

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for the California Solar Initiative, the Self-Generation Incentive Program and Other Distributed Generation Issues.

Rulemaking 10-05-004 (Filed May 6, 2010)

RESPONSE OF THE CALIFORNIA ENERGY STORAGE ALLIANCE TO PACIFIC GAS AND ELECTRIC COMPANY'S MOTION ON BEHALF OF ALL OF THE SELF-GENERATION INCENTIVE PROGRAM ADMINISTRATORS, REQUESTING A TEMPORARY SUSPENSION OF THE PROGRAM

Donald C. Liddell
DOUGLASS & LIDDELL
2928 2nd Avenue
San Diego, California 92103
Telephone: (619) 993-9096
Facsimile: (619) 296-4662

Email: liddell@energyattorney.com

Counsel for the CALIFORNIA ENERGY STORAGE ALLIANCE

January 6, 2011

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for the California Solar Initiative, the Self-Generation Incentive Program and Other Distributed Generation Issues.

Rulemaking 10-05-004 (Filed May 6, 2010)

RESPONSE OF THE CALIFORNIA ENERGY STORAGE ALLIANCE TO PACIFIC GAS AND ELECTRIC COMPANY'S MOTION ON BEHALF OF ALL OF THE SELF-GENERATION INCENTIVE PROGRAM ADMINISTRATORS, REQUESTING A TEMPORARY SUSPENSION OF THE PROGRAM

Pursuant to Rule 11.1 of the California Public Utilities Commission's Rules of Practice and Procedure, the Energy Storage Alliance ("CESA")¹ hereby submits this response to *Pacific Gas and Electric Company's Motion on Behalf of all of the Self Generation Incentive Program Managers, Requesting a Temporary Suspension of the Program*, filed on December 22, 2010 (the "PA's Motion").

I. <u>INTRODUCTION</u>.

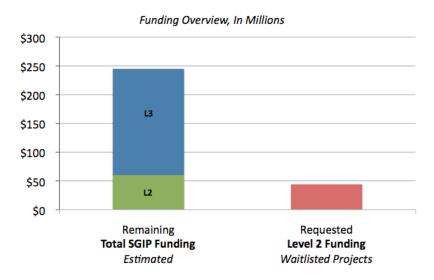
This response is filed by CESA in support of the PA's Motion seeking approval to temporarily suspend accepting any new Self Generation Incentive Program ("SGIP") applications², effective December 22, 2010, until a final decision implementing Senate Bill (SB) 412 (Stats. 2009, Ch. 182) is approved by the Commission and takes effect. CESA agrees completely with the view expressed in the PA's Motion that: "Unless a moratorium on new applications is put in place, projects of currently eligible technologies could consume all

¹ The California Energy Storage Alliance consists of A123 Systems, Altairnano, Applied Intellectual Capital, Beacon Power Corporation, Chevron Energy Solutions, Debenham Energy, Deeya Energy, East Penn Manufacturing Co., Inc., Enersys, Enervault, Fluidic Energy, General Compression, Greensmith Energy Management Systems, Ice Energy, Lightsail Energy, International Battery, MEMC/SunEdison, Primus Power, Powergetics, Prudent Energy, Redflow, ReStore Energy Systems, Saft, Samsung SDI, SEEO, Silent Power, Suntech, Sunverge, SustainX, and Xtreme Power. The views expressed in these Comments are those of CESA, and do not necessarily reflect the views of all of the individual CESA member companies. http://www.storagealliance.org.

² Counsel is authorized to represent that CalWEA, the Distributed Wind Energy Association and Pacific Environment support this response.

available SGIP funding." CESA is deeply concerned that the existing SGIP rules allow a substantial percentage of authorized funds to be allocated to only a few participants, who have been able to use up nearly all available funds – thus making any proposed modifications to the program an effort in futility and completely undermining the purpose of the SGIP.

