framework for Analyzing Energy Storage Need (August 6, 2012). We also support the Staff Report. We believe the Use Case format, when combined with one or more cost-effectiveness methodologies, will provide the Commission with the framework necessary to identify cost-effective storage technologies and applications that could provide value to ratepayers in the near future.

Eagle Crest encourages the Staff and the parties to focus on, among other things, resolving the issues identified above during the next phase of this proceeding. This would help ensure that long-lead, cost-effective projects being developed today can compete for multi-year procurement opportunities provided by investor-owned and municipal utilities.

IV. PARTY STATUS AND COMMUNICATIONS

Pursuant to Rule 1.4.(a)(2)(i), Eagle Crest, by filing these comments, understands that it will become a party to this proceeding. Prior to this filing, Eagle Crest has been identified as an "Information Only" participant. Eagle Crest

respectfully requests that Communications and correspondence related to this filing should be directed to the Company's representative:

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V. CONCLUSION

Eagle Crest appreciates the opportunity to submit these comments for the Commission's consideration.

Respectfully submitted,

/s/ J. Douglas Divine

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Dated: February 4, 2013