

**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 FRIENDS OF THE EARTH ON ASSIGNED
COMMISSIONER'S RULING PROPOSING PROCUREMENT TARGETS AND
MECHANISMS AND NOTICING ALL-PARTY MEETING**

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July 19, 2013

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INTRODUCTION

In accordance with the provisions of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), Friends of the Earth (“FOE”) hereby submits these reply comments to the Assigned Commissioner Ruling Proposing Storage Procurement Targets and Mechanisms and Noticing All-Party Meeting, dated June 10, 2013.

COMMENTS

I. THE STATE’S COMMITMENT TO GHG REDUCTIONS AND RENEWABLE ENERGY MUST GUIDE THE DEVELOPMENT OF STORAGE PROCUREMENT TARGETS

In response to the extensive comments from various stakeholders (particularly the utilities) raising concerns about the alleged need for “regulatory flexibility” in connection with any storage procurement targets that may result from this proceeding, FOE reiterates that the state’s commitment to dramatic greenhouse gas (“GHG”) emission reductions and to its

renewable energy mandate need be the ethical and programmatic compass by which this rule is developed and implemented. Consistent with AB 2514, the three purposes stated at page 6 of the ACR should be key underpinnings for the energy storage procurement requirements that emerge from this proceeding, and these purposes should guide the speed and energy storage capacity that are ultimately mandated for procurement. Ultimately, the value and success of this rule will be assessed by whether or not it helped assure the state's renewable energy and GHG emissions reductions mandates. Storage procurement targets that allow for too much "flexibility" or for easy "off ramps" are likely to have the effect of undercutting the state's important climate and clean energy policy commitments.

II. PROCUREMENT TARGETS SHOULD BE MANDATORY

Whereas numerous parties have suggested the need for flexibility in the application of targets, we believe that in order to assure that storage procurement targets are met and, in turn, serve to effectively facilitate the State's GHG reduction and renewable energy targets, the Commission must adopt such targets as "required" or "mandatory." We agree entirely with the comments filed by Sierra Club and CEJA (p. 2), which state that "...to effectuate market transformation the targets need to be mandates that require the procurement of a set amount of storage." In the face of the increasing array of severe climate change impacts, it is simply not good enough for the Commission to propose or adopt storage procurement targets that will be "flexible."

III. ENERGY STORAGE MUST BE BROUGHT INTO THE LOADING ORDER ON PAR WITH RENEWABLE ENERGY

We remain convinced that it is essential for the Commission to use this rule to adopt a firm policy that energy storage can, should and must be treated as a key partner to renewable energy, and that such a policy should be incorporated into the Loading Order. We support the

position taken by CESA (p. 4), recommending that "...this proceeding expressly determine that energy storage is implicit in the Loading Order categories at the same level as energy efficiency and demand response, with related benefits (e.g. GHG reductions)," and that the "...Commission can certainly state for the record in this proceeding how it intends to interpret the Loading Order as it relates to energy storage insofar as the exercise of its own jurisdiction is concerned."

Having established such an interpretation, the Commission will be well positioned to assure that when the CPUC and the California Energy Commission next jointly revisit the Loading Order, energy storage can be explicitly added on a par with renewable energy.

IV. PROCUREMENT TARGETS SHOULD BE EXPANDED

On the basis of comments filed, particularly those of CESA, Sierra Club and CEJA, we believe that the procurement targets should be expanded. We strongly support their arguments that in order to assure grid stability and reliability while also assuring that we replace dirty power plants with clean renewable energy, it will indeed be necessary to increase the proposed storage procurement targets considerably.

V. "COST EFFECTIVENESS" DOES NOT ARGUE AGAINST SETTING AND MEETING MANDATORY PROCUREMENT TARGETS

FOE reaffirms that cost-effectiveness should not be considered the driving force for setting storage procurement targets. Rather, as stated above, the guiding principles underlying this rule must assure the State's ability to meet its renewable energy and GHG emission reduction mandates. In addition, while some parties have argued that "cost effectiveness" may call into question the benefits of energy storage, we firmly align ourselves with comments by the Sierra Club and CEJA in which they point out that "[t]he EPRI and KEMA studies show that energy storage will be cost-effective under many circumstances" (Sierra Club and CEJA pp. 1). We would also direct the Commission's attention to the conclusion of the EcoShift report stating

that “roughly half of the economic benefits of energy storage” have been omitted from the EPRI and KEMA studies (Sierra Club and CEJA p. 30). This statement suggests that the cost effectiveness of energy storage is even greater than has been reported. Finally, when the substantial costs of climate change caused by, and air pollution created by, fossil fuel-burning power plants are factored into the cost/benefit equation in a rational and non-discriminatory manner, energy storage will prove to be all that much more cost effective by comparison.

CONCLUSION

FOE appreciates the opportunity to address these important issues and looks forward to continuing to work with the Commission and parties to achieve the goals of this proceeding.

Respectfully submitted,



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