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 COMMENTS ON PROPOSED DECISION ADOPTING IMPLEMENTATION RULES FOR THE MICROGRID INCENTIVE PROGRAM

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I. INTRODUCTION

Pursuant to Rule 14.3 of the California Public Utilities Commission ("the Commission") Rules of Practice and Procedure, the Clean Coalition respectfully submits these comments in response to the *Proposed Decision Adopting Implementation Rules For The Microgrid Incentive Program*, issued at the Commission on February 9, 2023. We appreciate the opportunity to comment on this Proposed Decision ("PD"), which represents the culmination of more than two years of hard work by utilities, stakeholders, Energy Division staff, and the administrators overseeing this proceeding.

Though the proposed Microgrid Incentive Program ("MIP") has a good foundation, Clean Coalition is concerned that the PD risks falling into the same pitfalls as past Commission-administered distributed energy resources ("DER") programs. These Commission is attempting to tackle the same in its review of the Green Access Programs (A. 22-05-022, A. 22-05-023, and A. 22-05-024): low developer interest due to uncertain deployment timelines, a lack of cost certainty over pricing and interconnection costs, and an interconnection process that is difficult to navigate in a timely manner.[1] While the Commission might take the position that issues with the Green Access Programs, the Distribution Investment Deferral Framework ("DIDF"), and the Renewable Market Adjusting Tariff ("ReMAT") do not reflect bottlenecks for deploying microgrids, it is essential that at the very least, lessons learned from PG&E's Community Microgrid Enablement Program ("CMEP") are analyzed and result in appropriate changes to the MIP, which we will discuss further in comments below. Clean Coalition recommends:

- The Commission should consider the lack of success of PG&E's CMEP and apply lessons learned to the MIP.

[1] A report by Evergreen Economics explains issues with the existing Green Access Programs and offers recommendations to improve them.

- The Commercial Operations Date ("COD") should be extended to 36 months after the MOA is signed, especially if streamlined interconnection is rejected.
- Developers require the certainty of fixed/streamlined interconnection timelines to make the investments required for a Community Microgrid.
- $25,000 for a pre-application technical assistance grant is not nearly enough. The pre-application grant allocation should be changed to a maximum of $100,000.
- Applicants should be able to easily tell if an area is eligible for the MIP. If they cannot tell without conducting significant research, the program is doomed to fail.

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. Lessons learned from the lackluster results of the CMEP should be applied to the MIP.

The CMEP was the first Community Microgrid program approved by the Commission and is unique to PG&E's service territory. Unlike the MIP, which offers funding for front-of-meter ("FOM")-interconnected resources and any required infrastructure to deploy the Community Microgrid, the CMEP only provided funding for infrastructure upgrades and uses the Community Microgrid Enablement Tariff ("CMET") as the pathway for deployments. Importantly, rather than extending the CMEP to SCE and SDG&E, the Commission determined that allocating funding through the MIP would be more effective. Therefore, Clean Coalition urges the Commission to consider lessons learned from the CMEP and apply them to the MIP before any PD is approved. **The key takeaway: the CMEP was not a successful procurement process and did not lead to the deployment of Community Microgrids.** The only deployed project, the Redwood Coast Airport Microgrid ("RCAM") was basis for the CMET and did not actually follow the CMEP procedure (planning and

