

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

ENERGY DIVISION

Agenda ID: 19825  
RESOLUTION E-5162  
October 7, 2021

**R E S O L U T I O N**

Resolution E-5162. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company Behind-The-Meter Microgrid Tariff Pursuant to Decision 21-01-018.

PROPOSED OUTCOME:

Approves the Behind-the-Meter Microgrids (Schedule BTMM) tariffs for the respective service territories for Pacific Gas and Electric (PG&E), San Diego Gas & Electric (SDG&E) and Southern California Edison (SCE) that: (a) meet the definition of a microgrid contained in Senate Bill 1339 (Stern, 2018); (b) involve a single customer establishing a microgrid at a single account; (c) consist of resources that are interconnected under the terms of each utility's Electric Rule 21; and (d) consist of resources that are individually eligible for a Net Energy Metering successor schedule that reflects the orders in Decision 16-01-044.

SAFETY CONSIDERATIONS:

- There is no direct impact on safety as these tariffs rely upon existing safety protocols in existing tariffs.

ESTIMATED COST:

- There is no cost impact.

By Advice Letters PG&E AL 6170-E, SDG&E AL 3742-E, and SCE AL 4473-E, filed on April 21, 2021.

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**SUMMARY**

This Resolution approves each of the behind-the-meter microgrid tariffs (Schedule BTMM - Behind-The-Meter Microgrids) proposed by Pacific Gas and Electric Company (PG&E; Advice Letter 6170-E), San Diego Gas & Electric Company (SDG&E; Advice Letter 3472-E) and Southern California Edison Company (SCE; Advice Letter 4473-E). The new tariffs were filed to comply with Decision (D.) 21-01-018 adopting rates, tariffs and rules facilitating the commercialization of microgrids pursuant to Senate Bill 1339 (Stern, 2018). In D.21-01-018, the Commission directed the three largest investor-owned utilities to each file a Tier 3 Advice Letter to create a new microgrid tariff for their respective service territories. The new microgrid tariff formed under D.21-01-018 is a schedule that explicitly makes terms of existing tariffs available to combinations of resources that meet California's statutory definition of a microgrid. The new schedule does not change any compensation that would otherwise be available to individual resources. Instead, this new rate schedule creates regulatory identity in the utilities' tariff books for a new, statutorily defined entity (a microgrid) pursuant to SB 1339.

**BACKGROUND**

D.21-01-018 Ordering Paragraph 4 (OP 4) instructed PG&E, SDG&E and SCE to each file a Tier 3 Advice Letter to form a new microgrid tariff for their respective service territories pursuant to Section 3.3.3 of D.21-01-018. Moreover, the three utilities were required to incorporate applicable (existing and previously CPUC-approved) tariffs into the new microgrid tariff by reference, without changing or redefining terms, including the tariffs that encompass the investor-owned utility's Net Energy Metering Multiple Tariffs program that are part of each utility's Rule 21 tariff. Additionally the utilities were directed to incorporate the new microgrid tariff into all other relevant materials, including any websites or portals, where other related tariffs are presented.

**NOTICE**

Notice of PG&E AL 6170-E, SDG&E AL 3472-E, and SCE AL 4473-E was made by publication in the Commission's Daily Calendar. PG&E, SDG&E and SCE have each stated that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

## **PROTESTS**

PG&E AL 6170-E, SDG&E AL 3472-E, and SCE AL 4473-E were each timely protested by American Medical Resources Corporation (AMR).

SCE AL 4473-E was also timely protested by the California Energy Storage Association (CESA).

AMR protested that SCE AL 4473-E, SDG&E AL 3742-E, and PG&E AL 6170-E and the proposed behind-the-meter microgrid schedule that accompanies each advice letter, restricts the eligibility of natural gas as a microgrid resource and that such restriction violates Public Utilities Code (PU Code) Section 8371, a code section that was established by SB 1339 (Stern, 2018) and broadly requires the CPUC to facilitate the commercialization of microgrids. According to AMR, this restriction prohibiting the eligibility of natural gas creates an unnecessary and illegal barrier that does not “facilitate the commercialization of microgrids for distribution customers of large electrical corporations”, as required by PU Code Section 8371. AMR claims that the restriction against natural gas as a microgrid energy resource is unjust, unreasonable, or discriminatory. AMR argues that the restriction impedes microgrid development for manufacturing and industrial entities that have load demands that make non-natural gas generation an insufficient self-generation energy resource.

