

**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)

**THE FEDERAL EXECUTIVE AGENCIES COMMENTS ON THE RULING
PROPOSING STORAGE PROCUREMENT TARGETS AND MECHANISMS ON
BEHALF OF THE ARMY ENERGY INITIATIVES TASK FORCE**

Rita M. Liotta
Associate Counsel
1 Avenue of the Palms, St 161
San Francisco, CA 94130
TEL: (415) 743-4702
FAX: (415) 743-4700
e-mail: rita.liotta@navy.mil
Counsel for
FEDERAL EXECUTIVE AGENCIES

Dated: July 3, 2013

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The Army Energy Initiatives Task Force (EITF) was established by the Secretary of the Army on September 15, 2011, to serve as the central management office for the Army to implement cost-effective, large-scale renewable energy projects, leveraging private sector financing. The EITF focuses on wind, solar, biomass, and geothermal large-scale renewable energy projects that are 10 megawatts or greater located on or near Army installations in the United States. The EITF is currently evaluating potential renewable energy project opportunities in California.

The Army also seeks to improve its energy security, and it must meet the requirements of numerous Federal statutes and executive orders that require reductions in our energy consumption and greenhouse gas (GHG) emissions and set targets for renewable energy production. The Army must strive to attain the energy targets outlined in the Energy Policy Act of 2005 (EPA 2005), which requires that 7.5 percent of the total electricity consumed by the Federal Government shall come from renewable energy sources by fiscal year (FY) 2013. Under Executive Order 13423, at

least 50 percent of the renewable energy used must come from "new renewable sources" placed in service after January 1, 1999. The National Defense Authorization Act of 2007 also requires that 25 percent of the U.S. Department of Defense's (DoD's) total electric energy consumption come from renewable sources by 2025.

The Army has committed to deploy one gigawatt (GW) of renewable power generation on Army installations by 2025. However, the Army will not finance or own the generation assets. Therefore, in order to accomplish this goal, the Army needs to engage private financial and industrial markets to develop large-scale renewable energy projects on Army land while installations continue to develop smaller-scale projects to meet their goals for energy efficiency and renewable energy implementation.

The Army envisions using power storage devices as part of its energy security program. The three purposes of the Ruling (page 6) guiding the California energy storage proposal, consistent with AB 2514, are also aligned with the Army's goals to improve energy security. An optimized grid with enhanced reliability helps to ensure energy security for the Army. The Army participates in peak reduction at its installations and seeks alternative solutions, which can defer transmission and distribution upgrade investments. The Army has established aggressive goals and targets for deployment of renewable energy and reduction of GHG emissions. As renewable energy projects are being implemented at Army installations, the Army seeks solutions for the integration of intermittent resources.

Section 5 of the Ruling (page 21) asks for comments on the proposal. Section 5(b) of the Ruling (page 22) specifically asks participants to "Comment on whether any of the projects proposed to count toward the procurement targets be excluded, or any additional projects included, and on what basis."

Where economic and/or critical to energy security needs, the Army is pursuing the development of energy storage at its installations. Accordingly, the Army wants to ensure that storage devices located on Army sites can participate in this program. Based upon the language in the **CPUC Energy Storage Proceeding R.10-12-007, Energy Storage Phase 2 Interim Staff Report** and **R.10-12-007, Energy Storage Framework Staff Proposal (Final)**, it is not clear if energy storage devices will be allowed to serve "dual

uses" for grid and customer-side purposes. Specifically, the Army holds that this should be allowed to occur under the following two cases.

1. When the energy storage device is used to "firm" on-site renewable generation, but can be dispatched by the utility or California Independent System Operator (CAISO) on an "as available" basis when it is not fully charged/discharged. As an example, solar photovoltaic (PV), in the winter may not fully charge on-site storage assets, providing "spare" capacity that could be available to grid operators. The potential for "dual use" would likely reduce the cost of storage functions by both the Army and the grid due to the potential for two revenue streams for the storage asset owner.
2. The Army intends to make real estate and other facilities available for third parties to site energy storage projects that will participate in this program. Although these assets will be dedicated to grid operators, there may be situations where outages on the grid or dispatch systems prevent these assets from being available for grid operators. In those situations, the Army would like to include in its lease agreements a provision that the storage be available to serve Army needs for the duration of time the storage asset is unavailable to grid operators.

These changes are important for the Army in California because the "dual use" would help to create additional value streams for the full utilization and optimization of storage devices.

Dated: July 3, 2013

Respectfully submitted,

/s/ RITA M. LIOTTA
By: Rita M. Liotta

Rita M. Liotta
Associate Counsel
1 Avenue of the Palms, St 161
San Francisco, CA 94130
TEL: (415) 743-4702
FAX: (415) 743-4700
e-mail: rita.liotta@navy.mil
Counsel for
FEDERAL EXECUTIVE AGENCIES

VERIFICATION

I am the attorney for the Department of the Navy and am authorized to make this verification on its behalf and on behalf of the consumer interest of the Federal Executive Agencies. The statements in the foregoing document are true of my own knowledge, except as to matters which are therein stated on information or belief, and as to those matters I believe them to be true. I declare under penalty of perjury that the foregoing is true and correct.

Executed on July 3, 2013, at San Francisco, California.

/s/ RITA M. LIOTTA

Rita M. Liotta
Associate Counsel
1 Avenue of the Palms, St 161
San Francisco, CA 94130
TEL: (415) 743-4702
FAX: (415) 743-4700
e-mail: rita.liotta@navy.mil
Counsel for
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