

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking Regarding
Microgrids Pursuant to Senate Bill 1339 and
Resiliency Strategies.

Rulemaking 19-09-009

**CLEAN COALITION OPENING COMMENTS IN RESPONSE TO PROPOSED
DECISION ADOPTING RATES, TARIFFS, AND RULES FACILITATING THE
COMMERCIALIZATION OF MICROGRIDS PURSUANT TO SENATE BILL 1339
AND RESILIENCY STRATEGIES**

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Rulemaking 19-09-009
(Filed September 12, 2019)

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I. INTRODUCTION

Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”) the Clean Coalition submits these opening comments in response to the Proposed Decision Adopting Rates, Tariffs, and Rules Facilitating the Commercialization of Microgrids Pursuant to Senate Bill 1339 and Resiliency Strategies, issued on December 7, 2020. The Clean Coalition appreciates all the hard work putting together a Proposed Decision (“PD”) that includes the rate and tariff issues discussed in Track 2 as well as the subject of reducing greenhouse gas emissions for backup power during transmission outages. However, in case of both sets of issues, the Clean Coalition is concerned that the PD does not achieve the goals that have been the framework for the proceeding — reducing greenhouse gas emissions, commercializing microgrids for all Californians, and promoting resilience — and is instead the result of a rushed Track 2 that has prioritized meeting the statutory deadline listed in SB 1339. Yet, with the end of 2020 just a few days away and the entirety of Track 3 still unclear, the original deadline for the proceeding is unachievable, which is understandable given the initial late start of the proceeding and the COVID-19 pandemic. It therefore stands to reason more than ever considering that the statutory deadline will not be met, that a successful proceeding should benefit as many Californians as possible and aggressively pursue clean energy goals. If passed as is, the crowing achievements of the PD will be a to change Rule 2, an amendment to Rule 18/19 allowing critical facilities owned by municipal utilities to share electricity, a newly crafted microgrid rate structure, and a putting in place transition process for the utilities to use clean energy backup power for substations. From the perspective of ratepayers, none of these translate to substantive changes that will significantly change the way that fire season 2021 will turn out, especially for underserved communities that do not have the capital or technical knowledge

deploy solutions quickly. There is still no standard value of resilience, the proceeding has acknowledged that Rule 2 is rarely used, the amendment to Rule 18/19 does not apply to the wide variety of critical facilities that have been proven to be essential for community-resilience during the pandemic, the microgrid rate tariff does not credit any grid services a microgrid can offer (making it conservative rather than forward-looking), and the transition plans that will be submitted in 2021 will not be deployed before fire season 2022, inevitably resulting in two more years of reserved fossil fuel backup power. At this point, will Track 1 and the Track 2 PD have met the criteria listed in SB 1339: making microgrids a “successful, cost-effective, safe, and reliable commercial product that helps California meet its future energy goals and provides end-use electricity customers new ways to manage their individual energy needs”?¹ Based on the current course, the answer to that question is maybe in two or three years when all of the standards are worked out for single-customer microgrids (which has been relegated to other proceedings), Community Microgrids (not beginning to be considered until next year), and a value of resilience is determined (there is currently no clear timeline or process to achieve this). Given the circumstances, the best solution is to amend the PD in a way that will provide relief to the ratepayers and maximize the opportunities for increased resilience before the 2021 fire season. The Clean Coalition offers the following suggestions:

- **Heeding lessons from the COVID-19 pandemic, expand the definition of critical facilities from (D.) 19-05-042 and increase the amendment to Rule 18/19 to include all critical facilities.**
- **Eliminate the unnecessary Rule 18/19 project subscription limit (to increase the amount of time projects can be installed by more than 30 days).**
- **Adopt Proposal 3, Options 1 and 5 to form a microgrid rate schedule that enables microgrids to provide grid services and use the working group to calculate the full value of those grid services (including resilience).**
- **Require PG&E to begin installing distributed energy resources (“DER”) and soliciting behind-the-meter (“BTM”) resources so that substation-level microgrids can be deployed before the 2022 fire season.**

¹ SB 1339, Section 1(e)

- **Mandate that Track 3 prioritize ascribing a standard value of resilience and ideally, set a timeline for the process.**

II. DESCRIPTION OF PARTY

The Clean Coalition is a nonprofit organization whose mission is to accelerate the transition to renewable energy and a modern grid through technical, policy, and project development expertise. The Clean Coalition drives policy innovation to remove barriers to procurement and interconnection of distributed energy resources (“DER”) — such as local renewables, demand response, and energy storage — and we establish market mechanisms that realize the full potential of integrating these solutions for optimized economic, environmental, and resilience benefits. The Clean Coalition also collaborates with utilities, municipalities, property owners, and other stakeholders to create near-term deployment opportunities that prove the unparalleled benefits of local renewables and other DER.

