

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

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

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Rulemaking 19-09-009

**CLEAN COALITION REPLY COMMENTS ON STAKEHOLDER PRO-FORMA  
STANDARD MICROGRID MULTI-PROPERTY TARIFFS**

/s/ BEN SCHWARTZ

Ben Schwartz  
Policy Manager  
Clean Coalition  
1800 Garden Street  
Santa Barbara, CA 93101  
Phone: 626-232-7573  
[ben@clean-coalition.org](mailto:ben@clean-coalition.org)

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**I. INTRODUCTION**

Pursuant to Rule 6.2 of the California Public Utilities Commission (“the Commission”) Rules of Practice and Procedure, the Clean Coalition respectfully submits these reply comments on opening comments responding to Stakeholder Pro-Forma Community Microgrid tariffs submitted according to the *Assigned Commissioner’s and Administrative Law Judge’s (“ALJ”) Ruling Denying Joint Parties’ Motion to Amend Scoping Memo and Ruling for Track 5, and Modifying Track 5 Schedule of Activities*, issued at the Commission on October 23, 2023. We appreciate the opportunity to respond to opening comments by parties and advocate that the Commission should:

- Take note of the considerable party support for the Resilient Energy Subscription and solicit further details via the upcoming workshop.
- Allow Community Microgrids to be operated as one single controllable entity.
- Be persuaded that Community Microgrids provide a multitude of tangible benefits. Just because some value streams are not always compensated in other contexts does not mean that the Commission should disregard them in this case.
- Clarify that successful commercialization of Community Microgrids is predicated on streamlined options for deploying front-of-meter DER, including interconnection.
- Continue the discussion surrounding other capacity compensation party proposals.

**II. COMMENTS**

**A. Parties support the merits of the Resilient Energy Subscription (“RES”) and request further discussion in a workshop setting.**

The Clean Coalition’s proposal for a fee-based market mechanism, the Resilient Energy Subscription (“RES”) was well received by parties. Small Business Utility Advocates (“SBUA”) supports the RES, “... which could be complementary to the CMET.”<sup>1</sup> As SBUA

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<sup>1</sup> OPENING COMMENTS OF SMALL BUSINESS UTILITY ADVOCATES TO THE PARTY-PROPOSED MULTI-PROPERTY TARIFF FILING ON DECEMBER 15TH, at p. 2.

suggests, the RES would add a missing component to the CMET, improving the process by closing the revenue gap and creating a process through which communities can identify resilience needs and design Community Microgrids around critical community facilities (“CCFs”). Unique amongst party proposals, the RES offers a framework for the development of scalable Community Microgrids capable of serving a greater number of customers over time and bringing down costs for everyone with each incremental investment. Green Power Institute (“GPI”) and the Local Government Sustainable Energy Coalition (“LGSEC”) both describe the Clean Coalition’s proposal as having merit, acknowledging the value in the RES, while advocating separately for a tariff-based compensation mechanism.<sup>2</sup> We support these comments and also agree that the RES can fill an important niche in utility-centric Community Microgrids, but should not preclude the creation of a tariff that compensates Community Microgrids for grid services, resilience, societal values, and energy sales. SCE requests that the Commission fully consider the policy implications of the RES and provides a comprehensive list of questions that the Clean Coalition will not attempt to address in detail in these comments, mainly because the ten-page limit does not fully afford us the opportunity to address both SCE’s questions and comments from other parties.<sup>3</sup> We look forward to answering these questions and providing greater detail at the upcoming workshop and in future comments.

