

**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 19, 2019)

**FORMAL COMMENTS OF THE CLIMATE CENTER ON TRACK 1
STAFF AND IOU EXPEDITED RESILIENCY PROPOSALS**

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I. Introduction

The Climate Center respectfully submits these comments pursuant to the January 21 Administrative Law Judge's Ruling requesting comments on Track 1 Microgrid and Resiliency Strategies Staff Proposal.

The Climate Center is a California 501(c)(3) nonprofit organization founded in 2001 with a mission to deliver rapid greenhouse gas (GHG) reductions at scale, starting in California. Our comments are primarily focused on aspects of this proceeding that in our view have bearing on the degree to which these short-term deployments of microgrids reduce or have the potential to reduce GHGs.

In general we applaud the staff's inclusion of substantial consideration regarding steps that can be taken to empower local governments to develop energy resiliency projects. The Climate Center strongly asserts that in order for California to achieve its climate, energy, and resilience goals, local governments will need to be playing an increasingly important and essential role in local energy resource planning.

Since 2005, the Center has engaged in effort to establish Community Choice Aggregation (CCA) in California as a means of rapidly reducing GHGs. Our efforts have paid off. There are now 20 operational CCAs in the State and more will be coming online this year and beyond, and they are leading the way in clean energy procurement and GHG reductions, and not just in the electricity generation sector. In ten short years, CCA have proven that they serve as local government platforms for innovation in energy planning. CCAs, as local governmental agencies, can serve as an ideal collaborator with the CPUC and the IOUs on energy planning.

There is much more work for CCAs to do as they expand their capacity and begin developing distributed energy resources (DERs). In Investor Owned Utility (IOU) service territories where no CCA exists, there is more work to do to help build energy planning capacity, but that is what is required in this arena in order to achieve meaningful and optimized deployments, given that local governments are essential in local decisionmaking.

II. Comments

Responses to Request for formal Comments

3. Commission Questions

A note about the following Commission questions and Climate Center responses: Commission questions are presented in *italics*, Center comments in plain text.

3.1. Prioritizing Interconnection Applications to Deliver Resiliency Services at Key Sites and Locations All Interconnection Proposals:

This response condenses questions 3.1, 1 through 23, in the following statement: The Center is appreciative that staff recognizes that in practice, unnecessary delays in interconnections are common and increasingly likely with ever more complicated DER deployments. This is something we have heard many times from the project developers, vendors, project site owners, and other clean energy developers with whom we have engaged over the years in our work.

We urge the Commission to develop a standardized microgrid tariff that supports and makes pairing technologies and sizing for resiliency easier in the interconnection process, and establishes standard and transparent interconnection costs up front. Further, the Commission should establish more concrete timelines within Rule 21 for each stage of the process and require

IOUs to meet those timelines, and consider incentives and penalties to ensure IOU compliance with review timelines.

We are generally supportive of the provisions in the staff proposal regarding improvements in local government access to data and would support addressing additional data needs that may be identified by local government in order to ensure an expeditious process and collaboration.

We concur with the Guiding Principles for Interconnection Proposals and support the staff recommendations.

3.2. Modifying Existing Tariffs to Maximize Resiliency Benefits

3.2.1. Storage Charging Proposals

This response condenses questions 3.2.1, 1 through 14, in the following statement: The Center is generally supportive of the approach staff is taking and is in accord with the Guiding Principles for Tariff Proposals.

3.2.2. Storage Capacity Limit Proposals

This response condenses questions 3.2.2, 1 through 9, in the following statement: The Center asserts that storage capacity limits should be removed in order to allow the greatest degree of sizing flexibility for customers and communities in their deployments of storage systems. Nothing about the rules should stand in the way of allowing projects to be sized to meet customer and community needs in preparation for or during an emergency.

