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Ratesetting

TO PARTIES OF RECORD IN RULEMAKING 19-09-009:

This is the proposed decision of Administrative Law Judge Colin Rizzo. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's November 7, 2024, Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure (Rules).

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ MICHELLE COOKE

Michelle Cooke

Chief Administrative Law Judge

MLC:nd3

Attachment

Decision PROPOSED DECISION OF ALJ RIZZO (Mailed 9/17/2024)

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

**DECISION ADOPTING IMPLEMENTATION RULES FOR
MULTI-PROPERTY MICROGRID TARIFFS AND OTHER MATTERS**

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DECISION ADOPTING IMPLEMENTATION RULES FOR MULTI-PROPERTY MICROGRID TARIFFS AND OTHER MATTERS

Summary

This decision adopts a ratepayer oriented multi-property microgrid tariff for Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company.

Senate Bill 1339 (Stern, Stats. 2018, Chapter 566) requires that the Commission develop methods to reduce barriers for microgrid deployment without shifting costs to non-participating ratepayers. In compliance with this statute, the Commission reviewed the ratepayer cost impacts associated with stakeholder proposals for the multi-property microgrid tariff. This decision adopts a multi-property microgrid tariff that does not shift costs to non-participating ratepayers. It preserves the Commission's substantial and non-delegable responsibility to ensure safe and reliable service at just and reasonable rates by: (1) rejecting unjust compensation mechanisms for microgrid developers; (2) rejecting prospective, market-based setting of rates; and (3) preserving and enforcing California's statutorily regulated electric reliability and system safety requirements. While all proposals and comments submitted by parties were considered, given the large number of parties and issues, not every proposal or comment may be described individually in this decision.

The Microgrid Incentive Program supports disadvantaged and vulnerable communities that are impacted by grid outages and may otherwise be unable to deploy a multi-property microgrid project without facing substantial capital costs. Non-utility-owned microgrids deployed through the Microgrid Incentive Program shall use the adopted multi-property microgrid tariff.

This proceeding is closed.

1. Background

In September 2019, the Commission initiated this Order Instituting Rulemaking (OIR)¹ to facilitate the commercialization of microgrids and adopt resiliency strategies pursuant to Senate Bill (SB) 1339 (Stern, Stats. 2018, Ch. 566). SB 1339 requires the Commission, in consultation with the California Energy Commission (CEC) and the California Independent System Operator (CAISO), to take action to facilitate the commercialization of microgrids for distribution customers of large electrical corporations.

Components of microgrid commercialization are set by SB 1339, and must include: (1) rates, tariffs, and rules, as necessary; that (2) remove barriers for deploying microgrids across the large investor-owned utility (IOU) service territories; (3) without shifting costs onto non-benefiting customers; and (4) prioritizing and ensuring worker, public, and the electric system's safety and reliability.

1.1. Track 1

Track 1 of this proceeding began in December 2019.² Upon resolution of Track 1, the Commission adopted Decision (D.) 20-06-017. D.20-06-017 satisfied many of SB 1339's requirements by:

1. Permitting Requirements, Public Utilities Code Section 8371, subdivision (a)³
 - (a) Required the development of a template-based application process for specific behind-the-meter project types to prioritize, streamline, and expedite applications and approvals for key resiliency projects.

¹ OIR Regarding Microgrids Pursuant to SB 1339 and Resiliency Strategies, September 12, 2019.

² Administrative Law Judge's Ruling Noticing Microgrid Workshop, December 4, 2019.

³ All further references to "Section" are to sections of the Public Utilities Code unless otherwise stated.

2. Barrier Reduction, Section 8371, subdivision (b)
 - (a) Required the development of a template-based application process for specific behind-the-meter project types to prioritize, streamline, and expedite applications and approvals for key resiliency projects;
 - (b) Added dedicated staff to the utilities' distribution planning teams that specialize in resiliency project development for local jurisdictions;
 - (c) Allowed energy storage systems, in advance of Public Safety Power Shutoff (PSPS) events, to import from – but not export to – the grid, in support of preparedness in advance of a grid outage;
 - (d) Removed the storage sizing limit for large net energy metering (NEM)-paired storage and maintained existing metering requirements;
 - (e) Required the development of a separate access-restricted portal for local jurisdictions that gives information to support local community resiliency projects;
 - (f) Approved the Pacific Gas and Electric Company's (PG&E's) Community Microgrid Enablement Program which provides incremental technical and financial support on a prioritized basis for community-requested microgrids for PSPS mitigation purposes;
 - (g) Approved PG&E's Make-Ready Program for the period of 2020 through 2022 which includes enabling each of the prioritized substations to operate in islanded mode;
 - (h) Approved PG&E's Temporary Generation Program which involves leasing mobile generators for temporary use during the 2020 wildfire season; and
 - (i) Approved San Diego Gas & Electric Company's (SDG&E's) request to procure a local area distribution controller.

3. Rates and Tariffs, Section 8371, subdivision (d)
 - (a) Allowed energy storage systems, in advance of PSPS events, to import from – but not export to – the grid in support of preparedness in advance of a grid outage; and
 - (b) Removed the storage sizing limit for large NEM-paired storage and maintained existing metering requirements.
4. Standards and Protocols, Section 8371, subdivision (e)
 - (a) Developed a template-based application process for specific behind-the-meter project types to prioritize, streamline, and expedite applications and approvals for key resiliency projects; and
 - (b) Approved SDG&E's request to procure a local area distribution controller.

1.2. Track 2

Following the issuance of D.20-06-017 on June 17, 2020, the Commission initiated Track 2 of this proceeding on July 3, 2020.⁴ On January 21, 2021, the Commission issued D.21-01-018 that adopts rates, tariffs, and rules for facilitating the commercialization of microgrids pursuant to SB 1339. D.21-01-018 also adopts an interim approach for minimizing emissions from generation during transmission outages and a process for transitioning to clean temporary generation in 2022 and beyond. Specifically, D.21-01-018 orders the following primary actions from the state's large IOUs:

1. Southern California Edison Company (SCE) to revise its Rule 2 to permit installing added or special facilities microgrids;

⁴ Assigned Commissioner's Amended Scoping Memo, July 3, 2020.

2. PG&E and SCE to revise their electric Rule 18 and SDG&E to revise its electric Rule 19 to allow local government microgrids to service critical customers on adjacent parcels;
3. PG&E, SDG&E, and SCE to each create a renewable microgrid tariff that prevents cost shifting for their territories;
4. PG&E, SDG&E, and SCE to jointly develop a statewide microgrid incentive program (Microgrid Incentive Program or MIP) with a \$200 million budget to fund clean energy microgrids to support the critical needs of vulnerable communities impacted by grid outages and test new technologies or regulatory approaches to inform future action; and
5. PG&E, SDG&E, and SCE to develop pathways for the evaluation and approval of low-cost, reliable electrical isolation methods to evaluate safety and reliability.

1.3. Track 3

Less than a month after the adoption of D.21-01-018, the Commission initiated Track 3 of this proceeding on February 9, 2021. On July 15, 2021, the Commission issued D.21-07-011 which suspends the capacity reservation component of the standby charge for eligible microgrid distributed technologies.

1.4. Track 4

1.4.1. Expedited Phase 1 of Track 4

One month after the issuance of D.21-07-011, on August 17, 2021, the Commission initiated Track 4 of this proceeding with an expedited Phase 1, and a Phase 2. The expedited Phase 1 of this proceeding responded to Governor Gavin Newsom's July 30, 2021, Proclamation of a State of Emergency in response to the accelerating impacts of climate change in California.⁵ On

⁵ Governor Gavin Newsom, Proclamation of a State of Emergency, July 30, 2021, available at: <https://www.gov.ca.gov/wp-content/uploads/2021/07/Energy-Emergency-Proc-7-30-21.pdf>.

December 2, 2021, the Commission issued D.21-12-004 which adopted enhanced summer 2022 and 2023 reliability requirements for PG&E and SDG&E.

1.4.2. Phase 2 of Track 4

On April 14, 2023, the Commission issued D.23-04-034. D.23-04-034 implemented Ordering Paragraphs 6 and 7 of D.21-01-018. Specifically, D.23-04-034 established implementation rules for the previously authorized Microgrid Incentive Program for PG&E, SDG&E, and SCE. The Microgrid Incentive Program is a program that targets placement of community microgrids in disadvantaged vulnerable communities to support populations impacted by grid outages. This Microgrid Incentive Program seeks to advance microgrid resiliency technology, advance system benefits of microgrids equitably across disadvantaged communities (DVCs) and inform future regulatory resiliency action to the benefit of all ratepayer customers. The total program budget for the Microgrid Incentive Program, as established by D.21-01-018, is set at \$200 million. D.23-04-034 also determined that the Commission would consider a multi-property microgrid tariff through Track 5 of this proceeding.

1.5. Track 5

After the adoption of D.23-04-034, the assigned Commissioner issued an amended Scoping Memo and Ruling for Track 5.⁶ This amended Scoping Memo and Ruling focuses on the continued implementation of SB 1339 through developing a multi-property microgrid tariff. SB 1339 requires the Commission to implement microgrid standards, protocols, guidelines, methods, rates, and tariffs as well as reduce barriers to microgrid deployment statewide. SB 1339 requires the Commission, when implementing its legislation, to prioritize

⁶ Assigned Commissioner's Amended Scoping Memo and Ruling, July 18, 2023.

system, public, and worker safety while avoiding cost shifts between ratepayers. In other words, SB 1339 requires the Commission to ensure that non-benefiting microgrid customers remain indifferent to costs. This proceeding is closing because upon resolution of Track 5, all matters have been resolved.

2. Multi-Property Tariff Proposals

2.1. Joint IOUs

On August 8, 2023, the assigned Administrative Law Judge issued a ruling ordering the PG&E, SCE, and SDG&E (Joint IOUs) to submit a draft multi-property microgrid tariff, based on PG&E's Community Microgrid Enablement Tariff (CMET), with any necessary utility-specific deviations, into the record of this proceeding.⁷ The Ruling also set forth parameters for the IOUs for developing the multi-property microgrid tariff. The Ruling highlighted Section 8371(b)'s parameters which require the Commission to, without shifting costs between ratepayers, develop methods to reduce barriers for microgrid deployment. The Ruling also emphasized Section 8371(d)'s parameters which require the Commission to develop separate large electrical corporation rates and tariffs, as necessary, to support microgrids, which ensuring that system, public, and worker safety are given the highest priority.

In short, components of microgrid commercialization are determined by statute, and must include: (1) rates, tariffs, and rules, as necessary; that (2) remove barriers for deploying microgrids across the IOU service territories; without (3) shifting costs onto non-benefiting customers. When viewed with additional statutory granularity, microgrid commercialization must reflect just and reasonable rates alongside safe and reliable service.

⁷ Assigned Administrative Law Judge's Ruling, August 8, 2023.

The Ruling also set forth guiding principles for the Joint IOUs to follow for drafting their multi-property microgrid tariff. The guiding principles are:

- Provide the rules, terms, and conditions defining the relationship between the utility and the microgrid;
- Align the microgrid multi-property tariff with all applicable Commission policies and state and local permitting requirements;
- Align the microgrid multi-property tariff with existing electric service rules (e.g., Rule 2) and existing interconnection processes;
- Provide equitable service and universal access while avoiding discriminatory practices;
- Avoid cross-subsidization and cost shifts between participants and non-participants; and
- Contain sufficient information and details to facilitate evaluation by Commission staff and stakeholders.

The Ruling directed the Joint IOUs to:

- Comply with Section 218 regarding rules for electrical corporations;
- Define and standardize the technical, operational, and regulatory requirements for microgrids that utilize a utility distribution system to provide resiliency services to two or more end users;
- Define roles, responsibilities, and requirements for all parties during microgrid development and testing, ongoing microgrid operations and maintenance, and modifications or changes to microgrid once operational;
- Address and prioritize safety and system reliability, including but not limited to, public and worker safety, utility system protection, and cybersecurity;
- Demonstrate compliance with existing rules, regulations, and other tariffs, as well as identify any potential barriers or conflicts with existing rules, regulations, tariffs. Where

- barriers or conflicts are identified, propose potential solutions and processes to address them;
- Allow for the utility to always maintain control of its distribution system;
 - Ensure that any generation and storage resources with the ability to operate in parallel with a utility are interconnected to that utility's distribution system;
 - Do not prohibit generation resource technologies;
 - Require all generation resources to comply with all applicable emissions standards; Do not restrict ownership of generation or storage resources;
 - Do not unduly restrict third-party owned resources from participating in markets, participating in programs, or providing services during normal utility grid conditions;
 - Address service quality for all electricity delivered;
 - Establish mechanisms to ensure consumer and ratepayer protection;
 - Address communications and telemetry between microgrid and utility;
 - Address metering, billing, and settlement processes for delivered electricity; and
 - Explain how pricing is established, if relevant.

2.1.1. Parties Response to Joint IOU Proposal

Parties filed comments on October 27, 2023. The parties are: (1) Applied Medical Resources Corporation (AMR); (2) Center for Biological Diversity, Green Power Institute, The Climate Center, 350 Bay Area (350 Bay Area); (3) City of Long Beach, CA, a municipal corporation, acting by and through its Board of Harbor Commissioners (Port of Long Beach); (4) Clean Coalition; (5) Sonoma Clean Power Authority, Pioneer Community Energy, Peninsula Clean Energy Authority (Joint CCAs); (6) Green Power Institute; (7) Microgrid Resources

Coalition (MRC); (8) PearlX Infrastructure LLC (PearlX); (9) Small Business Utility Advocates (SBUA); (10) Sunnova Community Microgrids California, LLC (Sunnova); and (11) the Public Advocates Office at the California Public Utilities Commission (Cal Advocates).

Parties filed reply comments on November 10, 2023. The parties are: (1) Cal Advocates; (2) Clean Coalition; (3) Coalition of California Utility Employees (CCUE); (4) PearlX; (5) PG&E; (6) SBUA; (7) SCE; and (8) SDG&E.

2.2. Stakeholder Proposals

On October 23, 2023, the Assigned Commissioner and Administrative Law Judge jointly amended the schedule of activities for Track 5 of this proceeding to allow industry participants and stakeholders to this proceeding who wished to submit a voluntary draft multi-property microgrid tariff of their own into the record.⁸ The Assigned Commissioner and Administrative Law Judge ordered the stakeholders electing to submit a draft microgrid multi-property tariff to follow the guiding principles set forth in the August 8, 2023 Ruling.

The Assigned Commissioner and Administrative Law Judge emphasized that the guiding principles adhere to the Commission's statutory requirements to not shift costs between ratepayers when developing tariffs and rules that reduce barriers for microgrid deployment.⁹ The guiding principles set forth for the industry participants and stakeholders mirror those set forth for the IOUs (*see above*).

⁸ Assigned Commissioner and Administrative Law Judge's Ruling, October 23, 2023.

⁹ Section 8371(b).

2.2.1. Parties Response to Various Stakeholder Proposals

On December 15, 2023, the following industry participants and stakeholders voluntarily submitted multi-property microgrid tariff proposals: (1) AMR; (2) Clean Coalition; (3) GPI; (4) MRC; (5) PearlX; and (6) Sunnova. The stakeholder proposals were submitted by industry and non-industry groups.

In response to the stakeholder submissions, parties filed opening comments on January 12, 2024. The parties are: (1) Cal Advocates; (2) California Energy Storage Alliance; (3) CCUE; (4) Clean Coalition; (5) Joint CCAs; (6) Joint IOUs; (7) Local Government Sustainable Energy Coalition (LGSEC); (8) PearlX; (9) SBUA; (10) SCE; (11) Sunnova; and (12) GPI.

Parties filed reply comments regarding the above submissions on January 26, 2024. The parties are: (1) AMR; (2) CCUE; (3) CESA; (4) Clean Coalition; (5) GPI; (6) Joint IOUs; (7) LGSEC; (8) Sunnova; (9) MRC; and (10) PearlX.

3. Issues Before the Commission

The issues within the scope of Track 5 are:

6. What guiding principles should the Commission adopt to assist in the development of a microgrid multi-property tariff?
7. Whether PG&E should modify its Community Microgrid Enablement Tariff for the purposes of a statewide, microgrid multi-property tariff.
8. Whether PG&E, SCE, and SDG&E should form a single, unified multi-property tariff, for statewide application. Should this single, unified multi-property tariff be modeled from PG&E's Community Microgrid Enablement Tariff?
9. To what extent should a single, unified microgrid multi-property tariff align with or impact environmental and social justice communities; including the extent to which it could impact achievement of any of the nine goals

of the Commission's Environmental and Social Justice Action Plan?

4. Submission Date

This matter was submitted on May 17, 2024, upon the filing of the parties' replies to the final Administrative Law Judge's Ruling¹⁰ regarding scoping issue 4 in Track 5.

5. Discussion

We begin with a constitutional and statutory overview governing the outcomes for this proceeding. Pursuant to Article XII, Sections one through six of the California Constitution, the Commission "has broad authority to regulate utilities."¹¹ The California Legislature enacted the Public Utilities Act which authorized the Commission to supervise and regulate every public utility in California and to do all things which are "necessary and convenient in the exercise of such power and jurisdiction."¹² Specifically, Article XII, Section 3 of the California Constitution provides that "the production, generation, transmission, or furnishing of heat, light, water, power" fall under the jurisdiction of the California Legislature. California Public Utilities statutes are enforced by the Commission.¹³

Section 382(b) states that electricity is a necessity, that all residents of the State should be able to afford essential electricity and gas supplies, and that the Commission shall ensure that low-income ratepayers are not jeopardized or

¹⁰ Assigned Administrative Law Judge's Ruling, March 27, 2024.

¹¹ *Ford v. Pacific Gas & Electric Company* (1997) 60 Cal. App.4th 696, 700, citing to *San Diego Gas & Electric Company v. Superior Court*, (1996) 13 Cal. 4th 893, 914-915.

¹² Section 701.

¹³ California Constitution, Article XII, Section 5.

overburdened by monthly energy expenditures.¹⁴ Section 451 requires rates, terms and conditions of utility service be just and reasonable.¹⁵

Section 8371 governs the Commission's statutory authority for facilitating the development of microgrids. Section 218 requires any entity that wishes to sell energy to more than two contiguous parcels or across a street to become a regulated electrical corporation subject to Commission jurisdiction. When an entity is subject to Commission jurisdiction, it is our duty to ensure that the public utility is meeting public customer service and safety expectations.¹⁶

Section 2780 defines "electric microutility" as any electrical corporation that is regulated by the Commission organized for the purpose of providing sole-source generation, distribution, and sale of electricity exclusively to a customer base of fewer than 2,000 customers.¹⁷

Section 399.2 ensures system, public, and worker safety are given the highest priority. Section 399.2(b) requires that, to ensure safe and reliable operation of the distribution grid, an electrical corporation shall operate its electric distribution grid in its service territory.

Since 2019, the Commission has adopted five decisions¹⁸ in this rulemaking to support microgrid deployment. With this context in mind, we discuss the outcomes of this proceeding's Track 5, below.

¹⁴ Section 382(b).

¹⁵ Sections 451, 454 and 728.

¹⁶ Sections 451, 454 and 728.

¹⁷ Section 2780.

¹⁸ See D.20-06-017; D.21-01-018; D.21-07-011; D.21-12-004; and D.23-04-034.

5.1. Voluntary Multi-Property Microgrid Tariff Proposals

Below, we summarize the submitted proposals, the parties' positions to the industry and stakeholder proposals, and our analysis on whether the proposals, individually, complied with the guiding principles and tariff requirements.

5.1.1. Summary of Party Proposals

AMR Proposal: Generally, AMR's proposal focuses on a specific, localized project in SCE's territory that would deliver electricity from one AMR property across a public street to another AMR property.¹⁹ AMR encourages the Commission to incorporate AMR's proposed changes to electric Rules 2, 16, and 18 along with developing a framework to efficiently resolve disputes in any multi-property microgrid tariff.²⁰

Clean Coalition Proposal: Clean Coalition proposal presents a resilient energy subscription (RES as a market mechanism that allows any facility within the footprint of a community microgrid to pay a dollar/kilowatt-hour fee on top of its normal electricity tariff for guaranteed daily delivery of locally generated renewable energy during grid outages.²¹ Clean Coalition states that its RES, and its aggregated fees from all customers participating within the footprint of a community microgrid, will be sufficient to cover the cost of service of providing the customers a level of resilience, including a rate of return for the microgrid owner and/or operator and socializing the cost of resiliency for the most critical loads at community facilities.²²

¹⁹ AMR Proposal at 2.

²⁰ AMR Proposal at 5-7.

²¹ Clean Coalition Proposal at 1.

²² Clean Coalition Proposal at 2. Clean Coalition states that the RES does not create a cost shift because: (1) the customers within the footprint of the community microgrid pay the premium

Footnote continued on next page.

GPI Proposal: GPI proposes a framework that focuses on compensation.²³ GPI proposes two compensation mechanisms for microgrids: (1) an internal microgrid sales option where the utility buys power from the microgrid and sells it back to microgrid customers; and (2) for microgrid power during blue sky²⁴ conditions in excess of microgrid customer demand, an export sales option based on a resilience avoided cost under the Public Utility Regulatory Policies Act.²⁵ GPI proposes to restrict compensation to renewable resources, particularly solar and storage technologies.²⁶ Essentially, GPI proposes that the community microgrid act as the sole provider of generation to entities within the microgrid footprint during blue-sky conditions. GPI proposes that “[f]inancing will require the [multi-property microgrid] be allowed to provide power to its customers during blue sky conditions as well as during islanding ... [and to] export power, at just and reasonable rates, to the grid.”²⁷

The Joint IOUs Proposal: The Joint IOUs were ordered by the assigned Commissioner’s Scoping Memo and Ruling to submit a pro-forma standard multi-property tariff based on PG&E’s existing CMET along with any utility-specific deviations. PG&E submitted changes to revise its CMET to comport with the needs of a multi-property tariff. SCE and SDG&E both submitted multi-property microgrid tariffs based upon the CMET to fit their respective service territory needs.

for the resiliency the service provides; and (2) the customers in the surround area benefit from having critical services available.