In its protest, CESA advocated that the Commission should reject the SCE requirement for a generator interconnection application process for microgrid backup generators that operate only during a grid outage. CESA argues that in lieu of SCE requiring a generator interconnection application, the Commission should require customers to notify SCE of the location of the generator and its transfer switch. CESA states that its preferred approach is consistent with California Health and Safety Code 119085(b).

Each of the utilities, PG&E, SDG&E, and SCE individually responded to the protest of AMR on May 18, 2021. Additionally, SCE responded to the protest of CESA on May 18, 2021.

## **DISCUSSION**

This section of the Resolution will discuss the two primary issues raised in Protests, namely a) AMR's objection that natural gas energy resources are ineligible resources in the behind the meter microgrid tariff; and b) SCE's requirement for a Generator Interconnection Application process applicable for customers using backup generators that operate only during a grid outage.

### **A) Ineligibility of Natural Gas Energy Resources**

AMR protested that SCE AL 4473-E, SDG&E AL 3742-E, and PG&E AL 6170-E and the proposed behind-the-meter microgrid tariff that accompanies each advice letter, limits eligibility of natural gas as a microgrid resource. AMR contends the restriction violates PU Code Section 8371. According to AMR, this restriction creates an unnecessary and illegal barrier that does not "facilitate the commercialization of microgrids for distribution customers of large electrical corporations", as required by Section 8371. Additionally, AMR claims that the restriction against natural gas as a microgrid energy resource is unjust, unreasonable, or discriminatory.

In its Reply to Protests, PG&E acknowledges the *potential* inconsistency between P.U.C. section 8371 and D.21-01-018 but does not state whether or not it agrees with AMR's argument. PG&E notes that procedural methods exist that AMR could pursue, either as a petition for modification of D.21-01-018 or in a subsequent phase of SB 1339 implementation. SDG&E states that it agrees with the arguments made by AMR in its protest. SDG&E defers to the Commission to provide guidance on whether SDG&E should modify its proposed Schedule BTMM. SCE acknowledges that AMR has the right to protest the Advice Letter, while SCE believes that AMR's grounds for the protest are beyond the scope of this Advice Letter, which is submitted in compliance with a specific Commission order in D.21-01-018.

PUC 8371(d) states:

"...(d) Without shifting costs between ratepayers, develop separate large electrical corporation rates and tariffs, as necessary, to support microgrids,

while ensuring that system, public, and worker safety are given the highest priority. The separate rates and tariffs shall not compensate a customer for the use of diesel backup or natural gas generation, except as either of those sources is used pursuant to Section 41514.1 of the Health and Safety Code, or except for natural gas generation that is a distributed energy resource.”

The CPUC recognizes that PU Code. Section 8371(d) restricts specific categories of fuels (namely diesel and natural gas) from compensation under the rates and tariff specifically established by the CPUC to support microgrid commercialization pursuant to 8371(d). However, the statute does not require that the Commission develop rates or tariffs. It does not ensure that any tariff the Commission chooses to create compensates fossil resources when those specific circumstances are met. Instead, the statute gives the Commission the option to develop separate rates and tariffs to facilitate microgrid commercialization. The statute provides the separate option of compensating natural gas or diesel under such rates and tariffs under specific conditions. The Commission is free to avail itself, or not, of either option.