III. COMMENTS

- a. **The PD should note that the Clean Coalition submitted opening comments on the Staff Proposal on an Interim Approach for Minimizing Emissions from Generation During Transmission Outages.**

The Clean Coalition wishes to correct the record and ensure that the final decision includes us as one of the parties that submitted opening comments on the Staff Proposal, which have been published on the CPUC website.² The PD does correctly acknowledge that the Clean Coalition submitted reply comments (and therefore opening comments must have been accepted).³

- b. **Heeding lessons from the COVID-19 pandemic, expand the definition of critical facilities from (D.) 19-05-042 and increase the amendment to Rule 18/19 to include all critical facilities.**

As is, the current Rule 18/19 amendment will only apply in scenarios where one municipal corporation is adjacent to another municipal facility, taking an opportunity for the critical facilities owned by municipal corporations and reducing the number of eligible facilities even further so that only a slim number of an already small subset of facilities meet the criteria. The PD offers the Commission’s reasoning with the statements, “This is a clear

² <https://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=347810180>

³ Proposed Decision at 10

resiliency benefit microgrids can offer IOU customers during an emergency... This approach also establishes guardrails to protect against unintended consequences.”⁴ However, nothing in this statement explains why it is necessary to limit the proposal to critical facilities owned by municipal corporations. Expanding the proposal to all critical facilities would provide a much greater impact to the ratepayers, while leaving the same guardrails in place. It appears that the main concern is that a facility might skirt the rules, which would immediately be spotted since the allowance is only outages and the proposal requires a relay device to be installed in between the two facilities. Suggesting, as is done in the PD, that this limited approach can be used to gain data and determine if the exemption should be expanded sets no timeframe or methodology for which an expansion might occur. It also does very little to help communities most likely to experience Public Safety Power Shutoffs (“PSPS”).

The Clean Coalition argues that the maximum benefit would come from allowing an expanded list of critical facilities to use this exemption rather than just critical facilities owned by municipal corporations. The PD cites the list of critical facilities codified in D. 19-05-042, refusing to accept an expanded definition of critical facilities, which seems antithetical to the actual language of the Decision. Before listing the critical facilities, D. 19-05-042 qualifies the list by stating, “the Commission adopts the following interim definition and list of critical facilities and critical infrastructure but notes that this list is not meant to be exhaustive or restrictive.”⁵ When new information comes to light, such as additional community needs made apparent by the COVID-19 pandemic (e.g. food banks, child care facilities, etc) it is the responsibility of the Commission to demonstrate flexibility by expanding the list. It is also worth noting that the proper environmental justice-approach is to allow communities, who can best determine their own needs, to have a voice in the decision-making process, rather than a rigid top-down mandate about the definition of critical facilities that in no way can be considered all-inclusive. In addition to expanding the list of critical facilities, there should be a system to allow communities to provide input and add new facilities to the list.

- c. **Eliminate the unnecessary Rule 18/19 project subscription limit (to increase the amount of time projects can be installed by more than 30 days).**