²³ GPI Proposal at 4.

²⁴ Blue sky conditions refer to a normal, routine operating day for an electrical corporation.

²⁵ GPI Proposal at 2.

²⁶ GPI Proposal at 2.

²⁷ GPI Proposal at 7.

This tariff will provide for the following: (1) ratepayer protections; (2) balances the Joint IOUs statutory responsibility of providing safe, reliable service at just and reasonable rates without shifting costs between ratepayers; (3) cost efficient; and (4) ensures worker safety is given the highest priority.

First, PG&E proposed several edits to the CMET defined terms sections to provide clarity and to align with the definitions in the microgrid operating agreement (MOA),²⁸ collaboration with SCE and SDG&E on the development of the Microgrid Incentive Program Implementation Plan (MIPIP), the development of the MIP Handbook, as well as modifications to the MOA for PG&E's first community microgrid project, the Redwood Coast Airport Microgrid.²⁹ PG&E also proposed two updates to address processes and requirements for community microgrid applications: (1) the pre-application study and pre-application report are no longer required prior to submitting an application; and (2) publication of a list of microgrid equipment in PG&E's Microgrid Technical Best Practices Guide and has established a process for vendors to seek acceptance of microgrid equipment.³⁰ PG&E also proposed an array of technical modifications to reflect updated processes.³¹

Second, SCE set forth a schedule for a multi-property microgrid tariff for its service territory. SCE set forth: (1) eligibility criteria;³² (2) rates;³³ (3)

²⁸ Joint IOU Proposal, Attachment A at A-1. *See also* D.23-04-034 which established parameters for the MOA for submission via Tier 2 Advice Letter to the Commission's Energy Division.

²⁹ Joint IOU Proposal, Attachment A at A-1.

³⁰ Joint IOU Proposal, Attachment A at A-1.

³¹ Joint IOU Proposal, Attachment A at A-1

³² Joint IOU Proposal, Attachment B at B-1.

³³ Joint IOU Proposal, Attachment B at B-1.

definitions;³⁴ (4) processes;³⁵ (5) project development and operation requirements;³⁶ (6) roles and responsibilities;³⁷ (7) system change;³⁸ (8) service and feeds;³⁹ (9) tariffs programs and service agreements;⁴⁰ (10) specifications for California Independent System Operator (CAISO) market participation;⁴¹ (11) metering;⁴² (12) termination parameters;⁴³ and (13) special conditions.⁴⁴ SCE also provided details for deviations from the CMET to fit the needs of its service territory.⁴⁵

Third, SDG&E also set forth a schedule for a multi-premise microgrid tariff for its service territory. SDG&E set forth: (1) applicability criteria and territory;⁴⁶ (2) eligibility criteria;⁴⁷ (3) availability period;⁴⁸ (4) interconnection studies;⁴⁹ (5) microgrid islanding studies;⁵⁰ (6) community microgrid development and

³⁴ Joint IOU Proposal, Attachment B at B-2.

³⁵ Joint IOU Proposal, Attachment B at B-4.

³⁶ Joint IOU Proposal, Attachment B at B-6.

³⁷ Joint IOU Proposal, Attachment B at B-6.

³⁸ Joint IOU Proposal, Attachment B at B-6.

³⁹ Joint IOU Proposal, Attachment B at B-7.

⁴⁰ Joint IOU Proposal, Attachment B at B-7.

⁴¹ Joint IOU Proposal, Attachment B at B-7.

⁴² Joint IOU Proposal, Attachment B at B-7.

⁴³ Joint IOU, Attachment B at B-7

⁴⁴ Joint IOU, Attachment B at B-8.

⁴⁵ Joint IOU, Attachment B at B-9.

⁴⁶ Joint IOU, Attachment Ca t C-1.

⁴⁷ Joint IOU, Attachment at C-1.

⁴⁸ Joint IOU, Attachment at C-2.

⁴⁹ Joint IOU, Attachment at C-2.

⁵⁰ Joint IOU, Attachment at C-2.

operation;⁵¹ (7) service and feeds;⁵² (8) tariffs, programs and service agreements;⁵³ (9) CAISO market participation;⁵⁴ (10) metering;⁵⁵ (11) termination parameters;⁵⁶ (12) special conditions;⁵⁷ and (13) definitions.⁵⁸ SDG&E also described changes it made to the CMET to meet its service territory needs.⁵⁹

MRC's Proposal: MRC proposes an array of revisions and modifications to existing statutes and electric rules, including: (1) Rule 18; (2) Rule 21; and (3) Section 2780. First, MRC proposes modifications to Rule 18 to (a) permit multi-property microgrid development that use their own internal distribution system to the fullest as permitted by Section 218 of the PU Code, California law and Commission precedent;⁶⁰ and (b) permit use of master metering for microgrid facilitation.⁶¹ Second, MRC proposes modifications to electric Rule 21 to ease the interconnection of microgrids.⁶² Third, like GPI, MRC also proposes an array of compensation mechanisms in its proposals.⁶³ Fourth, MRC proposes substantial revisions to PG&E's CMET Tariff, namely to provide equitable

⁵¹ Joint IOU, Attachment at C-3.

⁵² Joint IOU, Attachment at C-2.

⁵³ Joint IOU, Attachment at C-2.

⁵⁴ Joint IOU, Attachment at C-2.

⁵⁵ Joint IOU, Attachment at C-2.

⁵⁶ Joint IOU, Attachment at C-2.

⁵⁷ Joint IOU, Attachment at C-2.

⁵⁸ Joint IOU, Attachment at C-2.

⁵⁹ Joint IOU, Attachment at C-9.

⁶⁰ MRC Proposal at 11.

⁶¹ MRC Proposal at 2; and 13.

⁶² MRC Proposal at 16-17.

⁶³ MRC Proposal 7-9.

benefits to microgrid customers and compensation for the investment in the microgrid.⁶⁴ Finally, MRC proposes that the Commission should open a proceeding to “establish an appropriately light-handed regulatory program for new microuilities.”⁶⁵

PearlX’s Proposal: PearlX, similar to MRC and GPI, focus its proposal on compensation as well as enabling a microgrid to operate fulltime, outside of island mode.⁶⁶ PearlX states that development of a microgrid is not a sensible investment unless it can operate fulltime, outside of island mode and that during islanding periods, microgrid owners/operators should be compensated and should not be paying utility tariffs or fees.⁶⁷ PearlX proposes that microgrids should be allowed to participate in wholesale and retail markets⁶⁸ and projects should be split across more than one tariff.⁶⁹

Sunnova’s Proposal: Sunnova submitted two proposals. First, Sunnova requests that the Commission establish a new program and regulatory framework for third party owned and operated microgrids that are regulated as electrical corporations under Section 218 and that would be subject to rules “appropriately tailored to the size, scope, and type of facilities that comprise a microgrid and the unique services that the microgrid can provide its

⁶⁴ MRC Proposal at Exhibit B.

⁶⁵ MRC Proposal at 17.

⁶⁶ PearlX Proposal at 1.

⁶⁷ PearlX Proposal at 2.

⁶⁸ PearlX Proposal at 2.

⁶⁹ PearlX Proposal at 2.

customers.”⁷⁰ Sunnova also submitted a mark-up of PG&E’s CMET.⁷¹ Sunnova proposes that the Commission establish a new program for the construction and operation of microgrids.

5.1.2. Parties Positions to Proposals

Here, we discuss the parties’ positions on each of the proposals below.

Parties Positions to AMR Proposal: Clean Coalition is generally supportive of AMR’s proposal.⁷² SCE opposes AMR’s proposal.⁷³ GPI supports AMR’s proposals to change electric Rules 2, 16, and 18.⁷⁴

Parties Positions to Clean Coalition Proposal: LGSEC supports enabling a microgrid developer to charge participants to protect against outages.⁷⁵ CUE opposes Clean Coalition’s proposal disagreeing with Clean Coalition’s assertion that its proposal satisfies the requirements of Section 218 and Section 399.2.⁷⁶ CUE states Clean Coalition’s proposal to have a community microgrid being operated by a third party during grid outages contravenes Section 218 and 399.2⁷⁷ CUE states that a utility must be in control of the distribution system it owns during all grid conditions, 24 hours a day, 7 days a week, 365 days a year.⁷⁸

⁷⁰ Sunnova Proposal at 1.

⁷¹ Sunnova Proposal at 1.

⁷² Clean Coalition Opening Comments to Party Proposal at 5.

⁷³ SCE Opening Comments to Party Proposals at 2-3.

⁷⁴ GPI Opening Comments to Party Proposals at 10.

⁷⁵ LGSEC Opening Comments to Party Proposals at 6.

⁷⁶ CUE Opening Comments to Party Proposals at 9.

⁷⁷ CUE Opening Comments to Party Proposals at 9.

⁷⁸ CUE Opening Comments to Party Proposals at 9.

SBUA supports Clean Coalition's proposal, which SBUA argues could be complementary to the CMET.⁷⁹ SBUA supports Clean Coalition's proposal to provide financial compensation to a community microgrid, particularly under its fee-based market mechanism structure.⁸⁰ Likewise, GPI states it "finds some merit" in Clean Coalition's proposal.⁸¹

PearlX opposes Clean Coalition's proposal that would give "operational control over community microgrids" to the utility rather than to an operator that "best meets the customer's needs."⁸²

SCE does not oppose Clean Coalition's proposal but rather, states that it poses numerous, significant policy concerns that need to be considered at the regulatory level.⁸³ SCE states that some of these considerations include: (1) microgrid size and structure applicability; (2) enrollment; (3) operationalizing opt-outs and disconnection; (4) cost considerations; and (5) equity considerations.⁸⁴

PG&E and SDG&E state they appreciate Clean Coalition's efforts to develop resiliency as a service business model and believe there is merit to the broad thrust of the RES model;⁸⁵ stating the RES concept of having benefiting customers within the microgrid boundaries finance the microgrid through some fee structure creates appropriate cost allocations and honors SB 1339's

⁷⁹ SBUA Opening Comments to Party Proposals at 2.

⁸⁰ SBUA Opening Comments to Party Proposals at 2.

⁸¹ GPI Opening Comments to Party Proposal at 1.

⁸² PearlX Opening Comments to Party Proposals at 2-3.

⁸³ SCE Opening Comments to Party Proposals at 4.

⁸⁴ SCE Opening Comments to Party Proposals at 4-5.

⁸⁵ Joint IOU Reply Comments to Party Proposals at 21.

prohibition on cost shifts.⁸⁶ While supportive of this basic structure, PG&E and SDG&E state they have numerous concerns and objections to specific mechanisms proposed by the Clean Coalition, including: (1) use of the utility bill; (2) inappropriate cost-shift via socialization of the costs to serve certain customers; and (3) use of smart meter disconnects.⁸⁷

In response to comments by PG&E and SDG&E, Clean Coalition stated that RES fees will only be collected from participating customers within the footprint of the Community Microgrid.⁸⁸ Doing so ensures that Community Microgrids deployed via the RES will not create a cost shift imposed on other utility ratepayers. Included in the RES fees are the costs of ensuring resilience for the Tier 1 loads at Tier 1 facilities. The community resilience enabled by the microgrid will result in the consistent availability of critical services for the entire community.⁸⁹

Parties Positions to GPI Proposal: LGSEC supports GPI's proposal, stating that the two compensation elements reflect a conservative step towards enabling microgrids to capture some of the value they offer and that both largely fit within existing, accepted, frameworks, and should be adopted.⁹⁰

CUE opposes GPI's proposal arguing that GPI would allow unregulated third-parties to determine emergency events in certain circumstances, stripping the IOUs of their statutory distribution system operator role.⁹¹ CUE also argues

⁸⁶ Joint IOU Reply Comments to Party Proposals at 21.

⁸⁷ Joint IOU Reply Comments to Party Proposals at 21.

⁸⁸ Clean Coalition Reply Comments to Party Proposals at 4.

⁸⁹ Clean Coalition Reply Comments to Party Proposals at 4.

⁹⁰ LGSEC Opening Comments to Party Proposals at 5

⁹¹ CUE Opening Comments to Party Proposals at 9.

that GPI asks the Commission to allow unregulated third parties to circumvent Section 218 by forcing the IOUs to buy power from unregulated third party microgrid operators and then, sell power back to the microgrid customers.⁹² CUE recommends that the Commission reject GPI's proposal because it runs afoul to Sections 218 and 399.2.⁹³

PearlX supports GPI's proposal. PearlX states that GPI makes compelling arguments for how microgrid exports can be appropriately compensated.⁹⁴

Clean Coalition supports GPI's proposal stating that GPI's proposal highlights the important need to monetize coordinated elements of resources for everyday economic benefits, rather than solely relying on sales from community microgrids during grid outages.⁹⁵

Sunnova supports GPI's proposal stating that the Commission should adopt GPI's proposal to allow for over-sizing of resources interconnected as part of a microgrid and sales from the microgrid as a single controllable entity during blue sky mode.⁹⁶ The Joint CCA's also support GPI's proposal.⁹⁷

Cal Advocates opposes GPI's proposal asserting that GPI proposes rate setting methods that would avoid State regulatory oversight necessary to ensure rates are just and reasonable.⁹⁸ Cal Advocates also opposes GPI's request that the Commission prospectively authorize its internal rate mechanism which is

⁹² CUE Opening Comments to Party Proposals at 9.

⁹³ CUE Opening Comments to Party Proposals at 9.

⁹⁴ PearlX Opening Comments to Party Proposals at 2.

⁹⁵ Clean Coalition Opening Comments to Party Proposals at 3-4.

⁹⁶ Sunnova Opening Comments to Party Proposals at 2-3.

⁹⁷ Joint CCA's Opening Comments to Party Proposals at 2-3.

⁹⁸ Cal Advocates Opening Comments to Party Proposals at 5.

tantamount to what the Commission rejected in D.23-04-005.⁹⁹ Cal Advocates states that this cost shift would persist for years.¹⁰⁰ Cal Advocates states that although GPI proposes to rely on the Commission's Avoided Cost Calculator for its internal sales option pricing paradigm, the proposal double or triple-counts avoided costs and added benefits that are duplicative of existing Commission policies.¹⁰¹

Cal Advocates also argues that GPI's proposal would "double-charge ratepayers for the non-resilience benefits associated with microgrid project resources via internal pricing and export compensation rates."¹⁰² Cal Advocates recommends that the Commission reject GPI's proposal.

The Joint IOUs also oppose GPI's proposal. First, the Joint IOUs argue that GPI propose tariffs that exempt microgrid customers from certain utility costs and/or that require new compensation mechanisms for energy produced within the microgrid boundary.¹⁰³ Like Cal Advocates, the Joint IOUs assert that GPI's proposal compensation mechanisms that amount to cost shifts and its proposal to bypass prudently incurred utility costs are illegal.¹⁰⁴ The Joint IOUs, like Cal Advocates, argue that adopting GPI's proposal would create cost shifts that SB 1339 prohibits.¹⁰⁵

⁹⁹ Cal Advocates Opening Comments to Party Proposals at 6.

¹⁰⁰ Cal Advocates Opening Comments to Party Proposals at 6

¹⁰¹ Cal Advocates Opening Comments to Party Proposals at 6-7.

¹⁰² Cal Advocates Opening Comments to Party Proposals at 8.

¹⁰³ Joint IOU Opening Comments to Party Proposals at 6-9.

¹⁰⁴ Joint IOU Opening Comments to Party Proposals at 6-9.

¹⁰⁵ Joint IOU Opening Comments to Party Proposals at 6-9.

Second, the Joint IOUs argue that the alleged benefits GPI purports in its proposal do not exist, are overstated, or are compensated under other mechanisms. For example, the Joint IOUs state that GPI would require the utility to purchase power exported to the larger grid from the microgrid during blue sky conditions and resell that power to other utility customers.¹⁰⁶ The Joint IOUs state that GPI's "benefits:" (i) apply primarily or exclusively to customers within the microgrid, (ii) are associated with revenue streams that already exist; (iii) are not essential to successful grid operation and do not justify compensation, or (iv) have negligible or indeterminate economic value.¹⁰⁷ Third, the Joint IOUs state that GPI's proposal bypasses prudently incurred utility costs and are therefore, illegal. For example, the Joint IOUs state that GPI's proposal to exclude transmission charges and any non-bypassable charges would shift costs to non-microgrid customers.¹⁰⁸

Parties Positions to The Joint IOUs Proposal: PearlX offered modifications to the Joint IOU's proposal, recommending that the Commission create a statewide tariff for multi-family housing, that tariffs should not impose an aggregate export capacity cap, and clarify that a project can be split between two or more tariffs.¹⁰⁹ GPI opposes the Joint IOUs proposal arguing that the Joint IOU tariffs will not commercialize microgrids¹¹⁰

Joint CCAs offered clarifying recommendations to the Joint IOUs proposal. The Joint CCAs state that the CCAs should have visibility into prospective

¹⁰⁶ Joint IOU Opening Comments to Party Proposals at 6.

¹⁰⁷ Joint IOU Opening Comments to Party Proposals at 7.

¹⁰⁸ Joint IOU Opening Comments to Party Proposals at 9.

¹⁰⁹ PearlX Opening Comments to Joint IOU Proposals at 1-3.

¹¹⁰ GPI Opening Comments to Joint IOU Proposals at 3.

microgrids in their service areas and eligibility to participate in CCA programs should be established in the tariff.¹¹¹ AMR opposes the Joint IOU proposals.¹¹²

Cal Advocates supports the multi-property tariff proposed by the Joint IOUs, with slight modification.¹¹³ The Joint CCA's assert that an IOU multi-property microgrid tariff should clearly define the roles of community choice aggregators.¹¹⁴

Parties Positions to MRC's Proposal: SBUA supports MRC's proposal.¹¹⁵ LGSEC supports MRC's recommendations to modify Rule 18.¹¹⁶ PearlX supports the MRC's proposals to revise Rule 18 and Rule 21.¹¹⁷ CESA generally supports MRC's proposal.¹¹⁸

Cal Advocates opposes MRC's proposal for an array of reasons. First, Cal Advocates states that MRC proposes drastic changes to basic ratemaking, reporting, and State oversight regulations as well as the microutilities statute in an effort to "resurrect its use as a potential basis to exempt microgrids from rules for electrical corporations."¹¹⁹ Cal Advocates states that MRC's request to sell electricity under a utility's wholesale distribution tariff would result in the sale of electricity that far exceeds the 2,000-customer base limitation of Section 2780.¹²⁰

¹¹¹ Joint CCA Opening Comments to Joint IOU Proposals at 1-2.

¹¹² AMR Opening Comments to Joint IOU Proposals at 7-11.

¹¹³ Cal Advocates Opening Comments to Joint IOU Proposals at 1-4.

¹¹⁴ Joint CCA Opening Comments to Party Proposals at 1.

¹¹⁵ SBUA Opening Comments to Party Proposals at 1.

¹¹⁶ LGSEC Opening Comments to Party Proposals at 6.

¹¹⁷ PearlX Opening Comments to Party Proposals at 6.

¹¹⁸ CESA Opening Comments to Party Proposals at 3-4.

¹¹⁹ Cal Advocates Opening Comments to Party Proposals at 4.

¹²⁰ Cal Advocates Opening Comments to Party Proposals at 4-5.

Cal Advocates further asserts that MRC proposes rate setting methods that would avoid State regulatory oversight necessary to ensure rates are just and reasonable.¹²¹ Cal Advocates highlights that MRC asks the Commission to “prospectively authorize rates” that will be set through either (1) private contracts with commercial and industrial customers for any duration to which the parties agree; and (2) agreements with local governments or non-governmental organizations for a substantial number of residential and small business customers.¹²² Cal Advocates states this would result in a cost shift to non-microgrid ratepayers, which could persist for years.¹²³

The Joint IOUs oppose MRC’s proposal. First, the Joint IOUs assert that MRC proposes to bypasses prudently incurred utility costs. For example, the Joint IOUs state that MRC’s proposal seeks to exempt microgrid customers from transmission costs.¹²⁴ Second, the Joint IOUs argue that operating a microgrid in island mode during blue sky conditions provides no incremental value,¹²⁵ intentional microgrid islanding during blue sky conditions does not benefit customers,¹²⁶ and multi-property microgrids do not provide services to the electric grid that require compensation.¹²⁷ Third, the Joint IOUs argue that MRC takes aim at Rule 18, seeking to re-litigate the Commissions’ holding in

¹²¹ Cal Advocates Opening Comments to Party Proposals at 5.

¹²² Cal Advocates Opening Comments to Party Proposals at 5-6.

¹²³ Cal Advocates Opening Comments to Party Proposals at 6.

¹²⁴ Joint IOU Opening Comments to Party Proposals at 11.

¹²⁵ Joint IOU Opening Comments to Party Proposals at 12.

¹²⁶ Joint IOU Opening Comments to Party Proposals at 12-13

¹²⁷ Joint IOU Opening Comments to Party Proposals at 15.

