

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



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

Rulemaking 19-09-009
(Filed September 12, 2019)

JOINT PARTIES NOTICE OF EX PARTE COMMUNICATION

In accordance with Rule 8.4 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the Joint Parties¹ hereby give notice of the following ex parte communication in the above-captioned proceeding. The communication occurred in person and by phone on Wednesday, March 4, 2020, and lasted for approximately 30 minutes.

The ex parte communication occurred between Chief of Staff Leuwam Tesfi and Energy Advisor Jason Reginer from Commissioner Shiroma’s Office, and the following representatives from the Joint Parties: Allie Detrio of the Microgrid Resources Coalition & Reimagine Power, Kurt Johnson of the Climate Center, Stephen Campbell of GRID Alternatives, Julia Levin of the Bioenergy Association of California, Sachu Constantine of Vote Solar, Katrina Fritz of the National Fuel Cell Research Center, Walker Wright of ENGIE, Carol Denning of Resilience Plus, and Candice Yu of Shell Energy North America. Mona Tierney-Lloyd of Enel X and Lorenzo Kristov, independent consultant and former CAISO employee, attended by phone.

¹ The Joint Parties consist of: Microgrid Resources Coalition, The Climate Center, GRID Alternatives, Bioenergy Association of California, Vote Solar, National Fuel Cell Research Center, ENGIE, Enel X, Shell Energy NA

The Joint Parties discussed the role of communities, customers, and private developers in the proceeding. Parties expressed the need for the Commission to reprioritize the creation of a tariff for microgrids in Track 1. There is serious concern that the proceeding is focusing too heavily on utility solutions in reaction to PSPS instead of facilitating the commercialization of customer microgrids through separate rates and tariffs as directed by SB 1339.

Following the SB 1339 statute as written will have the intended effect of mitigating the impacts of PSPS and making our communities in California more resilient. Improving the interconnection process and creating the microgrid tariff are the two most important things the Commission could get done this year to meet the statutory requirements of SB 1339. Parties shared the language of the legislation attached hereto.

The Parties in the meeting represent the diversity of resilient energy solutions that are available to customers and communities. By creating a tariff that encourages all types of technologies that are eligible under the CARB emissions standards outlined in SB 1339, customers and communities can adopt solutions that best fit their unique needs. California needs a diverse portfolio of clean energy resources and market participants. It minimizes risk and maximizes value. Parties urged the Commission to think about the *value* these solutions can bring to communities over the proposed utility solutions.

The Parties explained how the IOU proposals are contrary to the requirements and spirit of SB 1339 and many other public policy goals. Parties expressed concern that the proposals are not community-centric and box out cleaner solutions.² The state of California needs to set up the framework for customer microgrid deployment at scale, not hastily green light utility projects that do not advance our decarbonization, equity and environmental justice goals. The statute says

² The PG&E DGEMS RFO was referenced. It is attached hereto

nothing about building *projects* by 2020. The scoping ruling does not say *projects*, it says *strategies*. It is not feasible to build the proposed utility microgrid projects in 2020. One party provided examples of timelines for solar + storage project development and construction for schools. <1 MW projects from development through project closeout are estimated to take 18 months while >1 MW projects are estimated to take 23 months. A larger, more complex utility substation microgrid project will not be completed in time for the 2020 fire season. It is not possible. It is not just and reasonable for the state to be investing in expensive assets that lock us into dirty solutions that will be stranded in a few years anyways. It's important for California to get microgrid policy right, not rush to approve proposals in the name of getting something done by December.

Instead of investing in dirty generation, the IOUs should be investing in interconnection resources and the creation of a microgrid tariff as required by the statute. Prioritizing improving the process for interconnecting electric and thermal technologies and projects that combine multiple resources is the quickest and most cost-effective manner in which we can achieve community resilience at scale while making progress on our decarbonization goals. The Commission should develop the framework for microgrid deployment by customers and communities. This is the *resiliency strategy* that is in compliance with the statute and should be initiated immediately.

The IOU proposals shift costs between customers and communities through the utility picking winners and losers in both technologies and locations for microgrids. The utilities cannot build microgrids without shifting costs between ratepayers. They are looking to socialize the cost of building and operating microgrids in locations of their choosing across the entire rate base. Microgrids can provide grid benefits that help the larger grid be more stable. Microgrids

financed by utilities cannot provide direct resiliency benefits to all loads. That is a cost shift. The question was posed by one party, “why does one school or city get a microgrid built by the utility, and not all the others, but all others are bearing the cost?” Creating a microgrid tariff that *all* utility customers can take service under is more equitable, hence the reason the statute specified “through separate rates and tariffs”. Every customer should have access to a microgrid, not a select few. The IOU proposals are not designed with communities in mind – they all feature a piecemeal approach to building microgrids that is expensive, time consuming and does not provide resiliency opportunities to all ratepayers. The utility cannot build microgrids without shifting costs between ratepayers.

The most *equitable* way to socialize the cost of microgrids across the state of California and get the best *value* for the cost is for the Commission to create a statewide microgrid tariff that *all* utility customers can take service under. This could be developed so that microgrids that can respond to price signals for grid services in blue sky conditions and provide resiliency during black sky conditions. This will ensure that microgrid projects get built *widely, quickly and leverage private investment* by developers and customers to *minimize the cost* to ratepayers. Customer-driven microgrids provide a *higher value* to California communities. If the state deems it is good public policy to “subsidize” certain customers, such as critical facilities and critical needs customers, it can opt to create a Community Resilience Tariff that provides a richer value to those customers. Creating a tariff for microgrids will mitigate the impacts of PSPS and achieve our community resiliency goals.

The legislature has written two letters further clarifying and directing the Commission to create a microgrid tariff in Track 1 (attached hereto). The Parties strongly

encouraged the Commission to follow the requirements of SB 1339 and the explicit direction of the legislature.

Respectfully submitted,

/s/ Baird Brown

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