

**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 RESPONSE TO ADMINISTRATIVE LAW JUDGE'S RULING
REQUESTING COMMENT ON RESPONDENTS AND STAKEHOLDER PROPOSALS'
ALIGNMENT WITH THE COMMISSION'S NINE ENVIRONMENTAL AND SOCIAL
JUSTICE ACTION PLAN GOALS**

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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 this response to the *Administrative Law Judge’s* (“ALJ”) *Ruling Requesting Comment on Respondents and Stakeholder Proposals’ Alignment with the Commission’s Nine Environmental and Social Justice (“ESJ”) Action Plan Goals*, and the *Email Ruling Ordering All Parties To Respond to March 27, 2024 ALJ Ruling Using the CPUC’s Environmental & Social Justice Action Plan Version 2.0* (“ESJ Action Plan 2.0”), both issued at the Commission on March 27, 2024. Responses to the ALJ’s Ruling will help the Commission determine how stakeholder proposals address Issue Four of the Assigned Commissioner’s Scoping Memo and Ruling; what is the best way to harmonize a Community Microgrid tariff with the ESJ Action Plan 2.0? This response will focus on which of the nine goals the Clean Coalition’s Resilient Energy Subscription (“RES”) proposal addresses, a subject that we have previously discussed in the Opening Comments on Stakeholder Pro-Forma Standard Microgrid Multi-Property Tariffs submitted on January 12, 2024, and the Reply Comments on Stakeholder Pro-Forma Standard Microgrid Multi-Property Tariffs submitted on January 26, 2024. Appendix A, below, contains excerpts from both filings where the Clean Coalition previously referenced the ESJ Action Plan 2.0.

At a high level, the Clean Coalition believes that an effective Community Microgrid tariff must align with the goals listed in the ESJ Action Plan 2.0. The nine goals listed in the ESJ Action Plan 2.0 can roughly be summarized in the following sentence. The Commission will increase its focus on ESJ communities by integrating equity and promoting local energy deployments, improved infrastructure, resilience, empowered participation, consumer safety, and economic development. This sentence can be taken literally, in the form of increased capital investments for ESJ communities, which the Commission has done by allocating funds for Community Microgrids via the

MIP. The Commission could also choose to allocate funds in the context of another Community Microgrid-related program. However, the Clean Coalition asserts that the relationship with the goals in the ESJ Action Plan 2.0 in this instance refers to the need to develop a standard and viable pathway ESJ communities can use to deploy a Community Microgrid in a timely manner. Such a pathway must include procedures for both technical design/interconnection and the financial component required to successfully install/operate a Community Microgrid. The Clean Coalition agrees with Green Power Institute (“GPI”) that the Commission should aim to turn Community Microgrids from, “‘unicorns into donkeys’ in terms of making MPMs¹ commonplace donkeys rather than rare and magical unicorns. Social, environmental and resilience demands all weigh heavily in favor of this expedited transformation.”²

The Clean Coalition’s Resilient Energy Subscription (“RES”) proposal is a complementary framework to design and finance scalable Community Microgrids deployed to provide resilience at CCFs and the broader community. The RES is a fee-based market mechanism (\$/kWh) allowing a facility within the footprint of a Community Microgrid to subscribe to receive a guaranteed delivery of renewable energy in the event of a grid outage. The subscription option lets each facility determine what the appropriate level of resilience is based on its willingness to pay. The initial fee is based on the Community Microgrid costs – e.g., capital expenditures, operations & maintenance, a rate of return, and Tier 1 resilience for CCFs – and the cash inflows – energy sales to the utility, tax credits, grants, or program-related funding – although the RES fee will decrease over time as the microgrid is expanded and subscribers are added. This framework will promote the deployment of Community Microgrids powered by local renewables in ESJ communities, leading to societal benefits, economic stimulus, resilience, cleaner air, and increased equity. We believe the proposed RES aligns with goals 1, 2, 3, 4, 7, and 9 of the ESJ Action Plan 2.0.

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

¹ “MPMs” refers to Multi-Property Microgrids.

² GREEN POWER INSTITUTE OPENING COMMENTS ON MULTIPROPERTY MICROGRID TARIFF PROPOSALS, at p 2.

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. Complying with the ESJ Action Plan 2.0 requires a framework that will lead to project deployments.

