

**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

(Filed September 12, 2019)

**COMMENTS OF THE MICROGRID RESOURCES COALITION, NATIONAL FUEL  
CELL RESEARCH CENTER, BIOENERGY ASSOCIATION OF CALIFORNIA,  
LOCAL GOVERNMENT SUSTAINABLE ENERGY COALITION, GREEN POWER  
INSTITUTE, CLEAN COALITION, THE CLIMATE CENTER, AND CENTER FOR  
ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES ON THE PROPOSED  
DECISION ADOPTING MICROGRID AND RESILIENCY SOLUTIONS TO ENHANCE  
SUMMER 2022 AND SUMMER 2023 RELIABILITY**

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**Introduction**

Pursuant to Rule 14.3,<sup>1</sup> the Bioenergy Association of California, Clean Coalition, Center for Energy Efficiency and Renewable Technologies (CEERT), Green Power Institute (**GPI**), Local Government Sustainable Energy Coalition, Microgrid Resources Coalition (**MRC**), National Fuel Cell Research Center, and The Climate Center, (the **Joint Parties**)<sup>2</sup> respectfully submit these comments on the Track 4 Phase 1 Proposed Decision of ALJ Rizzo (the **Proposed Decision**) issued as a part of the California Public Utility Commission (the **Commission**) proceeding instituted in its Order Instituting Rulemaking Regarding Microgrids Pursuant to Senate Bill 1339 in the above captioned proceeding. This track of the proceeding was initiated to address Governor Newsom's

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<sup>1</sup> Commission Rules of Practice and Procedure, 20 CCR § 14.3.

July 30, 2021 Proclamation of a State Of Emergency (**Emergency Proclamation**).

Many parties in this proceeding stepped up to the Governor’s challenge, submitting realistic and time-sensitive proposals that would accelerate *clean energy projects* and reduce demand on the electric grid to alleviate the power crisis. The MRC, California Energy Storage Alliance (**CESA**), and Bloom Energy all proposed similar capacity services tariff proposals that would make existing and new microgrid capacity available for response in emergencies.<sup>3</sup> Unison Energy and Southern California Gas propose similar performance-based incentives for firm capacity.<sup>4</sup> Southern California Edison (**SCE**) proposes “that the Commission focus on expediting smaller-scale single-customer behind-the-meter distributed energy resources or microgrid projects that can be scaled across a larger population of customers to help achieve the capacity shortage mitigation goals of the Governor’s Proclamation”.<sup>5</sup> GPI makes numerous recommendations to accelerate the interconnection process for microgrids, including automation and further streamlining of the Rule 21 process to support clean energy project deployment.<sup>6</sup> Other parties like the County of Los Angeles (**LA County**) and the Center for Sustainable Energy proposed microgrid projects sited in local communities that could provide both capacity and resiliency benefits to customers.<sup>7</sup> In total, more than 15 non-utility parties submitted proposals for Commission consideration in Track 4.<sup>8</sup> All of these party proposals were either ignored or dismissed with little or no consideration.

The Proposed Decision inexplicably adopts previously rejected utility proposals without regard to cost or ratepayer benefit while ignoring or shunting aside proposals that could productively address the emergency without unnecessary increases in costs or climate disruption and air pollution. Unfortunately, this continues a pattern in this proceeding of adopting utility proposals without careful evaluation of their costs and impacts, while rejecting non-utility proposals without adequately considering their merits.

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<sup>3</sup> MRC (pg. 1-4), Bloom Energy (pg. 6-7), and CESA (pg. 6-8) all submitted proposals in R.19-09-009 on September 10, 2021

<sup>4</sup> Unison Energy proposal at pg. 2; SoCalGas proposal at pg. 4

<sup>5</sup> SCE proposal at pg. 3

<sup>6</sup> GPI proposal at pg. 4-5

<sup>7</sup> LA County proposal at pg. 2-3; CSE proposal at pg. 7-8

<sup>8</sup> See R.19-09-009 Docket Card <https://apps.epuc.ca.gov/apex/f?p=401:57:0:::>



## Summary

The Joint Parties were surprised and concerned by the Proposed Decision. The Governor's Emergency Proclamation was clear about the extent of the capacity shortfall looming in California that threatens grid reliability for the entire state: *"Because of the accelerating and compounding effects of continuing wildfires, ongoing drought, and extreme heat conditions caused by climate change, California currently faces an additional projected energy supply shortage of up to 3,500 megawatts during the afternoon-evening "net-peak" period of high power demand on days when there are extreme weather conditions..."*<sup>9</sup> The Emergency Proclamation centered around expediting *clean energy projects* and reducing demand on the electricity grid.

