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

**NOTICE OF EX PARTE COMMUNICATION
OF THE PUBLIC ADVOCATES OFFICE**

Pursuant to Rule 8.4 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) hereby details three ex parte meetings initiated by Cal Advocates to discuss the Proposed Decision Adopting Rates, Tariffs, and Rules Facilitating the Commercialization of Microgrids Pursuant to Senate Bill 1339 and Resiliency Strategies (Track 2 Microgrid and Resiliency Proceeding). The first meeting occurred via Webex on Friday, January 8, 2021, from approximately 9:30 a.m. to 9:55 a.m. with Joshua Huneycutt, Advisor to Commissioner Marybel Batjer. Cal Advocates was represented by Chloe Lukins, Program Manager; Tim Drew, Program and Project Supervisor; Steven Shoemaker, Senior Analyst; Fangxing Liu, Utilities Engineer; and Michael Einhorn, Staff Counsel.

The second meeting occurred via telephone on Friday, January 8, 2021, from approximately 2:30 p.m. to 2:50 p.m. with Leuwam Tesfai, Chief of Staff and Legal Advisor, and Christina Ly, Energy and Water Advisor, of Commissioner Genevieve Shiroma's office. Cal Advocates was represented by Chloe Lukins, Program Manager; Tim Drew, Program and Project Supervisor; Steven Shoemaker, Senior Analyst; Fangxing Liu, Utilities Engineer; and Michael Einhorn, Staff Counsel.

The third meeting occurred via Webex on Friday, January 8, 2021, from approximately 4:00 p.m. to 4:30 p.m. with Sandy Goldberg, Advisor to Commissioner Rechtschaffen. Cal Advocates was represented by Chloe Lukins, Program Manager; |Tim Drew, Program and Project Supervisor; Steven Shoemaker, Senior Analyst; Fangxing Liu, Utilities Engineer; and Michael Einhorn, Staff Counsel.

A handout reflecting Cal Advocates' recommendations was emailed to the advisors at the start of each meeting and is included here as Attachment A.

During each of the meetings, the representatives for Cal Advocates explained Cal Advocates' recommendations related to the Proposed Decision on the Track 2 Microgrid and Resiliency Proceeding. Specifically, Cal Advocates explained that, as reflected in Attachment A, (1) as provided by the Proposed Decision, to avoid cost shifting, microgrids should not be exempted from paying standby charges; (2) Energy Division should lead workshops to define the criteria to guide dispersal of the $200 million Microgrid Incentive Program; (3) the cost cap for the Clean Substation Microgrid Program should be based on actual data and lowered from $350 million to $100 million; and (4) the authorization and ratemaking process for the Clean Substation Microgrid Program should be revised to further protect ratepayers by recording such costs to a subaccount of the Microgrid Memorandum Account subject to a reasonableness review, and subsequent cost allocation, in the GRC or a separate application.

Respectfully submitted,

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January 13, 2021

ATTACHMENT A

Written Materials Provided on January 8, 2021

PROCEEDING NO: R. 19-09-009 Date: January 8, 2021
Commission Agenda: January 14, 2021

PROPOSED DECISION (PD) ON THE TRACK 2 MICROGRID AND RESILIENCY PROCEEDING

Public Advocates Office's Positions:

- **Support Proposed Decision (PD) to not exempt microgrids from standby charges.**
- **Define the criteria to guide the dispersal of the $200 million Microgrid Incentive Program through Energy Division-lead workshops.**
- **Lower the cost cap for the Clean Substation Microgrid Program from $350 million to $100 million.**
- **Revise the authorization and ratemaking process for the Clean Substation Microgrid Program to further protect ratepayers.**

- **The Public Advocates Office opposes the exemption of microgrids from standby charges.**[1]
  - Several parties stated that fire risk and the recent de-energization events make standby charges inapplicable to microgrids, given that microgrids can provide service during an outage.
  - As disruptive as those events are, it does not change the fact that the investor-owned utility (IOU) has the responsibility to provide service to a grid-connected microgrid whenever the microgrid equipment is unable to serve onsite load.
  - Research from the Department of Energy and other sources show that if a microgrid customer does not pay standby charges, the cost of maintaining the infrastructure and generation that the microgrid customer still needs will be shifted to non-microgrid customers.[2] This violates the cost shifting prohibition in Senate Bill (SB) 1339.[3]
  - The PD presents a balanced approach by proposing a microgrid tariff that does not exempt microgrids from standby charges. Additionally, Energy Division has launched the Resiliency and Microgrids Working Group, which will attempt the value the resiliency benefits of microgrids, a step that must be taken prior to compensating such benefits.