D.21-01-018.¹²⁸ The Joint IOUs state that MRC's changes to Rule 18 would directly conflict with multiple statutes and consumer protections.¹²⁹

CUE opposes MRC's proposal, stating that MRC's proposal violates various statutes, including Sections 218 and 399.2¹³⁰ CUE argues that California law requires the IOUs to control and operate multi-property microgrids.¹³¹ CUE also argues that the Commission should reject attempts to use the microutility statute to execute an end run around public utility regulation.¹³²

Clean Coalition supports MRC's proposal stating that it supports MRC's proposal to expand Rule 18 for private distribution infrastructure.¹³³

Sunnova supports MRC's proposal stating that the Commission should adopt MRC's proposal to establish a "light-handed regulatory program for new microuilities."¹³⁴ GPI supports MRC's proposal.¹³⁵

Parties Positions to PearlX's Proposal: LGSEC supports PearlX's proposal to reform existing tariff structures and rules.¹³⁶ Clean Coalition supports PearlX's position that multi-property microgrids should not be limited to times when there is an outage.¹³⁷

¹²⁸ Joint IOU Opening Comments to Party Proposals at 18.

¹²⁹ Joint IOU Opening Comments to Party Proposals at 18.

¹³⁰ CUE Opening Comments to Party Proposals at 13.

¹³¹ CUE Opening Comments to Party Proposals at 3-9.

¹³² CUE Opening Comments to Party Proposals at 12.

¹³³ Clean Coalition Opening Comments to Party Proposals at 4-5.

¹³⁴ Sunnova Opening Comments to Party Proposals at 2-3.

¹³⁵ GPI Opening Comments to Party Proposals at 2.

¹³⁶ LGSEC Opening Comments to Party Proposals at 3.

¹³⁷ Clean Coalition Opening Comments to Party Proposals at 5.

The Joint IOUs oppose PearlX's proposal because it would have the Commission allow microgrid owner/operators to bypass prudently incurred utility costs.¹³⁸

Parties Positions to Sunnova's Proposal: Cal Advocates opposes Sunnova's proposal arguing that it suffers from the same defects that were rejected by the Commission in D.23-04-005.¹³⁹ Cal Advocates argues that Sunnova's proposal is improper.¹⁴⁰ Cal Advocates also states that Sunnova's proposed modifications to the CMET would incorporate its "rejected framework into the [CMET]."¹⁴¹ Clean Coalition supports Sunnova's proposal for third-party owned/operated community microgrids to operate via microutilities.¹⁴²

The Joint IOUs oppose Sunnova's proposal. The Joint IOUs argue that the alleged benefits Sunnova purports in its proposal do not exist, are overstated, or are compensated under other mechanisms.¹⁴³ The Joint IOUs assert that Sunnova's tariff proposal would have the utility compensate the community microgrid aggregator for "products and services to the utility" or "that benefit" the utility's distribution system, "to the extent that such products and services are not sold in the CAISO market."¹⁴⁴ The Joint IOUs state that Sunnova fails to show that the IOUs have any need for the energy, capacity, and ancillary services

¹³⁸ Joint IOU Opening Comments to Party Proposals at 9.

¹³⁹ Cal Advocates Opening Comments to Party Proposals at 3.

¹⁴⁰ Cal Advocates Opening Comments to Party Proposals at 3.

¹⁴¹ Cal Advocates Opening Comments to Party Proposals at 3.

¹⁴² Clean Coalition Opening Comments to Party Proposals at 5.

¹⁴³ Joint IOU Opening Comments to Party Proposals at 6.

¹⁴⁴ Joint IOU Opening Comments to Party Proposals at 7.

described from its proposal¹⁴⁵ and fails to explain what it means by “grid services,” or how and why a community microgrid aggregator would offer distribution non-wires alternatives to the IOUs outside of the existing Distribution Investment Deferral Framework, or what those other products and services are.¹⁴⁶ And finally, the Joint IOUs, like Cal Advocates, state that Sunnova reiterates its request to develop and operate microgrids as “microutilities” which the Commission dismissed by D.23-04-005. CESA supports Sunnova’s recommendations to streamline the interconnection process for microgrid utilities.¹⁴⁷

CUE opposes Sunnova’s proposal arguing that Sunnova’s proposal is an attempt to use the microutility statute as an end run around public utility regulation.¹⁴⁸ First, CUE asserts that Sunnova’s proposal does not comply with Section 2780 because: (1) microgrids would not be sole-source providers; (2) microgrids would provide “intra-community exchange of energy and other attributes and services and sell energy and other attributes into the market; and (3) the proposal contains no limits to the number of customers multi-property microgrids can serve.¹⁴⁹ Second, CUE states that Sunnova’s proposal would allow a multi-property microgrid operator (with little to no regulatory oversight) to: (a) receive a CPCN “based on technical and financial capabilities” to operate multi-customer microgrids for “the intra-community exchange of energy and market attributes, and other services;” (2) charge market-based rates to

¹⁴⁵ Joint IOU Opening Comments to Party Proposals at 7.

¹⁴⁶ Joint IOU Opening Comments to Party Proposals at 8.

¹⁴⁷ CESA Opening Comments to Party Proposals at 4.

¹⁴⁸ CUE Opening Comments to Party Proposals at 12.

¹⁴⁹ CUE Opening Comments to Party Proposals at 13-14.

customers; (3) sell energy and other attributes into the market; and (4) make decisions regarding generation, load, islanding, and purchasing and selling energy and other attributes¹⁵⁰ running afoul of Sections 399.11, 451, 454.51, 454.52, 454.54, 739.1, and 8371.¹⁵¹

5.1.3. The Commission Rejects the Voluntary Proposals from Both the Industry Participants and Stakeholders Because These Proposals Do Not Comply with Our Guiding Principles, Tariff Requirements, and Statutory Obligations

Microgrid deployment must reflect just and reasonable rates alongside safe and reliable service. When the Commission directed the Joint IOUs to submit proposals, and granted the request of stakeholders for the option to propose a microgrid multi-property tariffs of their own, we did so with the directive that any proposal presented before us must support the Commission's multiprong responsibilities under our statutory responsibilities and requirements. Emphasis was placed upon compliance with Section 218.

The Commission concludes that both the industry proposals and stakeholders' proposals present adverse risk and impact to ratepayers because of their inconsistency with the Commission's statutory responsibilities. These proposals call for unregulated third parties to control and/or operate microgrids in direct contradiction of Sections 218, 2780, 399.2, 451, and 454 as well as D.21-01-018 and D.23-04-005.

Throughout the last five years of this proceeding, many of these same parties advocated for the Commission to loosen the requirements of Section 218.

¹⁵⁰ CUE Opening Comments to Party Proposals at 13-14.

¹⁵¹ CUE Opening Comments to Party Proposals at 14-16.

However, in D.21-01-08, we held that the Commission has no authority to change or modify any statute in the Public Utilities Code.¹⁵² Changes to statutes like Section 218, fall squarely within the powers to the California Legislature.¹⁵³

Nevertheless, in Track 5 of this proceeding, these industry proposals and stakeholder proposals again advocate for the Commission to weaken the statutory protections of Sections 218 the California Legislature enacted for California ratepayers so third-party microgrid operators can profit without State regulatory oversight through the pretext of SB 1339's statutory language. We reject those proposals for the reasons discussed further, below.

5.1.3.1. The Statutory Interpretation and/or Modifications as well as Exemptions GPI, MRC, PearlX, and Sunnova Seek Through Their Proposals Are Unauthorized and Unreasonable

Section 8371(b) requires the Commission, without shifting costs between ratepayers, to develop methods to reduce barriers for microgrid deployment. Section 399.2(b) requires that, to ensure safe and reliable operation of the distribution grid, each electrical corporation shall operate the electric distribution grid in its service territory consistent with Section 330. Section 399.2, subdivision (a)(2) defines operating the grid to include owning, controlling, operating, managing, maintaining, planning, engineering, designing, and constructing grid infrastructure and emergency response and restoration service connections, service turn-ons, and service inquiries.

Section 218, commonly referred to as the "over-the-fence rule," requires any entity that wishes to sell energy to more than two contiguous parcels or

¹⁵² D.21-01-018 at 31-33.

¹⁵³ D.21-01-018 at 31-33.

across the street to become a regulated, electrical corporation as defined under Section 216, with certain limited exceptions. An electrical corporation includes every corporation or person owning, controlling, operating, or managing any electric plant for compensation within this state. If an entity becomes an electrical corporation, it is a public utility subject to Commission regulation. When an entity is subject to our jurisdiction, it is our duty to ensure that the public utility is meeting public customer service expectations, public safety standards, maintains just and reasonable rates, as well as just and reasonable terms and conditions of utility service. Section 2780 defines an electric microutility as an electrical corporation that is regulated by the commission and organized for the purpose of providing sole-source generation, distribution, and sale of electricity exclusively to a customer base of fewer than 2,000 customers.

We begin by addressing the industry participants and stakeholders' proposals under the contours of Section 218. Then we address their proposals under Section 2780.

The Industry and Stakeholder Proposals Are Non-Compliant with Section 218, and related Statutes and Electric Rules, as well as Prior Commission Decisions. We begin with MRC. MRC proposes a framework that would require the Commission to abdicate its responsibilities to ensure that microgrids will operate safely, benefit ratepayers, and be cost efficient. For example, MRC would modify electric Rules 18 and Rules 19 to allow the development of multi-property microgrids that use their own internal distribution system.¹⁵⁴ MRC states that this change is intended to “strip away”¹⁵⁵

¹⁵⁴ MRC Proposal at 3.

¹⁵⁵ MRC Proposal at 12.

the restrictions of Rules 18 and Rules 19 as they relate to microgrids. MRC's motivation for modifying¹⁵⁶ Rules 18 and Rules 19 is to create an exemption to Section 218 for microgrids.

MRC also asserts that the "safety concerns" raised in Track 2 about microgrids who are exempt or loosely regulated by Rules 18 and 19 were not factually supported."¹⁵⁷ We disagree.

The objectives of Section 218 are to ensure the safety and reliability of the electricity supplied from the distribution grid to the customers, and to protect customers who may have limited or no choices about who provides their electricity. MRC's suggestion to "strip away" the restrictions on supplying electricity from one premise to another in Rule 18 and Rule 19 for microgrids would result in a microgrid free from government oversight and regulation. Allowing private entities outside of Commission jurisdiction to build electrical distribution systems and deliver power to customers presents serious risks to public safety and welfare and avoid laws that assure just and reasonable prices for electricity service.

We reject MRC's request to permit private utilities to sell power under contractual arrangements to nearby third parties with limited or no Commission oversight. Nothing in Section 8371 directs or permits us to "strip away" the oversight of Section 218 and Rules 18 and 19.

Indeed, CUE provides legislative context on this point. CUE states that the author of SB 1339 understood the limits of Section 218 and SB 1339 and as a result, proposed amending Section 218 to exclude microgrids from public utility

¹⁵⁶ MRC Proposal at 12.

¹⁵⁷ MRC Proposal at 12.

regulation.¹⁵⁸ CUE points out that the bill amending Section 218 to exclude microgrids did not pass.¹⁵⁹ A third party owning, controlling, operating, or managing any electric plant for compensation within this state, with certain limited exceptions, must become a regulated electrical corporation subject to our jurisdiction to comply with Section 218. If the Legislature wanted to exempt microgrids from Section 218, the amendment would have passed. But it did not.

Additionally, we agree with CUE that to ensure system, public, and worker safety are given the highest priority, a regulated utility must control and operate a multi-property microgrid if the multi-property microgrid uses that regulated utility's distribution system.¹⁶⁰ Entities who operate, control, or manage electrical infrastructure used for the sale or transmission of electricity are required by law, with very narrow exceptions, to be a regulated electrical corporation and may not be an unregulated third party. Furthermore, we agree with CUE that worker safety and grid reliability are noticeably absent from the stakeholder proposals.¹⁶¹ Regulated control of the distribution system is essential to public and worker safety and grid reliability. For example, after any outage, crews must perform restoration work to ensure that it is safe to reenergize the utility's grid. An unregulated third party cannot decide when a microgrid can begin actively discharging to the regulated utility's grid while utility employees may be working on the grid. To ensure system, public, and worker safety are given the highest priority, regulated entities must operate and

¹⁵⁸ CUE Opening Comments at 7.

¹⁵⁹ CUE Opening Comments at 7. *See also* SB 1215, amended May 12 2020, available at: http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201920200SB1215.

¹⁶⁰ CUE Opening Comments at 2.

¹⁶¹ CUE Opening Comments at 4.

control their distribution grid, including microgrids serving multiple properties that connect to or disconnect from larger portions of the grid.

The California Constitution and California statute designate the Commission as the principal body through which the State exercises its regulation of utility services. Section 451 gives the Commission broad authority to regulate public utility services and infrastructure as necessary to ensure they are operated in a way that provides for the health and safety of Californians:

Every public utility shall furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities, including telephone facilities, as defined in Section 54.1 of the Civil Code, as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public.¹⁶²

Moreover, the California Constitution and the Public Utilities Code also provide the Commission with broad jurisdiction on matters regarding the safety of electric utility facilities and operations, including authority to promulgate regulations regarding the safety of overhead power lines.¹⁶³ Section 218 was put in place to safeguard consumers from being overcharged for an essential service, assure that facilities are operated in a safe and reliable manner, and avoid the duplication of utility infrastructure as protected against by the utility franchise provisions. In conflict with these laws, MRC argues that we should adopt its proposal to allow microgrids to distribute power to more than two contiguous parcels or across a street without becoming a public utility provided they are serving only certain identified customers. We decline to do so.

¹⁶² Section 451. *See also PG&E v CPUC*, 237 CA 4th 812, 824 (2015) (upholding \$14.35 million penalty for failure to keep essential gas safety records in violation of Section 451).

¹⁶³ D.09-09-030 at 8.

And for its part, PearlX proposes a framework that would allow a microgrid to operate fulltime, outside of island mode, and not pay utility tariffs or fees; and during islanding periods, asks that ratepayers compensate microgrid owners/operators.¹⁶⁴ PearlX also recommends that the Commission allow multi-property microgrids to participate in wholesale and retail markets, and that projects be split across more than one tariff, making them “more attractive to financiers and developers.”¹⁶⁵ Sunnova asks us to establish a new regulatory program under Section 218 that is appropriately “tailored to the size, scope, and type of facilities that comprise a microgrid and the unique services that the microgrid can provide”¹⁶⁶ that accounts for “market-based, negotiated rates and terms and conditions with customers for electrical supply and microgrid services.”¹⁶⁷ Collectively, these proposals and interpretations of Section 218 would give unregulated entities the ability to serve a vast number of customers without any Commission oversight of safety, reliability, or reasonableness of charges. This is in direct conflict with the intent of Section 218 and would lead to duplicative service unless the entities assumed the incumbent utility’s obligation to serve.

Section 218 was implemented to protect California electricity customers from issues with safety, reliability, and price equity for essential service. Indeed, Section 382(b) finds that electricity is a necessity, that all residents of the State should be able to afford essential electricity supplies, and that the Commission shall ensure that low-income ratepayers are not overburdened by monthly

¹⁶⁴ PearlX Proposal at 1.

¹⁶⁵ PearlX Proposal at 2.

¹⁶⁶ Sunnova Proposal at 1.

¹⁶⁷ Sunnova Proposal at 8-12.

energy expenditures. Entities offering services that trigger the definition of a utility should be regulated as such.

Now, we turn to GPI's Proposal. In essence, GPI recommends that the Commission direct the IOUs to purchase power from unregulated third party microgrid operations and then, sell it back to the microgrid customer.¹⁶⁸ GPI also recommends that the Commission allow unregulated third parties to determine emergency events in certain circumstances¹⁶⁹ to enable islanding. Like MRC, PearlX, and Sunnova's proposals, GPI's proposal circumvents Section 218 and D.21-01-018 because it proposes to allow a microgrid to enter island mode without prior authorization from the incumbent IOU.

In D.21-01-018, we held that proposals allowing private utilities to sell power under contractual arrangements to nearby third parties without Commission oversight and without regard to the existing statutory and legislative requirements that are reflected in Section 218 are prohibited.¹⁷⁰ GPI attempts to avoid the power sale issue of Section 218 by having the IOU purchase electricity from the microgrid so that the microgrid is not actually selling power to end users but rather, the IOU. We reject GPI's proposal because it circumvents and contravenes Section 218 and D.21-01-018.

Section 218 may inhibit some developers from their desire to build private, community-level microgrids without regulatory oversight by the Commission. However, this does not mean that the Commission should interpret SB 1339 to repeal or amend the Commission's statutory and constitutional authority. The Commission has no authority to repeal or amend its statutory or constitutional

¹⁶⁸ GPI Proposal at 27.

¹⁶⁹ GPI Proposal at 27.

¹⁷⁰ D.21-01-018.

authority. SB 1339 requires that we facilitate the commercialization of microgrids through identifying methods to reduce barriers to microgrid deployment.¹⁷¹ We interpret this language so that its consistent with our other statutory responsibilities.¹⁷²

We decline to adopt these recommendations to effectively exempt private microgrids that own, control, operate, or manage distribution grid assets, or other electrical infrastructure from Commission jurisdiction. Finally, we decline to adopt AMR's proposal because it too circumvents Section 218. Now, we turn to the industry participant and stakeholder proposals presented under Section 2780.

Several Industry and Stakeholders Proposals are Non-Compliant with Section 2780, related Statutes, and Prior Commission Decisions. MRC and Sunnova request authority for the development and implementation of independent microuilities formed through a network of community microgrids that could interconnect with the IOU grid but set their own market rates with little Commission oversight. MRC goes as far as to request that the Commission open a new regulatory proceeding to establish a "light-handed regulatory program for new microuilities."¹⁷³ MRC, like Sunnova in Application (A.)22-09-002,¹⁷⁴ is seeking exemption from the Commission's statutorily required function of conducting oversight of electricity rates and service to

¹⁷¹ Section 8371.

¹⁷² The Commission has taken action to facilitate the commercialization of microgrids through D.20-06-017, D.21-01-018, D.21-07-011, D.21-12-004, and D.23-04-034.

¹⁷³ MRC Proposal at 17.

¹⁷⁴ A.22-09-002 *dismissed* by D.23-04-005

ensure that rates are just and reasonable and service is safe and reliable. We likewise reject MRC's request.

Section 2780 defines an electric microutility as an "*electrical corporation* that is regulated by the commission and organized for the purpose of providing sole-source generation, distribution, and sale of electricity exclusively to a customer base of fewer than 2,000 customers" (emphasis added). Thus, by the express terms of the statute, an "electrical microutility" must also meet the definition of an "electrical corporation." D.06-06-066 states that Section 2780's "sole source" characterization means that an "[e]lectric microutility is not connected to the CAISO controlled transmission grid and thus has no relationship with the CAISO nor any ability to import or export power."¹⁷⁵

We turn to Section 2780's legislative history for additional context. The Legislative history states in part:¹⁷⁶

As defined in this bill, the term "electric micro-utility" applies only to Mountain Utilities (MU), a tiny, vertically integrated utility owned by Kirkwood Mountain Resort in Alpine County and serving the ski area and the immediate vicinity. MU has approximately 500 customers, many of whom are seasonal residents, and a service area of less than two square miles. According to MU, the closest transmission lines are over 30 miles away. MU is not part of the grid managed by the Independent System Operator and its generation portfolio consists of six diesel engines with a capacity of 4,800 kilowatts.

¹⁷⁵ D.06-06-066, Appendix 3.

¹⁷⁶ California Legislative Information, AB 2509 Electric Microuilities Bill Analysis, Senate Floor Analysis (July 8, 2004) at 2, available at:

https://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill_id=200320040AB2509.

Moreover, the Legislative history of Section 2780 also states that the purpose of the microuilities statute is to “reduce the burden on microuilities by urging the [Commission] to consider the impacted costs of participating in [Commission] proceeding have on a microuility’s limited resources.”¹⁷⁷

Further, In D.21-01-018, we rejected the assertion that under Section 2780, the Commission can exempt ‘microuilities’ from the requirements applicable to electrical corporations.¹⁷⁸ We held that the requirements pertaining to electrical corporations are the same requirements that pertain to electric microuilities.¹⁷⁹

Thus, the language of Section 2780 coupled with its Legislative history clearly demonstrate that the Legislature did not intend to give unregulated third parties the ability to operate multi-property microgrids. Section 2780 does not deregulate or reduce regulation on a microuility; nor does it authorize widespread, deregulated commercialization of microuilites across California. We agree with CUE¹⁸⁰ and the Joint IOUs¹⁸¹ that:

There is no indication in the plain language or the legislative history of Section 2780 that the Legislature’s intent was to authorize the widespread deployment of microuilities across the existing IOU service areas under a single new IOU entity. Third-party microgrid operators cannot get around public utility regulation by claiming microuility status under Section 2780.

¹⁷⁷ California Legislative Information, AB 2509 Electric Microuilities Bill Analysis, Senate Floor Analysis (July 8, 2004) at 2, available at [AB 2509 Assembly Bill - Bill Analysis \(ca.gov\)](#).

¹⁷⁸ D.21-01-018 at 33.

¹⁷⁹ D.21-01-018 at 33.

¹⁸⁰ CUE Reply Comments to Stakeholder Proposals at 5.

¹⁸¹ Joint IOUs Opening Comments to Stakeholder Proposals at 20.