The other two utilities, Pacific Gas & Electric (“PG&E”) and San Diego Gas & Electric (“SDG&E”) raise a few technical challenges but are mainly supportive, noting that:

PG&E and SDG&E appreciate the Clean Coalition’s efforts to develop resiliency as a service business model and believe there is merit to the broad thrust of the Resiliency Energy Subscription Service (“RES”) model. In particular, the basic concept of having benefiting customers within the microgrid boundaries finance the microgrid through some fee structure creates appropriate cost allocations and honors SB 1339’s prohibition on cost shifts.<sup>4</sup>

Of the parties that do not support the RES proposal, PearlX disagrees on the basis that charging any type of premium for resilience could put resilience out of reach for environmental social justice (“ESJ”) communities.<sup>5</sup> Ensuring that ESJ communities are able to deploy resilience solutions is

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<sup>2</sup>GREEN POWER INSTITUTE OPENING COMMENTS ON MULTIPROPERTY MICROGRID TARIFF PROPOSALS, at p. 9, and COMMENTS OF LOCAL GOVERNMENT SUSTAINABLE ENERGY COALITION ON MULTIPROPERTY MICROGRID TARIFF AND PROPOSED MULTIPROPERTY MICROGRID TARIFF PROPOSALS, at p. 5.

<sup>3</sup> OPENING COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) TO VOLUNTARY STAKEHOLDER PRO-FORMA STANDARD MICROGRID MULTI-PROPERTY TARIFF PROPOSALS, at p. 3.

<sup>4</sup> OPENING COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E), SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E), AND SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) TO VOLUNTARY STAKEHOLDER PRO-FORMA STANDARD MICROGRID MULTI-PROPERTY TARIFF PROPOSALS, at p. 21.

<sup>5</sup> COMMENTS OF PEARLX INFRASTRUCTURE LLC ON VOLUNTARY STAKEHOLDER PRO-FORMA

important and we are happy to work within the proceeding on additional measures that will increase the accessibility of the RES for these communities. However, in this case PearlX is putting the cart before the horse. Under the status quo, large scale resilience (e.g., Community Microgrid deployment) is predominantly out of reach for ESJ communities, as evident by the fact that only 1 out of 32 CMET projects has been completed (and none in ESJ communities). Unfortunately, many of the existing barriers to entry remain in place, especially for EJS communities; rather than relying on grant funding, the RES provides a financing framework and a way to design Community Microgrids, on top of which low-income subsidies and technical assistance can be layered for the best chance of a successful deployment. In addition, the fact that non-essential loads and the meters of non-RES subscribers in footprint of the microgrid can be turned off makes a Community Microgrid deployment more feasible than a Community Microgrid required to provision 100% resilience to all loads and facilities over a long duration. Other than the opposition by PearlX, only the Coalition for Utility Employees (“CUE”) does not support the RES, arguing that Community Microgrids must be operated by the utility in all circumstances, which, while not directly in opposition to the Clean Coalition’s proposal, deserves a response.<sup>6</sup> We point to the first Community Microgrid in California, the Redwood Coast Airport Microgrid (“RCAM”) to dispute CUE’s assertion. Under normal circumstances, the grid is operated by PG&E, but in the event of an outage, PG&E hands the controls over to the Redwood Coast Energy Authority (“RCEA”), the local Community Choice Aggregator (“CCA”). Lastly, Cal Advocates takes no official position regarding the Clean Coalition’s proposal; we hope that will be able to find points of alignment with Cal Advocates moving forward. There are a few criticisms posed in comments of PG&E and SDG&E and separately by SCE that we wish to address.

**i. PG&E and SDG&E overstate the challenges of remotely disconnecting smart meters.**

PG&E and SDG&E oppose remotely disconnecting customers in the footprint of a Community Microgrid via smart meters as “not workable and not supported by the Joint IOUs,” arguing that the technology has high failure rates and will result in some customers being re-energized later than others.<sup>7</sup> On the first point, the utilities already use remote disconnects/energizations to turn the electricity on for new customers at existing facilities, meaning that it is feasible to do when time is

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STANDARD MICROGRID MULTI PROPERTY TARIFF PROPOSALS, at p. 6.

<sup>6</sup> COMMENTS OF THE COALITION OF CALIFORNIA UTILITY EMPLOYEES ON NON-UTILITY MULTI-PROPERTY MICROGRID TARIFF PROPOSALS, at p. 9.

