**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 January 12, 2024)

COMMENTS OF LOCAL GOVERNMENT SUSTAINABLE ENERGY COALITION ON MULTIPROPERTY MICROGRID TARIFF AND PROPOSED MULTIPROPERTY MICROGRID TARIFF PROPOSALS

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Introduction

The Local Government Sustainable Energy Coalition (LGSEC) is a statewide membership network that represents local government interests related to clean energy and climate resilience to regulatory agencies. LGSEC's coalition of more than 35 city, county, and regional governments represents nearly two-thirds of the state's electricity demand. In addition to policy advocacy, LGSEC members advance sustainable energy and climate solutions to meet California's decarbonization goals through knowledge exchanges, tailored learning opportunities, and statewide collaboration. Among other successes, LGSEC helped build the blueprint for California's energy strategy by leading efforts to form Local Government Partnerships (LGPs), Regional Energy Networks (RENs), and Community Choice Aggregations (CCAs).

LGSEC's interest in this proceeding is based on its members' desire to develop and support microgrids that cost-effectively enhance community resiliency and sustainability and contribute to reductions in greenhouse gas emissions. Local governments need clear, financeable, pathways to field microgrids as a means to safeguard reliability; manage wildfire risks in lieu of undergrounding or expensive, never-ending, vegetation maintenance; retire fossil fuel backup generators (BUGs); and assist with achieving net zero carbon goals.

In drafting these Comments LGSEC conferred with several RENs, including Bay Area Regional Energy Network (BayREN), Tri-County Regional Energy Network (3C-REN) and Inland Regional Energy Network (I-REN), which are Commission-authorized energy efficiency portfolio administrators (PAs).[1] The RENs view microgrids as a potentially important tool to reduce peak consumption.

It is notable that tariff proposals are being submitted in the fifth track of a proceeding that has extended over almost five years. Yet substantial issues remain unresolved, impeding the ability to effectively commercialize microgrids, as called for under Senate Bill (SB) 1339. Questions left unanswered, for example, include how the utilities will sync distribution investment with microgrid deployment; can they invest in both for resiliency purposes and thereby profit from both? Utilities already tend to provide different distribution reliability levels to higher value industries, upper income households and those living in high wildfire risk areas, the cost of which is socialized into rates; would increasing revenues directed to microgrids exacerbate existing inequities? The weight of these and other unresolved matters is likely to continue to stall progress towards successful application of microgrids to their best uses.

Microgrid Resources Coalition Points to Necessary Reforms

Microgrid Resources Coalition (MRC) call for fundamental reforms demonstrates the unfinished business in this docket, regardless of what tariff(s) are ultimately adopted. LGSEC supports MRC recommended Rule 186 modifications, to allow development of multi-property microgrids that rely on their own internal distribution system to the fullest extent possible; the

[1] The EE Authorization Decision provides PAs the opportunity “to expend up to 2.5 percent, or $4 million, whichever is greater, of its energy efficiency budget for the portfolio period, up to a maximum of $15 million, on a pilot basis for ongoing load shifting that reduces peak consumption.” D.12-06-055 at 78.

ability to deploy master metering; and the need to establish a regulatory framework for micro-utilities. The Commission should also take a closer look at microgrid access to adjacent, including across the street, facilities.[2] In future proceeding tracks – which should include revisiting single property microgrid tariff issues, as recommended by Green Power Institute (GPI) – the California Public Utilities Commission (CPUC) should fully air and consider these and other salient issues, consistent with SB 1339.[3]

PearlX Infrastructure LLC's Proposals Should be Adopted

A present barrier to microgrid deployment is their isolated use for reliability purposes only, rendering them unable to generate revenues most of the time, essentially turning them into emergency backup generators (BUGs). For example, the investor-owned utilities (IOU) proposed multi-property microgrid tariff (MPMT) is insufficient as it only covers islanded operations. PearlX recommends that microgrids be allowed to operate in "blue sky" – regular operating – mode, under applicable tariff provisions and rules, and be eligible to provide distribution services and participate in demand side management programs.[4] During islanding mode no utility charges should be levied, since the utility is not providing full services, while the microgrid owner could receive bill credits and participate in wholesale/retail markets.

PearlX's proposal is largely nested within existing tariff structures and rules. While LGSEC would prefer a more geographically tailored approach, the power of microgrids to both enhance resiliency and offer valuable grid services, including at the distribution level, needs to be unleashed. The PearlX proposal offers a pathway to make modest progress towards advancing

[2] Clean Coalition Comments at 12-13.
[3] MICROGRID RESOURCES COALITION TRACK 5 PROPOSALS, C. Baird Brown Attorney for Microgrid Resources Coalition, December 15, 2023.
[4] PEARLX INFRASTRUCTURE LLC PROPOSED PRO-FORMA STANDARD MICROGRID MULTI PROPERTY TARIFF, Vidhya Prabhakaran, December 15, 2023.

commercialization. The concepts should be endorsed by the Commission and allowed to be made fully operational through an advice letter process.

Green Power Institute's Proposals Should be Adopted

Green Power Institute (GPI) proposes two compensation mechanisms to commercialize microgrids[5]:

1) An internal microgrid sales option similar to Pacific Gas and Electric Company's (PG&E) Green Savers program, through which the utility would buy power from the microgrid and sell it back to microgrid customers, thereby avoiding issues with Public Utility Code section 218; and

2) For microgrid power during blue sky conditions in excess of microgrid customer demand, offer an export sales option based on a new "resilience avoided cost" under the Public Utilities Regulatory Policy Act (PURPA) framework, limited to energy or capacity.[6] The approach, which MRC also recommended, would be similar to the ReMAT program, a type of feed-in tariff (FiT), which is capacity-limited (e.g. Southern California Edison's ReMAT program has less than five megawatts of solar capacity remaining). GPI's microgrid export sales proposal is a kind of microgrid- or resilience-specific FiT.

While LGSEC would prefer that avoided costs include transmission- and distribution-level services, the two elements reflect a conservative step towards enabling microgrids to capture some of the value they offer. Both largely fit within existing, accepted, frameworks, and should be adopted.

Clean Coalition Resilient Energy Subscription Merits Consideration

[5] GREEN POWER INSTITUTE COMMENTS ON MULTIPROPERTY MICROGRID TARIFF AND PROPOSED MULTIPROPERTY MICROGRID TARIFF, December 15, 2023, Gregg Morris, Executive Director.

[6] *See* GPI Comments at 7.

The Clean Coalition recommends adoption of a Resilient Energy Subscription (RES), to enable a microgrid developer to charge participants to protect against outages. The proposal is meritorious. In addition to a RES, Commission should consider mechanisms to enable microgrid participants to become shareholders in the system to avoid the need for separate fees; and explore directly linking microgrids with retirement of diesel BUGs and to support transportation electrification, particularly in vulnerable communities, including identifying reforms necessary in other venues to fully activate this strategy.

Conclusion

LGSEC encourages the Commission to continue the hard work of determining what reforms are necessary and desirable to transform microgrids from "unicorns into donkeys." The next proceeding phase should explicitly scope MRC's recommendations related to Rule 186 and other issues.

LGSEC urges the Commission to adopt the tariff approaches as discussed above, incorporation distribution level tailoring where possible. While the Clean Coalition proffers the RES, GPI a riff on the Green Savers program, and PearlX access to a broader array of existing tariff services, all could be implemented under the general Commission rubric of no "double-dipping."

Respectfully submitted,

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