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PROPOSED DECISION Agenda ID #20020 (Rev. 1)
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Decision **PROPOSED DECISION OF ALJ RIZZO** (Mailed 10/29/2021)

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 MICROGRID AND RESILIENCY SOLUTIONS
TO ENHANCE SUMMER 2022 AND SUMMER 2023 RELIABILITY**

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**DECISION ADOPTING MICROGRID AND RESILIENCY SOLUTIONS
TO ENHANCE SUMMER 2022 AND SUMMER 2023 RELIABILITY****Summary**

This decision adopts enhanced summer 2022 and summer 2023 requirements for Pacific Gas and Electric Company (PG&E) and San Diego Gas & Electric Company (SDG&E). First, PG&E shall file a Tier 2 Advice Letter, within 60 days of the effective date of this decision, to study the potential to expand its Temporary Generation Program for mitigating the system capacity shortfalls anticipated in the summer of 2022.

Second, SDG&E may develop up to four circuit-level energy storage microgrid projects that may provide a total of 40 megawatts/160 megawatt-hours of capacity to fill system capacity shortfalls anticipated in the summers of 2022 and/or 2023. Each of these developed projects would be 10 megawatts with four-hour duration batteries, for a total of 40 megawatt-hours of capacity. The procurement of these four circuit-level energy storage microgrid projects is conditioned upon these resources providing peak and net peak grid reliability benefits in the summers of 2022 and/or 2023. Any project pursued by SDG&E must have a commercial online date no later than August 1, 2023. SDG&E shall file a Tier 2 Advice Letter, within 30 days of the effective date of this decision, seeking implementation authorization for development of these four circuit-level energy storage microgrid projects. SDG&E shall comply with the Cost Allocation Mechanism for utility owned generation previously adopted in Rulemaking 20-11-003. Furthermore, SDG&E shall comply with any subsequent modifications to the Cost Allocation Mechanism adopted in Rulemaking 20-011-003.

We suggest Los Angeles County propose its Eastern Avenue Emergency Operations Battery Storage Microgrid Project, a Los Angeles Department of Public Health Solar and Battery Storage Project, and Pitchess Detention Center Solar and Battery Storage Project in the Microgrid Incentive Program for consideration, subject to the overall eligibility, cost and budget constraints of the Microgrid Incentive Program.

This proceeding remains open.

1. Background

In September 2019, the California Public Utilities Commission (Commission) opened this rulemaking¹ 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 rates, tariffs, and rules, as necessary, that (1) remove barriers for deploying microgrids across the large investor-owned utility service territories; (2) do not shift costs onto non-benefiting customers; and (3) prioritize and ensure worker, public, and the electric system's safety.

In response to SB 1339's mandates the Commission issued two decisions facilitating the commercialization of microgrids: (1) Decision (D.) 20-06-017; and (2) D.21-01-018.

¹ Order Instituting Rulemaking (OIR) Regarding Microgrids Pursuant to SB 1339 and Resiliency Strategies, September 12, 2019.

1.1. Track 1

Track 1 of this proceeding began in December 2019, with an Energy Division workshop.² This workshop facilitated discussion between stakeholders, focusing on short-term actions related to microgrids and resiliency strategies for Summer 2020 implementation. Following this workshop, a prehearing conference was held on December 17, 2019. The Track 1 Scoping Memo and Ruling (Scoping Memo) was issued on December 20, 2019.³

Through Track 1 of this proceeding, the Commission adopted D.20-16-017. D.20-16-017 satisfied many of SB 1339's requirements by requiring the following:

1. Permitting Requirements: Public Utilities Code §⁴ 8371, subdivision (a)
 - 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.
2. Barrier Reduction § 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.

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

³ Assigned Commissioner's Scoping Memo, December 20, 2019.

⁴ Unless otherwise specified, all section references are to the Public Utilities Code.

- 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) 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.
 - i) Approved San Diego Gas & Electric Company's (SDG&E) request to procure a local area distribution controller.
3. Rates and Tariffs § 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.
 - b) Removed the storage sizing limit for large NEM-paired storage and maintained existing metering requirements.
4. Standards and Protocols § 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.
 - b) Approved SDG&E's request to procure a local area distribution controller.

1.2. Track 2

Following the adoption of D.20-06-017 on June 17, 2020, the Track 2 Amended Scoping Memo was issued on July 3, 2020.⁵ The Track 2 Amended Scoping Memo focused on the continued implementation of SB 1339 through the statutory contours of §8371.