<sup>7</sup> Opening Comments of the Joint IOUs, at p. 24.

not a factor. Moreover, the Clean Coalition presented evidence from two utilities outside of California, Public Service Enterprise Group and American Electric Power,<sup>8</sup> demonstrating that the use of smart meter disconnects is practiced throughout the industry with great success. We are also speaking with Alliant Energy on the subject. In their rebuttal, the PG&E and SDG&E do not attempt to discuss the evidence presented in the Clean Coalition’s RES filing, nor do they in any way quantify the percentage failure rate when it comes to remote disconnects. While there is unfortunately no summary/transcription on the record, when we raised this issue at a meeting of the Resiliency and Microgrids Working Group, we learned that the success rate is likely in the range of 90%. Though unofficial and provided in an informal capacity, this number is iterative of the fact that a smart meter disconnect approach may be feasible. The IOUs should file a detailed analysis on their current smart meter capabilities, rather than relying on general statements as opposition.

Second, the PG&E and SDG&E assert that the use of smart meters is not workable because it would result in some customers having power returned later than others due to smart meters failing to receive signals.<sup>9</sup> This argument is inherently tied to the IOU’s first concern about the success rate of remote disconnect/re-connections. As a result, the Commission should not be persuaded, particularly given the ambiguity and lack of evidence presented. The Clean Coalition is happy to work with the utilities on details surrounding a reconnection procedure between the Community Microgrid and the broader distribution grid. Perhaps it is possible that prior to re-integrating the Community Microgrid, the Community Microgrid operator can make sure that all meters are turned on, alleviating PG&E and SDG&E’s concern. Regardless, neither utility claims should be a reason for the Commission not to move forward with the Clean Coalition’s RES proposal.

**ii. References to “rate basing” costs in the Clean Coalition’s proposal refer to collecting costs from customers within the footprint of the Community Microgrid, not all utility ratepayers.**

In response to comments by PG&E and SDG&E,<sup>10</sup> the Clean Coalition wishes to clarify that RES fees will only be collected from participating customers within the footprint of the Community Microgrid. Doing so ensures that Community Microgrids deployed via the RES will not create a cost

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<sup>8</sup> See footnote 5 and 6 in the Clean Coalition’s RES filing.

<sup>9</sup> *Ibid.*

<sup>10</sup> The Joint IOU Comments, at p. 22. “PG&E and SDG&E seek clarification whether the Clean Coalition’s use of the term “rate base” is intended to refer to the traditional IOU rate base where costs are spread across all customers, or if it is an analogy meant to refer to the allocation of costs for these facilities across all benefitting customers within the microgrid boundary. If the latter applies, the Joint IOUs believe the cost allocation is the purview of the CMG Aggregator and do not take a position. If the former interpretation applies, the spreading of costs to non-participating customers outside of the microgrid boundary would lead to patent cost shifts, in contravention of SB 1339.”

shift imposed on other utility ratepayers. Included in the RES fees are the costs of ensuring resilience for the Tier 1 loads at Tier 1 facilities. The community resilience enabled by the microgrid will result in the consistent availability of critical services for the entire community.

**iii. The collection of RES fees should be done by an entity that has access to existing utility bills.**

PG&E and SDG&E take issue with the concept that the utility might be the collector of RES fees, arguing that integration with the utility billing system would slow the launch of the mechanism and would be quite costly.<sup>11</sup> It is unfortunate that the PG&E and SDG&E do not believe the utility billing systems are capable of swift low-cost integration to include RES fees, particularly when the first Community Microgrids utilizing the RES will not be ready for deployment for at least two years following the adoption of a decision by the Commission. If we understand correctly, the logic behind PG&E and SDG&E's assertion is that it will take more than two years to upgrade any portion of the billing system, which if true, makes the description "inflexible" an understatement. The Clean Coalition is interested in what the true time horizon and cost of adding RES fees to the utility billing system might be and notes that RES fees could be included in a separate bill, hopefully to limit the cost/time of integrating the RES in the utility billing system. We urge the IOUs to provide greater detail and determine whether adding a separate bill for RES customers may be feasible. CCAs could also include RES fees in their bill component as part of a local resilience program.<sup>12</sup>

**B. The Commission should allow Community Microgrids to be operated as one single controllable entity.**

From the perspective of interconnection studies and microgrid operations, the Clean Coalition strongly agrees that Community Microgrids operators should have the ability to operate the microgrid one single controllable entity. The current practice is to treat a Community Microgrid as an aggregation of resources only operated together in the event of a grid outage. As the Clean Coalition has navigated the CMET process, it has been quite apparent that one of the major bottleneck is the fact that the applicant has to juggle different interconnection applications—one for each resource. The interconnection applications are studied by different utility engineers and there is very little coordination between departments, even though design changes to the configuration of one resource can change the entire microgrid design, negatively impacting all other interconnection applications. This makes the process very tenuous and highly uncertain, limiting project success.