Unfortunately, the two proposals that the Proposed Decision endorses are (i) a proposal from Pacific Gas and Electric (**PG&E**) to buy more diesel backup generators (**BUGs**) and (ii) a San Diego Gas and Electric (**SDG&E**) proposal which makes no specific claimed firm contribution to reliability. PG&E's proposal involves more investment in the worst emitting fossil generation that is detrimental to the air quality of ratepayers and directly conflicts with the goals of SB 100 and other California climate and environmental policies.<sup>10</sup>

The Proposed Decision persists in misapplying "cost-shifting." It continues the practice of prior decisions by invoking cost shifting without looking at any actual costs let alone the other system and societal benefits of customer and community-driven microgrids. This amounts to willful neglect of ratepayer interests. Moreover, the deferral of many proposals to "other proceedings" flies in the face of the Emergency Proclamation's urgent call for solutions to address California's power crisis.

## Arguments

The Proposed Decision, if adopted, would represent (i) a failure to protect customers, both as ratepayers and as citizens relying on the availability of power, and (ii) a retreat from California's

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<sup>9</sup> Governor Newsom Emergency Proclamation to Expedite Clean Energy Projects and Relieve Demand on the Electrical Grid; July 30, 2021 See: <https://www.gov.ca.gov/2021/07/30/governor-newsom-signs-emergency-proclamation-to-expedite-clean-energy-projects-and-relieve-demand-on-the-electrical-grid-during-extreme-weather-events-this-summer-as-climate-crisis-threatens-western-s/>

<sup>10</sup> SB 100 (De Leon, 2018) [https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\\_id=201720180SB100](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180SB100)

goals to combat toxic air pollution and climate change. Its conclusions are not supported in the record.

*The Need for Emergency Action.*

The governor issued a call for emergency action. The Proposed Decision recognizes the climate and capacity emergencies that California faces:

“We are living in a world already affected by climate change caused by human-induced concentrations of greenhouse gases in the atmosphere. Year after year, we have seen the physical effects of a changing climate gradually intensifying into catastrophic events across our state. From wildfire events to extreme summer heat, no one is immune from the effects of climate change and environmental degradation. Indeed, the physical impacts of a warmer world will lead to increased challenges, compounding one another – and as extreme events become more intense and more frequent, we must recover by building greater reliability and greater resiliency.

“Electric reliability is a priority objective to preserve the public health, wealth, and safety for all Californians as we experience extreme weather because of climate change.”<sup>11</sup>

Despite the breadth and diversity of clean energy microgrid proposals submitted in this docket, the only proposals the PD suggests for adoption are those recommended by PG&E and SDG&E, both of which the Joint Parties find objectionable. Some of SDG&E’s circuit-level storage microgrid projects were the subject of its 2018 Energy Storage Application (A.18-02-016), where the Commission *did not* make a reasonableness determination for the projects, citing the lack of competitiveness of the solicitation, cost-effectiveness of projects, and sizing and operations of the projects.<sup>12</sup> These recycled proposals have no specific proposed benefit for grid reliability. The urgency signaled by the Governor’s Emergency Proclamation should not be a rationale for abandoning principles and criteria by which the Commission previously refused to approve these projects. Approving these utility-owned projects in this PD now, when superior non-utility proposals have been offered, has broad policy implications by deviating from past Commission

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<sup>11</sup> Proposed Decision at 25.