Before delving into the connection between the RES and the nine individual ESJ Action Plan 2.0 goals, the main weighing mechanism that the Commission should consider is whether a proposal is capable of leading to project deployments. Even if additional resources from grants, philanthropy, or other non-ratepayer funding sources are available to promote resilience in ESJ communities, a flawed Community Microgrid deployment process benefits no one. In the context of SB 1139, simply having a pathway available is not sufficient to meet the standard of commercialization if said pathway cannot be navigated successfully by an applicant or in an efficient manner. This is especially true for ESJ communities, for whom resources are not readily available, which is the main reason that the Commission approved up-front technical assistance grants as part of the Microgrid Incentive Program (“MIP”). The more uncertainty is involved in the process of designing and deployment of a Community Microgrid, the less likely an ESJ community will be to expend up-front funds that could otherwise be used on a more certain investment. The RES aligns with the goals listed in the ESJ Action Plan 2.0 and will complement the Commission’s approved Community Microgrid design pathway. However, a deployment process riddled with uncertainty will undoubtedly lead to a failed tariff. Therefore, having clear timelines in place, procedures for streamlined interconnection, an efficient design process, and the opportunity to meet local grid needs are all essential facets of a Community Microgrid tariff that can meet the goals in the ESJ Action Plan 2.0. For ESJ communities, a successful pathway for deploying Community Microgrids means a smooth road that can be traversed without a hitch, not one full of potholes.

B. Goal 1: Consistently integrate equity and access considerations throughout CPUC proceedings and other efforts.

As explained in Appendix A, deploying a Community Microgrid is a form of wealth creation for the local community, “including increased deployments of local resources, wildfire mitigation, and opportunities for electrification, helping to achieve state climate and energy goals at a

rate that would otherwise not be possible,” to name a few benefits in a non-exhaustive list.³ These benefits are all of particular importance in ESJ communities, where DER deployment rates are far lower than non-ESJ communities and the pollution burden is far higher. Increasing opportunities for ESJ communities and residents to provision community-scale resilience is only possible with a tariff that successfully funnels projects through to the deployment stage and a program that lends itself well to the economic situations of residents in ESJ communities.

The RES promotes the establishment, enhancement, and expansion of Community Microgrids initially designed around Critical Community Facilities (“CCFs”), enabling community-level resilience while providing a community the flexibility to plan around design/economic constraints. Unlike the existing Community Microgrid framework, the RES allows a Community Microgrid deployment to be scalable over time — rather than static — making possible a small initial deployment based on available funding that can expand over time to serve a greater portion of the community. For example, an ESJ community might start with a deployment at adjacent CCFs or focus on a single feeder and expand to an entire neighborhood or feeder as interest grows and willingness to pay for resilience becomes clearer. Importantly, the incremental growth of a Community Microgrid using the RES will also reduce costs for all RES subscribers, increasing the accessibility of resilience to residents of ESJ communities. The community-centric nature of the RES puts the decision-making power in the hands of the local community, emphasizing the needs of communities including ESJ communities.

C. Goal 2: Increase investment in clean energy resources to benefit ESJ communities, especially to improve local air quality and public health.

As mentioned above, the key to designing a Community Microgrid tariff that meets Goal 2 is actually achieving project deployments in ESJ communities, not just planning to make investments. Just like a terminated project contract doesn’t benefit anyone, an application for a Community Microgrid that never proceeds beyond the interconnection stage creates no value for an ESJ community. However, when deployed, a Community Microgrid includes DER that benefit the local residents via improved air quality and economic savings. For example, RES subscribers with onsite solar or solar+storage can dually benefit from keeping the power on during an outage and selling any additional generation to the Community Microgrid operator.

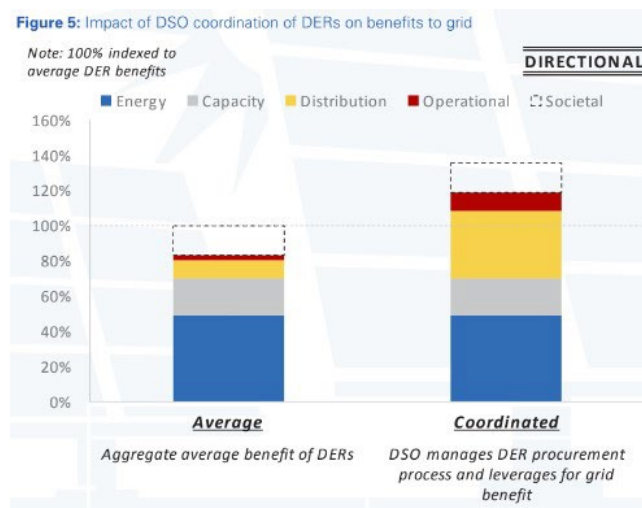
The Clean Coalition has demonstrated that Community Microgrids can provide a high

³ See Appendix A, at p. 1.

level of reliability, along with resilience, to the point of being more economically viable than gas peaker plants.⁴ In 2017, a Clean Coalition analysis comparing a Community Microgrid to the proposed Puente Peaker Plant led to the Commission rejecting the proposal.⁵ When it comes to deploying DER there are two fundamental issues, the deployment pathway and the project economics. The RES framework ensures that a proposed Community Microgrid has a sound long-term business model, significantly limiting the possibility of a project cancellation. If there are not enough subscribers upon deployment, the Community Microgrid owner/operator has the ability to attract additional subscribers, can develop a wait list, and may increase the footprint of the Community Microgrid if there is sufficient interest.