Sunnova and MRC proposals do not comply with Section 2870's language, nor do these proposals comply with D.21-01-018 and D.23-04-005. We agree with CUE that MRC, PearlX, and Sunnova's proposals cannot be "salvaged by seeking treatment as microuilities under [Section] 2780."¹⁸² Cal Advocates, CUE, and the Joint IOUs are correct when they argue that "treating the microuilities statute as an opportunity for microgrid operators to circumvent public utility regulation would violate the plain language of [S]ection 2780."¹⁸³

We decline to abdicate our responsibilities under Sections 451 and 454 to safeguard customers from being overcharged for an essential service,¹⁸⁴ ensure facilities are operated in a safe and reliable manner,¹⁸⁵ and avoid the unnecessary and wasteful duplication of utility infrastructure as protected against by the utility franchise provisions.¹⁸⁶ Indeed, in D.99-06-057, we held:

This Commission's specific constitutionally derived duty is the regulation of public utilities in California. As to electric utilities, whether they be investor-owned or cooperatives, our regulatory authority includes the structure and extent of service territories. This regulation is necessary to avoid unnecessary and wasteful duplication. From the inception of the Commission, a feature of its regulation has been the Commission's early determination that direct competition in the same geographic area where it would involve duplicating service facilities would be contrary to the public interest."

¹⁸² CUE Reply Comments at 3.

¹⁸³ CUE Opening Comments to Party Proposals at 12-14; *see* Cal Advocates Opening Comments to Party Proposals at 4-5; *and see* Joint IOU Opening Comments to Party Proposals at 19-21.

¹⁸⁴ D.63562 at 11.

¹⁸⁵ D.09-09-030 at 8.

¹⁸⁶ D.99-06-057 at 12 citing to D.95-10-40.

While this proceeding is adopting rules for a multi-property microgrid tariff, we are not allowing entities to distribute power to more than two contiguous parcels or across a street without being a public utility. Doing so would give unregulated entities the ability to freely serve a significant number of customers without Commission oversight. As Cal Advocates argues, MRC attempts to “resurrect [Section 2780] as a potential basis to exempt microgrids from rules for electrical corporations.”¹⁸⁷ In D.21-01-018 and D.23-04-005, we rejected proposals that relied on Section 2780 for community microgrid aggregators.

MRC’s proposal fails to qualify under Section 2780 because it would result in the sale of electricity exceeding the 2,000-customer base limitation of Section 2780.¹⁸⁸ A prior proposal by Sunnova in A.22-09-002 also failed to qualify under Section 2780 and was dismissed by D.23-04-005.

Now, we turn to Sunnova. Sunnova presents nearly an identical proposal in this proceeding that was previously dismissed by this Commission in D.23-04-005. In this proceeding, Sunnova requests to develop and operate microgrids as microuilities – which was previously dismissed by D.23-04-005 – and asks the Commission to establish a regulatory process to evaluate whether microuilities can acquire IOU distribution infrastructure to construct additional microgrids.¹⁸⁹ We reject this proposal.

In conclusion, the statutory interpretation, modifications, and exemptions MRC and Sunnova seek through their proposals are unauthorized and unreasonable. The record demonstrates that these proposals do not comply with

¹⁸⁷ Cal Advocates Opening Comments to Stakeholder Proposals at 4.

¹⁸⁸ Cal Advocates Opening Comments to Stakeholder Proposals at 5.

¹⁸⁹ Sunnova Proposal at 10.

California law and are therefore, not in the public interest. These parties fail to demonstrate why the applicable laws to public utilities should not apply to a multi-property microgrids and their operations.

5.1.3.2. The Compensation Mechanisms, Pricing, and Valuation Proposed by GPI, MRC, PearlX and Sunnova Avoid the Commission's Statutory Duty to Regulate Rates

The Commission has a responsibility to ensure just and reasonable rates for utility services under Sections 451 and 454. Section 451 provides that “[a]ll charges demanded or received by any public utility . . . shall be just and reasonable” and that “[e]very unjust or unreasonable charge demanded or received for such product or commodity, or service is unlawful.”

Section 454(a) requires that any change to an established rate can only be accomplished “upon a showing before the commission and a finding by the commission that the new rate is justified.” Taken together, Sections 451 and 454 confer substantial and non-delegable responsibility on the Commission to ensure the justness and reasonableness of utility rates.

Generally, non-bypassable charges and cost responsibility surcharges are the result of a litigated process in which the Commission has examined the costs associated with load and service to determine the appropriate allocation of those costs to a customer to preserve fairness. Non-bypassable charges apply to all customers to support maintenance, operations, and public programs.

First, we address the compensation mechanisms proposed by GPI, MRC, PearlX, and Sunnova. Then we address these parties’ proposals to avoid paying the non-bypassable charges and cost responsibility surcharges. But first, we address these parties’ recommendations broadly. These proposals do not reflect

the statutory prohibition on cost shifting. The Legislative history of SB 1339, codified in Section 8371, states:¹⁹⁰

Cost has been a concern, as microgrids may have the potential for ratepayer benefits broadly, however, the complications of attaining the best value configuration for ratepayers and the end users benefiting from the microgrid is a challenge. Interconnections for microgrids, particularly when the microgrids are not standardized themselves, often requires additional studies, potential upgrades to the distribution system to connect and communicate with the microgrid, and costs associated with standby power and others. Per the principle of cost-causation, these costs should not be shouldered by ratepayers who do not benefit from the microgrid project.

SB 1339's prohibition on cost shifting is a central element to Section 8371 and restricts the Commission's ability to adopt microgrid tariffs that may result in cost shifting to the remaining body of ratepayers.

Second, GPI and MRC's proposals ignore our statutory responsibilities to ensure all charges are just and reasonable. We agree with Cal Advocates that MRC and GPI's proposals would require the Commission to "disregard its statutory obligations because the proposals ask the Commission to prospectively approve rates without Commission authority."¹⁹¹ Specifically, MRC asks the Commission to prospectively authorize rates that will be set through either: (1) private contracts with commercial and industrial customers for any duration to which the parties agree; or (2) agreements with local governmental or non-governmental organizations for a substantial number of residents and small

¹⁹⁰ SB 1339 Assembly Bill Analysis, (June 26, 2018) at 4, available at: <https://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml#>

¹⁹¹ Cal Advocates Opening Comments to Stakeholder Proposals at 5.

business customers.¹⁹² Likewise, GPI proposes that the Commission prospectively authorize its proposed internal rate mechanism.¹⁹³ In D.23-04-005, we rejected such approach.

In D.23-04-005, we held that the Commission does not have the authority to change, modify, or waive the requirements of the California Public Utilities Code simply on a request by a party, and the prospective, market-based setting of rates without Commission and stakeholder scrutiny would contradict Sections 451 and 454.¹⁹⁴ MRC and GPI would create risks of highly discounted rates for large energy producers at the expense of ratepayers. Cal Advocates illustrates this point further:

[T]wo or three large commercial or industrial ratepayer customers could aggregate microgrid project resources that produce enough energy to offset most or all of their energy consumption. In such a case, affected non-microgrid ratepayers and customers of relatively smaller microgrid projects would bear greater price volatility for energy at their non-microgrid tariff rates. As a result, costs would shift from large commercial or industrial microgrid ratepayers to non-microgrid ratepayers. This unfair cost shift could persist for years, depending on the privately negotiated term lengths in commercial or industrial customers' contracts. Therefore, Commission oversight of the rates proposed by MRC and GPI is necessary to ensure just and reasonable rates for all customers.¹⁹⁵

¹⁹² MRC Proposal at 14-15.

¹⁹³ GPI Proposal at 10. GPI asks the Commission to use the avoided cost calculator for distributed energy resource compensation without adequate support. We decline to do use the Avoided Cost Calculator for such distributed energy resource compensation, here.

¹⁹⁴ D.23-04-005 at 18-20.

¹⁹⁵ Cal Advocates Opening Comments to Stakeholder Proposals at 6.

GPI and MRC's compensation mechanisms would result in unfair cost shifts between ratepayers.¹⁹⁶ Cal Advocates also points out that GPI's proposal "creates a risk that [community microgrid] Aggregators would receive extraneous or inapplicable compensation for capacity, energy, or grid services provided to the grid, which would be inconsistent with just and reasonable rates and prohibitions on cost-shifting."¹⁹⁷

SB 1339 does not require that the Commission ensure that the business model of any microgrid developer be made economically profitable through: (1) subsidies charged to all or a subset of distribution customers; or (2) through novel methodologies that double or triple count avoided costs that are duplicative of existing Commission policies. For example, the Senate Rule Committee Analysis on SB 1339 states:

Per the principle of cost-causation, these costs should not be shouldered by ratepayers who do not benefit from the microgrid project. This bill requires the [Commission] and [publicly-owned utilities] to establish tariffs for microgrids, but appropriately prohibits costs shifts to non-microgrid customers (emphasis added).¹⁹⁸

We agree with the Joint IOUs that GPI's assertion that SB 1339 requires the Commission to create clear compensation mechanisms with "predictable outcomes" is an over-reach¹⁹⁹ that blatantly ignores statutory requirements. Long-term, ratepayer funded, microgrid specific, compensation mechanisms,

¹⁹⁶ Cal Advocates Opening Comments to Stakeholder Proposals at 6.

¹⁹⁷ Cal Advocates Opening Comments to Stakeholder Proposals at 6.

¹⁹⁸ California Senate Rules Committee Analysis of SB 1339, Aug. 28, 2018, p. 5.
https://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill_id=201720180SB1339#.

¹⁹⁹ Joint IOU Opening Comments to Stakeholder Proposals at 4.

including blue-sky services,²⁰⁰ are not supported by statute, Commission regulation, or the record in this proceeding.

Cal Advocates illustrates this point further. Cal Advocates argues that although GPI proposes to rely on the Commission's Avoided Cost Calculator, the pricing paradigms in the GPI Proposal "double or triple-count avoided costs and added benefits that are duplicative of existing Commission policies."²⁰¹ Cal Advocates argues that:²⁰²

GPI proposes that the avoided costs accrued by 14 metrics of resilience improvement set a compensation mechanism for aggregated microgrid energy exports. Five out of 14 of GPI's tracked benefits are included in the 2022 ACC methodology used to set the retail export compensation rate for Distributed Energy Resources (DERs) as ordered in D.22-12-056 and should be removed from any consideration of a resilience-specific avoided cost.

In short, we agree with Cal Advocates that GPI's use of the Avoided Cost Calculator would result in "double or triple-count[ing] avoided costs and added benefits that are duplicative of existing Commission policies."²⁰³ We also agree with Cal Advocates that the GPI Proposal would double-charge ratepayers for the non-resilience benefits associated with microgrid project resources via internal pricing and export compensation rates. Therefore, we reject GPI's proposal.

²⁰⁰ GPI Proposal at 14-16.

²⁰¹ GPI Proposal at 7.

²⁰² GPI Proposal at 7.

²⁰³ GPI Proposal at 7.

Second, GPI,²⁰⁴ MRC,²⁰⁵ PearlX, propose that the Commission should exempt microgrids from non-bypassable charges. This proposal would in effect, shift the costs of non-bypassable charges to the customers outside of the microgrid service area in violation of Section 8371's prohibition on cost-shifting. GPI, PearlX, and MRC have not demonstrated there is any incremental value provided by their multi-property microgrid tariff proposals to non-participating customers. Thus, microgrid customers must pay their full share of these collective cost obligations.

We reject GPI, MRC, and PearlX's proposals for new microgrid specific compensation mechanisms during blue-sky conditions. As the Joint IOUs and CUE assert, these proposals fail to recognize the reality that it is the combined operation of all grid resources that allow the utility to provide reliable delivery service. Microgrid customers derive significant benefits from being connected to the larger grid during blue-sky conditions and therefore should not be exempt from sharing in that cost responsibility.²⁰⁶ We agree with the Joint IOUs that during blue-sky conditions, "microgrid customers benefit from the CAISO's hundreds of megawatts of operating reserves, from the stable voltage that the larger electric system provides, and from the frequency regulation provided by dispatchable generators through the CAISO Balancing Authority."²⁰⁷

Finally, we address Clean Coalition. Clean Coalition presented a degree of novelty through this RES proposal. However, its proposal presents numerous

²⁰⁴ GPI Proposal at 9.

²⁰⁵ MRC Proposal at 14.

²⁰⁶ Joint IOU Opening Comments to Proposals at 11.

²⁰⁷ Joint IOU Opening Comments to Proposals at 11.

cost concerns²⁰⁸ such as: (1) as who would pay for the infrastructure needed to enable disconnection for every customer; (2) how to levy fees without shifting costs to IOU customers; (3) how to address equity concerns; and (4) how to ensure rate affordability. The Commission must carefully consider any potential rate impacts, especially where inappropriate cost-shifts may directly or indirectly result. Thus, we decline to adopt Clean Coalition's proposal.

In conclusion, the new compensation mechanisms, pricing, and valuation proposals by GPI, MRC, PearlX, and Sunnova avoid the Commission's statutory duty to regulate rates and prohibit cost shifting to non-participating customers.

5.2. D.21-01-018 Rule 18 and Rule 19 Exceptions

On April 9, 2024, the assigned Administrative Law Judge directed the Joint IOUs to submit into the record of this proceeding a statement summarizing, for each of their respective service territories, if, and how many, microgrid projects have been initiated under the Rule 18 and 19 exceptions adopted in D.21-01-108. The Joint IOUs were also directed to discuss how many of the 10 allowed projects in each service territory remain available under Rule 18 and Rule 19 revisions adopted in D.21-01-018.²⁰⁹

5.2.1. IOU Responses

On April 23, 2024, PG&E stated that as of April 10, 2024, PG&E has not received any applications for a Rule 18 Microgrid project, and as a result, none have been interconnected.²¹⁰ As such, the 10 allowed projects in PG&E's service

²⁰⁸ Southern California Edison Opening Comments to Stakeholder Proposals at 5.

²⁰⁹ Assigned Administrative Law Judge's Ruling, April 9, 2024.

²¹⁰ PG&E Compliance filing to Administrative Law Judge's Ruling Requesting General Reporting on D.21-01-018 Rule 18 and Rule 19 Programs.

territory remain available.²¹¹ On May 1, 2023, SCE stated that as of April 10, 2024, SCE has not received any applications for a Rule 18 microgrid project, and none have been interconnected.²¹² Consequently, the 10 allowed projects in SCE's service territory remain available.²¹³ On May 1, 2023, SDG&E stated that as of May 1, 2024, SDG&E has not received any applications or completed any interconnections for Rule 19 microgrid projects.²¹⁴ Therefore, all 10 projects permitted within SDG&E's service territory remain available.²¹⁵

**5.2.2. Developers That Seek to Serve Adjacent
Parcels Through Rule 18 and Rule 19
Deviations Shall Participate Through
D.21-01-01's Rule 18 and Rule 19
Programs**

In January 2021, through D.21-01-018, we directed the Joint IOUs to revise their respective electric Rules 18 and 19 to allow microgrids that primarily serve facilities owned or operated by, or on behalf of, a public agency to serve critical facilities, owned or operated by, or on behalf of a public agency, on adjacent premises in the event of a grid outage.²¹⁶ This rule modification is ownership agnostic.²¹⁷ The Commission held that microgrids owned by state, county, local,

²¹¹PG&E Compliance filing to Administrative Law Judge's Ruling Requesting General Reporting on D.21-01-018 Rule 18 and Rule 19 Programs.

²¹² SCE Compliance Filing to Administrative Law Judge's Ruling Requesting General Reporting on D.21-01-018 Rule 18 and Rule 19 Programs.

²¹³ SCE Compliance Filing to Administrative Law Judge's Ruling Requesting General Reporting on D.21-01-018 Rule 18 and Rule 19 Programs.

²¹⁴ SDG&E Compliance Filing to Administrative Law Judge's Ruling Requesting General Reporting on D.21-01-018 Rule 18 and Rule 19 Programs.

²¹⁵ SDG&E Compliance Filing to Administrative Law Judge's Ruling Requesting General Reporting on D.21-01-018 Rule 18 and Rule 19 Programs.

²¹⁶ D.21-01-018 at 28.

²¹⁷ D.21-01-018 at 28.

and tribal agencies or by a third-party that primarily serves a facility operated by a public agency will be allowed to supply electricity to a critical facility operated by a municipal corporation on an adjacent premise to conduct emergency and/or critical operations during a grid outage.²¹⁸ We determined that focusing on entities that serve the public interest ensures more accountability to the public because a public agency is focused on protecting the public from undue costs and unsafe conditions.

Furthermore, we adopted a 10 microgrid project subscription limit for each of the three service territories of the Joint IOUs to gain an understanding of the Rule 18 and Rule 19 revisions' effectiveness.²¹⁹ We also found that nothing would foreclose revisiting the Rule 18 and Rule 19 changes based on lessons learned from the projects developed under the Rule 18 and Rule 19 modifications we adopted in D.21-01-018.²²⁰ We reasoned that the 10 project per IOU service territory subscription limit struck a reasonable balance between our competing statutory duties to ensure safe, reliable service at just and reasonable rates while developing microgrid tariffs that do not shift costs between ratepayers.²²¹ This approach allows both the Commission and parties to evaluate the effectiveness of the Rule 18 and 19 exemptions and then, determine whether the exemption should continue or if any modifications warrant attention. We also found that the 10-project subscription affords public safety benefits, including resiliency during broader grid outages.²²²

²¹⁸ D.21-01-018 at 28-29.

²¹⁹ D.21-01-018 at 30.

²²⁰ D.21-01-018 at 29-30.

²²¹ D.21-01-018 at 34.

²²² D.21-01-018 at 33-34.

Finally, we held that this approach establishes guardrails to protect against unintended consequences.²²³ The Commission and parties can gain experience, learn lessons, collect data and information for analyses, and then determine if this exemption should continue or be modified.²²⁴ This reasoning stands true today, just as it did in January 2021 when we adopted the Rule 18 and the Rule 19 exemptions in D.21-01-018.

To date, the 10-project subscription limit remains fully available and fully accessible to microgrid developers across all three service territories of the Joint IOUs. The developers and intervenors in Track 5 of this proceeding who seek Rule 18 and Rule 19 deviations, as well as who wish to provide resiliency services to adjacent parcels, may pursue their endeavors to serve the certain qualifying public agency critical customers on adjacent parcels, according to the rules we established in D.21-01-018.

5.3. Tariff Alignment with the Commission's Nine Environmental and Social Justice Goals

Consistent with the Scoping Memo and Ruling,²²⁵ the assigned Administrative Law Judge asked²²⁶ parties to what extent should a single, unified microgrid multi-property tariff align with or impact environmental and social justice communities; including the extent to which it could impact achievement of any of the nine goals of the Commission's Environmental and Social Justice Action Plan. We summarize party positions below.

²²³ D.21-01-018 at 34.

²²⁴ D.21-01-018 at 34.

²²⁵ Assigned Commissioner's Amended Scoping Memo and Ruling, July 18, 2023.

²²⁶ Assigned Administrative Law Judge's Ruling, August 8, 2023.

5.3.1. Respondent, Industry, and Stakeholder Positions on their Proposals' Alignment with the ESJ Action Plan

AMR: AMR states that its tariff proposal advances ESJ Action Plan Goal 2. AMR also states that its tariff proposal advances ESJ Action Plan Goal 4, 6, and 7.²²⁷

Clean Coalition: Clean Coalition states its tariff supports ESJ Action Plan Goal 1 because its RES promotes “the establishment, enhancement, and expansion of community microgrids initially designed around critical community facilities, enabling community-level resilience while providing a community with the flexibility to plan around design/economic constraints.”²²⁸

GPI: GPI states that its tariff proposal fulfills the Commission’s ESJ Action Plan. GPI states that its tariff proposals align with all the Commission’s ESJ Action Plan and Goals.²²⁹

Joint IOUs: The Joint IOUs state that their tariff proposal fulfills ESJ Action Plan Goals 1-3.²³⁰ The Joint IOUs point to the following programs in support of these arguments: (1) the Microgrid Incentive Program (MIP); and (2) the Self-Generation Incentive Program.²³¹

²²⁷ AMR Comments on Proposed Multi-Property Microgrid Tariff Alignment with ESJ Action Plan Goals at 2-6.

²²⁸ Clean Coalition Comments on Proposed Multi-Property Microgrid Tariff Alignment with ESJ Action Plan Goals at 3.

²²⁹ GPI Comments on Proposed Multi-Property Microgrid Tariff Alignment with Commission ESJ Action Plan at 1.

²³⁰ ²³⁰ Joint IOU Comments on Proposed Multi-Property Microgrid Tariff Alignment with Commission ESJ Action Plan at 6.

²³¹ Joint IOU Comments on Proposed Multi-Property Microgrid Tariff Alignment with Commission ESJ Action Plan at 4-6.

MRC: MRC states its tariff proposal supports ESJ Action Plan Goal 2 because its pricing mechanism is negotiated in the context of competitive procurement.²³² MRC also states that its proposal supports ESJ Action Plan Goal 5.”²³³

PearlX: PearlX states its tariff proposal supports ESJ Action Plan Goal 1,²³⁴ ESJ Action Plan Goal 2,²³⁵ and Goal 4, 5, and 6.²³⁶

Sunnova: Sunnova states that its proposal supports ESJ Action Plan Goal 2,²³⁷ ESJ Action Plan Goal 4, and ESJ Action Plan Goal 7, 8, and 9.²³⁸

5.3.2. Parties Position to ESJ Alignments

AMR states that its proposal does not require cost shifting.²³⁹ AMR states that the Joint IOUs’ argument that the IOUs’ proposal enables resiliency is unsupported and misleading.²⁴⁰ Clean Coalition asserted that its RES should be

²³² MRC Comments on Proposed Multi-Property Microgrid Tariff Alignment with Commission ESJ Action Plan at 3.