<sup>12</sup> D.19-06-032 at 20-2

guidance,<sup>13</sup> to say nothing of the ratepayer impact. This would set a problematic precedent and reinforce utility “venue shopping” to get pet projects approved.<sup>14</sup>

The proposal from PG&E involves substantial expansion of the use of diesel-fired BUGs. Collectively, we oppose expanded deployment of temporary diesel generation in Track 4 of this proceeding, when cleaner short-term alternatives have been clearly presented, as antithetical to California’s decarbonization and environmental justice goals. Diesel was intended as a short-term solution for 2020 according to the Commission’s Track 1 Decision adopting short-term resiliency strategies.<sup>15</sup> Unfortunately, since that Track 1 Decision was issued, diesel generation deployment has skyrocketed in California. Over the last year, the generator population jumped by 22 percent in the South Coast Air Quality Management District, and diesel BUGs have increased by 34 percent in the Bay Area Air Quality Management District over the last three years. In 2021, the two districts were collectively home to 23,507 backup generators with a capacity of 12.2 gigawatts, about 15 percent of California’s entire electricity grid.<sup>16</sup> Accelerated diesel deployment is highly unfortunate considering the state has sent a delegation to COP26 in Glasgow to tout its “progress” on sustainability and climate change. Diesel generation should be the last resource adopted by the Commission, only after all other measures have been exhausted. In practice it seems to have become the first resort.

The Joint Parties also oppose giving a blank check to utilities to deploy BUGs and utility-owned microgrids (that were not found to be environmentally sound long-term solutions or to be cost-effective in other proceedings as discussed above). Perhaps if they were the only proposals on offer that might have made some sense. However, LA County provided a thoughtful community-focused microgrid program proposal, that included projects which would provide immediate capacity and resiliency, but which was sidetracked without adequate explanation or consideration,

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<sup>13</sup> See Appendix A of D.19-06-032 that, among other things, established requirements to ensure competitive procurement of energy storage projects without bias toward ownership model

<sup>14</sup> See Southern California Edison Company (“SCE”) Advice 4617-E submitted on October 21, 2021 in R.20-11-003

<sup>15</sup> D.21-06-017 Adopting Short Term Actions to Accelerate Microgrid Deployment and Related Resiliency Solutions; June 16, 2020. Pg. 81-82 includes a discussion of about diesel being a short-term solution: *PG&E’s use of temporary diesel generation for customers impacted by PSPS outages must be limited to one year from execution of vendor agreements enacted within 2020 – it is not a long-term resiliency strategy. Indeed, large diesel generators – even when localized in select areas – present potential health risks for individuals who live or work near a temporary generation site.*

<sup>16</sup> <https://www.businesswire.com/news/home/20211006005088/en/New-Study-Shows-a-Rapid-Increase-of-Diesel-Fueled-Backup-Generators-Across-California>

and proposals from the Joint Parties' and others, which could have provided meaningful capacity additions on short notice as well as jump-started other crucial initiatives to expedite clean energy project deployments in California, were dismissed.

### *Cost Shifting.*

The Proposed Decision makes extensive pronouncements about cost shifting:

*“To comply with § 8371(d), we must protect customers from inequitable cross-subsidies by separating customers’ fair-share responsibility for a utility’s cost of service from those who do not benefit from a resiliency technology, like a microgrid.”*<sup>17</sup> Thus, our goal under §8371(d) is to ensure that non-participating microgrid customers remain indifferent while setting parameters to support enhanced reliability for summer 2022 and 2023 in the wake of extreme weather due to climate change.”<sup>18</sup> (*Emphasis Supplied.*)

Joint Parties have argued for some time now that any consideration of cost shifting must include full consideration of both costs and benefits. However, the Proposed Decision appears to make no effort to apply the standard articulated in the second sentence to facts. The PD chides Applied Medical Resources to be “mindful of the prohibition on cost shifting” even though AMR is not requesting any incentives.<sup>19</sup> It asks PG&E to supply cost estimates only after proposing a favorable decision. As pointed out in prior filings in Track 4, the emergency diesel generation previously provided by PG&E cost ratepayers \$182 per MW per year for capacity and \$0.30 per kWh for energy.<sup>20</sup> Nor does the Proposed Decision seek any price information at all from SDG&E. An consistent approach to cost shifting would ask: “How much additional capacity available in emergency conditions will be delivered at what cost?” Mobile generators need to be deployed at the right places in the right times and preparing substations to make use of them requires additional sunk investment. The Proposed Decision correctly asks PG&E about deployment issues, but again, does so only after proposing the Decision approving their proposal. SDG&E offers no specified additional capacity, and the Proposed Decision says merely: “Discuss the emergency reliability needs provided.”<sup>21</sup>

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<sup>17</sup> It is not clear what the italicized phrase is intended to mean.

<sup>18</sup> Proposed Decision at 18.

<sup>19</sup> Proposed Decision at 31.