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<sup>11</sup> *Ibid.*

<sup>12</sup> This assumes that the microgrid includes only unbundled customers.

GPI notes that, “There is a strong consensus among filing parties that MPMs must be able to operate as a single controllable entity (this term is synonymous with “aggregated single entity”) during blue sky operations, and that the MPM not be confined solely to islanded operations during occasional grid outages.”<sup>13</sup> The Joint CCAs agree with GPI and MRC, explaining “that both Senate Bill 1339 and sound, forward-looking policy considerations require the Commission to adopt tariffs to enable CMs that import and export power as a single unit and are controlled by the microgrid operator, not the IOU.”<sup>14</sup> PearlX makes a similar statement.<sup>15</sup> The Clean Coalition agrees with the parties, noting that the economics for the RES are the most viable when the Community Microgrid is operated as one entity that can fully manage supply and demand within the footprint of the microgrid. For example, when islanded during normal grid conditions, there can be no doubt that the Community Microgrid avoids usage of the transmission grid to import energy, meriting avoidance of transmission access charges (“TAC”). This value results in less congestion and line losses along with better economic outcomes for the remaining energy. The microgrid controls will also result in a more effective dispatch of resources than the existing utility grid, due to the use of distributed energy resources management systems (“DERMS”) that are not available throughout the utility service territories. Commercializing Community Microgrids requires standard operating procedures to maximize the value creation which includes usage during normal conditions, rather than solely during unique outage situations. As GPI explains, “Simply from a common perspective, it would make little sense for communities to invest in MPMs solely for occasional use during grid outages and it is not an efficient use of resources more generally to invest such sums only for occasional grid outages.”<sup>16</sup> When the microgrid resources are studied in tandem, the Community Microgrid Operator and the utility can work to determine a standard generation profile that will prevent unintended consequences and ensure that actions of the Community Microgrid are easily predictable by the grid operator. The Joint IOUs claim, “none of these stakeholders provide any explanation of how microgrid customers would benefit, financially or otherwise, from disconnection from the grid when there is no outage of the larger grid. This is because there is no benefit that does

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<sup>13</sup> GREEN POWER INSTITUTE OPENING COMMENTS ON MULTIPROPERTY MICROGRID TARIFF PROPOSALS at p. 3.

<sup>14</sup> OPENING COMMENTS OF SONOMA CLEAN POWER AUTHORITY, PENINSULA CLEAN ENERGY AUTHORITY, AND PIONEER COMMUNITY ENERGY (“the Joint CCAs”) ON TRACK 5 STAKEHOLDER PRO FORMA TARIFF PROPOSALS, at p. 2-3.

<sup>15</sup> COMMENTS OF PEARLX INFRASTRUCTURE LLC ON VOLUNTARY STAKEHOLDER PRO-FORMA STANDARD MICROGRID MULTI PROPERTY TARIFF PROPOSALS, at p. 2.

<sup>16</sup> GREEN POWER INSTITUTE OPENING COMMENTS ON MULTIPROPERTY MICROGRID TARIFF PROPOSALS, at p. 3.

not involve shifting costs to non-benefitting customers.”<sup>17</sup> In response, we reference the concept of grid optimal performance, or serving all load within the microgrid using microgrid-resources rather than grid energy during the daily peak period, from 4-9 p.m. as an example. Using existing market mechanisms, a Community Microgrid that islands during blue sky conditions can be compensated for reducing total load as a demand response resource (or during Emergency Load Reduction Program events), while passing the financial savings on to the microgrid customers through reduced electricity rates. Similarly, a Community Microgrid which results in the optimal operation of the distribution grid will result in a tangible benefit for all ratepayers if grid upgrades are avoided at any point during the lifespan of the microgrid. In each of these examples the value creation can only be truly enabled via operating the Community Microgrid as a single controllable entity during blue sky conditions.