Notwithstanding the underlying AMR protest, PG&E and SCE correctly note that D.21-01-018 clearly and explicitly restricted tariff eligibility to NEM-eligible resources. Specifically, Ordering Paragraph 4 states in part:

“...Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company shall each: create a new microgrid tariff within each of the IOU’s electric tariffs books applicable to systems that: (a) meets the definition of a microgrid contained in Senate Bill 1339; (b) involves a single customer establishing a microgrid at a single account; (c) consists of resources that are interconnected under the terms of Electric Rule 21; and (d) *consists of resources that are individually eligible for a net energy metering successor schedule that reflects the orders in Decision 16-01-044...*”[emphasis added]

AMR’s protest attempts to relitigate policy already determined in the D.21-01-018, which is expressly contrary to General Order 96-B, section 7.4.2 (6). Therefore, AMR has not identified a valid basis for rejecting the Advice Letters and its Protest is dismissed.

Staff notes that D.21-01-018 indicated that the Commission may choose to exercise its authority under P.U.C. 8371(d) to compensate microgrids supported by fossil-fueled resources based on a more developed record in the future, and directed a working group to further explore the issue:

Third, when implementing Option 5, we direct the CPUC Resiliency and Microgrids Working Group to consider: (1) whether to provide compensation to energy exports generated by nonrenewable resources in a microgrid taking service under the new microgrid tariff; (2) what a prudent level of compensation to nonrenewable exports should be, if any; (3) how any inter-related impacts to wholesale distribution access tariff should be resolved; and (4) how to ensure that the use of nonrenewable resources in microgrids, if any, is consistent with other state law and policies. These topics may predicate future action in this proceeding.<sup>1</sup>

In conclusion, AMR's protest is contrary to General Order 96-B, Section 7.4.2 (6), therefore, the AMR Protest is dismissed because it has not identified a valid basis for rejecting the Advice Letters.

## **B) SCE Requirement for a Generator Interconnection Application For Backup Generators**

CESA objects to SCE requiring a generator interconnection application for microgrid generators acting as backup generators. CESA offers that the Commission should require customers to notify SCE of the location of the generator and its transfer switch instead of completing a separate interconnection application. CESA states that its preferred approach is consistent with California Health and Safety Code 119085(b).

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<sup>1</sup> D.21-01-018, " Decision Adopting Rates, Tariffs, And Rules Facilitating The Commercialization Of Microgrids Pursuant To Senate Bill 1339 And Resiliency Strategies", Issued 01/18/21, at page 53.

In its reply comments, SCE explains that customers seeking to operate backup generators in isolated mode (i.e., not in parallel with SCE's electric grid) are not required to obtain an interconnection agreement with SCE, but are required to submit an interconnection application consistent with Electric Rules 2 and 21, when they seek to operate in parallel operation. SCE asserts that SCE must review and approve a proposed transfer switch or operating scheme prior to operation to ensure that the generator will never operate in parallel with SCE's electric system. SCE's interconnection application process involves requiring the customer to submit an interconnection application with a single line drawing, site/plot plan drawing, and diagrams, manufacturer's data, and written descriptions of the switching device or scheme proposed. SCE states that if the generators operate only in an isolated (non-parallel) mode, it does not impose an application or review fee.

Staff finds the approach described by SCE to be a reasonable way to promote safe operation of backup generators that are part of microgrids. Moreover, Ordering Paragraph 4 directed utilities to incorporate applicable existing tariffs into the new microgrid tariff by reference, without changing or redefining terms. Staff agrees with Edison's explanation that it is reasonable for Edison to apply the existing terms that already apply to backup generators that are not part of a microgrid to backup generators that are part of a microgrid.<sup>2</sup> In contrast, CESA's request would involve making a change to the terms of an existing policy, which would be contrary to the direction of D.21-01-018. According to General Order 96-B, Rule 7.4.2, disagreement with the policy outcome of a Decision is not a valid basis for protesting an advice letter. Therefore, Staff finds that CESA's protest has no merit.

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<sup>2</sup> For example, see PG&E Electric Rule 2, Sheet 14, Section E. Protective Devices, paragraph 6 which states, "Any non-PG&E-owned emergency standby or other generation equipment that can be operated to supply power to facilities that are also designed to be supplied from PG&E's system shall be controlled with suitable protective devices by the applicant to prevent parallel operation with PG&E's system in a fail-safe manner, such as the use of a double-throw switch to disconnect all conductors, except where there is a written agreement or service contract with PG&E permitting such parallel operation."

