

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)

**REPLY COMMENTS OF THE CITY AND COUNTY OF SAN  
FRANCISCO**

In accordance with the January 18, 2013, Assigned Commissioner’s Ruling in this matter, the City and County of San Francisco (City) respectfully files these reply comments. The City supports development of cost-effective energy storage in applications where it reduces greenhouse gas (GHG) emissions,<sup>1</sup> enables greater renewable energy penetration, and provides benefits<sup>2</sup> commensurate with any additional costs imposed on ratepayers. To support that development, the City agrees with many thoughtful comments stressing the importance of eliminating unnecessary market barriers to energy storage. Moreover, the City agrees that new policies related to energy storage must be implemented in a competitively neutral manner, not merely avoiding skewing the playing field between storage and other technologies, but just as importantly, avoiding cost-recovery approaches that favor the Investor-Owned Utilities (IOUs) at the expense of their competitors such as Community Choice Aggregators (CCAs).

---

<sup>1</sup> See San Francisco’s 2011 Updated Electricity Resource Plan (SF 2011 Resource Plan), <http://sfwater.org/Modules/ShowDocument.aspx?documentID=40>, prepared by the San Francisco Public Utilities Commission in March, 2011 and endorsed by the San Francisco Board of Supervisors in July, 2011, see San Francisco Board of Supervisors (BOS) Resolution 349-11, identifies energy storage as one of many energy procurement alternatives to be evaluated for deployment to achieve a key goal of the SF 2011 Resource Plan, “to develop a City-wide plan to meet San Francisco's zero-GHG goal by 2030.” BOS Resolution 349-11.

<sup>2</sup> The SF 2011 Resource Plan recommends that all resource options must be thoroughly studied to “ensure they provide benefits to the City including, but not limited to such benefits as reduced greenhouse gas emissions, prudent fiscal management, increased safety in operations, better local or system reliability, and more affordable service for ratepayers.” BOS Resolution 349-11. The particular benefits that could be available from energy storage also include supporting local government disaster preparedness plans by providing an emergency power source to critical facilities such as fire stations, police stations, health centers, shelters, etc.

I. The Commission Should Focus on Eliminating Market Barriers to Storage.

The City agrees with many thoughtful comments stressing the importance of focusing on eliminating market barriers to storage. See e.g. Division of Ratepayer Advocates (DRA) Opening Comments at 1. As Pacific Gas and Electric (PG&E) stresses in its opening comments, the Commission should focus on ensuring that “storage is fully and fairly considered to meet identified needs, [and] . . . that procurement processes fairly evaluate storage alternatives to meet needs that are being identified in the long-term procurement planning process and to meet resource adequacy needs.” PG&E Opening Comments at 2.

II. The Commission Should Avoid Cost-Recovery Mechanisms that Disadvantage Community Choice Aggregators.

The City agrees with the Alliance for Retail Energy Markets (AREM) and the Marin Energy Authority (MEA) that the Commission must avoid energy storage related policies that disadvantage IOU competitors, such as CCAs. As AREM/MEA detail, the Interim Staff Report proposes the following three procurement options:

1. Procurement targets based on a fixed percentage of each LSE’s load as a MW amount or requiring procurement of a specific energy storage application;
  2. Pilots or market tests focused on a specific application or end use to develop tools for cost-effectiveness analysis;
  3. Portfolio approach to be implemented through the Long-Term Procurement Plans (“LTPP”) proceeding, in which a “dynamically-adjusted” portion of Local or System RA needs would be set aside for procurement of “preferred resources,” including energy storage . . .
- AREM/MEA Opening Comments at 5-6; Interim Staff Report at 19.

The City agrees with AREM/MEA that all three of these alternatives require great care to ensure that IOU competitors are not unfairly disadvantaged. Certainly, the City agrees with AREM/MEA that if the Commission determines to proceed with procurement targets, “the Commission must also establish appropriate flexible procurement mechanisms that address the

needs of the ESPs and CCAs, both of whom operate in a highly competitive environment unlike the monopoly world of the IOUs.” AReM/MEA Opening Comments at 6-7. The Commission must ensure that any approach it adopts to promote energy storage does not competitively disadvantage CCAs.

The City also joins AReM/MEA in opposing ongoing indiscriminate use of the Cost Allocation Mechanism (CAM) to recover the cost of resources, including energy storage, that have not been shown to meet the statutory criteria of being “needed to meet system or local area reliability needs for the benefit of all customers in the electrical corporation's distribution service territory.” Public Utilities Code Section 365.1(c)(2)(A). Given the Commission’s recent decision in R.12-03-014 (D.13-02-015) rejecting the establishment of careful standards to ensure that CAM cost recovery is only available in the circumstances set forth in the statute, the City is all the more concerned that the Commission may put into place an approach to promote electricity storage that is unfair to CCAs.

III. Conclusion.

The Commission should eliminate unnecessary market barriers to energy storage and avoid cost-recovery approaches that favor the IOUs at the expense of their competitors such as CCAs.

Respectfully submitted,

February 21, 2013

DENNIS J. HERRERA

City Attorney  
THERESA L. MUELLER  
Chief Energy and Telecommunications Deputy  
JEANNE M. SOLÉ  
Deputy City Attorneys

By: \_\_\_\_\_/S/  
JEANNE M. SOLE  
Attorneys for  
CITY AND COUNTY OF SAN FRANCISCO  
City Hall Room 234  
1 Dr. Carlton B. Goodlett Place  
San Francisco, California 94102-4682  
Telephone: (415) 554-4700  
Facsimile: (415) 554-4763  
E-Mail: [jeanne.sole@sfgov.org](mailto:jeanne.sole@sfgov.org)