[1] Standby Charges apply to customers who have some of their demand met by a generator outside of the IOU's service territory the microgrid is connected to, but who at times supplies energy to the IOU. PG&E, Electric Schedule S – Standby Service, accessed at https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC_SCHEDS_S%20(Sch).pdf

[2] The US Department of Energy, *The Potential Benefits of Distributed Generation and Rate-Related Issues That May Impede Their Expansion* (2007), pp. 8-6.

[3] SB 1339 (Stern) Stats. 2018, Ch. 566 (SB 1339).

- **The Energy Division should lead workshops that define the criteria that will guide the dispersal of the $200 million Microgrid Incentive Program.**
  - The PD requires the IOUs to convene stakeholder working groups and meetings to develop the specifics of the Microgrid Incentive Program's eligibility criteria.[4]
  - The Public Advocates Office recommends that Energy Division lead workshops, not the IOUs, to fully define the criteria that will be used to score applicants who receive an incentive and methodology used to determine the incentive amount a project receives.
  - Energy Division, a neutral facilitator, led inclusive and focused meetings that resulted in clear action plans, and that approach is needed here.

- **The cost cap for the Clean Substation Microgrid Program should be lowered from $350 million to $100 million.**
  - The PD determines the $350 million budget cap by multiplying the microgrid threshold cost of $1 million/MW [5] by 350 MW, which was the estimated capacity of diesel generators reserved by PG&E in 2019.
  - However, PG&E only deployed 74 MW of substation-level diesel generators in 2019, according to a recent data response from PG&E.[6]
  - The maximum amount of substation backup generation needed for 2021 should not exceed 100 MW based on the PD's proposed method [7] for determining temporary generation capacity.
  - Therefore, the cost cap for the Clean Substation Microgrid Program should be at most 100 million ($1 million/MW * 100 MW).

- **The Commission should revise the authorization and ratemaking process for the Clean Substation Microgrid Program to further protect ratepayers.**
  - Cal Advocates disagrees with the PD's proposal to record the costs for the Clean Substation Microgrid Program in a Distribution Revenue Adjustment Mechanism (DRAM) and to recover costs from all distribution customers.
  - Certain components of the Clean Substation Microgrid Program (e.g. capital investments in permanent generation and power purchase contracts) are not distribution costs and should not be recorded in the DRAM.
  - DRAM uses the distribution allocator that automatically assigns costs to different classes of ratepayers. Such an allocation may not align with the level of benefits each class receives from clean microgrids. Cal Advocates recommends recording these costs to a subaccount of the Microgrid Memorandum Account subject to a reasonableness review, and subsequent cost allocation, in the GRC or a separate application. This approach would ensure ratepayers are not subjected to unwarranted costs.

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[4] The PD includes a Microgrid Incentive Program that has a budget of $200 million and is meant to "fund clean energy microgrids to support the critical needs of vulnerable populations impacted by a grid outage." PD, p. 56.

[5] The PD requires that the cost of the Clean Substation Microgrid Program not exceed twice the cost of temporary diesel generation. Because the upper cost limit of diesel is $500,000/MW, the threshold cost of the Clean Substation Microgrid Program should be $1 million/MW.

[6] PG&E, Microgrid SB 1339 OIR Rulemaking 19-09-009 Data Response (Dec. 3, 2020), p. 7.

[7] The PD requires an IOU to reserve "temporary generation capacity equivalent to 120% or less of the peak deployment of temporary generation in the immediately previous year." PD, A1-A2.