²³³ MRC Comments on Proposed Multi-Property Microgrid Tariff Alignment with Commission ESJ Action Plan at 1 and 6.

²³⁴ PearlX Comments on Proposed Multi-Property Microgrid Tariff Alignment with Commission ESJ Action Plan at 5.

²³⁵ PearlX Comments on Proposed Multi-Property Microgrid Tariff Alignment with Commission ESJ Action Plan at 6-8.

²³⁶ PearlX Comments on Proposed Multi-Property Microgrid Tariff Alignment with Commission ESJ Action Plan at 6-8.

²³⁷ Sunnova Comments on Proposed Multi-Property Microgrid Tariff Alignment with Commission ESJ Action Plan at 3-4.

²³⁸ Sunnova Comments on Proposed Multi-Property Microgrid Tariff Alignment with Commission ESJ Action Plan at 13-15.

²³⁹ AMR Response to ESJ Proposals at 1-2.

²⁴⁰ AMR Response to ESJ Proposals at 2.

considered a valuable tool to support the deployment of community microgrids in ESJ communities.²⁴¹

Cal Advocates contends that the Commission must maintain its oversight of electrical rates and services with respect to microgrids to ensure ESJ communities receive fair and equitable rates.²⁴² Cal Advocates further argues that the third-party industry and stakeholder proposals violate Section 218 and do not align with the consumer protection elements of ESJ Goal 6.²⁴³ Cal Advocates also argues that MRC, Sunnova, PearlX, and GPI's proposals do not support ESJ Goal 2 because the Commission would lose oversight of microgrid services and sales and would thus, not be able to ensure that microgrid investments benefit ESJ communities.²⁴⁴ Cal Advocates also states that Sunnova's proposal does not align with ESJ Goal 2 and 6 because the Commission would not be able to ensure just and reasonable rates under the rate parameters proposed by Sunnova.²⁴⁵ Moreover, Cal Advocates states that the stakeholder proposals do not provide a reasonable pathway to align with ESJ Goals 3 and 4 because the Commission cannot ensure benefits provided by microgrid services are cost-effective.²⁴⁶ Finally, Cal Advocates suggests that utility programs should encourage, or at least, facilitate, community participation in project development.²⁴⁷

²⁴¹ Clean Coalition Response to ESJ Proposals at 4.

²⁴² Cal Advocates Response to ESJ Proposals at 2.

²⁴³ Cal Advocates Response to ESJ Proposals at 3.

²⁴⁴ Cal Advocates Response to ESJ Proposals at 4.

²⁴⁵ Cal Advocates Response to ESJ Proposals at 4.

²⁴⁶ Cal Advocates Response to ESJ Proposals at 5.

²⁴⁷ Cal Advocates Response to ESJ Proposal at 8.

The Center for Biological Diversity states the CMET is inconsistent with SB 1339, the Climate Adaptation proceeding, and the ESJ Action Plan.²⁴⁸

CUE argues that the third-party multi-property microgrid tariff proposals would harm low-income communities and undermine ESJ Action Plan and Goals.²⁴⁹ CUE asserts that the third-party proposal are inconsistent with the ESJ Action Plan and Goals 2 and 4 because they will not benefit ESJ communities.²⁵⁰ CUE also asserts that the third-party proposals are inconsistent with ESJ Action Plan Goals 1 and 2 because they would force low-income ratepayers to subsidize premium microgrid services for wealthy customers.²⁵¹ Furthermore, CUE argues that the third-party proposals are inconsistent with ESJ Action Plan Goal 6 and violate Sections 218 and 399.2.²⁵² Finally, CUE contends that all of the multi-property microgrid tariff proposals are inconsistent with ESJ Action Plan Goal 7 because they fail to promote high road jobs.²⁵³

The Joint IOUs assert that the stakeholder multi-property tariff proposals create cost shifts through subsidies borne by non-participating ESJ communities, which is inherently in conflict with the Commission's ESJ Action Plan and Goals.²⁵⁴ The Joint IOUs contend that MRC fails to acknowledge that distributed energy resources that power a community microgrid can receive capacity

²⁴⁸ Center for Biological Diversity Response to ESJ Proposal at 3.

²⁴⁹ CUE Response to ESJ Proposals at 4.

²⁵⁰ CUE Response to EJS Proposals at 4.

²⁵¹ CUE Response to ESJ Proposals 7.

²⁵² CUE Response to ESJ Proposals at 9.

²⁵³ CUE Response to ESJ Proposals at 11-14.

²⁵⁴ Joint IOU Response to ESJ Proposals at 6-7.

payments linked to California's Resource Adequacy program.²⁵⁵ The Joint IOUs state that their proposal does allow for the inclusion of multi-family housing in community microgrids in opposite to what PearlX asserts.²⁵⁶ The Joint IOUs also contend that the operation of distribution systems by private, unregulated entities does not offer greater consumer protection than the operation of a microgrid by a regulated IOU.²⁵⁷ Finally, the Joint IOUs argue that Sunnova's proposed model for a community microgrid would not reduce the need for transmission and distribution lines.²⁵⁸

SBUA argues that microgrid tariffs must avoid excessive cost shifts. SBUA contends that the Commission and courts have repeatedly concluded that the justness and reasonableness of rates is tied to cost-causation principles.²⁵⁹ SBUA further asserts that both the Joint IOUs and Clean Coalition proposals have the benefit of avoiding prohibited cost-shifting to non-benefiting customers.²⁶⁰ SBUA also contends that microgrid tariffs should address non-residential equity and small businesses in ESJ communities.²⁶¹

Sunnova argues that the Joint IOU's multi-property microgrid tariffs do not support the Commission's ESJ Action Plan. Sunnova argues that: (1) the IOUs' CMETs neither align with the Commission's ESJ Action Plan nor benefit

²⁵⁵ Joint IOU Response to ESJ Proposals at 7-8.

²⁵⁶ Joint IOU Response to ESJ Proposals at 8.

²⁵⁷ Joint IOU Response to ESJ Proposals at 8-9.

²⁵⁸ Joint IOU Response to ESJ Proposal at 9.

²⁵⁹ SBUA Response to ESJ Proposals at 2-3.

²⁶⁰ SBUA Response to ESJ Proposals at 3.

²⁶¹ SBUA Response to ESJ Proposals at 3.

ESJ Communities.²⁶² Sunnova also argues that its proposal does not create cost-shifting.²⁶³

5.3.3. This Decision's Ratepayer Oriented Multi-Property Microgrid Tariffs, coupled with the Microgrid Incentive Program, Advance the Commission's ESJ Action Plan While the Stakeholder Proposals Do Not

On February 21, 2019, the Commission adopted the ESJ Action Plan which serves to expand public inclusion in Commission decision-making and improve services to targeted communities in California, specifically communities of color and/or low-income communities.²⁶⁴ On April 7, 2022, the Commission issued its second iteration of the ESJ Action Plan.²⁶⁵

As we discuss at length above, the Commission must maintain its oversight role of rates and services according to our constitutional and statutory mandates. The Commission's continuity in its rate and service oversight also ensures that ESJ communities receive just and reasonable rates.²⁶⁶ We agree with Cal Advocates that many of the stakeholder proposals would harm disadvantaged and ESJ communities because they would end up with inequitable payments for energy services.²⁶⁷ As Cal Advocates points out, the stakeholder proposals would allow non-regulated entities to privately set rates

²⁶² Sunnova Response to ESJ Proposals at 2-5.

²⁶³ Sunnova Response to ESJ Proposals at 5-6.

²⁶⁴ CPUC Environmental and Social Justice Action Plan (February 21, 2019).

²⁶⁵ CPUC Environmental and Social Justice Action Plan (April 7, 2022).

²⁶⁶ Section 451 and 454.

²⁶⁷ Cal Advocates Comments on Respondent and Stakeholders Alignment of Microgrid Multi-Property Tariff Proposals with the Commission's ESJ Action Plan at 2.

for services sold within and outside the microgrid.²⁶⁸ This is incongruent with our constitutional and statutory mandates, as we discuss above, as well as the Commission's ESJ Action Plan Goals which require consumer protections to ensure that ESJ communities (like all communities) are protected by the rules and regulations necessary for public safety, reliability, and reasonable rates.

We agree with Cal Advocates that the industry and stakeholder proposals do not align with the Commission's ESJ Action Plan Goals for this reason, among others. Specifically, Cal Advocates argues that MRC, Sunnova, PearlX, and GPI suggest their proposals support the Commission's ESJ Action Plan, particularly, ESJ Goal 2 on claims that third-party control of microgrid services and rates will facilitate financial viability of microgrids and increase the investment of clean energy resources in disadvantaged communities.²⁶⁹ We agree with Cal Advocates that without Commission oversight of microgrid services and rates, we cannot ensure that microgrid investments will benefit ESJ communities, or that any such benefits will be cost-effective.²⁷⁰ Cal Advocates also points out that Sunnova's proposal to operate a microgrid system through retail choices does

²⁶⁸ Cal Advocates Comments on Respondent and Stakeholders Alignment of Microgrid Multi-Property Tariff Proposals with the Commission's ESJ Action Plan at 2.

²⁶⁹ MRC Comments on Proposed Multi-Property Microgrid Tariff Alignment with Commission ESJ Action Plan at 3 and 7; Sunnova Comments on Proposed Multi-Property Microgrid Tariff Alignment with Commission ESJ Action Plan at 8-9; PearlX Comments on Proposed Multi-Property Microgrid Tariff Alignment with Commission ESJ Action Plan at 5; and GPI Comments on Proposed Multi-Property Microgrid Tariff Alignment with Commission ESJ Action Plan at 4.

²⁷⁰ Cal Advocates Comments on Respondent and Stakeholders Alignment of Microgrid Multi-Property Tariff Proposals with the Commission's ESJ Action Plan at 4.

not make clean energy adoption more likely to benefit microgrid customers in ESJ communities.²⁷¹ We agree with Cal Advocates, as it argues:

As evidenced in other markets, retail choice does not necessarily benefit lower-income households, which can face higher electricity prices than higher-income households due to “firms charging households very different prices for the same electricity. Some of the biggest companies in the solar industry face allegations of predatory sale strategies in low-income households.”²⁷²

Thus, as we discussed above and as Cal Advocates argues here, under Sunnova’s proposal, third parties would determine the price of competitive grid and energy services, and a consequence, the Commission would be unable to ensure just and reasonable rates for customers in ESJ communities.²⁷³ We reject Sunnova’s position that its proposal aligns with the Commission’s ESJ Action Plan.

Next, we turn to GPI and MRC. GPI and MRC propose that ratepayers compensate microgrid aggregators for the benefits through privately set rates that avoid Commission oversight.²⁷⁴ Again, we agree with Cal Advocates that if the Commission cannot determine whether microgrids provide benefits to microgrid and non-microgrid customers at cost-effective rates, then GPI and MRC cannot achieve alignment with the Commission’s ESJ Action Plan,

²⁷¹ Cal Advocates Comments on Respondent and Stakeholders Alignment of Microgrid Multi-Property Tariff Proposals with the Commission’s ESJ Action Plan at 4.

²⁷² Cal Advocates Comments on Respondent and Stakeholders Alignment of Microgrid Multi-Property Tariff Proposals with the Commission’s ESJ Action Plan at 4.

²⁷³ Cal Advocates Comments on Respondent and Stakeholders Alignment of Microgrid Multi-Property Tariff Proposals with the Commission’s ESJ Action Plan at 4.

²⁷⁴ GPI Proposal at 19. *See also* MRC Proposal at 14.

particularly ESJ Goals 3 and 4.²⁷⁵ Further, we agree with Cal Advocates that the value of resiliency is “unknown and too indirect to be measured by the retail market” as these parties propose. Illustratively, Cal Advocates asserts that:

GPI proposes to recover 70 percent of annual microgrid production costs from ratepayers in exchange for purported resilience and non-resilience grid benefit yet fails to demonstrate that its proposed microgrids would provide grid benefits commensurate with 70 percent of their cost.

Although GPI proposes to tie energy export rates to the avoided cost of resilience, GPI’s pricing paradigms double or triple-count avoided costs and purported benefits. As such, GPI’s 70 percent microgrid cost recovery tariff proposal is unreasonable.

We agree. We reject GPI’s and MRC’s position that their proposal aligns with the Commission’s ESJ Action Plan.

In D.21-01-018, the Commission adopted the Microgrid Incentive Program (MIP) to fund clean community microgrids that support the critical energy needs of vulnerable populations most likely to be impacted by grid outages.²⁷⁶ The Commission allocated \$200 million to fund the MIP.²⁷⁷ The MIP’s \$200 million in statewide incentives is exclusively targeted at disadvantaged and vulnerable

²⁷⁵ Cal Advocates Comments on Respondent and Stakeholders Alignment of Microgrid Multi-Property Tariff Proposals with the Commission’s ESJ Action Plan at 5.

²⁷⁶ D.21-01-018, Ordering Paragraph 6 at 115.

²⁷⁷ D.21-01-018 at 66. The MIP is a \$200 million ratepayer funded program to provide financial support for the development of multi-property microgrids in disadvantaged and vulnerable communities. MIP goals include addressing both resiliency and equity objectives. Microgrids developed in the MIP are required to be in specific locations (e.g., disadvantaged and vulnerable communities) and to serve specific loads (e.g., at least one critical facility). D.21-01-018 required the IOUs to undertake proactive community engagement and outreach as part of program development, though the decision declined to require the developers of individual MIP projects to undertake similar activities.

communities.²⁷⁸ In D.23-04-034, we adopted the implementation rules for the administration of the MIP.²⁷⁹

The critical efforts of the D.21-01-018 and D.23-04-034, coupled with the multi-property microgrid tariff we adopt here, support the achievement of the ESJ Action Plan's goals. This decision, in conjunction with D.21-01-018 and D.23-04-034, will support disadvantaged and vulnerable communities that may otherwise be unable to deploy a multi-property microgrid project without facing substantial capital costs. The non-utility-owned microgrids deployed through the MIP will use the multi-property tariff we adopt here. Without this multi-property tariff, projects in SCE and SDG&E's service territory would require bilateral negotiations for each project.

The targeted communities – including disadvantaged communities, all tribal lands, and low-income households and census tracts – will utilize the Joint IOUs multi-property microgrid tariff through the MIP. The MIP \$200 million in statewide incentives is exclusively targeted at disadvantaged communities, tribes, and low-income populations. D.23-04-034's funding provision provides incentive funding of up to \$14 million per project to fund all aspects of community microgrid development. D.23-04-034's funding provision also provides up to a \$1 million per project to support interconnection costs and up to \$3 million allowance for special facility costs. D.23-04-034 also directed the Joint IOUs to administer processes and dedicate staff to directly support end-to-end development of community microgrids for disadvantaged and vulnerable communities, and by extension, ESJ communities.

²⁷⁸ D.21-01-018, Ordering Paragraph 6 at 115.

²⁷⁹ D.23-04-034.

In addition to the MIP, we agree with the Joint IOUs that ESJ communities can also utilize the multi-property microgrid tariff for the various Self Generation Incentive Programs.²⁸⁰ We agree with the Joint IOUs that, when paired with the multi-property microgrid tariff, this creates a “robust suite of offerings that meet Goals 1-3 of the ESJ Action Plan.”²⁸¹

As we have discussed throughout each track of this proceeding, we clarified to parties that we are committed to adhering to SB 1339’s prohibition on cost-shifting to non-microgrid participant customers. For purposes of Track 5, we have discussed at length in this decision that GPI, MRC, PearlX, and Sunnova tariffs all exempt microgrid customers from existing utility costs or require new compensation mechanisms for energy produced within the microgrid parameters. In effect, these proposed exemptions from utility costs or new compensation mechanisms would adversely impact ESJ communities because these proposals would shift the resulting costs to utility distribution customers, including ESJ communities. This is incongruent with our commitment to SB 1339 and our ESJ Action Plan. Therefore, we find that the multi-property microgrid tariff we adopt in this decision, discussed further below, coupled with our actions taken in this proceeding since 2019, support community microgrids in ESJ communities.

²⁸⁰ Joint IOU Comments on Proposed Multi-Property Microgrid Tariff Alignment with Commission ESJ Action Plan at 4-6.

²⁸¹ Joint IOU Comments on Proposed Multi-Property Microgrid Tariff Alignment with Commission ESJ Action Plan at 6.

5.4. Ratepayer Oriented Multi-Property Microgrid Tariffs for Statewide Application

5.4.1. The Commission Adopts a Ratepayer Oriented Multi-Property Microgrid Tariff for the Customers of PG&E, SCE, and SDG&E

Cal Advocates was the only consumer entity litigating the technical and legal merits of the industry, stakeholder, and Joint IOU multi-property microgrid tariff proposals in Track 5 of this proceeding. We agree with Cal Advocates that the voluntary industry and stakeholder proposals disregard the Commission's statutory obligations to oversee rates and services that protect ratepayers. Indeed, these proposals would result in direct or indirect rate increases for ratepayers at a time when electricity rates have increased at a rate that exceeds inflation.

Thus, we adopt a ratepayer oriented microgrid tariff that consists of a modified version of the Joint IOU's multi-property microgrid tariff for the reasons we have discussed above, and reason further, below.

We believe the configuration of our multi-property microgrid tariff preserves the Commission's responsibilities to keep rates affordable for customers, while advancing the availability and scale of microgrids, and offering resiliency benefits to communities. Below, we make the following modifications to the Joint IOU's multi-property microgrid tariff. We note that modifications to the Joint IOU tariff language are made with additions in underline and deletions in strikethrough.

Costs and Timelines for the Microgrid Islanding Study: Several parties advocated for deadlines and fixed costs for the IOUs' Microgrid Islanding

Studies (MIS) under the Joint IOU tariff proposal.²⁸² Cal Advocates stated that establishing technical standards, including telemetry and cybersecurity, would reduce costs and eliminate the need for each microgrid applicant to expend time and resources to establish new protocols.²⁸³ SCE's proposed tariff states a timeline of 90 business days and \$75,000 to complete an MIS, while PG&E and SDG&E were silent.²⁸⁴

Given these considerations, we direct the Joint IOUs to individually file, no later than two years after issuance of this decision, a Tier 2 Advice Letter updating their microgrid-multi-property tariff to include estimated timelines and costs for completing the MIS.

For SCE, we modify its proposal to include the following, clarifying language:

- Step 2: Microgrid Islanding Study (MIS) Within 20 business days of submittal, SCE will review the [Multi-Property Microgrid Tariff] Applicant's MPMT Application package and issue a Microgrid Islanding Study (MIS) Agreement. To proceed with the MPMT Application Process, the [multi-property microgrid tariff] Applicant must sign the MIS Agreement and pay a \$75,000 deposit fee to fund the estimated costs of the MIS. [Multi-Property Microgrid Tariff] Applicant is responsible for the actual costs of the MIS. Once the MPMT Applicant signs the MIS Agreement and pays the deposit fee, SCE will commence the MIS.
- Step 3: Microgrid Islanding Study. After receiving the signed MIS Agreement and deposit fee, SCE estimates it will complete the MIS within 90 business days.

²⁸² AMR Opening Comments to Joint IOU Proposals at 9; Clean Coalition Reply Comments on Joint IOU Proposals at 3; GPI Opening Comments to Joint IOU Proposals at 8; and SBUA Opening Comments to Joint IOU Proposals at 3.

²⁸³ Cal Advocates Opening Comments to Joint IOU Proposal at 3.

²⁸⁴ Joint IOU Proposal at B-5.

Within 30 days upon issuance of this decision, SCE shall submit a Tier 1 Advice Letter demonstrating compliance with this clarifying language, or provide other language that reaches the same effect.

Notice to CCAs: Joint CCAs (Sonoma, Peninsula, Pioneer) state that the IOUs should be required to inform a CCA about a planned microgrid project in a CCA's service area and give such CCA the opportunity to collaborate on the project.²⁸⁵ We agree. Therefore, PG&E, SCE, and SDG&E, shall, upon receiving an initial inquiry from a potential applicant within a CCA service to the utility's multi-property microgrid tariff, provide a standardized notice to the potential applicant advising them to consult with that CCA regarding the potential for collaboration with the CCA (e.g., as a project resource owner or as the off-taker of electricity produced by project resources).

IOU Reporting Requirements on Multi-Property Tariff Utilization: We believe reporting on microgrid development will be helpful to monitor and potentially modify the multi-property microgrid tariff we adopt here. Cal Advocates proposes that IOUs should report on microgrid performance through an annual Tier 1 Advice Letter, and to track and report on microgrid development progress through an annual Tier 3 Advice Letter.²⁸⁶ For its part, PG&E asserts that any reporting requirement should fall upon an aggregator or end-use customer; and if an IOU reporting mechanism is required, it should be a compliance filing.²⁸⁷

We believe there is value in measuring the multi-property microgrid tariff utilization over time. Assessing the tariff's utilization will help inform future

²⁸⁵ Joint CCA Opening Comments on the Joint IOU Proposals at 3.

²⁸⁶ Cal Advocates Opening Comments to Stakeholder Proposals at 11.

²⁸⁷ PG&E Reply Comments to the Joint IOU Proposals at 8-9.

program evaluation, as ordered in D.21-01-018, which directed Energy Division to hire a neutral, third-party evaluator to assess the activities undertaken in this proceeding.²⁸⁸ Therefore, direct PG&E, SCE, and SDG&E to file annual compliance filings that report general information about the utilization of multi-property microgrid tariff that includes the following information: (1) microgrid location; and (2) number of applicants detailing rejections (including the reasoning for denial), dropouts (including what stage the dropout occurred), and acceptance.