D. Goal 3: Strive to improve access to high-quality water, communications, and transportation services for ESJ communities.

Renewables-driven Community Microgrids promote healthy and sustainable communities and can increase the pace of electrification. The RES promotes the design and finance of scalable Community Microgrids that can grow as the needs of the community do. When demand increases, the community expands, or new CCFs are constructed, the Community Microgrid can benefit new parts of society. Progress toward achieving decarbonization and electrification goals will make Community Microgrids deployed using the RES increasingly valuable due to the ability of the grid operator to use DER in an optimal way during normal blue-sky conditions, in addition to the value created from providing resilience in black-sky conditions. See the graph below, from a 2016 Southern California Edison (“SCE”) White Paper on a Distribution System Operator (“DSO”).



⁴ <https://clean-coalition.org/community-microgrid-alternatives-to-gas-peaker-plants/>

⁵ <https://clean-coalition.org/puente-ellwood/>

E. Goal 4: Increase climate resiliency in ESJ communities.

One of the main benefits from a Community Microgrid is increased resiliency. The RES directly addresses this goal by making Community Microgrid deployments feasible in situations where the necessary capital may not otherwise have been available. Community Microgrids can present a high barrier of entry because the existing frameworks do not have a direct compensation mechanism and the state has not yet developed a standard value of resilience. As a result, current planning for a Community Microgrid requires reliance on outside funding sources and the economics of each individual DER asset. The RES spreads costs out over time in a predictable manner in a monthly \$/kWh fee while appropriately socializing the costs of resilience at CCFs, promoting resilience that benefits the entire community and enabling individual residents to select & fund the level of resilience that they feel is appropriate for their needs. Because the RES is an opt-in market mechanism, only those in the footprint of the Community Microgrid with both the desire for resilience and the willingness to pay will choose to opt-in. The RES fees will be clearly delineated on a \$/kWh basis to ensure that a customer knows what will be charged each month. For ESJ communities, this provides a perfect opportunity for the Commission to make a direct investment in promoting resilience.

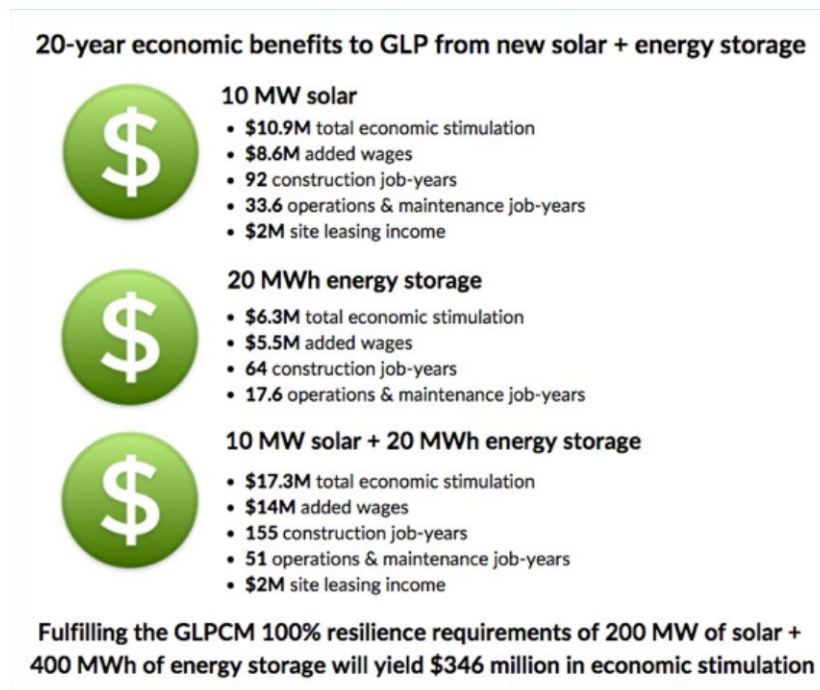
The RES also provides additional flexibility that other existing frameworks do not. For example, using the MIP or Community Microgrid Enablement Program (“CMEP”), an applicant must first have an application approved and jump through a number of hoops before receiving any funds not (other than those related to the technical consultation). As a result, the applicant has significant uncertainty as to whether the application will be approved or whether the full amount of requested funding will be granted. The RES reduces this uncertainty; less uncertainty improves the chance of a successful tariff. If the Commission chooses to fund customers’ RES fees, one option is to allocate the funds once the Community Microgrid is operational and the number of subscribers (and their requested RES allocations) is known.