3.3. Ensuring Local Government Access to Distribution Infrastructure Data to Facilitate Development of Resiliency Projects

The Center is generally appreciative of the direction staff is heading in this area. Specifically regarding the Guiding Principles (3.3.2), bullet 3: “Support equitable access to utility information across local government agencies.” This is a step in the right direction, but the Center suggests an expansion of this principle. We propose a complete restructuring of the top-down command and control distribution service system to an open access model, where the owner-operator of the grid acts in good faith to expeditiously and fairly share customer data, adhering to all customer privacy safeguards. Under this new structure, which is analogous to the Federal Energy Regulatory Commission’s (FERC’s) open-access rules for transmission service and wholesale markets managed by independent transmission system operators, the grid operator would:

- Provide efficient and non-discriminatory access to data about the distribution system;
- Create an open, participatory distribution planning process that optimizes the use of non-wires solutions;
- Manage an efficient and non-discriminatory interconnection process that enables quick interconnection of DERs;
- Procure well-defined grid services from end-use customers and third-party DERs;
- Operate transparent markets for grid services.

The Center supports a strong, in fact leading, role for local governments in energy resilience planning with technical and financial support from the State. Cities and counties develop general plans and climate action/adaptation plans, typically with little consideration of the electricity grid and no involvement with the electric utility, unless they have a publicly-owned utility or CCA. IOUs do not often engage meaningfully with local governments during distribution planning and integrated resource planning. Wildfires and Public Safety Power Shutoffs (PSPS) are prompting new planning processes on both sides now, highlighting the urgent need for greater coordination. If local governments, CCAs, and utilities more consistently

plan changes to the grid together, solutions could better meet local needs and provide more effective use of ratepayer/customer dollars for reliability and resiliency.

The Center suggests placing a special focus on installing microgrids, beginning with the highest feasible degree of RPS eligible energy sources, to create “community resilience hubs,” which would be developed at existing, known community centers that have resilient clean energy and other resources to aid communities during outages and disasters.

1. Please indicate support of or opposition to the adoption of each proposal and justify the rationale. For the proposals that include implementation options, please indicate support of or opposition to each option and explain why.

The Center supports the staff recommendation.

2. Are changes to any rate schedules or electric rules needed to implement any of the proposals? If so, which ones, and how do they need to be changed? Please propose specific language.

No comment at this time.

3. Is CPUC action required in order to implement any of the proposals? If so, what action would be most appropriate?

CPUC action would be required to instruct the IOUs to carry out the elements in the recommended proposals. We support the CPUC in doing so.

4. For proposals that require CPUC action, what standards should be used to determine whether action is justified?

It is probably best to err on the side of CPUC acting in any instance where something new is being proposed for the IOUs to do.

No comment at this time for questions 5 through 10.

3.4. IOU Proposals for Immediate Implementation of Resiliency Strategies, Including Partnership and Planning with Local Governments

The Center does not intend to suggest anything that would hinder rapid deployment of systems that would help ensure the safety of those in high fire-risk areas in the upcoming fire season and beyond. However, we do have significant concerns about the IOU proposals. We view the emergence of a decentralized electricity system as an opportunity for communities and the local governments that serve them to enjoy many benefits, including safety and resilience, that can be obtained in such a system. We also view a robust local government role in energy planning as a key means of achieving State clean energy and climate policy goals. Some aspects of these proposals inappropriately suggest an encroachment of IOU control and/or ownership of systems that would be more appropriately owned and/or controlled by local load serving entities (LSEs) such as CCAs, customers, or some combination.

We suggest that the Commission consider approving only those elements that:

- Are required to ensure the safety and well-being of communities that may be at risk this fall;
- Are feasible to implement prior to the fire season this coming fall;
- Do not establish precedents for IOUs to usurp decision-making authority from local governments or CCAs.

3.4.1. All Investor Owned Utility Proposals

1. Please indicate support of or opposition to each proposal and explain the rationale. In response, please clearly distinguish between the action proposed and the cost recovery mechanisms proposed, if any.

The IOU proposals focus on utility-owned microgrids, not customer or community-owned microgrids. SB 1339 directs the CPUC to “facilitate the commercialization of microgrids,” which means to develop a market for microgrids, which further means that local market participants would come into play. Successful market development entails creating and nurturing a diversity of market participants and encouraging transactions between participants.