Transparency & Continuity Across IOU Tariffs: We direct PG&E and SDG&E to include the following language in their proposed tariffs to mirror SCE's language regarding the allowance for agreement execution within 30-business days, and allowance for a one-time 30-business day extension. Therefore, for PG&E, the following language shall be included in its final tariff:

- Section 6.3
 - CMET Applicant will have up to 30 ~~business-calendar~~ days to review the Microgrid Islanding Study and sign the Microgrid Special Facilities Agreement (Microgrid SFA). PG&E will grant a one-time 30-business day extension, if needed.
 - If, after review of the Microgrid Special Facilities Agreement, the CMET Applicant declines to proceed with the CMET Project, the CMET Applicant will notify PG&E in writing within 5 ~~business-calendar~~ days and the Application will be deemed withdrawn.

For SDG&E, the following language shall be included in its final tariff:

- Section 6.3:
 - MPMET Applicant will have up to 30 ~~business-calendar~~ days to review the Microgrid Islanding Study and sign

²⁸⁸ D.21-01-018 at 90.

the Microgrid Special Facilities Agreement. SDG&E will grant a one-time 30-business day extension, if needed.

- If, after review of the Microgrid Special Facilities Agreement, the MPMET Applicant declines to proceed with the CMG, the MPMET Applicant will notify SDG&E in writing within 5 business ~~calendar~~ days and the MPMET Application will be deemed withdrawn.

Additionally, the IOUs varied with their use of business days versus calendar days. For purposes of standardization, we direct PG&E and SDG&E to mirror SCE and use business days for determining deadlines for items in their respective tariffs. Thus, we modify the respective tariff language as follows:

- PG&E, A-29 Section 7.2.a: Applicant and PG&E will execute a mutually agreeable MOA within 90 business days of execution of the later of any applicable Interconnection or Microgrid Special Facilities Agreements.
- PG&E, A-31 Section 12.1.a: Applicant may terminate the application process, including Microgrid Islanding Study, for any reason with 30 business days written notice. Applicant will be responsible for any PG&E costs incurred through termination date.
- SDG&E, C-3 Section 7.2.a: CMG Authority and SDG&E will execute a mutually agreeable MOA within 90 business days of execution of the later of any applicable Interconnection Agreements or Microgrid Special Facilities Agreements.
- SDG&E, C-5 Section 12.1.a: MPMET Applicant may terminate the application process, including the Microgrid Islanding Study, for any reason with 30 business days written notice. MPMET Applicant will be responsible for any SDG&E costs incurred through termination date.

Next, Sunnova argues that SCE's Proposed Tariff includes an unduly restrictive 50 kV interconnection limit, which is not in the other IOUs' Proposed

Tariffs.²⁸⁹ We clarify that the multi-property microgrids interconnected under these tariffs shall be interconnected to a utility distribution system, regardless of voltage level. Therefore, we modify SCE's tariff as follows:

- SCE proposal at B-1 MPMT Eligibility Criteria ii.: The MPMT Project must include interconnected exporting energy producing resources (Project Resources), including at least one Project Grid-Forming Resource, interconnected within the Microgrid Boundary. Project Resources must be interconnected to SCE's Distribution System ~~on a distribution line that is operated at 50 kV or below~~ pursuant to SCE's Wholesale Distribution Access Tariff, Attachment I "Generator Interconnection Procedures" (WDAT) and/or SCE's Electric Rule 21, as applicable.

Next, the Joint CCAs argue that that blue-sky participation in CCA tariffs, programs, and procurements is unreasonably excluded in Section 9.2 of PG&E's tariff proposal, which refers exclusively to PG&E programs.²⁹⁰ We clarify that blue-sky participation is not restricted to IOU programs. Therefore, we modify the Joint IOUs proposed respective tariff language to reflect this principle:

- PG&E, A-30 Section 9.2: Participation in ~~PG&E~~ Programs. Project Resources are eligible to provide distribution services and/or participate in demand side management programs during Blue Sky Mode consistent with applicable ~~PG&E~~ tariffs, programs, or procurements. However, participation in ~~PG&E~~ programs shall not impede the ability to enable Island Mode, as determined by the Distribution provider, at any time during which this tariff applies to the CMET Project or the CMET MOA for the CMET Project is in effect.
- SCE, B-7 Section 7.b: Participation in ~~SCE~~ Programs. Project Resources are eligible to provide generation services

²⁸⁹ Sunnova Opening Comments to Joint IOU Proposal at 10.

²⁹⁰ Joint CCA Opening Comments on Joint IOU Proposal at 3.

and/or participate in demand side management programs during Blue Sky Mode consistent with applicable ~~SCE~~ tariffs, programs, or procurements. However, participation in ~~SCE~~ programs shall not impede the ability to enable Island Mode, as determined by SCE, at any time during which this tariff applies to the MPMT Project or the MOA for the MPMT Project is in effect.

- SDG&E proposal at C-4 Section 9.2: Participation in ~~SDG&E~~ Programs. CMG Authority Resources are eligible to provide distribution services and/or participate in demand side management programs during Blue Sky Mode and Island Mode consistent with applicable ~~SDG&E~~ tariffs, programs, or procurements. However, during Island Mode CMG Authority is responsible for ensuring such participation does not interfere with the ability of SDG&E to provide safe and reliable Distribution Service. CMG Authority should advise SDG&E of such anticipated participation at the time the Microgrid Islanding Study is initiated so that the potential impacts on Island Mode operation can be accounted for.

Now, we turn to a claim made by AMR regarding SCE's tariff applicability. AMR argues that SCE "unfairly limits" the applicability of multi-property microgrid tariff because its tariff states that it is "offered solely for the purpose of supporting MPMT Customers during a Distribution System Outage."²⁹¹ We believe an IOU should be agnostic as to why a multi-property tariff is being deployed. The tariff's terms and conditions establish the allowable operating parameters and requirements for a multi-property microgrid regardless of the intent of the microgrid owner or operator. Therefore, we adopt the following modification to SCE's tariff:

- SCE proposal at B-1 under Applicability. This Schedule is available to a Microgrid Aggregator who (i) controls an

²⁹¹ AMR Opening Comments to the Joint IOU Proposals at 7.

MPMT Project that meets the Multi-Property Microgrid Tariff (MPMT) Eligibility Criteria, (ii) submits a complete MPMT Application Package, and (iii) agrees to enter into a Microgrid Operating Agreement (MOA) for the design, development and operation of a Multi-Property Microgrid. This Schedule governs the eligibility, engineering studies, project development, Islanding, and reconnection operation of Multi-Property Microgrids, as defined herein, ~~and is offered solely for the purpose of supporting MPMT Customers during a Distribution System outage.~~

Also, AMR argues that SCE's eligibility criteria for the multi-property microgrid tariff does not differentiate between "customer" and "premises."²⁹² SBUA states SCE requires a minimum of two customers in the multi-property microgrid footprint while PG&E and SDG&E allow two customers or two premises, accounting for scenarios where a single customer controls multiple premises.²⁹³ We agree that SCE's eligibility criteria lack specificity and may imply that only SCE retail customers are allowed to be in the multi-property microgrid footprint, or that two premises controlled by the same customer are not eligible for the multi-property microgrid tariff. We find that SCE should be required to include a provision allowing wholesale distribution customers in the multi-property microgrid footprint at its discretion. We also find that SCE should be required to match the eligibility criteria proposed by PG&E and SDG&E to allow two premises to be the minimum eligibility requirement for a multi-property microgrid. Therefore, we modify SCE's tariff as follows:

- SCE B-1, MPMT Eligibility Criteria: The MPMT Project must meet the needs of at least two MPMT Customers or two MPMT premises (Multi-Property) connected to SCE's Distribution System within the Microgrid Boundary. All

²⁹² *Id.*

²⁹³ SBUA Opening Comments to Joint IOU Proposal at 2.

Customers within the Microgrid Boundary of the MPMT Project must be SCE retail Distribution Customers; provided that, where SCE determines in its sole discretion that inclusion of electrical loads or customers which do not take SCE retail distribution service in a MPMT Project will benefit SCE retail Distribution Customers, SCE may agree to the inclusion of such loads and/or customers and will submit a notice of and justification for this determination through a Tier 1 Advice Letter.

Next, we turn to PG&E's 20-megawatt (MW) export cap limit. PG&E's tariff proposal requires that a project's resources "do not exceed 20 MW in aggregated export capacity within a clearly defined Microgrid." GPI, PearlX, SBUA, and Sunnova argue that a 20MW cap is arbitrary and unnecessary and point to SCE and SDG&E having no similar cap for their respective tariffs. We agree. Therefore, we modify the 20MW limit from PG&E's tariff, for purposes of consistency and continuity:

- PG&E, A-25 Section 3.3. Community Microgrid Parameters: The CMET Project must include interconnected Project Resources, including a Grid-Forming Project Resource, ~~that do not exceed 20MW in aggregated export capacity~~ within a clearly defined Microgrid in PG&E's Distribution System; the CMET Project must act as a single, controllable entity; the CMET Project must be able to connect to, disconnect from, and run in parallel with larger portions of the electrical grid; and the CMET Project must be capable of maintaining electrical supply and service quality when isolated to connected customers during larger grid disturbances. Project Resources must be interconnected to PG&E's Distribution System pursuant to PG&E's Wholesale Distribution Tariff, Attachment I "Generator Interconnection Procedures" (WDT GIP) and/or Electric Rule 21 as applicable.

Next, several parties argue that the requirements for “applicant experience” are unclear, infeasible, and/or too restrictive.²⁹⁴ We agree. Therefore, we modify PG&E’s and SCE’s applicant experience requirement to mirror SDG&E’s tariff language, allowing an attestation that appropriately qualified technical partners will be retained by an applicant. The modifications for PG&E and SCE are:

- PG&E, A-25 Section 3.2: Applicant Experience. The CMET Applicant must provide to PG&E an attestation that it has retained, or will retain, technical partners with experience in the development and operation of grid-forming and grid-following resources ~~at least one current member of its development team has: (a) completed the development of at least one microgrid project of similar technology and capacity; or (b) begun construction of at least one other project of similar technology and capacity.~~ The CMET Applicant must identify the entity(ies), if not the Applicant, that will be responsible for: (1) development of the CMET Project; and (2) acting as CMG Aggregator to coordinate operation of the CMET Project with PG&E pursuant to an executed CMET Microgrid Operating Agreement (“CMET MOA” or “MOA”).
- SCE, B-4 Section 2 Phase 1: Applicant Experience Required. The MPMT Applicant must provide to SCE an attestation that it has retained, or will retain, technical partners with experience in the development and operation of grid-forming and grid-following resources ~~at least one current member of its development team has:~~
 - A) ~~completed the development of at least one microgrid project of similar technology and capacity; or~~

²⁹⁴ Joint CCA Opening Comments to the Joint IOU Proposals at 3; AMR Opening Comments to Joint IOU Proposals at 11.

~~B) begun construction of at least one other project of similar technology and capacity.~~

The MPMT Applicant must identify the entity or entities, if not the MPMT Applicant, that will be responsible for development of the MPMT Project and the entity that will be the Microgrid Aggregator responsible the operation of the MPMT Project pursuant to an executed MOA.

We turn now to the requirement for notice for changes to the microgrid operating agreement. PG&E's tariff proposal states that it reserves the right to suspend microgrid operation, change the islanding point, or other changes pursuant to its service obligations.²⁹⁵ GPI recommends that "any such changes shall be noticed at least 60 days in advance and the CMG Aggregator shall be given an opportunity to object, request changes, or otherwise obtain further information about the proposed changes."²⁹⁶ We find that the IOUs should modify their proposed tariffs to provide the multi-property microgrid owner/operator advanced notice of permanent changes to the microgrid operating agreement being imposed by the IOU, and the microgrid owner/operator should have an opportunity to respond or request more information. Therefore, we modify the tariffs of PG&E, SCE, and SDG&E as follows:

- PG&E A-29, Section 7.4: PG&E reserves the right to suspend CMET Project operation, change the Microgrid Islanding Point, or other Distribution System changes required to meet its service obligations pursuant to all applicable rules on file with the CPUC. For any such unplanned changes that are necessary to maintain safety or reliability, PG&E shall take immediate action with no prior

²⁹⁵ Joint IOU Proposal, PG&E Tariff Proposal at A-29.

²⁹⁶ GPI Opening Comments to Joint IOU Proposals Tariffs at 9.

- notification necessary to the CMG Aggregator. Within 24 hours, PG&E shall notify the CMG Aggregator of the unplanned changes and provide an estimate of how long the changes are expected to persist. If any such unplanned changes are permanent or expected to persist for longer than 3 calendar days, the CMG Aggregator will be given an opportunity to respond or request more information. If any such planned changes are permanent or expected to persist for longer than 3 calendar days, PG&E will notify the CMG Aggregator at least 30 business days in advance and the CMG Aggregator will be given an opportunity to respond or request more information. If any such planned changes are expected to persist for 3 calendar days or fewer, PG&E will notify the CMG Aggregator at least 5 business days in advance with no opportunity for the CMG Aggregator to respond or request more information.
- SCE B-6, Section 5: At any time and at its sole discretion, SCE may perform a review of a then-existing MPMT Project and evaluate the impact of any substantive operating changes from the original MIS assumptions regarding customer load, resources, or other operational or safety issues inside or outside the Electrical Boundary of the then-existing MPMT Project. Such review may identify that a System Change has occurred which could render the Microgrid incapable of safely or reliably operating in Island Mode.
 - In accordance with the MOA, if SCE determines, in its sole discretion, that such a System Change has occurred, SCE will notify Microgrid Aggregator of this determination and perform, at SCE's own expense, a new MIS to determine what modifications, if any, to the existing MPMT Project or the Added Facilities will be needed to allow the Project Resources to be capable of safely transitioning from Blue Sky Mode to Island Mode, operating in Island Mode and transitioning back to Blue Sky Mode.
 - For any such unplanned changes that are necessary to maintain safety or reliability, SCE shall take immediate

action with no prior notification necessary to the Microgrid Aggregator. Within 24 hours, SCE shall notify the Microgrid Aggregator of the unplanned changes and provide an estimate of how long the changes are expected to persist. If any such unplanned changes are permanent or expected to persist for longer than 3 calendar days, the Microgrid Aggregator will be given an opportunity to respond or request more information. If any such planned changes are permanent or expected to persist for longer than 3 calendar days, SCE will notify the Microgrid Aggregator at least 30 business days in advance and the Microgrid Aggregator will be given an opportunity to respond or request more information. If any such planned changes are expected to persist for 3 calendar days or fewer, SCE will notify the Microgrid Aggregator at least 5 business days in advance with no opportunity for the Microgrid Aggregator to respond or request more information.

- SDG&E, C-4 Section 7.4: The MOA provides SDG&E the right to suspend CMG operation, change the Microgrid Islanding Point, make other Distribution System Changes as required to meet its service obligations pursuant to all applicable rules on file with the CPUC, or terminate the MOA for CMG Authority's non-performance including failure to pay for the costs of all studies and Distribution System Changes. For any such unplanned changes that are necessary to maintain safety or reliability, SDG&E shall take immediate action with no prior notification necessary to the CMG Authority. Within 24 hours, SDG&E shall notify the CMG Authority of the unplanned changes and provide an estimate of how long the changes are expected to persist. If any such unplanned changes are permanent or expected to persist for longer than 3 calendar days, the CMG Authority will be given an opportunity to respond or request more information. If any such planned changes are permanent or expected to persist for longer than 3 calendar days, SDG&E will notify the CMG Authority at least 30

business days in advance and the CMG Authority will be given an opportunity to respond or request more information. If any such planned changes are expected to persist for 3 calendar days or fewer, SDG&E will notify the CMG Authority at least 5 business days in advance with no opportunity for the CMG Authority to respond or request more information.

Finally, we note that there is inconsistency with metering requirements. SCE's metering requirements are vague. PG&E and SCE did not include metering requirement for multi-property microgrid resources participating in the CAISO wholesale market. Yet, SDG&E did include metering requirements for multi-property microgrid resources participating in the CAISO wholesale market. Therefore, we require SCE to provide specificity with its metering requirements, and both PG&E and SCE should be required to identify metering requirements for resources participating in the CAISO wholesale market. PG&E and SCE's tariffs are modified as follows:

- PG&E, A-30 Section 11: CMET Project metering requirements are defined in the applicable PG&E Electric Rules including, but not limited to, 2, 15, 16, 17, 18, 21, and PG&E's WDT GIP, and for resources participating in the CAISO's wholesale markets, the applicable CAISO metering rules.
- SCE, B-7 Section 10: MPMT Project metering requirements are defined in the applicable SCE Electric Rules including, but not limited to, 2, 15, 16, 17, 18, 21, and SCE's WDAT GIP, and for resources participating in the CAISO's wholesale markets, the applicable CAISO metering rules tariff.

In conclusion, PG&E shall file a Tier 1 Advice Letter within 30 days upon issuance of this decision demonstrating compliance with these modifications. SCE shall file a Tier 1 Advice Letter within 30 days upon issuance of this decision demonstrating compliance with these modifications. SDG&E shall file a Tier 1

Advice Letter within 30 days upon issuance of this decision demonstrating compliance with these modifications.

6. Other Matters Filed Under Rulemaking 19-09-009

6.1. Petition For Modification of D.20-06-017

6.1.1. Background

On June 17, 2020, the Commission adopted D.20-06-017 which established short-term actions related to the acceleration of microgrid deployment and resiliency strategies for the 2020 wildfire season.²⁹⁷ Among D.20-06-017's holdings, the Commission ordered PG&E, SCE, and SDG&E to modify their net energy metering (NEM) tariffs to temporarily remove the storage sizing limit for large NEM-paired storage for a period of three years while maintaining existing metering requirements.²⁹⁸ Then, on September 5, 2023, the Commission's Executive Director granted PG&E, SCE, and SDG&E's request to extend the temporary removal of the storage sizing limit for another two years. The Commission's extension of this removal of the storage sizing limit expires on August 16, 2025.

On June 11, 2024, the California Solar and Storage Association (CALSSA or Petitioner) filed a petition to modify D.20-06-017 asking for the Commission to permanently remove the cap.²⁹⁹

6.1.2. Summary of Petition

Petitioner argues that a cap on storage sizing limit is not necessary.³⁰⁰ In support of this contention, Petitioner asserts that: (1) if roof space is insufficient

²⁹⁷ D.20-06-017 at 1.

²⁹⁸ D.20-06-017 at Ordering Paragraph 6.

²⁹⁹ Petition at 1.

³⁰⁰ Petition at 2.

to provide enough solar capacity to fully meet the customer's needs, energy storage can still be installed with enough capacity to meet the customer's needs;³⁰¹ (2) customer like electric vehicle charging stations have high power needs that may exceed grid capacity even when the grid is operational;³⁰² (3) many energy storage systems are integrated units, with a fixed ratio of power to energy storage and therefore, a cap on power would prevent them from having enough storage;³⁰³ and (4) a sizing rule in the net metering or net billing tariffs should not discourage customer who are willing to install energy storage that is larger than needed to meet their onsite needs in order to provide grid services for demand response or reliability problems.³⁰⁴

6.1.3. Response to Petition

On July 11, 2024, Cal Advocates and the Joint IOUs filed a response to the Petition.

Cal Advocates opposed the Petition. First, Cal Advocates argues that the Petition was untimely filed under Rule 16.4(d).³⁰⁵ Cal Advocates argues that CALSSA fails to satisfy the requirements of Rule 16.4(d) because D.20-06-017 became effective on June 11, 2020 yet CALSSA filed the Petition on June 11, 2024 – four years after the Decision's effective date.³⁰⁶ Cal Advocates states that the Petition lacks a reasonable explanation that supports CALSSA's inability to present a petition for modification within one year of the Decision's effective

³⁰¹ Petition at 3.

³⁰² Petition at 3.

³⁰³ Petition at 3.

³⁰⁴ Petition at 3.

³⁰⁵ Cal Advocates Response to Petition at 3-5.

³⁰⁶ Cal Advocates Response to Petition at 4.

date.³⁰⁷ Cal Advocates argues that CALSSA's assertion that D.20-06-017 created a condition for a three-year period for temporary removal of the storage sizing rule, and therefore justifies failing to file a petition within one year, is unavailing under Rule 16.4(d) is not sufficient to meet the requirements of Rule 16.4.³⁰⁸

Second, Cal Advocates opposes CALSSA's Petition because the Petition does not propose specific wording to carry out its requested modifications to D.20-06-017.³⁰⁹ In support of its opposition, Cal Advocates cites Rule 16.(4)(b)'s requirement that a "petition for modification of a Commission decision...must propose specific wording to carry out all requested modifications to the decision."³¹⁰

Finally, Cal Advocates argues that the Petition fails to meet the requirements of Rule 16.4(b) in that it asserts factual allegations that are not supported by specific citations to the record in R.19-09-009, or to matters that may be officially noticed.³¹¹

For their part, the Joint IOUs conditionally support CALSSA's Petition.³¹² The Joint IOUs state that they do not object to CALSSA's Petition.³¹³ However, the Joint IOUs state that they do not object to customers' potential interest in installing oversized energy storage systems for enhanced resiliency, but the costs of upgrades triggered by such projects to enable aggregated grid charging

³⁰⁷ Cal Advocates Response to Petition at 4.