On July 23, 2020, the Administrative Law Judge (ALJ) issued a ruling⁶ with a proposal prepared by the Energy Division, titled, *Facilitating the Commercialization of Microgrids Pursuant to Senate Bill 1339* (Staff Proposal). Parties attended an August 2020 workshop to discuss the Staff Proposal. Following the workshop, parties submitted comments in response to the Staff Proposal.

On August 25, 2020, Energy Division held another all-day online public workshop discussing the challenges and demands associated with energizing safe-to-energize substations during PSPS events. Officials from the Commission as well as the California Air Resources Board (CARB) and the CEC were present. On September 4, 2020, following the Energy Division workshop, the assigned Commissioner and ALJ issued a ruling⁷ seeking comment on policy questions and proposed an interim approach for minimizing emissions from generation during transmission outages with a process for transition to clean temporary generation in 2022 and beyond.

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

⁵ Assigned Commissioner's Amended Scoping Memo, July 3, 2020.

⁶ ALJs Ruling, July 23, 2020.

⁷ Assigned Commissioner and ALJ's Ruling Seeking Comment on Policy Questions and an Interim Approach for Minimizing Emissions from Generation During Transmission Outages, September 4, 2020.

SB 1339. This decision continues the Commission's goal of facilitating the commercialization of microgrids and reduces barriers for microgrid deployment across California. 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.
2. SCE and PG&E to revise their Rules 18 and SDG&E to revise its Rule 19, to allow local government microgrids to service critical customers on adjacent parcels.
3. SCE, PG&E, and SDG&E to each create a renewable microgrid tariff that prevents cost shifting for their territories.
4. SCE, PG&E, and SDG&E to jointly develop a statewide Microgrid Incentive Program 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.
5. SCE, PG&E, and SDG&E to develop pathways for the evaluation and approval of low-cost, reliable electrical isolation methods to evaluate safety and reliability.

D.21-01-018 also formalized a Resiliency and Microgrids Working Group to facilitate thoughtful and informed discussions to continue to support the goal of resiliency and the commercialization of microgrids within Track 3 and beyond.

1.3. Track 3

Less than a month after the adoption of D.21-01-018, the assigned Commissioner issued another Amended Scoping Memo for Track 3 on February 9, 2021. The Amended Scoping Memo for Track 3 focused on whether to waive or reduce standby service charges in exchange for the value that resiliency microgrids may offer. Parties filed opening comments on March 3, 2021, and reply comments on March 10, 2021, in response to the Amended Scoping Memo for Track 3 scoping issues on standby service charges.

On July 15, 2021, the Commission adopted D.21-07-011, which suspended the capacity reservation component of the standby charge for eligible microgrid distributed technologies.

1.4. Track 4

On July 30, 2021, Governor Gavin Newsom issued a Proclamation of a State of Emergency (Proclamation) in response to the significant and accelerating impacts of climate change in California.⁸ Governor Newsom declared that drought conditions coupled with record-breaking extreme heat events have hit California and other Western states hard, increasing residents' electrical demand and putting significant strain on California's energy grid.⁹ Among other things, the Proclamation directed:¹⁰

2. The California Energy Commission is directed, and the California Public Utilities Commission and the CAISO are requested, to work with the State's load serving entities on accelerating plans for the construction, procurement, and

⁸ Gavin Newsom, Proclamation of a State of Emergency, July 30, 2021, available as of October 12, 2021 at: <https://www.gov.ca.gov/wp-content/uploads/2021/07/Energy-Emergency-Proc-7-30-21.pdf>.

⁹ *Id.*

¹⁰ *Id.*

rapid deployment of new clean energy and storage projects to mitigate the risk of capacity shortages and increase the availability of carbon-free energy at all times of day.

13. The Commission is requested to exercise its powers to expedited Commission actions, to the maximum extent necessary to meet the purposes and directives of this proclamation, including by expanding and expediting approval of demand response programs and storage and clean energy projects, to ensure that California has a safe and reliable electricity supply through October 31, 2021, to reduce strain on the energy infrastructure, and to ensure increased clean energy capacity by October 31, 2022.

15. The California Energy Commission, in consultation with the California Air Resources Board, the CAISO, and the California Energy Commission, shall identify and prioritize action on recommendations in the March 2021 SB 100 Joint Agency Report, and any additional actions, that would accelerate the State's transition to carbon-free energy.