<sup>20</sup> ADL Ventures Report at 2, <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M348/K580/348580460.PDF>

<sup>21</sup> Proposed Decision at 30.

The SDG&E proposal seems to be a clear violation of the Proposed Decision’s own cost shifting principle. It will provide resilience to a small subset of customers for which all the utility’s ratepayers will pay. In an emergency, SDG&E, as operator, will have a conflict of interest in serving the needs of its “resilience customers” and the needs of the greater grid and ratepayers. Without a firm dispatchable capacity commitment to the grid, this proposal should be dismissed out of hand. With a firm commitment, it should be evaluated on price.

By contrast, the rejected proposals generally specify the tariff modifications and prices that they would entail and relate to assets for which ratepayers make no contribution to the cost of acquisition. For example, the Proposed Decision dismisses Bloom Energy’s proposal as cost shifting without any pretense of measuring costs. The generation that this proposal would provide is not paid for by ratepayers. The only cost to the system is the “subsidy” as the Proposed Decision puts it. The real question is, will a thoughtfully structured tariff payment be less than the cost of utility procurement. The Proposed Decision makes no attempt to address this.

#### *Other Grounds for Modification*

The Proposed Decision adopts as a guideline: “We decline to adopt a proposal that is beyond the scope of Expedited Phase 1 of Track 4 or may result in conflicting with an outcome of another ongoing Commission proceeding.”<sup>22</sup> With respect to the first half of this purported guideline, the scope of Phase 1 included:

“3. Potential New Microgrid Programs and Projects.

(a) Could potential new microgrid programs or projects help address a system capacity shortfall, particularly in summer net peak hours?”<sup>23</sup>

“4. Modifications to Existing Tariffs.

“(a) Excluding the modifications already proposed and adopted in this proceeding (*i.e.*, modifications to PG&E Electric Rule 18, SCE Electric Rule 18, and SDG&E Electric Rule

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<sup>22</sup> Proposed Decision at 30.

<sup>23</sup> Proposed Decision at 15.

19), are there other modifications to existing tariffs that would enable microgrids to help a system capacity shortfall, particularly in summer net peak hours?

“(b) Excluding modifications that have already been proposed and adopted in this proceeding (*i.e.*, modifications to PG&E Electric Rule 18, SCE Electric Rule 18, and SDG&E Electric Rule 19), what rules or requirements may create barriers to expedited or accelerated deployment of microgrid or resiliency projects that can help address a system capacity shortfall, particularly in summer net peak hours?”<sup>24</sup>

The proposals rejected by the Proposed Decision are all solidly within scope. Moreover, this Docket 19-09-009 is exactly the place to address barriers to microgrid deployment. SB1339, after all, directed the Commission to “eliminate barriers to the commercialization of microgrids.”<sup>25</sup>

With respect to the second half of the guideline, this is a new emergency Track within this docket. The urgency of the situation led the Governor to ask the Commission to act outside of its normal procedures. Stating that the Commission cannot act because it might interfere with the Commission’s usual slow process in other dockets is unresponsive to the Governor’s order, and the state’s immediate needs. In the case of the MRC’s proposal, the Proposed Decision only speculates that it “*may*” affect other proceedings, without specifying any proceeding.<sup>26</sup> So far as we are aware the only existing rule that would be affected is Rule 21, which is squarely within the Commission’s purview. SDG&E recently submitted an Advice Letter with an agreement with Miramar Marine Corps that is similar to the MRC’s proposed tariff addendum and that could be developed to attract multiple microgrid customers to provide capacity when needed.<sup>27</sup>

LA County proposed a thoughtful, community-focused program, including several proposed projects with multiple public benefits, in addition to capacity for the grid. Sustainability experts would define LA County’s proposal as having a “triple-bottom line” impact.<sup>28</sup> LA County is a shining example of the contributions to reliability *and* resilience possible in all California counties if the Commission would focus on empowering communities instead of writing blank

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<sup>24</sup> Proposed Decision at 16.

<sup>25</sup> SB 1339 (Stern 2018), Preamble Section (1).

<sup>26</sup> Proposed Decision at 32

<sup>27</sup> SDG&E AL 3838-E Summer Generation Availability Incentive Agreement with Marine Corps Air Station Miramar; August 30, 2021

<sup>28</sup> See <https://sustain.wisconsin.edu/sustainability/triple-bottom-line/>

checks to the utilities for fossil fuels. Long Beach has emergency power to offer **now**. The Proposed Decision's dismissal of its proposal is an affront to ratepayers.