**C. Community Microgrids provide a multitude of tangible benefits. Just because some value streams are not always compensated in other contexts does not mean that the Commission should disregard them in this case.**

Parties make clear in opening comments that Community Microgrids are capable of providing a range of different benefits, from a lower cost of clean energy to resilience, grid support, avoided infrastructure, and non-energy benefits. The IOUs assert that each of these values constitutes a cost shift to non-participating ratepayers, which is a phrase that has been thrown around throughout the proceeding to deflect from any further analysis or discussion on a subject. Some of these values are compensated through existing mechanisms, such as the Avoided Cost Calculator, while others are real benefits advanced by policy mandates. There are two types of issues that the Commission should address when considering the value creation of Community Microgrids. First, there are cost categories where IOUs determine funding levels and recover costs on a service territory-wide basis, which can make identifying specific costs to compensate difficult. With wildfire mitigation for example, a Community Microgrid serves as a grid hardening measure that reduces wildfire risk and can directly avoid the need for other mitigation measures in the area, leading to real cost savings. However, costs are not itemized on a (granular or) regional basis for cost recovery<sup>18</sup> and ratepayers are charged a standard nonbypassable charge; effectively valuing the wildfire mitigation service from the Community Microgrid would require the utility to calculate the savings, assessing the value to customers within the footprint of the Community Microgrid. Alternatively, the Commission could consider a standard value for wildfire mitigation costs avoided by Community Microgrids.

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<sup>17</sup> Opening Comments of The Joint IOUs at p. 14-15.

<sup>18</sup> The IOU Wildfire Mitigation Plans separate cost categories based on the type of action (e.g., grid hardening, vegetation management, undergrounding, etc.....) rather than geographically.



The second issue is that there are clearly identified benefits which have not been ascribed a monetary value by the Commission at this time. For example, consider reduced blue sky social burden, community resilience, and CCF resilience. While the Commission scoped the value of resilience into this proceeding at the outset, determining a standard value of resilience was assigned to the Resiliency and Microgrids Working Group which functions informally, prior to the most recent amended scoping memo that removed the subject from the proceeding entirely. Thus, there is a definitive value of resilience, but efforts to standardize the value have not yet been completed. Likewise, the IOUs acknowledge that as part of the definition of safe service at just and reasonable rates includes a higher level of service for CCFs that provide societal value. Although there is a mandate to ensure that CCFs have sufficient service, there are no associated costs (or a specific cost category) included in the general rate case. Similarly, there is a policy mandate (from the legislature, DER Action Plan 2.0, and ESJ Action Plan) to increase DER deployment in disadvantaged communities, but no direct compensation for doing so, especially in the context of microgrids. In each case, the fact that there is real value but no direct mechanism for compensation results in an interim value of zero, despite significant appetite for investment. The commercialization of Community Microgrids requires actively tallying which benefits the Commission will acknowledge and determining which can reasonably be valued in the immediate future and what needs to be studied before an adder is considered. Thus, the Clean Coalition and others<sup>19</sup> support the broad list of benefits offered by GPI and recommend a detailed analysis be conducted, including on how to incorporate non-energy benefits and societal value prior to the adoption of a Societal Cost Test.

**D. Successful commercialization of Community Microgrids is predicated on streamlined options for deploying front-of-meter DER, including interconnection.**

GPI details the importance of front-of-meter (“FOM”) DER, noting, “this is a market niche that has generally been overlooked by policymakers and, accordingly, has massive potential to achieve the state’s green energy and climate emissions goals, plus resilience goals, plus equity goals, in a way that avoids cost shifting.”<sup>20</sup> The Clean Coalition concurs, and has been a staunch advocate of the need to streamline the interconnection procedures for FOM resources to ensure that Community Microgrids project are not delayed/halted because of costly/time intensive

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<sup>19</sup> Other supporters include PearlX, at p. 6.