⁵ D. 19-05-042

⁴ PD at 31

The Clean Coalition urges the Commission to remove the Rule 18/19 subscription limit or increase it significantly; the rationale in the PD for including a subscription limit is unclear at best. The PD states, “We strike a reasonable balance between our competing statutory duties to ensure safe, reliable service at just and reasonable rates while developing tariffs that commercialize microgrids without shifting costs between ratepayers.”⁶ Exactly what about including a subscription limit strikes a reasonable balance and how does the Commission assess the best number of projects in each service territory to be exactly 10? The Staff Proposal appeared to suggest a total of ten projects in all three IOU service territories. The Clean Coalition, along with other parties, commented at the time that a limit of ten projects was arbitrary and unclear. With no further explanation, the number of ten continues to be used and is still arbitrary, though it has been expanded to ten projects in each IOU service territory. While the PD does attempt to offer an Advice Letter process as a mechanism to increase the subscription limit once it is reached in an IOU’s service territory, relying on an Advice Letter to increase the subscription limit beyond 10 projects adds unneeded wait times and bureaucracy, resulting in fewer projects able to be completed before the 2021 fire season. Assuming it takes around 30 days for an IOU to submit an Advice Letter and it takes the Commission some time to deliberate and approve an increase in the subscription limit (for a total of 45 days), 25% of the time before the fire season begins is wasted. This wasted time does a disservice to all communities, but disproportionately affects disadvantaged communities since they will be slower on the uptake than wealthier communities that are directly involved in the regulatory process. Both the Commission and the IOUs are busy; a subscription limit only takes up more time rather than creating a sustainable program.

d. Adopt Proposal 3, Options 1 and 5 to form a microgrid rate schedule that enables microgrids to provide grid services and use the working group to calculate the full value of those grid services (including resilience).

The Clean Coalition wishes to clarify that we support a combination of Option 1 and 5 for the microgrid rate schedule. To effectively commercialize microgrids in the shortest amount of time and value the grid services a microgrid can provide, it is necessary to allow energy exports. However, the Track 2 discussion of creating a new microgrid rate schedule was

⁶ PD at 31

incomplete because there was not a full discussion about the value of resilience and the variety of benefits a microgrid can provide to a community and the greater distribution grid. Because the Commission has not considered the value of resilience, arguments about resilience benefits offsetting non-bypassable charges were dismissed, despite the VOR123 methodology the Clean Coalition provided and arguments from multiple other parties.⁷ Thus, a reduction in cost responsibility surcharges is reasonable, though it is necessary for a working group to take this data from implementing Option 1 to determine the true value of services all services a microgrid can provide (both a customer-facing microgrid as well as a Community Microgrid).

- e. **Require PG&E to begin installing distributed energy resources (“DER”) and soliciting behind-the-meter (“BTM”) resources so that substation-level microgrids can be deployed before the 2022 fire season.**

The current interim approach listed in the PD allows an interim approach of reserved fossil fuel generation for substation level backup power if a transition plan is presented by June 2021. With wait times and time to complete an RFP, it will likely be Q4 of 2021 before the design of a microgrid begins, making it a realistic possibility that full deployment will not be complete before fire season 2022. After all, plans were presented at the workshop in August 2020, but the Commission and the utilities did not consider it feasible to complete the design and deployment before the fire season in 2021. Therefore, the PD should be amended to require that significant steps be taken before the beginning of the next fire season to install renewable resources that will be used in the final microgrid, ensuring that there is no need to start from nothing when a utility plan is approved. PG&E now has two years’ worth of PSPS data and knows exactly how much generation is needed for complete substation level backup power.

- f. **Mandate that Track 3 prioritize ascribing a standard value of resilience and ideally, set a timeline for the process.**

In discussing the new microgrid rate schedule, the PD mentions the Clean Coalition’s VOR123 methodology, suggesting that our comments, “fail[s] to substantiate that claim in any way. It is possible that parties could offer evidence during Track 3 that could justify changes to

⁷ <https://clean-coalition.org/community-microgrids/goleta-load-pocket/santa-barbara-unified-school-district/> - The Clean Coalition’s VOR123 methodology is listed in the Staff Concept Paper.

surcharges or compensation under the new microgrid tariff. Here, however, that burden has not been met.”⁸ We disagree with this assessment, but request that since the Commission has refused to consider a value of resilience in Track 1 and has discarded arguments relating to it in Track 2, pushing the discussion to Track 3, it should mandate that a value be determined in the Track 3. Ascribing a value of resilience is essential to achieve the goals listed in SB 1339. If no discussion occurs, the central value proposition of microgrids will appear to be zero on paper, which will be detrimental to the commercialization of microgrids throughout the state. Ideally, the Commission can offer a schedule that Track 3 will abide by to ensure that resilience is considered.

IV. CONCLUSION

The Clean Coalition appreciates the opportunity to submit these opening comments and urges the Commission to focus on the most proactive measures to commercialize microgrids in a way that benefits the ratepayers — especially underserved communities — and aggressively pursues the states’ climate goals.

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⁸ PD at 44