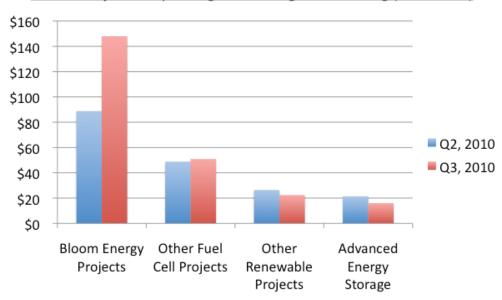
The chart below illustrates the current renewable funding shortfall in the SGIP.³ All renewable (level 2) funding for 2010 is already gone, and a very large waitlist persists; as large as the total remaining Level 2 program funds (the blue and green bars from the table below include new funds authorized under SB 412)! The chart on the following page illustrates the dramatic rate of growth of new fuel cell applications from Q2 2010 to Q3 2010. If funds from the non-renewable category were moved to the renewable category, as demanded by fuel cell proponents, then the program budget would be rapidly depleted under current program rules; certainly before SB 412 is fully implemented!



Furthermore, most of the Level 2 funding is being reserved by a very small group of companies, contrary to the market transformation objectives of the SGIP⁴.

³ Source: Current Monthly Budget Reports for All SGIP Program Administrators (PG&E, SCE, SoCalGas, CCSE). "Remaining Total SGIP Funding" calculated as (2010/2011 Allocated Budgets + Authorized Carryover) – 10% Admin. Fee – 2010 Active Projects. "Requested Level 2 Funds, Waitlisted Projects" calculated as fund requested from projects currently waitlisted with PG&E/CCSE

⁴ Source: Statewide Self-Generation Incentive Program Data, California Center for Sustainable Energy (10/06/10).



Level 2 Projects Requesting or Awaiting SGIP Funding (In Millions)

This data is consistent with the Opening and Reply Comments filed by parties and the summary table on page 2 of the PA's Motion that (i) all renewable (level 2) funding for 2010 is already gone, and (ii) there is a very large waitlist that could realistically be anticipated to absorb all of the remaining Level 2 program funds.

In order to preserve the *status quo* the Commission should also suspend all processing of new and existing applications that have net yet received Conditional Reservation Notice letters. It also seems fair that when the suspension is lifted the Program Administrators should not disregard progress on existing applications being processed at the time of suspension, but should resume processing those applications in the state that they had progressed to as of the date that the suspension is effective, presumably December 22, 2010.⁵

II. THE COMMISSION'S INTENT TO EXPAND PROGRAM ELIGIBILITY IS VERY CLEAR, AND THE FACT THAT MORE FUNDING THAN WAS AVAILABLE HAS ALREADY BEEN UNEXPECTEDLY COMMITTED CANNOT BE CONTROVERTED.

As stated in the PA's Motion, consistent with Senate Bill 412 the Commission has underway a process to determine what additional technologies should qualify for the SGIP. An

⁻

⁵ The Introduction to the PA's Motion refers to *accepting* "new applications," but refers on page 3 to an "intention not to *process* any 2011 applications. CESA interprets the meaning to be that the PA's seek a suspension of both acceptance of new applications and applications in process without a Conditional Reservation Notice letter as of December 22, 2010.

extensive staff proposal on this topic was circulated as an attachment to the *Administrative Law Judge's Ruling Requesting Comments on Staff Proposal Regarding Modifications to the Self Generation Incentive Program* ("Staff Proposal") issued on September 30, 2010. With Opening Comments filed on November 15, 2010, and Reply Comments filed on December 10, 2010, the matter has been submitted and is awaiting issuance of a Proposed Decision.

Taken as a whole, the Commission's actions thus far and the content of the Staff Proposal demonstrate that considerable expansion of eligibility is intended. As noted above, there is no doubt, and certainly no party has suggested, that there is a very real threat of a mismatch between the intent of the legislature and the Commission and the actual level of commitment that occurred in 2010. Given that D.01-03-073, issued April 27, 2001, expressly delegated authority to the Assigned Commissioner to deal with SGIP issues *as the need arises*, it is more than reasonable that the PA's Motion should by granted promptly, while the Commission moves ahead with the substance of SB 412 implementation⁶

III. THE INTENT OF THE LEGISLATURE IN ENACTING SB 412 WOULD BE DEFEATED IF FUNDING IS GONE BEFORE PROGRAM MODIFICATIONS IN PROCESS BECOME EFFECTIVE.