This necessarily means that entities other than the IOUs should be empowered to build, own, and operate microgrids. Focusing exclusively on IOU-owned microgrids goes against the clear legislative intent outlined in SB 1339. Furthermore, many of the IOU proposals would cause substantial cost-shifting between customers due to their cost recovery mechanisms. The Commission should instead focus funding and resources on the development of a statewide microgrid tariff that allows all customers, especially critical facilities and public agencies, to deploy microgrids that can respond to price signals for grid services during normal conditions and provide resiliency during disruptive conditions. This is the most equitable way to socialize the cost of building resilient microgrids and ensure that all customers can build microgrids to meet their individual resiliency and sustainability goals.

Pacific Gas & Electric (PG&E)

Regarding PG&E's Distributed Generation-Enabled Microgrid Services (DGEMS) Request For Offers (RFO): While the Center appreciates PG&E's stated intention to involve the industry in microgrid deployment, the PG&E DGEMS RFO process was not conducted in a manner that is conducive to receiving a robust number of qualified bids and responses. The scope of the RFO was very narrow and the construction timeline virtually impossible to meet. It appears that it may have been designed to fail. Furthermore, it does not appear to have been designed with communities and customers in mind. In our view, it goes against the statutory intent of SB 1339 to facilitate the commercialization of clean microgrids.

The construction timeline in the RFO is unrealistic for all but one type of technology, natural gas generators. Although natural gas will likely be required in some deployments, RPS-eligible renewables should be prioritized. Microgrids are complex construction projects. Whether

it is 1 MW or 20+ MW, when you get to commercial and substation level energy systems, the larger the project, the longer it takes. Given the size and the scope of the projects in the RFO – large scale substations ranging in size anywhere from 4 to 70MW – it is difficult to believe that PG&E wanted anything other than gas-fired generators.

Developers need to confer internally before responding to a [Request for Anything] to determine whether or not they have the time, budget and resources to respond. Qualified contractors do not undertake projects of this size and complexity lightly. They employ highly skilled workers whose time and expertise is valuable and is usually accounted for months in advance. The short timeline of the RFO left many prospective developers scrambling to properly analyze the opportunity and mobilize workers to submit a response.

Complex energy projects usually require multiple months of lead time and coordination between developers and customers. Developers need to engage with subcontractors, suppliers, engineers, field operations, and many others to ensure that the materials, labor, time and capital are all available to build a project before they can submit a bid. Developers, as businesses operating in a competitive market, have to be selective with which projects they bid on for all the reasons above and more. A project that is deemed too risky based on factors like an unrealistic construction timeline will simply be passed on. Considering the scope of the PG&E RFO, the timeframe in which it was released, and the completely unrealistic timeline, it is likely that many qualified developers with cleaner and more technologically advanced solutions did not bother responding to the RFO due to the high risk nature of the project.

PG&E shared its interconnection data for commercial customers and the Commission heard from many stakeholders how long the process takes in the workshop. PG&E cannot

interconnect a simple 2MW solar system at a school in six months. The project sizes for the twenty sites that were selected ranged from 4-70MW. These are not small construction projects. Yet the RFO stated that projects must have an online date of June 1, 2020, and no later than September 2020. We understand the urgency guiding this Track of the proceeding, but the construction timeline is all but impossible to meet.

Additionally, PG&E is seeking to recover the costs for its DGEMS program not in this proceeding, but in the Integrated Resource Planning (IRP) proceeding, as the DGEMS projects must be able to provide Resource Adequacy (RA) when not being used for resiliency. While the Center appreciates that PG&E is attempting to get multiple benefits out of one investment, receiving RA credit is a secondary benefit. The point of this solicitation is to procure resilient energy solutions at substations, so any projects approved in this program should be approved under this proceeding, not RA or IRP. The Center is also concerned that in attempting to recover costs under RA instead of R.19-09-009 that it is attempting to circumvent complying with the statutory emissions requirements set forth by the SB 1339 statute. Any microgrid authorized under this proceeding must meet the well-established Air Resources Board (ARB) Distributed Generation (DG) emissions standards that are clearly defined in the statute. It is entirely likely that given the narrow focus of the RFO that looks to shoehorn in one technology – natural gas generators – any bids that are received by PG&E would not meet these emissions standards and would therefore not qualify for cost recovery.