designs began years before the CMEP was approved). Of the three stages involved with the CMEP, **zero other projects have gotten to Step Three, and no project has completely half of Step Two.** Moreover, very few applicants have come from DACs, which is surprising considering the number of customers in DACs that have lost power due to Fast Trip Outages. Clearly, a monetary award is not enough by itself to incentivize significant participation by DACs nor is receiving technical assistance from the utility once a site is selected. Pre-application support and a program that has determinative deployment process are far more important. As an example, of the 22 projects currently being vetted, PG&E has confirmed that about half are only applying to take advantage of the CMET and are not requesting funding. This should demonstrate for the Commission the importance of approving a definitive pathway for the deployment of Community. The CMET is the only existing pathway to deploy a Community Microgrid, yet even the customers requesting little, or no funding at all have found their applications halted in the middle of the process. The overwhelming conclusion is that completing the CMEP process in a timely manner as it currently exists is extremely unlikely. The Commission needs to consider the question—what will make the MIP more successful than the CMEP has been? If there is not more certainty within the MIP procedures to ensure that a strong application will result in the expedient deployment of a Community Microgrid, dangling funding will not be enough of an inventive to make the program successful. The PD needs to be amended to guarantee certainty by implementing fixed timelines to ensure that a completed (and approved) application will lead to a signed Microgrid Operations Agreement ("MOA") with strict project deadlines that all parties will adhere to. Certainty also includes cost certainty; applicants need to know early in the process the amount of MIP funding they will receive, likely project costs, and any interconnection-related costs (e.g., interconnection application & technical study costs as well as costs for required upgrades) to guarantee a project is financially viable. Unforeseen cost additions, particularly after the SGIA is signed, can be enough to halt a project in its track. Since the Commission is focused on translating MIP funding into projects that benefit as many ratepayers as possible, it is imperative to amend the PD and create an ironclad procedure that minimizes the chances a developer will have to stop work on a project before it is deployed.

B. To be a successful program, the required COD should be 36 months after the MOA is signed and the interconnection process should be streamlined.

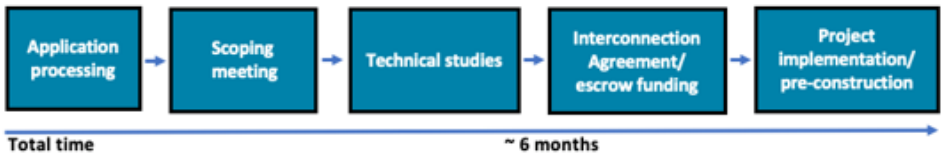
A requirement for a COD 24 months after the MOA is signed is too short of a deadline for the deployment of a Community Microgrids. Any delays, including unforeseen cost increases, supply chain issues, a slow escrow process, or lengthy interconnection procedures would be enough to

disrupt the schedule and make a 24-month deadline impossible to meet. For example, based on Clean Coalition's understanding of the MIP process, the technical islanding studies and supplemental reviews will be completed prior to the signing of the MOA. However, the final interconnection agreement ("IA"), Microgrid Special Facilities agreement, and official awarding of MIP funding are a part of the MOA; funding will be dispersed following the signing of the MOA. Applicants will be forced to guess and rely on cost estimates if are not made aware of final project cost estimates prior to the signing of the MOA. Moreover, surprise delays and cost increases that occur following the signed MOA will be devastating if parties believe that the MOA represents final costs. Unfortunately, given the PD's dismissal of the need for fixed interconnection, this is a real area for concern. Based on the Clean Coalition's experience with the Fast Track WDAT interconnection process, even after the Interconnection Agreement was signed, there were significant cost increases due to the Cost-of-Ownership and deeding. Getting through this part of the process and the project implementation/pre-construction phases took 18 months to complete.[2] For a MIP-project, an 18-month delay, prior to construction would make it impossible to reach a COD within 24 months. See Attachment 2 of the Clean Coalition's October 5, 2021, filing for a full case study on the Clean Coalition's experience with the Fast Track WDAT interconnection process and recommendations on ways to streamline the process that will create more certainty for developers and allow the utility to more effectively allocate resources.[3]

[2] This interconnection timeline is based on the Clean Coalition's experience with the WDAT Fast Track interconnection process for the Valencia Gardens Energy Storage (VGES) project, a merchant FOM storage project in the heart of the mission district in San Francisco that we worked on in partnership with PG&E.

