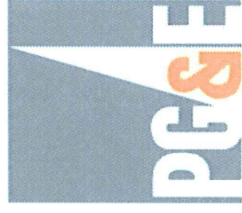


Public Interest Energy Research (PIER) Informational Hearing

Senate Energy, Utilities and Communication Committee

Kevin Dasso
Sr. Director, Smart Grid & Technology Integration

March 1, 2011





LAO Report Findings

- PIER funded research has at times been too broad and unfocused
- IOUs have a greater incentive to make RD&D investments
- Investments in RD&D should be more strategic
- There is a role for the state to continue to support public interest energy research



2012 Looks Different than 2000

Since the PGC was created under AB 1980 and reauthorized in 2000, many factors have changed incentivizing utilities to invest in RD&D.

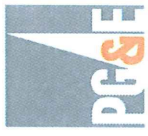
- SB 1 – California Solar Initiative (2006)
- AB 32 – Global Warming Solutions Act (2006)
- SB 1078/SB 107 – 20% RPS Program (2002, 2006)
- SB 17 – Smart Grid and Grid Modernization (2009)
- AB 2514 – Energy storage (2010)
- 33% RPS/RES Program
- Electric Vehicles
- CPUC Big Bold Energy Efficiency Strategy
- Demand Response Market Expansion



PG&E RD&D Priorities – Near Term

Top RD&D priorities over the next 3 - 5 years are applied RD&D projects and programs that leverage and expand upon existing IOU programs and projects under the following:

- a) Smart Grid and Grid Modernization;
- b) Testing and Demonstrating technologies into utility operations to improve and enhance the reliability of the transmission and distribution system while also integrating renewables, energy storage, demand response, distributed generation, PEVs and outage management technologies;
- c) Leverage and expand upon existing SmartMeter and Telecommunication Network deployments to provide retail customers with broad access to new energy saving products and services; and
- d) Low carbon generation deployment.



LAO Options: Future of RD&D

These options provide a good starting point.

- Option One: Continue PIER Program Under CEC With a Tighter Focus**
- Option Two: Allow IOU to Manage Public Interest Energy Research**
- Option Three: Create a Public-Private Partnership for Electricity Research**



Key Improvement Recommendations

PG&E supports the following outcomes for the future of RD&D

- Recognize the IOUs have a greater incentive today than under deregulation to invest in research that is aligned with the public interest of pursuing the state’s ambitious energy goals.
- IOUs should play a significant role in RD&D decisions
- POUs should participate to the extent their customers contribute to a statewide RD&D program.
- Improve coordination and collaboration among participating utilities.
- The governance and administration of statewide RD&D investment should be streamlined to shorten the award process and reduce administrative costs.
- Program goals should be guided by a statewide strategic plan and based on achieving state’s energy goals while providing tangible benefits to California’s energy consumers.
- Funds should be secure from General Fund transfers.