³⁰⁸ Cal Advocates Response to Petition at 4-5.

³⁰⁹ Cal Advocates Response to Petition at 5.

³¹⁰ Cal Advocates Response to Petition at 5-6.

³¹¹ Cal Advocates Response to Petition at 7.

³¹² Joint IOU Response to Petition at 2.

³¹³ Joint IOU Response to Petition at 2.

capacity of more than 150 percent (or any potential larger cap determined and set by the Commission in the future) of paired NEM generator should be the responsibility of the customer.³¹⁴

6.1.4. Standard of Review

Public Utilities Code Section 1708³¹⁵ provides that the Commission, after appropriate notice, may alter one of its prior decisions:

The commission may at any time, upon notice to the parties, and with opportunity to be heard as provided in the case of complaints, rescind, alter, or amend any order or decision made by it. Any order rescinding, altering, or amending a prior order or decision shall, when served upon the parties, have the same effect as an original order or decision.

Under the Commission's Rules of Practice and Procedure (Rules), Rule 16.4 governs petitions for modification. Rule 16.4(d) states in part:

(d) Except as provided in this subsection, a petition for modification must be filed and served within one year of the effective date of the decision proposed to be modified. If more than one year has elapsed, the petition must also explain why the petition could not have been presented within one year of the effective date of the decision. If the Commission determines that the late submission has not been justified, it may on that ground issue a summary denial of the petition.

Rule 16.4 also requires:

(b) A petition for modification of a Commission decision must concisely state the justification for the requested relief and must propose specific wording to carry out all requested modifications to the decision. Any factual allegations must be supported with specific citations to the record in the proceeding or to matters that may be officially noticed. Allegations of new or changed

³¹⁴ Joint IOU Response to Petition at 5-7.

³¹⁵ Public Utilities (Pub. Util.) Code Section 701. All references to "Sections" herein are to the California Public Utilities Code unless otherwise noted.

facts must be supported by an appropriate declaration or affidavit.

Timeliness Test: As stated above under Rule 16.4(d), a petition for modification must be filed and served within one year of the effective date of the decision proposed to be modified. This Petition does not comply with Rule 16.4(d), because it has not been filed within a year of D.20-06-017 issuance date of June 17, 2020.

Persuasiveness Test: Under Rule 16.4(b) if more than one year has elapsed, the petition must also explain why the petition could not have been presented within one year of the effective date of the decision. If the Commission determines that the late submission has not been justified, it may on that ground issue a summary denial of the petition. Here, the persuasiveness test applies because more than one year has passed since the effective date of the decision. We discuss our application of the persuasiveness test to Petitioner's request, below.

Rule 16.4(b) Test: Next, in addressing this request, we consider whether Petitioner has met its burden, pursuant to Rule 16.4(b) of the Rules, to demonstrate that the Commission should exercise its discretion to modify D.20-06-17 because the Petition states with specificity the justification for the requested relief. The Commission has discretion when ruling on a petition for modification.³¹⁶ In considering whether to exercise such discretion, we consider whether the Petitioner's request satisfies the requirements of Rule 16.4 and the

³¹⁶ Rules of Practice and Procedure, Rule 16.4; *see also* PG&E Corp. v. Public Utilities Com. (2004) 118 Cal.App.4th 1174, 1215 [California Public Utilities Code Section 1708, which authorizes the Commission to "rescind, alter, or amend any order or decision made by it," is permissive].

request favors both the interest of ratepayers. We discuss the application of our rules as they relate to the Petition and the responses to the Petition, below.

6.1.5. Denial of Petition

The Commission, having taken the matter under submission, denies the Petition. Rule 16.4 governs petitions for modification. Rule 16.4 derives its authority from Section 1708 that allows the Commission to rescind, alter, or amend any decision made by it.

We agree with Cal Advocates that not only is the Petition untimely but also fails to justify why the Petition could not have filed its petition on time. The Petition lacks sufficient explanation that supports CALSSA's inability to present a petition for modification within one year of D.20-06-017's effective date. While CALSSA acknowledges that it did not meet the timeliness requirements, its argument that D.20-06-017 "created a condition for a three-year period"³¹⁷ made it "premature to have submitted a petition in less than one year"³¹⁸ is unpersuasive. CALSSA presents no new additional facts or information that justifies the delay other than stating the lapse in time created valuable insight into "gather[ing] information about customer behavior while the sizing cap was not in effect" implying that CALSSA could have presented the petition much earlier than four years after the decision's effective date but did not do so.

Finally, we also agree with Cal Advocates that the Petition does not meet Rule 16.4(b)'s other requirements to propose specific wording to carry out its requested modifications to D.20-06-017 and does not assert factual allegations

³¹⁷ Petition at 18.

³¹⁸ Petition at 18.

supported by specific citations to the record or matters that could be officially noticed.

Therefore, the Petition is summarily denied.

6.2. Petition for Modification of D.24-04-036

6.2.1. Background

On May 13, 2024, GPI (Petitioner) filed a petition for modification of D.24-04-036. On April 24, 2024, the Commission issued D.24-04-036 granting compensation to GPI for substantial contribution to D.21-12-004 and D.23-04-034.

6.2.2. Summary of Petition

In its request, Petitioner requests that the Commission modify D.24-04-036 to delete the setting of rates for its associate, Sahn White.³¹⁹ In support of its request to modify D.24-04-036, Petitioner states:

Decision D.24-04-036 includes a request for compensation for Mr. White for 5½ hours, 2 in 2021, and 3½ in 2022. The Decision disallows all 5½ hours of Mr. White's effort. Nevertheless, even with the disallowance of all of Mr. White's hours, the Decision still sets a rate for Mr. White for 2021 and 2022 (*see* item no. 7 of the Section on CPUC Comments, Disallowances, and Adjustments, pg. 13 of the Decision). With his hours ruled ineligible for compensation, setting a rate for those hours is a moot point, and should not be done. GPI respectfully requests that the Decision be modified to delete the setting of these irrelevant rates.

Petitioner relies on D.22-10-034 and asks the Commission to modify D.24-04-036 with the following language: "because we disallow all the hours of Mr. White, we do not establish hourly rates at this time."³²⁰

³¹⁹ Petition at 2.

³²⁰ Petition at 2.

6.2.3. Response to Petition

No party filed a response to GPI's petition.

6.2.4. Standard of Review

As stated above, Public Utilities Code Section 1708³²¹ provides that the Commission, after appropriate notice, may alter one of its prior decisions:

The commission may at any time, upon notice to the parties, and with opportunity to be heard as provided in the case of complaints, rescind, alter, or amend any order or decision made by it. Any order rescinding, altering, or amending a prior order or decision shall, when served upon the parties, have the same effect as an original order or decision.

Under the Commission's Rules of Practice and Procedure (Rules), Rule 16.4 governs petitions for modification. Rule 16.4(d) states in part:

(d) Except as provided in this subsection, a petition for modification must be filed and served within one year of the effective date of the decision proposed to be modified. If more than one year has elapsed, the petition must also explain why the petition could not have been presented within one year of the effective date of the decision. If the Commission determines that the late submission has not been justified, it may on that ground issue a summary denial of the petition.

Rule 16.4 also requires:

(b) A petition for modification of a Commission decision must concisely state the justification for the requested relief and must propose specific wording to carry out all requested modifications to the decision. Any factual allegations must be supported with specific citations to the record in the proceeding or to matters that may be officially noticed. Allegations of new or changed facts must be supported by an appropriate declaration or affidavit.

³²¹ Public Utilities (Pub. Util.) Code Section 701. All references to "Sections" herein are to the California Public Utilities Code unless otherwise noted.

Timeliness Test: As stated above under Rule 16.4(d), a petition for modification must be filed and served within one year of the effective date of the decision proposed to be modified. This Petition complies with Rule 16.4(d), because it has been filed within a year of D.24-04-036 issuance date of April 18, 2024.

Persuasiveness Test: Under Rule 16.4(b) if more than one year has elapsed, the petition must also explain why the petition could not have been presented within one year of the effective date of the decision. If the Commission determines that the late submission has not been justified, it may on that ground issue a summary denial of the petition. The persuasiveness test does not apply in this instance because the petition was presented within one year of the effective date of the decision.

Rule 16.4(b) Test: Next, in addressing this request, we consider whether Petitioner has met its burden, pursuant to Rule 16.4(b) of the Rules, to demonstrate that the Commission should exercise its discretion to modify D.24-04-036 because the Petition states with specificity the justification for the requested relief. The Commission has discretion when ruling on a petition for modification.³²² In considering whether to exercise such discretion, we consider whether the Petitioner's request satisfies the requirements of Rule 16.4 and whether the request favors the interest of ratepayers. We discuss the application of our rules as they relate to the Petition and the responses to the Petition, below.

³²² Rules of Practice and Procedure, Rule 16.4; *see also* PG&E Corp. v. Public Utilities Com. (2004) 118 Cal.App.4th 1174, 1215 [California Public Utilities Code Section 1708, which authorizes the Commission to "rescind, alter, or amend any order or decision made by it," is permissive].

6.2.5. Denial of Petition

The Commission, having taken the matter under submission, denies the Petitioner's request to modify D.24-04-036. The Commission determines that it is inappropriate to modify D.24-04-036 because its request is inconsistent with our rules governing intervenor compensation. The facts show that Mr. Sahm is a consultant for GPI. The rates intervenors request for the use of outside consultants (attorneys and/or experts) may not exceed the actual rates billed to the intervenors by the consultants, even if the consultants' rates are below the floor for any given experience level. This ensures that ratepayers only pay for the actual costs of such outside consultants.³²³ As the Commission used the rate Mr. Sahm billed to GPI for this proceeding in establishing the rate we find that it does not have a bearing on any future consultant rate requests for Mr. Sahm. Therefore, the petitioner's request is denied.

7. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding. In response to Rule 1.18(b) there has been no public comment in this proceeding since 2022.

8. Conclusion

This decision adopts a ratepayer oriented, multi-property microgrid tariff for Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company. This decision denies the petitions for modification of CALSSA and the Green Power Institute.

³²³ Decision (D.) 08-04-010.

9. Procedural Matters

This decision affirms all rulings made by the Administrative Law Judge and assigned Commissioner in this proceeding. All motions not ruled on are deemed denied.

10. Comments on Proposed Decision

The proposed decision of Administrative Law Judge Colin Rizzo in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on _____, and reply comments were filed on _____ by _____.

11. Assignment of Proceeding

President Alice Reynolds is the assigned Commissioner and Colin Rizzo is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. D.23-04-034 determined that the Commission would consider a multi-property microgrid tariff through this proceeding's Track 5 phase.
2. On August 8, the Joint IOUs were ordered to submit a draft, multi-property microgrid tariff, based upon Pacific Gas and Electric Company's Community Microgrid Enablement Tariff (CMET), that accounted for the variances of their individual service territories.
3. When developing their draft multi-property microgrid tariff, the Joint IOUs were ordered to follow guiding principles and tariff requirements, with an emphasis on Section 218 of the Public Utilities Code, set forth by the assigned Administrative Law Judge.
4. On October 23, 2023, the assigned Commissioner and assigned Administrative Law Judge jointly amended the schedule of activities for Track 5 of this proceeding to allow industry participants and stakeholders to voluntarily

submit a draft, multi-property microgrid tariff of their own into the record of R.19-09-009.

5. The assigned Commissioner and assigned Administrative Law Judge ordered any party who voluntarily submitted such proposal to follow the same guiding principles and tariff requirements set forth previously.

6. The guiding principles and tariff requirements set forth an array of parameters with particular emphasis on adherence to the Commission's statutory requirements, particularly those codified in Sections 218 and 8371.

7. AMR, Clean Coalition, GPI, the Joint IOUs, MRC, PearlX, and Sunnova submitted multi-property microgrid tariffs proposals.

8. Section 218, commonly referred to as the "over-the-fence rule," requires any entity that wishes to sell energy to more than two contiguous parcels or across the street to become a regulated electrical corporation.

9. An electrical corporation includes every corporation or person owning, controlling, operating, or managing any electric plant for compensation within this state, subject to our regulation.

10. It is the Commission's duty to ensure that the public utility is meeting public customer service expectations, public safety standards, maintains just and reasonable rates, as well as just and reasonable terms and conditions of utility service.

11. The objectives of Section 218 are to ensure the safety and reliability of the electricity supplied from the distribution grid to the customers, and to protect customers who may have no or limited choices about who provides their electricity.

12. The Legislature created Section 218 to safeguard consumers from being overcharged for an essential service, assure that facilities are operated in a safe

and reliable manner, and avoid the duplication of utility infrastructure as protected against by the utility franchise provisions.

13. To ensure system, public, and worker safety are given the highest priority, a regulated utility must control and operate a multi-property microgrid if the multi-property microgrid uses the regulated utility's distribution system.

14. Entities who operate, control, or manage electric infrastructure used for the sale or transmission of electricity are required by law, with very narrow exceptions, to be a regulated electrical corporation and may not be an unregulated third party.

15. Worker safety and grid reliability are absent from the stakeholder proposals.

16. Regulated control of the distribution system is essential to public and worker safety and grid reliability.

17. After any outage, crews must perform restoration work to ensure that it is safe to reenergize the electric utility's grid.

18. An unregulated third party cannot decide when a microgrid may begin actively discharging to the electric utility's grid while utility employees may be working on the grid.

19. To ensure system, public, and worker safety are given the highest priority, regulated entities must operate and control their electric distribution grid, including microgrids serving multiple properties that connect to or disconnect from larger portions of the electric grid.

20. Section 218 reflects the Legislative directive that the Commission adopt tariffs that support the public good.

21. Section 382(b) states that electricity is a necessity, that all residents of the State should be able to afford essential electricity and gas supplies, and that the

Commission shall ensure that low-income ratepayers are not jeopardized or overburdened by monthly energy expenditures.

22. AMR's proposed tariff focuses on a narrow set of priorities and does not fit within the contours of Section 218.

23. MRC, PearlX, and Sunnova proposed frameworks would require the Commission to abdicate its responsibilities under Section 218 to ensure that microgrids will operate safely, benefit ratepayers, and be cost efficient.

24. MRC proposed a framework that would modify electric rule requirements that protect ratepayers and preserve system infrastructure integrity to allow the development of multi-property microgrids that use their own, unregulated internal distribution system.

25. MRC proposed a framework would reduce ratepayer protections and system safety requirements to a paradigm that is free from government oversight and regulation.

26. GPI proposed a framework that circumvents Section 218 and D.21-01-018 because it would direct the IOUs to purchase power from unregulated third party microgrid operations and then, sell it back to the microgrid customer, likely creating cost-shift to non-benefiting ratepayers.

27. GPI's proposed framework attempts to avoid the power sale issue of Section 218 by having the IOU purchase electricity from the microgrid so that the microgrid is not actually selling power to end users but rather, the IOU.

28. PearlX proposed a framework that would allow an electric microgrid to operate full-time, outside of island mode, and not pay utility tariffs or fees; and during islanding periods, have California ratepayers compensate microgrid owners/operators.

29. Sunnova's proposed a framework was previously rejected by the Commission in D.23-04-005.

30. Allowing private entities outside of Commission jurisdiction to build electrical distribution systems and deliver power to customers presents serious risks to public safety and welfare.

31. Without Commission oversight, there is no way to ensure third-parties operate their assets safely and reliably; and are not charging unreasonable rates when providing this essential service.

32. A third party owning, controlling, operating, or managing any electric plant for compensation within this state, with certain limited exceptions, must become a regulated electrical corporation subject to our jurisdiction to comply with Section 218.

33. MRC, GPI, PearlX, and Sunnova ask for interpretations of Section 218 that would give unregulated entities the ability to serve a vast number of customers without government oversight.

34. Section 2780 defines an electric micro-utility as an electrical corporation that is regulated by the commission and organized for the purpose of providing sole-source generation, distribution, and sale of electricity exclusively to a customer base of fewer than 2,000 customers.

35. By the express terms of the statute, an electrical micro-utility also meets the definition of an electrical corporation.

36. D.06-06-066 states that Section 2780's sole source characterization means that an electric micro-utility is not connected to the California Independent System Operator controlled transmission grid and thus has no relationship with the California Independent System Operator nor any ability to import or export power.

37. Section 2780's legislative history provides the following context for what qualifies as a micro-utility: the term "electric micro-utility" applies only to Mountain Utilities (MU), a tiny, vertically integrated utility owned by Kirkwood Mountain Resort in Alpine County and serving the ski area and the immediate vicinity.

38. MU has approximately 500 customers, many of whom are seasonal residents, and a service area of less than two square miles, with the closest transmission lines over 30 miles away.

39. MU is not part of the grid managed by the Independent System Operator and its generation portfolio consists of six diesel engines with a capacity of 4,800 kilowatts.

40. The Legislative history of Section 2780 also states that the purpose of the micro-utilities statute is to reduce the burden on micro-utilities by urging the Commission to consider the impact costs of participating in Commission proceedings have on a micro-utility's limited resources.

41. In D.21-01-018, the Commission rejected the assertion that under Section 2780, the Commission can exempt 'micro-utilities' from the requirements applicable to electrical corporations and confirmed that the requirements pertaining to electrical corporations are the same requirements that pertain to electric micro-utilities.

42. The language of Section 2780 coupled with its Legislative history clearly demonstrate that the Legislature did not intend to give unregulated third parties the ability to operate multi-property microgrids free from government oversight.

43. Section 2780 does not deregulate or lightly regulate a micro-utility nor does it authorize a widespread, deregulated commercialization of micro-utilities across California.

44. MRC and Sunnova propose tariffs that would treat Section 2780 as an opportunity for microgrid operators to circumvent public utility regulation and government oversight.

45. MRC and Sunnova seek exemption from the Commission's statutorily required function of conducting oversight of electricity rates and service to ensure that rates are just and reasonable and service is safe and reliable.

46. Sunnova's request relitigates issues addressed in D.23-04-005 by asking for exemptions from the Commission's ratemaking, reporting, and general regulatory oversight necessary for the Commission to fulfill its duties.

47. Sections 451 and 454 are codified to safeguard customers from being overcharged for essential service, ensure facilities are operated in a safe and reliable manner, and avoid the unnecessary and wasteful duplication of utility infrastructure as protected against by the utility franchise provisions.

48. Section 8371 prohibits cost-shifts of microgrids to non-benefitting ratepayers.

49. MRC asks the Commission to prospectively authorize rates that will be set through either: (1) private contracts with commercial and industrial customers for any duration to which the parties agree; or (2) agreements with local governmental or non-governmental organizations for a substantial number of residents and small business customers.

50. GPI proposes that the Commission prospectively authorize its proposed internal rate mechanism.

51. GPI and MRC would create risks of highly discounted rates for large energy producers at the expense of ratepayers.

52. GPI and MRC's compensation mechanisms would result in unfair cost shifts to ratepayers.

53. GPI's compensation mechanism's use of the Commission's Avoided Cost Calculator would result in double, or triple-counting avoided costs and added benefits that are duplicative of existing Commission policies and result in double-charging ratepayers for the non-resilience benefits associated with microgrid project resources via internal pricing and export compensation rates.

54. GPI, MRC, and PearlX propose that the Commission exempt microgrids from non-bypassable charges.

55. Generally, non-bypassable charges and cost responsibility surcharges are the result of a litigated process in which the Commission has examined the costs associated with load and service to determine the appropriate allocation of those costs to a customer class to preserve fairness.

56. Non-bypassable charges apply to all customers to support maintenance, operations, and public programs as well low-income and energy efficiency programs.

57. Non-bypassable charges are separate from energy use charges.

58. Effectually, GPI, MRC, and PearlX's proposals would shift the costs of non-bypassable charges to the customers outside of the microgrid service area in violation of Section 8371's prohibition on cost-shifting.

59. GPI, MRC, and PearlX proposals do not ensure that non-participating customers are not forced to bear higher rates because of the multi-property microgrid tariffs.

60. Blue-sky conditions refer to a normal, routine operating day for an electrical corporation

61. GPI, MRC, and PearlX propose compensation mechanisms for microgrids during blue-sky conditions.

62. Proposals for microgrid specific compensation during blue-sky conditions fail to recognize the reality that it is the combined operation of grid resources that allow the utility to provide reliable delivery service.

63. The compensation mechanisms, pricing, and valuation proposals by GPI, MRC, PearlX, and Sunnova inappropriately seek to avoid the Commission's statutory duty to regulate rates and prohibit cost shifting to non-participating customers.

64. In D.21-01-018, the Commission directed the Joint IOUs to revise their respective electric Rule 18 and Rule 19 to allow microgrids that primarily serve facilities owned or operated by, or on behalf of, a public agency to serve critical facilities, owned or operated by, or on behalf of a public agency, on adjacent premises in the event of a grid outage.

65. Electric Rule 18 and Rule 19 revisions under D.21-01-018 are ownership agnostic.

66. In D.21-01-018, the Commission also held that microgrids owned by public agencies which are state, county, local, and tribal agencies or by a third-party that primarily serves a facility operated by a public agency are allowed to supply electricity to a critical facility operated by a municipal corporation on an adjacent premise to conduct emergency and/or critical operations during a grid outage.

67. The Commission reasoned in D.21-01-018 that focusing on entities that serve the public interest ensures more accountability to the public because a public entity is focused on protecting the public from undue costs and unsafe conditions.

68. To date, D.21-10-018's Rule 18 and Rule 19 10-project subscription limit remains fully available and fully accessible to microgrid developers across all three electric service territories of the Joint IOUs.