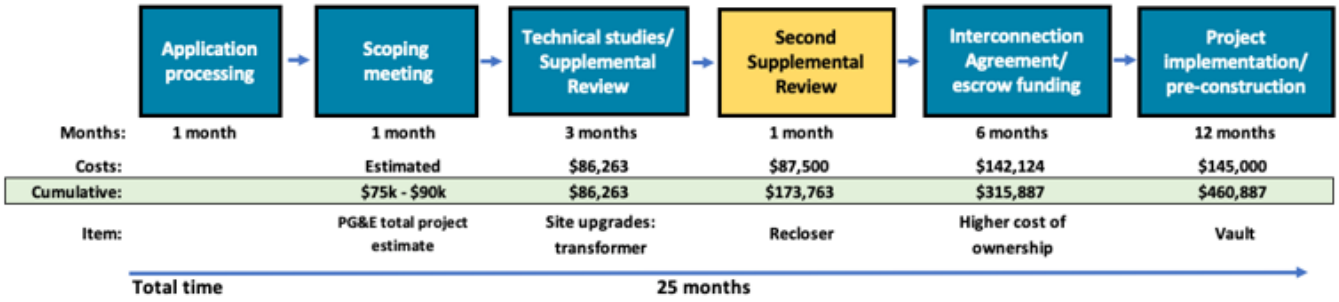
[3] https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M412/K784/412784236.PDF
https://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=412761006

Expected Fast Track Interconnection experience



Expected Fast Track Interconnection process for VGES 2-BESS: ~ 6 months and final cost between $75k – $100k

Actual VGES Fast Track Interconnection experience

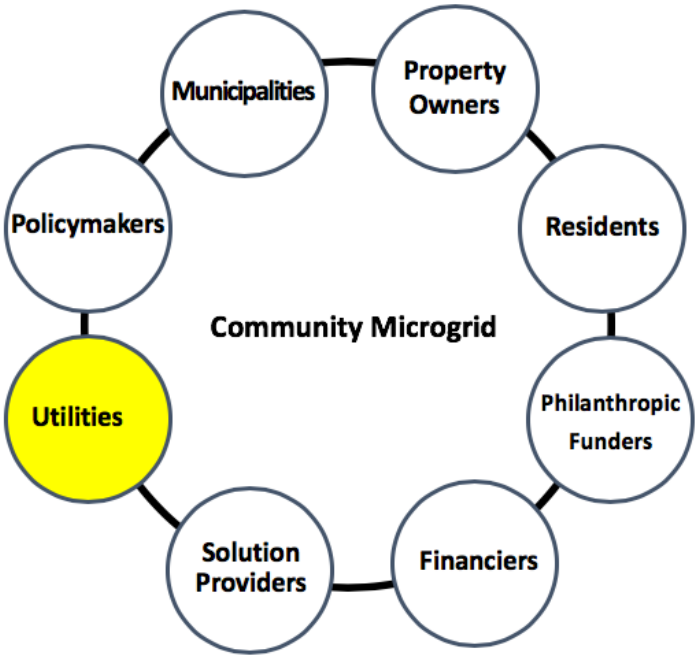


Actual VGES Fast Track Interconnection process: 25 months and final cost at approximately $461k

Considering that some projects large enough that they will not be eligible for Fast Track interconnection and other delays are likely, a timeline that requires the COD in 24 months (or fewer) after the MOA is signed is simply not feasible. This is particularly true if the utilities are not able to meet the deadlines in the schedule laid out in the MOA. For example, without timely distribution upgrades (conducted by the utility or third party, if allowed), the entire project timeline could be thrown off. Furthermore, projects that seek deliverability to make the Community Microgrid economically viable will face delays of six-month or longer before a study is completed and the results are finalized. As the PD explains, Community Microgrid projects are complicated, which is why developers need certainty—surrounding both the project timeline and likely costs—to make applying under the MIP a worthwhile investment. With the proposed deployment timeline requirements and lack of concern for fixed interconnection timelines for MIP-applicants, the Commission risks making the same mistakes that have rendered the CMEP ineffective. Therefore, we request that the date to achieve COD is increased from 24 months to 36 months after the MOA is signed.

C. The pre-application grant should be increased from a maximum of $25,000 to $100,000.

The pre-application grant was requested by parties to ensure the MIP application process caters to the needs of disadvantaged communities ("DACs") that do not have the same level of resources available to dedicate to a MIP application as more affluent communities. Clean Coalition appreciates that the Commission adopts a pre-application grant in the PD, but we feel obligated to point out that $25,000 is insufficient to cover the sustained stakeholder engagement required before a MIP application is ready to be submitted.