<sup>20</sup> GREEN POWER INSTITUTE OPENING COMMENTS ON MULTIPROPERTY MICROGRID TARIFF PROPOSALS, at p. 6.

interconnections.<sup>21</sup> As an example, see the table below, detailing the interconnection process for a 1 MW rooftop project utilizing Rule 21 versus the Wholesale Distribution Access Tariff (“WDAT”).

Factor	BTM 1 MW rooftop project	FOM 1 MW rooftop Fast Track project
Typical cost	\$37,500	\$312,450
Typical timeframe	302.5 business days	723 business days

The interconnection process for a typical FOM project costs more than eight times as much as the typical behind-the-meter (“BTM”) project and will likely take more than twice as long as a BTM project. Reform is necessary to shorten the interconnection application review process and pre-construction timelines, eliminate late design surprises and cost increases, and make policy fixes to streamline FOM interconnection. WDAT reform, including applying the lessons learned from streamlining the Rule 21 interconnection process, will improve the overall experience for applicants looking to deploy Community Microgrids. Furthermore, studying all resources within the footprint of a Community Microgrid in tandem will improve the interconnection process. This will help solve the problem of silos within the utilities contributing to the uncertainty of applicants who must juggle multiple resource interconnection applications at the same time. Lastly, we agree with GPI that microgrid-related interconnection issues should be addressed in this proceeding rather than R. 17-07-007, which has been dormant for over a year and backlogged for far longer.

**E. Master metering and Rule 18.**

We agree with the Microgrid Resources Coalition (“MRC”) on the need to open up Rule 18, if the Commission feels that is doable without violating Public Utilities Code §780.5.

**F. The Commission should advance proposals with other compensation mechanisms.**

Ideally, a Community Microgrid tariff should compensate the full range of benefits created, including values that have not officially been standardized, like resilience. While the Clean Coalition’s RES proposal offers a financing framework to deploy Community Microgrids, it relies on existing incentives and tariffs to collect the rest of the revenue besides the aggregated RES fees. Moreover, the RES centers around load tiering for resilience at the most critical loads (and those

<sup>21</sup> The following report contains recommendations on increasing automation in the interconnection process: [https://clean-coalition.org/wp-content/uploads/2019/12/Recommendations-for-a-roadmap-on-automation-30\\_th-4-Oct-2018-.pdf](https://clean-coalition.org/wp-content/uploads/2019/12/Recommendations-for-a-roadmap-on-automation-30_th-4-Oct-2018-.pdf)

where facilities have an appetite for greater resilience and can pay), rather than designing the Community Microgrid for 100% resilience. We support the development of a framework that compensates microgrids on a per kWh basis, enables oversizing, and contemplates third party operations. Thus, we continue to believe that the Commission should advance discussions on proposals by GPI and MRC, both of which build on shortcomings of the CMET. Other parties including the Joint CCAs agree, noting agreement with GPI and arguing, “that the Commission should implement a mechanism to compensate CMs for the resiliency value they add to the grid. CMs provide resiliency value to the public that goes beyond the resiliency value enjoyed by the customers directly served by the CM.”<sup>22</sup> Therefore, the Commission should adopt the Clean Coalition’s RES proposal **and** determine which other capacity-based compensation mechanism proposal should be approved.

### III. CONCLUSION

The Clean Coalition appreciates the opportunity to submit these reply comments. We urge the Commission to adopt the RES, allow Community Microgrids to operate as one single controllable entity, compensate the full range of benefits provided by the microgrid, streamline interconnection procedures (including one application for all microgrid resources), open up Rule 18, and continue discussing other compensation mechanisms.

/s/ BEN SCHWARTZ  
Ben Schwartz  
Policy Manager  
Clean Coalition  
1800 Garden Street  
Santa Barbara, CA 93101  
Phone: 626-232-7573  
[ben@clean-coalition.org](mailto:ben@clean-coalition.org)

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<sup>22</sup> OPENING COMMENTS OF the Joint CCAs ON TRACK 5 STAKEHOLDER PRO FORMA TARIFF PROPOSALS, at p. 3.