When SB 412 became effective on January 1, 2010, it was expected that program modifications would be made as expeditiously as possible during 2010, and would be implemented by the end of the second quarter of 2010. The implementation process actually began on May, 26, 2010, with commencement of this proceeding, and the Staff Proposal was issued for comment on September 30, 2010. It was not anticipated by anyone that there would be such significant time lags in the process or that program funds would be so rapidly committed to one technology over the same period. Although the implementation process has run its course to the point of submittal for a Commission decision, there remain months of public comment and handbook revision ahead to fully achieve what the legislature intended when SB 412 was enacted. Of course, one of the primary reasons that SB 412 was enacted was to return to the Commission the authority to admit new technologies that it originally had before it was restricted by AB 2778.

_

⁶ "We recognize that additional incentives for self-generation and demand-responsiveness programs may be authorized by the Legislature in the coming months. As several parties point out, additional issues regarding eligibility and coordination may need to be addressed at that time. We delegate to the Assigned Commissioner the task of clarifying these and other implementation issues by ruling, if and when such a need arises." (p. 35).

IV. <u>WITHOUT A TEMPORARY SUSPENSION, TECHNOLOGIES, INCLUDING ENERGY STORAGE, WILL BE IRREVOCABLY DENIED THE OPPORTUNITY TO PARTICIPATE IN THE PROGRAM.</u>

The potential for additional funding is far from guaranteed in the current economic climate. As such, it is reasonable to assume that SGIP funding is very likely limited to existing funds and funds authorized under SB 412. Under current incentive levels the pace of fuel cell applications and reservations is such that once SB 412 is fully implemented, there will be no funding left for other technology classes, including energy storage.

V. NO PARTY WOULD BE UNFAIRLY UNDULY PREJUDICED IF THE MOTION FOR A TEMPORARY SUSPENSION IS GRANTED.

It is very noteworthy that, as of this writing, no party has objected to the PA's Motion being promptly granted by the Commission. Granting the PA's Motion would have no material negative effect on parties holding Conditional Notice Reservation letters, and (as proposed by CESA) parties in the already in the pipeline with applications pending would retain their current status. Since no legal rights would be compromised, it is reasonable to balance the strong likelihood of damage to the goals of the SGIP against the relatively modest inconvenience of a suspension to parties that have committed resources to processing applications thus far and grant the PA's Motion.

VI. CONCLUSION.

CESA asks that the Commission act as expeditiously as possible to grant the PA's Motion.

Respectfully submitted,

Donald C. Liddell Douglass & Liddell

Counsel for the

CALIFORNIA ENERGY STORAGE ALLIANCE

January 6, 2011

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of Response of the California Energy Storage Alliance in Support of Pacific Gas and Electric Company's Motion on Behalf of all of the Self Generation Incentive Program Administrators, Requesting a Temporary Suspension of the Program on all parties of record in proceeding R.10-05-004 by serving an electronic copy on their email addresses of record and by mailing a properly addressed copy by first-class mail with postage prepaid to each party for whom an email address is not available.

Executed on January 6, 2011, at Woodland Hills, California.

Michelle Dangott

SERVICE LIST – R.10-05-004

abb@eslawfirm.com ablauvelt@eahhousing.org abrowning@votesolar.org adam.simpson@etagen.com adam@alphabetenergy.com adougherty@opiniondynamics.com

aes@cpuc.ca.gov

agautam@energy.state.ca.us

aholtz@fafco.com

akbar.jazayeri@sce.com

alipanovich@westinghousesolar.com

allenseligson@yahoo.com

alrc@pge.com amber@iepa.com

andre.devilbiss@recurrentenergy.com andrew.mcallister@energycenter.org

andrew@chromasun.com ann.peterson@itron.com annette.gilliam@sce.com apatane@sfwater.org arr@cpuc.ca.gov as2@cpuc.ca.gov

