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Press Release

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Gov. Schwarzenegger Sends Letter to Federal Energy Secretary Regarding Smart Grid Recovery Act Funding



Governor Arnold Schwarzenegger sent a letter to U.S. Energy Secretary Steven Chu to suggest modifications in the American Reinvestment and Recovery Act's (Recovery Act) Smart Grid funding guidelines. Currently, proposed guidelines for the \$4.5 billion of Recovery Act funds available in this area dictate that a utility's project proposal can receive a maximum grant of \$20 million, meaning that California's large and highly concentrated utilities will be limited to the same funding caps as the smaller, localized utilities in other states.

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April 30, 2009
 The Honorable Steven Chu
 Secretary of Energy
 1000 Independence Avenue, SW
 Washington, DC 20585

RE: Draft Funding Opportunity Announcement (FOA) for the Smart Grid Demonstrations - #DE-FOA-0000036, and Draft Notice of Intent (NOI) for the Smart Grid Investment Grant Program - #DE-FOA-0000058A

Dear Mr. Secretary,

California shares the nation's goal of modernizing the United States electricity grid through Smart Grid advancements. Given the Smart Grid funding opportunities announced recently, I suggest modifications in three broad areas to more effectively achieve the goals of the American Reinvestment and Recovery Act.

Specifically, I believe that the U.S. Department of Energy (DOE) should consider the following changes to the approach proposed in the draft Funding Opportunity Announcement and Notice of Intent:

- 1. Significantly increase the cap per project to allow for larger utility Smart Grids projects.** I recommend eliminating the cap, raising it to \$200 million or basing the cap on the size of the utility applying for the award. Both solicitations set caps on maximum awards that are too low. The low cap places the nation's larger utilities, which serve the nation's largest cities, at a distinct disadvantage. These utilities have the most potential for maximizing the cost-effectiveness of smart grid investments. Additionally, the low limit could also discourage several utilities from partnering together to collaborate on a more cost-effective integrated Smart Grid system proposal. For example, some of the California projects include partnerships between a utility, a large university and/or a municipality, thereby leveraging dollars as well as future career development

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opportunities. Instead, the current cap causes utilities to pursue separate, smaller projects that are not as regionally integrated or cutting-edge.

2. **Increase the funding level for the Smart Grid Demonstration solicitation.** For example, establish an even funding split between the demonstration funds and the investment grants. We also recommend a much higher portion of the demonstration funds be allocated to regional demonstrations. We support DOE's commitment to regional demonstrations and see great potential in this area. Region-wide projects, which tend to include large and complex projects, are necessary to assess the full potential of a smarter grid. However, less than one-tenth of the total funding is allocated toward these projects, and only a handful of such demonstrations could be funded. We believe that it is more appropriate to evenly divide the allocations between investment grants and demonstrations, with a focus on regional demonstrations.
3. **Provide flexibility within the regional demonstrations program to allow for collaboration between investor-owned utilities and publicly owned utilities.** The funding opportunity notice proposes to split the regional demonstrations funding between investor-owned and publicly owned utility projects. Smart Grid investments can help increase the integration of utilities across a region and create a more robust and ubiquitous Smart Grid. DOE's Regional Demonstrations provide an opportunity to create partnerships that cross jurisdictional lines. We believe the nation's goals would be better served by allowing for Regional Demonstrations to involve both investor-owned and publicly owned utilities.

California has clear policies supporting the core capabilities of the future Smart Grid as defined in the American Reinvestment and Recovery Act and the Energy Independence and Security Act. I appreciate the opportunity to comment on the Smart Grid funding opportunities, which provide an investment in the nation's aging electricity grid infrastructure that is a critical part of America's future.

Sincerely,

Arnold Schwarzenegger

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