



**FILED**

03/10/21  
12:07 PM

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

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

R.19-09-009

**REPLY COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E)**  
**ON THE ASSIGNED COMMISSIONER'S AMENDED SCOPING MEMO AND**  
**RULING FOR TRACK 3**

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Dated: **March 10, 2021**

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**I.**

**INTRODUCTION**

Pursuant to the Assigned Commissioner’s Amended Scoping Memo and Ruling for Track 3 (“Ruling”), Southern California Edison Company (“SCE”) submits these reply comments. SCE’s reply comments respond to parties’ opening comments and explain why such comments do not provide any meaningful reasons to waive or reduce standby charges for a customer operating a microgrid.

**II.**

**CONTRARY TO BLOOM ENERGY, UTILITIES CANNOT “REASONABLY PLAN”  
ON CUSTOMER-OWNED GENERATION CAPACITY TO ALWAYS BE AVAILABLE**

Bloom Energy mistakenly argues that microgrids should be eligible for a waiver of standby charges whenever “the utility can reasonably plan on reliable capacity,”<sup>1</sup> implying that

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<sup>1</sup> Bloom Energy Opening Comments at p. 3.

customer-owned generation supporting microgrids would meet this criterion. If the customer-owned generation was truly 100% reliable, then this argument would be reasonable. However, it is an obvious truism that no generation is 100% reliable. Given the non-zero risk of a generator outage, and the associated non-zero risk that the demand on the grid could suddenly and unexpectedly increase to the full value of the customer load, the utilities must of course ensure that the grid has the capacity to accommodate such demand. Otherwise, any event of a generator outage – which will occasionally occur – could result in overloading of SCE equipment, equipment damage, risk to public safety, and risk of outage to other customers.

There is, however, one scenario in which SCE could “reasonably plan”<sup>2</sup> on the customer load remaining below an expected level. This is possible if (and only if) the customer provides physical assurance that, if a generator outage occurs, the customer will immediately drop load to a demand below a specified level. Customers who enter into such a Physical Assurance agreement (including deploying the appropriate equipment) are indeed eligible for a waiver of the Capacity Reservation Charge, in recognition that the customer cannot exceed the demand for which SCE has planned.

### **III.**

#### **THE COMMISSION SHOULD NOT ADOPT A MICROGRID CAPACITY THRESHOLD UNDER WHICH STANDBY CHARGES ARE WAIVED**

In opening comments, Microgrid Resources Coalition (“MRC”) recommends the Commission eliminate standby charges for microgrids with less than 5 MW in aggregate generation capability because of the “extreme improbability of the simultaneous failure of enough resources of this size in near proximity to each other to create a significant disturbance on the system”<sup>3</sup> and because microgrids of this size “do not fail in sufficient concentrations in

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<sup>2</sup> Bloom Energy Opening Comments at p. 3.

<sup>3</sup> MRC Opening Comments at p. 6.

any given region of the grid to constitute anything more than noise in the overall operation of the grid.”<sup>4</sup> SCE disagrees.

Microgrids with 5 MW of generation capacity are not, as MRC suggests, just “noise” in the operation of the distribution system.<sup>5</sup> A project of this size connected to the distribution system is considered a “Large Project” given that 5 MW is about half of the load and generation that a distribution feeder would be able to accept. As such, a utility would be required to assume significant costs to maintain local distribution and generation capacity to serve the customers covered by the microgrid in the event the generation does not operate as intended. These are precisely the costs that standby charges are designed to cover. In addition, as discussed above, if the customer believes their microgrid system is sufficiently reliable, they can enter into a Physical Assurance agreement to eliminate the Capacity Reservation Charge.

Even if a microgrid has a small enough generation capacity such that the utility’s standby costs are in the “noise,” standby charges should still not be waived. As discussed in SCE’s opening comments,<sup>6</sup> standby charges are rooted in cost causation principles and are designed to recoup the customer’s fair share of utility costs. Under no circumstances should the Commission waive standby charges, however small they may be for some customers. If the Commission were to reduce a customer’s cost recovery burden by waiving costs that were in the “noise,” such costs would quickly accumulate and be shifted to other customers, threatening cost-equity and undermining the Commission’s duty to ensure reasonable rates.

#### **IV.**

#### **CONCLUSION**

SCE appreciates the opportunity to submit these reply comments and looks forward to working with the Commission and other parties to implement SB 1339.

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<sup>4</sup> MRC Opening Comments at p. 19.

<sup>5</sup> MRC Opening Comments at p. 19.

<sup>6</sup> SCE Opening Comments at p. 4.

Respectfully submitted,

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