asteele@hanmor.com

atrowbridge@daycartermurphy.com

axy4@pge.com

bawilkins@sbcglobal.net bbarkett@summitblue.com bchao@simmonsco-intl.com

bchastain@aalrr.com

bcragg@goodinmacbride.com bdille@jmpsecurities.com ben.ford@member.ams.org

ben@solarcity.com

benjamin.airth@energycenter.org bernardo@braunlegal.com bill@brobecksolarenergy.com bjeider@ci.burbank.ca.us bkarney@comcast.net blaising@braunlegal.com bob.ramirez@itron.com brbarkovich@earthlink.net brenda.latter@itron.com

c.cruzon@mainstreamenergy.com

c2m1@pge.com camb@pge.com

cbeebe@sustainable-edge.com cchappell@sunwatersolar.com

cem@newsdata.com

centralfiles@semprautilities.com chris.lavery@powergetics.com chuck.hornbrook@itron.com

chuck@csolt.net

cjsv@pge.com

clamasbabbini@comverge.com

cln@cpuc.ca.gov

cmanson@semprautilities.com

cmkehrein@ems-ca.com cmurley@ccleague.org colin@tiogaenergy.com cp@kacosolar.com croaman@ccsf.edu ctai@edgetechsolar.com ctoca@utility-savings.com dakinports@semprautilities.com

dalbers@americandairyparks.com dan@energysmarthomes.net

dana.rotariu@navigantconsulting.com

dave@skellyelectric.com david.eaglefan@gmail.com

dbp@cpuc.ca.gov

dbruder@onsitenergy.com dcarroll@downeybrand.com dchong@energy.state.ca.us deden@energy.state.ca.us dennis@ddecuir.com

df1@cpuc.ca.gov

dgrandy@caonsitegen.com

dil@cpuc.ca.gov

dmcfeely@solartech.org dnemtzow@ice-energy.com

dot@cpuc.ca.gov

douglass@energyattorney.com dprall@goldenpowerpartners.com drauschhuber@comfortenergy.com

drjf@pge.com

dsanchez@daycartermurphy.com

dseperas@calpine.com dvidaver@energy.state.ca.us dwtcpucdockets@dwt.com e.paul@altaterra.net

ebrodeur@steadfastcompanies.com

ecarlson@solarcity.com

efm2@pge.com

egrizard@deweysquare.com

eguise@nationalenergysolutionsllc.com

ek@a-klaw.com

eklinkner@cityofpasadena.net

elee@davisenergy.com elee@sandiego.gov elvine@lbl.gov

emackie@gridalternatives.org

emahlon@ecoact.org ensmith@mwe.com eric@harpiris.com

eriks@ecoplexus.com ethan.brown@ballard.com

filings@a-klaw.com

fmazanec@biofuelsenergyllc.com fnasim@energy.state.ca.us

fortlieb@sandiego.gov

francis@focalpointenergy.com

fred.lyn@cityofrc.us fsmith@sfwater.org fwmonier@tid.org g1gk@pge.com

gary.barsley@sce.com geofs@codding.com george.simons@itron.com

ghilberg@tas.com gjs8@att.net gjs8@att.net

glw@eslawfirm.com gmorris@emf.net

gopal@recolteenergy.com grant.kolling@cityofpaloalto.org gteigen@rcmdigesters.com

gtrobinson@lbl.gov haines@westnet.com hank@wasteheatsol.com

heidi.ochsner@cadmusgroup.com heidi@sunlightandpower.com

hesusman@stoel.com

hhh4@pge.com

hodgesjl@surewest.net hyao@semprautilities.com

info@calseia.org

irene.stillings@energycenter.org

jackm@calpwr.com jade.juhl@sfgov.org jamckinsey@stoel.com

janet.gagnon@solarworldusa.com jarmstrong@goodinmacbride.com

jason.jones@tiltsolar.com jbarnet@smud.org

jclark@gmssr.com

jconway@paretoenergy.com

jcox@fce.com

jeanne.sole@sfgov.org

jennifer.barnes@navigantconsulting.com

jennifer.porter@energycenter.org

jerryl@abag.ca.gov jf2@cpuc.ca.gov jharris@volkerlaw.com

jhoffman@goodwinprocter.com

jholmes@emi1.com jian.zhang@gridx.com cjm@cpuc.ca.gov jimross@r-c-s-inc.com jjg@eslawfirm.com jk.stevens@cox.net jkarp@winston.com jkhuebner@hotmail.com jlarkin@us.kema.com jlevin@actransit.org jlin@strategen.com jltg@pge.com jmaskrey@sopogy.com