F. Goal 7: Promote economic and workforce development opportunities in ESJ communities.

There are both direct and indirect economic benefits from a Community Microgrid deployment, as well as induced benefit from stimulus to the local economy. See the table below, which summarizes the different categories of investments that occur during the development of a Community Microgrid.

Direct effects	Indirect effects	Induced effects
<ul style="list-style-type: none"> • Construction • Management • Administrative support • Truck drivers • Support crews • Maintenance • Legal and siting 	<ul style="list-style-type: none"> • Equipment, tools, materials • Management • Supporting businesses: bankers that finance construction, contractors, manufacturers, equipment suppliers • Hardware store purchases and workers, spare parts and their suppliers 	<ul style="list-style-type: none"> • Jobs and earnings resulting from the spending supported by the project, including benefits to grocery store clerks, retail salespeople, childcare providers, etc.

The Clean Coalition conducted an analysis of the local economic benefits from a Community Microgrid deployed in the Goleta Load Pocket (“GLP”). We found that over 20 years, blocks of 10 MW of solar and 20 MWh of energy storage will result in over \$17 million in economic stimulation, \$14 million in local added wages, 155 construction job-years, and at least \$2 million in site leasing income.



The RES creates a bankable revenue stream for Community Microgrids, ensuring that it is feasible to deploy an initial microgrid and to scale up the microgrid’s footprint over time. This model maximizes the benefits to the local economy and promotes longer-term job creation than a single static Community Microgrid deployment.

G. Goal 9: Monitor the CPUC’s ESJ efforts to evaluate how they are achieving their objectives.

The RES provides several options for meeting this goal. First, the Commission can determine the number of Community Microgrids deployed using the RES, the number of critical facilities served, and the number of non-CCF subscribers. Subscriber turnover (e.g., subscribers that leave following the end of a one-year RES contract) will still increase the total number of ratepayers served over the lifetime of the Community Microgrid deployment. Second, over time as Community Microgrids implemented using the RES are expanded to serve a greater number of subscribers & CCFs, the Commission will have a clear indication that additional value is being created — at a lower cost due to the incremental deployment — dramatically increasing the benefits from the initial investment.

IV. CONCLUSION

The Clean Coalition appreciates the opportunity to submit this response on the applicability of the RES to the Commission’s ESJ Action Plan 2.0. We believe that the RES will enhance underlying technical specifications, study processes, and interconnection procedures for Community Microgrids by addressing financing and scalability. In this context, the RES is an essential component of equitably allocating costs for resilience and aligns with the goals listed in the ESJ Action Plan 2.0, including goals 1, 2, 3, 4, 7, and 9.

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Appendix A

Excerpts from 1/12/2024 Clean Coalition Opening Comments on Stakeholder Pro-Forma Standard Microgrid Multi-Property Tariffs and 1/26/2024 Clean Coalition Reply Comments on Stakeholder Pro-Forma Standard Microgrid Multi-Property Tariffs

Opening Comments, on pages 1-2

“Depending on where a Community Microgrid is sited, there is also value in the form of wealth creation for equity communities, including increased deployments of local resources, wildfire mitigation, and opportunities for electrification, helping to achieve state climate and energy goals at a rate that would otherwise not be possible. While not considered bankable revenue streams, the state and the Commission have stressed the need to prioritize each of these issues.³

Discussions of Community Microgrids should rise beyond viewing a microgrid as the aggregation of assets and consider the multiple value streams created by Community Microgrids for both the participating ratepayers and the broader grid. Creating a standard pathway for the deployment of Community Microgrids should also include opportunities to meet multiple needs at the same time, rather than unnecessarily limiting deployments by labeling them as only useful in outage situations.⁴”

Footnote 3: See the DER Action Plan 2.0, at p. 6, and ESJ Action Plan, Goals 1, 2, 4, 5, and 9.

Footnote 4: See the comments of PearlX, at p. 2.

Reply Comments, on pages 2-3

“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.¹ Ensuring that ESJ communities are able to deploy resilience solutions is 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.”

Footnote 1: Comments of PearlX Infrastructure LLC on Voluntary Stakeholder Pro-Forma Standard Microgrid Multi Property Tariff Proposals at p. 6.

Reply Comments, on page 8

“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 others¹⁹ 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.”

Footnote 19: Other supporters include PearlX, at p. 6.