

**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)

**COMMENTS ON THE ASSIGNED COMMISSIONER'S RULING OF
FRIENDS OF THE EARTH**

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July 2, 2013

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INTRODUCTION

Pursuant to the Assigned Commissioner's Ruling ("ACR") Proposing Storage Procurement Targets and Mechanisms and Noticing All-Party Meeting, dated June 10, 2013, Friends of the Earth ("FOE") hereby timely submits its comments on the proposal outlined in the ACR.

COMMENTS

FOE congratulates the Commission and the Assigned Commissioner for proposing a ground-breaking path of action to elevate energy storage to its rightful place as a full partner with renewable energy used efficiently as the new "base-load" for meeting all of California's electricity needs in the years ahead.

To be sure, there will be a transition period, but the rule the Commission adopts in this proceeding may well determine whether the greenhouse gas reduction targets, set by State law

and Executive Order, will be met.

FOE fully supports the three purposes, consistent with AB 2514, that guide the Commission's energy storage procurement policy. (ACR, at p. 6.) Moreover, we currently have no comment on the target numbers that you propose. But, we note with concern that the ACR states that the proposed targets "should not be considered requirements or mandates..." (ACR, at p. 7.)

Our fundamental comment is that the three purposes that guide your policy require a more certain pace of implementation than simply suggesting targets that must meet some vague cost-effectiveness tests. You correctly state that the barriers that energy storage faces "...are substantially similar to the obstacles faced by the rooftop solar photovoltaic industry..." (ACR, at p. 4.) Indeed they are similar to the obstacles faced by the entire renewables revolution.

It took a mandate to make the progress that has been achieved under the leadership of this Commission in advancing the deployment of renewables. Unless energy storage is recognized as a full partner with renewables, the Commission's -- and State's -- guiding principles will not be met. In order to assure the realization of the principles, the proposed Energy Storage Procurement Targets need to be adopted by the Commission as "required" or "mandatory."

For similar reasons, we respectfully urge that it is absolutely necessary to bring energy storage into the loading order on a par with renewable energy. This issue is at the heart of whether California meets the reduction in greenhouse gases mandated by law. Unless energy storage – and not fossil-fueled power plants – provides the power during cloudy, dark, and/or windless hours, when renewables don't generate electricity, then the State's greenhouse gas reduction mandates will not be met.

Under the circumstances, the words “cost effective” must take into account the tremendous cost to the people of California of the local air pollution and climate change impacts of continued fossil fuel burning.

As our experience with renewables has shown, a steadily growing mandate for energy storage is the surest way to bring down the cost of these new energy products. We therefore urge that in adopting this rule, the Commission make the following policy decisions:

- Energy storage will become a full and equal partner with renewables in the loading order; and
- In future procurement proceedings, a utility seeking approval of new power generating resources will have the burden of proof, based on a convincing factual showing, that resources higher in the loading order are not obtainable.

We have three other specific suggestions for the Commission to consider as it moves forward toward the adoption of a rule enacting the proposed Energy Storage Procurement Targets:

1. The final decision in this proceeding should encourage the utilities under the Commission’s jurisdiction to offer to own the batteries in all electric or plug-in electric hybrid cars bought in their service areas. The utilities could then make the batteries part of their storage systems, especially since such batteries have considerable utility for energy storage well beyond their effective life as car batteries. Using smart-grid technology, these batteries could be integrated into the grid systems. Such action would dramatically decrease the price of electric cars, increase their resale value and accelerate their use, so that as electricity gets “cleaner,” it would result in cleaner air in the cities and reductions in the state’s greenhouse gas emissions. Finally, any such investments in car batteries should be included in the distributed utilities’ rate

base.

2. Greater attention is needed to promote energy storage as part of the statewide grid.

The Commission should encourage the CAISO to consider acquiring storage and including it in its transmission rates as an alternative to “must run” fossil fuel power plants. The CAISO is in the best position to locate or procure energy storage at strategic locations to serve region-wide transmission reliability purposes. Such a recommendation from the Commission could raise this policy issue for joint deliberation and decision by the CAISO in consultation with the Commission.

3. Energy storage technologies, many of which are just entering the commercial stage, should be seen as an integral part of a utility distribution system. Third-party providers should not own or operate storage facilities that are located on a utility’s distribution system. Moreover, it would be counter-productive and a large waste of time to conduct reverse auctions, just to provide third parties with an opportunity to own and operate facilities that will be key to maintaining system reliability and that should, by all rights, be owned and operated by the utilities. Rather, at this stage of development, the utilities should be encouraged to procure their energy storage systems in the same manner that they procure the other elements of its distribution systems.

CONCLUSION

FOE appreciates the opportunity to address these important issues. For all the foregoing reasons, the Commission should agree upon a rule in this proceeding which mandates that the adopted targets become a reality.

Respectfully submitted,



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