jmcfarland@treasurer.ca.gov jmcla@comcast.net

jmgarber@iid.com jna@speakeasy.org jnr@cpuc.ca.gov joc@cpuc.ca.gov

jody_london_consulting@earthlink.net joelene.monestier@spgsolar.com

john.pimentel@foundationwindpower.com

john@proctoreng.com johng@ecoplexus.com johnspilman@netzero.net jon.fortune@energycenter.org jordan@eyconnect.com

jordan@evconnect.com jordan@tiogaenergy.com joseph.perry@flexenergy.com jpalmer@solarcity.com jpepper@svpower.com jpittsjr@pcgconsultants.com

jpittsjr@pcgconsultants.com jrathke@capstoneturbine.com jrichman@bloomenergy.com jrohrbach@rrienergy.com jstanton@solarcity.com jtengco@akeena.com julia@jasenergies.com

julie.blunden@sunpowercorp.com

june@globalexchange.org justin@sunwatersolar.com jwiedman@keyesandfox.com

jwwd@pge.com

jyamagata@semprautilities.com

kar@cpuc.ca.gov karen@klindh.com karin.corfee@kema.com katie@sunlightandpower.com katrina.fritzintwala@utcpower.com katrina.perez@energycenter.org katrina.phruksukarn@energycenter.org

kavila@mac.com
kbest@realenergy.com
kcooney@summitblue.com
kdavidson@de-solutions.com
kdzienkowski@pvtsolar.com

erickpetersen@pvpowered.com kelly_desy@solfocus.com kelsey@heatispower.org

kenneth.swain@navigantconsulting.com

kevin.armstrong@sanjoseca.gov

kevin.hauck@foundationwindpower.com

kfox@keyesandfox.com kirby.bosley@jpmorgan.com kirk@noelectricbill.com kmerrill@energy-solution.com

kmills@cfbf.com

kris.kim@bloomenergy.com kurt.scheuermann@itron.com

kxn8@pge.com l1sb@pge.com lau@cpuc.ca.gov

lauren@sunlightandpower.com laurene_park@sbcglobal.net

lgk2@pge.com

Iglover@solidsolar.com liddell@energyattorney.com linda.forsberg@mountainview.gov lisab@cleantechsandiego.org lkelly@energy.state.ca.us lmerry@vervesolar.com lmh@eslawfirm.com

Inelson@westernrenewables.com

loe@cpuc.ca.gov lp1@cpuc.ca.gov lrosen@eesolar.com

Ischell@empoweredenergy.com luke.dunnington@recurrentenergy.com

lwhouse@innercite.com

m.stout@meridianenergyusa.com marc@negawattconsult.com

marcel@turn.org

martinhomec@gmail.com mary.tucker@sanjoseca.gov

matt.wilson@foundationwindpower.com

matt@sustainablespaces.com

matthew.kilkenny@skywatchenergy.com

mbirney@cecmail.org mburnett@edenhousing.org

mc3@cpuc.ca.gov

mcampbell@opiniondynamics.com mdavis@barnumcelillo.com

mday@goodinmacbride.com

mdd@cpuc.ca.gov

mdjoseph@adamsbroadwell.com

mdorn@mwe.com meb@cpuc.ca.gov mewr@pge.com mgh9@pge.com

michael.brown@utcpower.com

jim.howell@recurrentenergy.com michael.mcdonald@ieee.org michael.tomlin@sce.com michael@ecoact.org michaelkyes@sbcglobal.net mike.montoya@sce.com