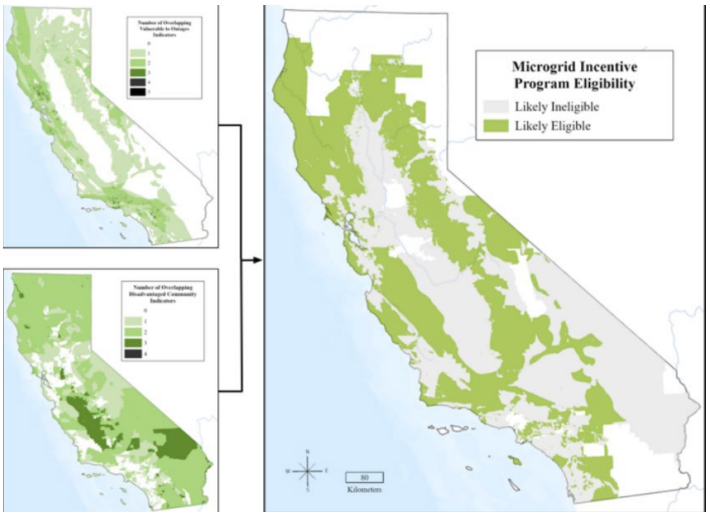


There are eight distinct groups of stakeholders that need to be engaged and buy-in before a Community Microgrid project to move forward (see the graphic above). Based on the Clean Coalition's experience facilitating the development of Community Microgrids, we can confidently say that $25,000 is entirely insufficient to cover the cost of site selection, a preliminary feasibility study, and ongoing stakeholder engagement required **prior** to the submission of an application. Therefore, we request that amount of money allotted for pre-application grants in the PD should be increased from $25,000 to $100,000.

D. Eligibility criteria need to be clear and easy to identify for prospective applicants.

For the MIP to attract sufficient interest from developers, local governments, and partner non-governmental organizations ("NGOs") the eligibility criteria need to be clear and easy to verify. The

PD does not meet this standard and therefore, should be amended. Without a map that has dedicated layers for each criterion, potential applicants will have to go out of their way to dig for information. Existing maps and tools do not contain sufficient granular data nor is the relevant information on all the eligibility in one place. For example, numbers on past Public Safety Power Shutoffs ("PSPS") or the worst performing circuits in a utility's service territory are not easy to find, especially for anyone not already familiar with California's energy landscape. Putting the onus on the community to determine whether a location meets all the eligibility criteria favors affluent communities capable of allocating enough resources to make the initial determination prior to pursuing an application. On the other hand, it is unlikely that DACs will want to apply if it means investing in a pre-application grant just to find out if a site is eligible. The proposed guidebook will contain some, but not all, of the relevant information a community might need to determine eligibility. Rather than creating another potential stumbling block for applicants, it would be prescient, given the Commission's dedication to equity and environmental justice principles, to approve a solution that increases the accessibility of the MIP without requiring a significant resource allocation to craft an application. Therefore, we request that the Commission amend the PD and approve a heat map that includes layers for all eligibility criteria. As we explained in comments on the MIP Staff Proposal, the foundation for a heat map already exists, meaning that it should not be difficult to add the necessary layers to ensure that all of the MIP eligibility criteria can be verified in one place. See the image below, of one such map created by a graduate student at UCSD.



Criteria from each community eligibility bucket were combined, and then combined again, to find areas in PG&E, SCE, and SDG&E's service territories that met at least one criterion from each bucket. The final map (far right) illustrates areas that fit the community eligibility dimension of the proposed MIP.[4]

[4] For a live version of the map, go to, overlaid with municipalities and census designated places from the 2020 census, go

With the staffing, resources, and experience that the IOUs have programming and creating maps, we are certain that creating a single map with layers for all the eligibility criteria can be done quickly (and without requiring a significant expenditure).

IV. CONCLUSION

The Clean Coalition appreciates the opportunity to submit these comments and we urge the Commission to amend the PD based on the lessons learned from the CMEP, which will result in a determinative process for deploying Community Microgrids via the MIP. In addition, the Commission needs to take more action to make it easier for communities to determine eligibility, particularly DACs that do not have the same level of resources as affluent communities.

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to: https://ucsdonline.maps.arcgis.com/home/webmap/viewer.html?webmap=f6dcc5f486cc4705aafd8b654636aa1