Furthermore, the RFO was not designed with customers and communities in mind. It is a utility-centric proposal. Resiliency is inherently local and communities should be *taking the lead* to identify critical facilities that should be made more resilient. PG&E claims that these projects will keep more customers downstream of the substations energized and states that critical facility

customers will be among those customers. But the proposal does not specifically address the customers identified in the ruling. PG&E claims that 138,000 more customers would be kept energized if the proposed projects were online during PSPS events. However, PG&E has nearly 16 million customers and to attempt to recover costs from all 16 million to benefit 138,000 is a significant cost-shift. This is prohibited by statute.

The Center respectfully asks the Commission to require PG&E to make the RFO proposals public and to ensure that if the selected projects do not meet the statutory requirements of SB 1339 with regard to the ARB DG emissions standards and cost shifting that they are not approved by the Commission. The Commission approving hundreds of millions of dollars in utility generator capital expenditures and allowing the utility to make a return on that investment is not in the interest of ratepayers, nor will it help advance California's decarbonization goals, when there are other cleaner solutions that can be deployed more widely across the state with minimal impact to ratepayers and public health.

Make Ready Program

This program will likely deploy resources that do not meet the statutory emissions requirements of SB 1339. Diesel generators are loud, dirty, and often unsafe. Many that are on the market today and available for purchase are mostly imported from out of state. California has the most aggressive emissions and air quality standards that many out of state generators simply cannot comply with. It is inequitable and contrary to the State's goals to approve the purchase of diesel generators that will be placed in local communities. Diesel emissions can negatively impact the health and safety of people living in those areas close to where the temporary generation will be sited. PG&E should collaborate closely with local governments where the

proposed temporary generation may be sited to ensure that these resources meet all applicable air quality and environmental regulations and explore cleaner options wherever possible.

Remote Grid Initiative (RGI)

While the RGI concept has merit, this proposal should be denied within Track 1 of this proceeding. It is a new initiative that will certainly not be ready in time for the 2020 fire season or specifically help critical facilities and critical needs customers as expressly requested in the ruling. This is at best a Track 3 initiative or one that should be addressed within the Distribution Resources Planning (DRP) proceeding. We respectfully ask the Commission to deny this request at this time and instead allocate the requested funds to the CMEP proposal which can be implemented much more quickly.

Community Resource Centers (CRCs)

Several local government agencies including CCAs have requested that they lead the initiative to create and manage CRCs with the utility reimbursing local governments for the extra costs of bearing the burden of PSPS events. Local governments and public agencies are best suited for this, not PG&E. This was demonstrated with their deployment and management of CRCs during the last PSPS events. Communities are better served by their local governments and CCAs. The Governor's proposed budget includes over \$200M for community resiliency funds that are specifically earmarked for CRCs. PG&E ratepayers in aggregate should not be financing CRCs for certain areas that are prone to PSPS. The state budget will be covering that in a more equitable fashion. If any community funds are approved in this proceeding, they should

be put into a fund that local governments in high fire risk areas can access so they can develop their own CRCs, as they are much better suited to serve their own communities.

Community Microgrid Enablement Program (CMEP)

The Center appreciates PG&E's attempt to engage communities to build microgrids and provide financial incentives to help with the cost of building microgrids. The CMEP is a good step forward in creating a tariff for microgrids and this program could be adopted by all three IOUs to promote equity and uniformly manage the deployment of microgrids across the State. The Center supports additional funding for this program.

The development and modification of tariffs, outlined in more detail below, should be the top priority for all three IOUs and the Commission. A statewide microgrid tariff will spur significant private investment in microgrids. Microgrids also could provide grid services to the utility, as PG&E has stated itself with its RFO requirements needing to provide RA and other ancillary services. The CMEP should be expanded and instead of funding diesel generators, those requested funds should go to the creation and administration of tariffs within the CMEP framework. Funds could be diverted from the Make Ready Program and/or DGEMS proposals to the CMEP. Even \$100 million in addition to the funds allocated for interconnection resources would go a long way toward developing the CMEP. A tariff created within this program that *all* communities can respond to will allow microgrids to be deployed more widely and expeditiously across the State.

Southern California Edison (SCE)

The Center generally supports the methodology used by SCE to identify critical circuits in high risk areas that are prone to frequent PSPS events.