Commission has reviewed the three Advice Letters and the protests of AMR and CESA. Additionally, the Commission has reviewed the replies of PG&E, SDG&E and SCE to protests.

D.21-01-018 Ordering Paragraph 4 required PG&E, SDG&E and SCE to transmit a Tier 2 Advice Letter within 90 days of the decision issuance. It required PG&E, SDG&E and SCE to form a new microgrid tariff pursuant to Section 3.3.3 of the Decision.

PG&E, SDG&E and SCE respectively each transmitted AL 6170-E, AL 3472-E and AL 4473-E on April 21, 2021, which was 90 days from the date of issuance.

We verified that the Advice Letters addressed the required content including sections 3.3.3 of D.21-01-018, based on the following criteria: a) Consistency with D.21-01-018; b) Consistency with General Order 96-B; c) Consistency with P.U.C. section 8371; and d) Responsiveness to Protests and responses.

## **COMMENTS**

Public Utilities Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review. Any comments are due within 20 days of the date of its mailing and publication on the Commission's website and in accordance with any instructions accompanying the notice. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day review and 20-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

## **FINDINGS**

1. Public Utilities Code 8371(d) authorizes but does not require the Commission to create rates and tariffs to facilitate the commercialization of microgrids.



2. Public Utilities Code 8371(d) authorizes but does not require the Commission to include fossil resources in any rates or tariffs it establishes to facilitate the commercialization of microgrids, if certain conditions are met.
3. D.21-01-018 directed Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison to file a Tier 3 Advice Letter to transmit proposed Behind The Meter Microgrid Tariffs in compliance with Ordering Paragraph 4.
4. D.21-01-018 required utilities to limit eligibility to resources that are individually eligible for a net energy metering successor schedule that reflects the orders in D.16-01-044. The Decision's reference to NEM effectively prohibits natural gas generation from being part of the microgrid's that qualify for use of the BTMM schedules.
5. D.21-01-018 required that Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison incorporate applicable existing tariffs into the new microgrid tariff by reference without changing or defining terms.
6. Advice Letters PG&E 6170-E, SDG&E AL 3472-E and SCE AL 4473-E were timely filed.
7. Protests to the Advice Letters were timely filed by AMR and CESA.
8. The exclusion of fossil resources from the proposed behind-the-meter microgrid tariffs follows explicit policy direction in D.21-01-018.
9. The AMR Protest is without merit because it would re-litigate resource eligibility policy determined in D.21-01-018.
10. The AMR Protest does not provide any valid grounds for protest outlined in General Order 96-B, section 7.4.2.
11. The requirement in SCE's behind-the-meter microgrid tariff that customers seeking to operate a backup generator in isolated mode as part of a microgrid file an interconnection application represents a reasonable way to promote safe operation and is consistent with pre-existing tariffs and policies.
12. The requirement in SCE's behind-the-meter microgrid tariff that customers seeking to operate a backup generator in isolated mode as part of a microgrid file an interconnection application follows the policy direction ordered by D.21-01-018 because it is an existing requirement for other backup generators that are not part of a microgrid.

13. The CESA Protest is without merit because it would re-litigate policy determined in D.21-01-018 that prohibits changing or redefining existing tariff terms.
14. The CESA Protest does not provide any valid grounds for protest outlined in General Order 96-B, section 7.4.2.
15. Advice Letters SCE AL 4473-E, SDG&E AL 3742-E, and PG&E AL 6170-E addressed the required content including section 3.3.3 of D.21-01-018.

**THEREFORE IT IS ORDERED THAT:**

1. The request of the Pacific Gas and Electric Company, San Diego Gas & Electric Company and Southern California Edison to adopt the Behind the Meter Microgrid Tariffs as requested in PG&E Advice Letter 6170-E, SDG&E Advice Letter 3742-E and SCE Advice Letter 4473-E are approved.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on October 7, 2021; the following Commissioners voting favorably thereon:

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Rachel Peterson  
Executive Director