mkober@pyramidsolar.com mmattes@nossaman.com

mike@ethree.com

mmattes@nossaman.com
mowrysswr@cox.net
mpa@a-klaw.com
mrw@mrwassoc.com
mts@cpuc.ca.gov
mvc@cpuc.ca.gov
mxw8@pge.com
myuffee@mwe.com
naronson@fafco.com
nellie.tong@us.kema.com

nes@a-klaw.com

nick.chaset@tesserasolar.com

nick@goodwin-self.com

njfolly@tid.org njsa@pge.com nlong@nrdc.org nmr@cpuc.ca.gov

npedersen@hanmor.com

nsantos@solarpowerpartners.com paige.brokaw@asm.ca.gov paul.tramonte@jpmorgan.com

paul@tiogaenergy.com pbarthol@energy.state.ca.us

peter.thompson@solar.abengoa.com

peter@peterlelievre.com

phammond@simmonsco-intl.com pnarvand@energy.state.ca.us preston@sonomaenergymgt.com psaxton@energy.state.ca.us

pstoner@lgc.org

r.raushenbush@comcast.net

rafi.hassan@sig.com

rbaybayan@energy.state.ca.us regrelcpuccases@pge.com

rguild@solarcity.com rhuang@smud.org rhwiser@lbl.gov richard.s.flood@jci.com rick.ruiz@zenviro.net rishii@aesc-inc.com rjl9@pge.com

rkc0@pge.com
rknight@bki.com
rl4@cpuc.ca.gov
rmccann@umich.edu

robert.pettinato@ladwp.com

kellie.smith@sen.ca.gov ronnie@energyrecommerce.com rpistoc@smud.org rrkriete@earthlink.net rsantos@guardian.com rsiada@guardian.com rsperberg@onsitenergy.com ryan.amador@energycenter.org rzhang@cityofpasadena.net sa@zeropex.com sara@solaralliance.org sas@a-klaw.com sbarata@opiniondynamics.com sbeserra@sbcglobal.net scegrc@sce.com scott@debenhamenergy.com scott@everydayenergy.us sdhilton@stoel.com sdpatrick@semprautilities.com sebesq@comcast.net sendo@ci.pasadena.ca.us sephra.ninow@energycenter.org sewayland@comcast.net sfrantz@smud.org sgm@cpuc.ca.gov sgraham@navigantconsulting.com sgreschner@gridalternatives.org shears@ceert.org

michael.hindus@pillsburylaw.com shiela.linao@sce.com shoeless838@comcast.net siobhan.foley@energycenter.org smiller@energy.state.ca.us smita.gupta@itron.com socal.forum@yahoo.com spauker@wsgr.com sreineccius@gmail.com ssachs@aalrr.com ssciortino@anaheim.net ssmyers@att.net sstanfield@keyesandfox.com stanimoto@sna.sanyo.com steve.peck@peachtreepower.com steve.sherr@foundationwindpower.com steven.huhman@morganstanley.com steven@moss.net susan.munves@smgov.net susanne@emersonenvironmental.com sww9@pge.com sww9@pge.com tam.hunt@gmail.com taram@greenlining.org tbardacke@globalgreen.org tblair@sandiego.gov

tcr@cpuc.ca.gov

tdfeder@lbl.gov

robert.tierney@utcpower.com telipman@berkeley.edu terry.clapham@energycenter.org terry.mohn@balanceenergysolutions.com thamilton@icfi.com tim@onlinecleanenergy.com tim merrigan@nrel.gov timea.zentai@navigantconsulting.com til@a-klaw.com tmillhoff@heliomu.com tom@alcowater.com tomb@crossborderenergy.com ttutt@smud.org unc@cpuc.ca.gov vargalaw@mbay.net vargalaw@mbay.net walter.gordon@sce.com warehouse@mohrpower.com wbooth@booth-law.com wem@igc.org whughes@smud.org will@solarroofs.com william.martini@tecogen.com wlscott@earthlink.net wmb@cpuc.ca.gov wpark@firstsolar.com zfranklin@gridalternatives.org