The Center is concerned with SCE's EPIC Smart City Proposal and Customer Resiliency Pilot in that it attempts serve customers that are already being adequately served by the private sector. The Center does not support utility ownership of DERs and customer-side assets as that would be infringing on what is already a robust competitive market for these resources. Instead of SCE attempting to build microgrids at schools, for example, it should utilize the existing tariffs for DERs. The industry has matured to a point where there is no need for solar-plus-storage pilot projects. The California Energy Commission has also funded multiple microgrid projects through grants that demonstrate the clear value and effectiveness of microgrids. As SCE admits in its filing, many customers have requested microgrids and are fully capable of working with developers in the private sector to deploy these projects. Modifying tariffs and improving the interconnection process should be prioritized instead of utility-owned customer-side-of-the-meter microgrids.

SCE's proposal states that "SCE plans to both construct and operate the selected PSPS Microgrid Pilot microgrids." This is problematic from our perspective. It undermines efforts to build capacity at the local level in owning and operating DERs and infringes on the customer-side DER market. We do not want the IOUs to cross the meter line to the customer side, which is what SCE is attempting to do with their school proposal (5. Solar + Storage Customer Resiliency Pilot SCE's Solar + Storage Resiliency Pilot at San Jacinto High School).

San Diego Gas & Electric (SDG&E)

The Center has concerns regarding SDG&E's proposal with their Sempra-owned affiliate, PXiSE.¹ We have concerns regarding possible antitrust considerations, and even if there are no antitrust law violations, we do not want to see the utilities create unregulated affiliates from which they can directly procure microgrid controls. We do not want to see a precedent set, if there is indeed an issue, that this kind of utility encroachment in what should be a diverse market, has approval from the Commission.

An affiliate of a utility "winning" a bid for a project that the utility then gets to finance on the backs of ratepayers along with a rate of return seems anti-competitive and contrary to the goal of the statute to facilitate the commercialization of microgrids. Additionally, it is not cost effective for ratepayers as they will be paying for the utility procurement of the project, the utility's 10% rate of return, the affiliate's cost of building the project, and their profit from the project. This is all going into the bank account of one company and, essentially, Sempra is attempting to "double dip" with requesting approval and cost recovery for this project. If approved, this could set a dangerous precedent of anti-competitive procurement practices in the State where regulated utilities create unregulated affiliates that are then able to bid and win projects that are not as cost effective on the backs of ratepayers. It is imprudent and irresponsible for the state to allow one company to recover costs of microgrids. Creating a market for microgrids necessarily entails that the Commission look to diversify its procurement of microgrids with multiple market participants and solutions.

The Center has no comment at this time on questions 2 through 4b.

¹ See: <http://www.pxise.com/>

3.4.2. Proposals Regarding Emergency Temporary Generation

The Center encourages the Commission to suggest that if any emergency temporary generation is approved within this proceeding that there should be mandatory engagement with the local government in which the temporary generation will be sited and potentially receive approval from the local government and/or CCA, if applicable, before deploying the asset. The Center believes if PG&E wants to deploy diesel generators at substations that the costs should be borne by shareholders, not ratepayers, as the investment of diesel generators is contrary to the health and safety of the general public, as well as the State's decarbonization goals.

1. Should CPUC impose any requirements on how the IOUs engage with local government agencies with regards to siting, equipment specification, or operating conditions before operating emergency temporary generation so that community concerns regarding noise, odor and potential health effects can be addressed? Why or why not? If so, what requirements should CPUC impose and why?

Yes. What is needed now and as we continue into the 21st century, is a strengthening of local government energy planning capacity with support from the State. Local governments should be *in the lead* on local energy resiliency deployments. Local governments, especially those with publicly owned utilities (POUs) or Community Choice Agencies (CCAs), are well-positioned to collaborate with LSEs to determine which critical facilities are best suited for clean microgrids, helping to arrange financing, issuing requests for bids, and getting the projects installed and functioning. And given that resilient clean energy deployments can create revenue streams via energy savings all year long, even when there is no grid disruption, it is possible that revenue bonds could be used.

The Center has no comment on questions 2 through 3e.

III. Conclusion

The Climate Center thanks the Commission and Staff for the good work that was put into this Track. We appreciate the opportunity to comment, look forward to further engagement on this Rulemaking, and would be pleased to answer any questions you might have about these comments.

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Respectfully submitted,

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