69. Microgrid developers who seek Rule 18 and Rule 19 deviations, and who wish to provide resiliency services to adjacent parcels, may pursue the option to serve the certain qualifying public agency critical customers on adjacent parcels, according to the rules established in D.21-01-018.

70. On February 21, 2019, the Commission adopted the Environmental Social Justice Action Plan which serves to expand public inclusion in Commission decision-making and improve services to targeted communities in California, specifically communities of color and/or low-income communities.

71. On April 7, 2022, the Commission issued its second iteration of the Environmental Social Justice Action Plan.

72. In D.21-01-018, the Commission adopted the MIP to fund clean community microgrids that support the critical energy needs of vulnerable populations most likely to be impacted by grid outages.

73. The Commission allocated \$200 million to fund the MIP.

74. The MIP's \$200 million in statewide incentives is exclusively targeted at disadvantaged and vulnerable communities.

75. In D.23-04-034, the Commission adopted implementation rules for the Joint IOU's administration of the MIP.

76. The Commission's multi-property microgrid tariff will support the achievement of the Commission's ESJ Action Plan through the MIP.

77. The multi-property microgrid tariff will support disadvantaged and vulnerable communities that may otherwise be unable to deploy a multi-property microgrid project without facing substantial capital costs.

78. A ratepayer oriented multi-property microgrid tariff consists of the proposals presented by the Joint IOUs with some modifications based upon stakeholder input.

79. A ratepayer oriented multi-property microgrid tariff preserves the Commission's responsibilities to keep rates affordable for customers, while advancing the availability and scale of microgrids, and offering resiliency benefits to communities.

80. Rule 16.4(d) of the Commission's Rules of Practice and Procedure requires that a Petition for Modification must be filed and served within one year of the effective date of the decision proposed to be modified.

81. On June 11, 2020, the Commission adopted D.20-06-017 which directed the Joint IOUs to modify their NEM Tariffs to remove the storage sizing limits while maintaining existing metering requirements for three years.

82. On July 11, 2024, CALSSA filed a petition to modify D.20-06-017 regarding energy storage sizing limits.

83. CALSSA untimely filed its petition for modification of D.20-06-017 pursuant to Rule 16.4.

84. Rule 16.4(b) of the Commission's Rules of Practice and Procedure require that a petition for modification must concisely state with specificity the justification for the requested relief with allegations of new or changed facts supported by a declaration or affidavit.

85. In addition to untimely filing its petition, CALSSA has not provided new evidence or facts to show that modifying D.20-06-017 is reasonable.

86. There is no basis for modifying D.20-06-017.

87. GPI requests modifying D.24-04-036 to delete the setting of rates for its associate, Sahm White.

88. GPI's request to modify D.24-04-036 was filed within one year of issuance of D.24-04-036.

89. No party opposed GPI's request.

90. The facts show that Mr. Sahm White is a consultant for GPI.

91. The rates intervenors request for the use of outside consultants (attorneys and/or experts) may not exceed the actual rates billed to the intervenors by the consultants, even if the consultants' rates are below the floor for any given experience level.³²⁴

92. As D.24-04-036 used the rate Mr. Sahm White billed to GPI for this proceeding in establishing the rate, the Commission finds that it does not have a bearing on any future consultant rate requests for Mr. Sahm White.

Conclusions of Law

1. The multi-property microgrid tariff proposals of AMR, Clean Coalition, GPI, MRC, PearlX, and Sunnova should be rejected because each of the proposals fail to comply with numerous statutory requirements of the California Public Utilities Code and the Commission's regulatory authority established in the California Constitution.

2. AMR's proposal should not be adopted because it does not comply with Section 218.

3. Clean Coalition's proposal should not be adopted because it presents numerous cost concerns under Sections 451 and 8371.

4. GPI's proposal should not be adopted because Sections 451 and 454 confer substantial and non-delegable responsibility in the Commission to ensure the justness and reasonableness of rates for ratepayers.

5. GPI's proposal should not be adopted because the Commission does not have the authority to change, modify, or waive the requirements of the California

³²⁴ D.08-04-010.

Public Utilities Code to set prospective, market-based setting of rates apart from Commission and stakeholder scrutiny under Sections 451 and 454.

6. GPI's proposal should not be adopted because it is noncompliant with Section 218.

7. GPI's proposal should not be adopted because the Commission does not have the authority to shift costs onto ratepayers who do not benefit from a microgrid project pursuant to Section 8371.

8. GPI's proposal to exempt microgrids from non-bypassable charges should not be adopted because this would shift costs to the customers outside of the microgrid service area in violation of Section 8371.

9. MRC's proposal should not be adopted because it is unreasonable and inconsistent with Sections 218, 2780, 399.2, 451, and 454.

10. MRC's proposal should not be adopted because it is unreasonable and inconsistent with the Commission's authority as the principal body through which the State of California exercises its police power to regulate public utility services and infrastructure to ensure they are operated in a safe and reliable manner at just and reasonable rates.

11. MRC's proposal should not be adopted because the Commission does not have the authority to allow private entities outside of Commission jurisdiction to build electrical distribution systems and deliver power to customers.

12. MRC's proposal to exempt microgrids from non-bypassable charges should not be adopted because this shifts costs to the customers outside of the microgrid service area in violation of Section 8371.

13. PearlX's proposal should not be adopted because the Commission does not have the authority within Sections 218, 451, 454, and 8371 to allow a

non-regulated entity to operate full-time, outside of island mode, and not pay utility tariffs or fees.

14. PearlX's proposal should not be adopted because the Commission does not have the authority within Sections 218, 451, 454, and 8371 to have non-participating ratepayers compensate microgrid developers for when the microgrid enters island mode.

15. PearlX's proposal to exempt microgrids from non-bypassable charges should not be adopted because this would shift costs to the customers outside of the microgrid service area in violation of Section 8371.

16. Sunnova's proposal should not be adopted because the Commission would have to abdicate its responsibility to ensure just and reasonable rates under Sections 451 and 454.

17. Sunnova's proposal should not be adopted because it does not fit within the requirements of Section 2870.

18. Sunnova's proposal should not be adopted because the Commission previously dismissed it in D.23-04-005.

19. Developers who seek microgrids through electric Rule 18 and Rule 19 should use the deployment pathways the Commission established in D.21-01-018.

20. Cal Advocates' recommendation that the Commission adopt the Joint IOUs proposal should be granted because it protects ratepayers and upholds the Commission's statutory and constitutional responsibilities for safe and reliable service at just and reasonable rates.

21. The Joint IOUs proposal should be adopted because this tariff will provide for: (1) ratepayer protections; (2) the statutory responsibility of providing safe, reliable service at just and reasonable rates without shifting costs between

ratepayers; (3) is cost efficient; and (4) ensures worker safety is given the highest priority.

22. The Commission should deny CALSSA's petition for modification of D.20-06-17 because it has not met its burden under Section 1708 and Rule 16.4.

23. The petition for modification of D.20-06-017 filed by CALSSA should be denied.

24. The Commission should deny GPI's petition for modification of D.24-04-036 because GPI has not met its burden under Section 1708 and Rule 16.4.

25. GPI's petition for modification should be denied because it is inconsistent with the Commission's rules governing intervenor compensation.

26. The petition for modification of D.24-04-036 filed by the GPI should be denied.

O R D E R

IT IS ORDERED that:

1. Within 30 days upon issuance of this decision, Pacific Gas and Electric Company shall submit a Tier 1 Advice Letter implementing its Multi-Property Microgrid Tariff, filed under this docket on October 9, 2023, with the following modifications:

- a. **20-Megawatt Export Cap.** PG&E, A-25 Section 3.3. Community Microgrid Parameters: The CMET Project must include interconnected Project Resources, including a Grid-Forming Project Resource, ~~that do not exceed 20MW in aggregated export capacity~~ within a clearly defined Microgrid in PG&E's Distribution System; the CMET Project must act as a single, controllable entity; the CMET Project must be able to connect to, disconnect from, and run in parallel with larger portions of the electrical grid; and the CMET Project must be capable of maintaining

- electrical supply and service quality when isolated to connected customers during larger grid disturbances. Project Resources must be interconnected to PG&E's Distribution System pursuant to PG&E's Wholesale Distribution Tariff, Attachment I "Generator Interconnection Procedures" (WDT GIP) and/or Electric Rule 21 as applicable.
- b. **Allowance for an Agreement Execution within 30-business days, and allowance for a one-time 30-business day extension.** Section 6.3: CMET Applicant will have up to 30 business calendar days to review the Microgrid Islanding Study and sign the Microgrid Special Facilities Agreement (Microgrid SFA). PG&E will grant a one-time 30-business day extension, if needed. If, after review of the Microgrid Special Facilities Agreement, the CMET Applicant declines to proceed with the CMET Project, the CMET Applicant will notify PG&E in writing within 5 business calendar days and the Application will be deemed withdrawn.
- c. **Applicant Experience.** PG&E, A-25 Section 3.2: Applicant Experience. The CMET Applicant must provide to PG&E an attestation that it has retained, or will retain, technical partners with experience in the development and operation of grid-forming and grid-following resources at least one current member of its development team has: (a) completed the development of at least one microgrid project of similar technology and capacity; or (b) begun construction of at least one other project of similar technology and capacity. The CMET Applicant must identify the entity(ies), if not the Applicant, that will be responsible for: (1) development of the CMET Project; and (2) acting as CMG Aggregator to coordinate operation of the CMET Project with PG&E pursuant to an executed CMET Microgrid Operating Agreement ("CMET MOA" or "MOA").
- d. **California Independent System Operator Markets.** PG&E, A-30 Section 11: CMET Project metering requirements are defined in the applicable PG&E Electric Rules including,

- but not limited to, 2, 15, 16, 17, 18, 21, and PG&E's WDT GIP, and for resources participating in the CAISO's wholesale markets, the applicable CAISO metering rules.
- e. **CCA Elements.** (1) Upon receiving an initial inquiry from a potential applicant within a CCA service to the utility's multi-property microgrid tariff, provide a standardized notice to the potential applicant advising them to consult with that CCA regarding the potential for collaboration with the CCA (e.g., as a project resource owner or as the off-taker of electricity produced by project resources); and (2) PG&E, A-30 Section 9.2: Participation in ~~PG&E~~ Programs. Project Resources are eligible to provide distribution services and/or participate in demand side management programs during Blue Sky Mode consistent with applicable ~~PG&E~~ tariffs, programs, or procurements. However, participation in ~~PG&E~~ programs shall not impede the ability to enable Island Mode, as determined by the Distribution provider, at any time during which this tariff applies to the CMET Project or the CMET MOA for the CMET Project is in effect.
- f. **Notice of Permanent Changes.** PG&E A-29, Section 7.4: PG&E reserves the right to suspend CMET Project operation, change the Microgrid Islanding Point, or other Distribution System changes required to meet its service obligations pursuant to all applicable rules on file with the CPUC. For any such unplanned changes that are necessary to maintain safety or reliability, PG&E shall take immediate action with no prior notification necessary to the CMG Aggregator. Within 24 hours, PG&E shall notify the CMG Aggregator of the unplanned changes and provide an estimate of how long the changes are expected to persist. If any such unplanned changes are permanent or expected to persist for longer than 3 calendar days, the CMG Aggregator will be given an opportunity to respond or request more information. If any such planned changes are permanent or expected to persist for longer than 3 calendar days, PG&E will notify the CMG Aggregator at least 30 business days in advance and the CMG Aggregator

will be given an opportunity to respond or request more information. If any such planned changes are expected to persist for 3 calendar days or fewer, PG&E will notify the CMG Aggregator at least 5 business days in advance with no opportunity for the CMG Aggregator to respond or request more information.

- g. **Use of Business Days for Deadline Determination.**
PG&E, A-29 Section 7.2.a: Applicant and PG&E will execute a mutually agreeable MOA within 90 business days of execution of the later of any applicable Interconnection or Microgrid Special Facilities Agreements.
PG&E, A-31 Section 12.1.a: Applicant may terminate the application process, including Microgrid Islanding Study, for any reason with 30 business days written notice.
Applicant will be responsible for any PG&E costs incurred through termination date.

2. Within 30 days upon issuance of this decision, San Diego Gas & Electric Company shall submit a Tier 1 Advice Letter implementing its Multi-Property Microgrid Tariff, filed under this docket on October 9, 2023, with the following modifications:

- a. Allowance for an Agreement Execution within 30-business days, and allowance for a one-time 30-business day extension. Section 6.3: MPMET Applicant will have up to 30 business calendar days to review the Microgrid Islanding Study and sign the Microgrid Special Facilities Agreement. SDG&E will grant a one-time 30-business day extension, if needed. If, after review of the Microgrid Special Facilities Agreement, the MPMET Applicant declines to proceed with the CMG, the MPMET Applicant will notify SDG&E in writing within 5 business calendar days and the MPMET Application will be deemed withdrawn.
- b. **CCA Elements.** (1) Upon receiving an initial inquiry from a potential applicant within a CCA service to the utility's multi-property microgrid tariff, provide a standardized notice to the potential applicant advising them to consult

with that CCA regarding the potential for collaboration with the CCA (e.g., as a project resource owner or as the off-taker of electricity produced by project resources); and (2) SDG&E proposal at C-4 Section 9.2: Participation in SDG&E Programs. CMG Authority Resources are eligible to provide distribution services and/or participate in demand side management programs during Blue Sky Mode and Island Mode consistent with applicable SDG&E tariffs, programs, or procurements. However, during Island Mode CMG Authority is responsible for ensuring such participation does not interfere with the ability of SDG&E to provide safe and reliable Distribution Service. CMG Authority should advise SDG&E of such anticipated participation at the time the Microgrid Islanding Study is initiated so that the potential impacts on Island Mode operation can be accounted for.

- c. **Notice of Permanent Changes.** SDG&E, C-4 Section 7.4: The MOA provides SDG&E the right to suspend CMG operation, change the Microgrid Islanding Point, make other Distribution System Changes as required to meet its service obligations pursuant to all applicable rules on file with the CPUC, or terminate the MOA for CMG Authority's non-performance including failure to pay for the costs of all studies and Distribution System Changes. For any such unplanned changes that are necessary to maintain safety or reliability, SDG&E shall take immediate action with no prior notification necessary to the CMG Authority. Within 24 hours, SDG&E shall notify the CMG Authority of the unplanned changes and provide an estimate of how long the changes are expected to persist. If any such unplanned changes are permanent or expected to persist for longer than 3 calendar days, the CMG Authority will be given an opportunity to respond or request more information. If any such planned changes are permanent or expected to persist for longer than 3 calendar days, SDG&E will notify the CMG Authority at least 30 business days in advance and the CMG Authority will be given an opportunity to respond or request more information. If any

such planned changes are expected to persist for 3 calendar days or fewer, SDG&E will notify the CMG Authority at least 5 business days in advance with no opportunity for the CMG Authority to respond or request more information.

- d. **Use of Business Days for Deadline Determination.** SDG&E, C-3 Section 7.2.a: CMG Authority and SDG&E will execute a mutually agreeable MOA within 90 business days of execution of the later of any applicable Interconnection Agreements or Microgrid Special Facilities Agreements. SDG&E, C-5 Section 12.1.a: MPMET Applicant may terminate the application process, including the Microgrid Islanding Study, for any reason with 30 business days written notice. MPMET Applicant will be responsible for any SDG&E costs incurred through termination date.

3. Within 30 days upon issuance of this decision, Southern California Edison Company shall submit a Tier 1 Advice Letter, filed under this docket on October 9, 2023, implementing its Multi-Property Microgrid Tariff with the following modifications:

- a. **50-Kilovolt Interconnection Limit Removal.** SCE proposal at B-1 MPMT Eligibility Criteria ii.: The MPMT Project must include interconnected exporting energy producing resources (Project Resources), including at least one Project Grid-Forming Resource, interconnected within the Microgrid Boundary. Project Resources must be interconnected to SCE's Distribution System ~~on a distribution line that is operated at 50 kV or below~~ pursuant to SCE's Wholesale Distribution Access Tariff, Attachment I "Generator Interconnection Procedures" (WDAT) and/or SCE's Electric Rule 21, as applicable.
- b. **Applicability.** SCE proposal at B-1 under Applicability. This Schedule is available to a Microgrid Aggregator who (i) controls an MPMT Project that meets the Multi-Property Microgrid Tariff (MPMT) Eligibility Criteria, (ii) submits a complete MPMT Application Package, and (iii) agrees to

enter into a Microgrid Operating Agreement (MOA) for the design, development and operation of a Multi-Property Microgrid. This Schedule governs the eligibility, engineering studies, project development, Islanding, and reconnection operation of Multi-Property Microgrids, as defined herein, ~~and is offered solely for the purpose of supporting MPMT Customers during a Distribution System outage.~~

- c. **Applicant Experience.** SCE, B-4 Section 2 Phase 1: Applicant Experience Required. The MPMT Applicant must provide to SCE an attestation that it has retained, or will retain, technical partners with experience in the development and operation of grid-forming and grid-following resources. ~~at least one current member of its development team has: (a) completed the development of at least one microgrid project of similar technology and capacity; or (b) begun construction of at least one other project of similar technology and capacity.~~ The MPMT Applicant must identify the entity(ies), if not the MPMT Applicant, that will be responsible for development of the MPMT Project and the entity that will be the Microgrid Aggregator responsible the operation of the MPMT Project pursuant to an executed MOA.
- d. **California Independent System Operator Markets.** SCE, B-7 Section 10: MPMT Project metering requirements are defined in the applicable SCE Electric Rules including, but not limited to, 2, 15, 16, 17, 18, 21, and SCE's WDAT GIP, and for resources participating in the CAISO's wholesale markets, the applicable CAISO metering rules tariff.
- e. **CCA(s) Elements.** (1) Upon receiving an initial inquiry from a potential applicant within a CCA service to the utility's multi-property microgrid tariff, provide a standardized notice to the potential applicant advising them to consult with that CCA regarding the potential for collaboration with the CCA (e.g., as a project resource owner or as the off-taker of electricity produced by project resources). (2) SCE, B-7 Section 7.b: Participation in SCE Programs. Project Resources are eligible to provide

- generation services and/or participate in demand side management programs during Blue Sky Mode consistent with applicable SCE tariffs, programs, or procurements. However, participation in SCE programs shall not impede the ability to enable Island Mode, as determined by SCE, at any time during which this tariff applies to the MPMT Project or the MOA for the MPMT Project is in effect.
- f. **Eligibility.** SCE B-1, MPMT Eligibility Criteria: The MPMT Project must meet the needs of at least two MPMT Customers or two MPMT premises (Multi-Property) connected to SCE's Distribution System within the Microgrid Boundary. All Customers within the Microgrid Boundary of the MPMT Project must be SCE retail Distribution Customers; provided that, where SCE determines in its sole discretion that inclusion of electrical loads or customers which do not take SCE retail distribution service in a MPMT Project will benefit SCE retail Distribution Customers, SCE may agree to the inclusion of such loads and/or customers and will submit a notice of and justification for this determination through a Tier 1 Advice Letter.
- g. **Microgrid Islanding Study:** Step 2 Microgrid Islanding Study (MIS) Within 20 business days of submittal, SCE will review the MPMT Applicant's MPMT Application package and issue a Microgrid Islanding Study (MIS) Agreement. To proceed with the MPMT Application Process, the [multi-property microgrid tariff] Applicant must sign the MIS Agreement and pay a \$75,000 deposit fee to fund the estimated costs of the MIS. [Multi-Property Microgrid Tariff] Applicant is responsible for the actual costs of the MIS. Once the MPMT Applicant signs the MIS Agreement and pays the deposit fee, SCE will commence the MIS; Step 3: Microgrid Islanding Study. After receiving the signed MIS Agreement and deposit fee, SCE estimates it will complete the MIS within 90 business days.
- h. **Notice of Permanent Changes.** SCE B-6, Section 5. For any such unplanned changes that are necessary to maintain safety or reliability, SCE shall take immediate action with

no prior notification necessary to the Microgrid Aggregator. Within 24 hours, SCE shall notify the Microgrid Aggregator of the unplanned changes and provide an estimate of how long the changes are expected to persist. If any such unplanned changes are permanent or expected to persist for longer than 3 calendar days, the Microgrid Aggregator will be given an opportunity to respond or request more information. If any such planned changes are permanent or expected to persist for longer than 3 calendar days, SCE will notify the Microgrid Aggregator at least 30 business days in advance and the Microgrid Aggregator will be given an opportunity to respond or request more information. If any such planned changes are expected to persist for 3 calendar days or fewer, SCE will notify the Microgrid Aggregator at least 5 business days in advance with no opportunity for the Microgrid Aggregator to respond or request more information.

4. Within two years upon the date of issuance of this decision, Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company shall each submit Tier 2 Advice Letters to the Commission's Energy Division updating their multi-property microgrid tariff to include estimated timelines and costs for completing the Microgrid Islanding Study.

5. Annually, on the first of February each year, for the next five years, Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company shall each submit a compliance filing to the Commission's Energy Division that summarizes the utilization of multi-property microgrid tariff. These compliance filings shall include the following information for all projects submitted under the respective tariffs: (1) microgrid location; and (2) number of applicants detailing rejections (including the reasoning for denial), dropouts (including what stage the dropout occurred), and acceptance.

6. The petition for modification of Decision 20-06-017 filed by the California Solar & Storage Association is denied.

7. The petition for modification of Decision 24-04-036 filed by the Green Power Institute is denied.

8. Rulemaking 19-09-009 is closed.

This order is effective today.

Dated _____, at Bakersfield, California.