*What the Emergency Calls For.*

CAISO filings in the Commission's companion proceeding (R.20-11-003) make clear that they need firm dispatchable power:

“The Commission should not provide a capacity value for ELRP as advocated by some parties. ELRP is a voluntary pay for performance energy program that is not incorporated into any reliability planning processes for resource adequacy purposes. Resources eligible for a resource adequacy capacity payment should be subject to a must offer obligation in the CAISO's market.”<sup>29</sup>

The CAISO further suggest that incentivizing non-dispatchable voluntary resources can make its job more difficult in an emergency:

“TURN correctly notes these proposals would cause greater uncertainty around the load drop the CAISO would observe through Reliability Demand Response Resource (RDRR) dispatch of BIP resources, and that this uncertainty poses a serious reliability concern. RDRRs are resource adequacy resources—and are compensated accordingly—so that they will be operationally available to the CAISO when necessary.”<sup>30</sup>

As discussed above, several of the rejected proposals would supply or incentivize firm, dispatchable clean resources. That is much more beneficial and sustainable than what either PG&E or SDG&E is offering. They are being offered at competitive prices (in terms of the various tariff payments and benefits offered to program participants) as compared to new, rate-based utility assets. We urge the Commission to make a more thorough comparison in an Alternate Proposed Decision. The current Proposed Decision is a step in the wrong direction.

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<sup>29</sup> Docket 20-11-003, CAISO Opening Brief at 14.

<sup>30</sup> Docket 20-11-003, CAISO Reply Brief at 4.

## Conclusion

The record does not support the findings in the Proposed Decision. Both utility proposals adopted in this Proposed Decision represent “inequitable cross-subsidies”. SDG&E proposes “microgrids” that benefit a limited set of customers with no assurance of any reliability benefits to other ratepayers. PG&E proposes Diesel BUGs, reinforcing reliance on exactly the type of fuel the Commission should be working to eliminate. It is unjust to deploy this polluting, expensive solution on the backs and in the backyards of ratepayers today. We are now quickly approaching 2022 with too little to show in the way of progress on California’s decarbonization and environmental justice goals. Recent studies have shown that California needs to more than double the rate of GHG reductions, with the California Air Resources Board citing 4% per year, year-over-year, to meet the state’s carbon neutrality goals by 2045.<sup>31</sup> This Decision would materially harm California’s climate policy goals.

Collectively, the rejected proposals can provide significant capacity additions in 2022. As an added benefit, they can also jump-start crucial initiatives to expedite clean energy project deployments in California that are desperately needed to achieve the state’s reliability, resiliency and decarbonization goals, such as building the institutional, and community-based assets needed to fulfill the Governor’s Proclamation.<sup>32</sup> This significant opportunity should not be missed by the Commission.

We strongly urge the Commission to withdraw this Proposed Decision, reconsider acceptance of the many proposals that would result in deployment of new microgrids in 2022 to address capacity shortfalls and reliability (as required by the Emergency Proclamation) and fall squarely within the scope of this proceeding, and then issue an Alternate Proposed Decision. Because we urge a fresh start, we have not offered alternative findings of fact or conclusions of law. We encourage the Commission to adopt a robust emergency services tariff with a capacity

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<sup>31</sup> <https://www.sfchronicle.com/bayarea/article/Even-the-Bay-Area-needs-to-reduce-greenhouse-gas-16599798.php>  
“We need to (more than) double the rate at which we reduce emissions,” said Stanley Young, spokesperson for the California Air Resources Board. “It’s got to go to about 4% per year, year over year.”

<sup>32</sup> R. 19-09-009, Opening Comments of the Local Government Sustainable Energy Coalition on the Track 2 Microgrid and Resiliency Strategies Staff Proposal, Facilitating the Commercialization of Microgrids Pursuant to Senate Bill 1339, August 13, 2020.



payment for clean, firm power, as proposed by the MRC and other parties, and adopt LA County's proposal to establish a regional microgrid program so that microgrid projects with broad community resiliency benefits can be strategically deployed with minimal ratepayer capital investment. Without significant modifications to the current PD, Californians would be better off with no decision in this Track 4.

Respectfully submitted,

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