In response to the Governor's Proclamation, on August 17, 2021, the assigned Commissioner issued another Amended Scoping Memo and Ruling for Track 4. The Amended Scoping Memo and Ruling for Track 4 initiated an expedited Phase 1 of Track 4 and set a non-expedited Phase 2 of Track 4 to develop a microgrid multi-property tariff to facilitate the commercialization of microgrids.

Subsequent to the assigned Commissioner's August 17, 2021 Amended Scoping Memo and Ruling for Track 4, the assigned Administrative Law Judge issued a ruling on August 23, 2021, directing parties to submit microgrid and resiliency proposals (Proposals) for Commission reliability action to address Governor Gavin Newsom's July 30, 2021 Proclamation. This ruling solicited Proposals and comments from interested parties that could result in resiliency and microgrid projects installed and delivering reliability benefits by summer

2022 and/or summer 2023. Specifically, this ruling directed parties to propose resiliency and microgrid solutions oriented toward solving the following issues:

- a. prevention versus mitigation of system capacity shortfall;
- b. leveraging existing microgrid and resiliency programs;
- c. modifications to existing microgrid tariffs; and
- d. proposals for new microgrid programs and projects.

This ruling also directed parties to give consideration toward how islanding could assist with reduction in load or increase in generation, among other things.

Proposals in response to the Administrative Law Judge's ruling were filed on September 10, 2021. Parties then served opening and reply comments to the Proposals on September 24 and October 1, 2021, respectively.

1.5. Proposals in Response to the Administrative Law Judge's Ruling and the Amended Scoping Memo and Ruling for Track 4

Proposals were filed on September 10, 2021, by: (1) Applied Medical Resources Corporation (AMR); (2) Bloom Energy Corporation (Bloom Energy); (3) Bright Canyon Energy Corporation (Bright Canyon); (4) Public Advocates Office (Cal Advocates); (5) California Energy Storage Alliance (CESA); (6) City of Long Beach (Long Beach); (7) County of Los Angeles (Los Angeles County); (8) Center for Sustainable Energy (CSE); (9) Enchanted Rock, LLC (Enchanted Rock); (10) FuelCell Energy (FCE); (11) Green Power Institute (GPI); (12) Microgrid Resources Coalition (MRC); (13) PG&E; (14) PowerSecure, Inc. (Power Secure); (15) SCE; (16) SDG&E; (17) Southern California Gas Company (SoCalGas); (18) Unison Energy, LLC (Unison); and (19) Vote Solar.

All Proposals submitted by parties were considered, but given the large number of parties and issues, some Proposals may receive little to no discussion

in this decision. Issues within the scope of this proceeding that are not addressed here, or only partially addressed, may be addressed in subsequent tracks of this proceeding.

Additionally, some parties' Proposals covered a broad array of topics, some of which are unrelated to microgrids providing summer 2022 and/or summer 2023 reliability. These parties may find proper venue in other proceedings which may include the following: the Integrated Resource Planning and Related Procurement Processes Proceeding (R.20-05-003); the Resource Adequacy proceeding (R.21-10-002); the High Distributed Energy Resources Future proceeding (R.21-06-017); the Energy Efficiency proceeding (R.13-11-005); the Self-Generation Incentive Program proceeding (R.20-05-012); the Transportation Electrification proceeding (R.18-12-006); and the Net Energy Metering proceeding (R.20-08-020). For those parties focused on processes that apply to distributed energy resources, we invite you to participate in the Rule 21 Reform proceeding on the distribution-level interconnection of distributed energy resources (R.17-07-007).

For purposes of this decision, we summarize the proposals below that will help us achieve enhanced summer 2022 and/or 2023 reliability benefits that directly relate to microgrids and resiliency strategies. In Section 4.2 of this decision, we discuss some of the proposals we did not adopt, along with our rationale.

1.5.1. SCE

SCE recommends that we promote and enhance SCE's existing Self-Generation Incentive Program (SGIP) to encourage greater customer participation and incentivize higher implementation of single customer

generation projects that could contribute to grid reliability by 2022.¹¹ SCE also recommends the following for new behind-the-meter (BTM) customer microgrid projects that could help streamline their approval and ensure such projects can help address system capacity shortfall:¹²

- Require installation of isolation devices for BTM customer microgrid projects that allow them to separate from the grid and operate as a BTM microgrid with a minimum of 4 hours of support to the host customer critical load.
- Where permitted, require BTM microgrids intended to support capacity shortfall to be interconnection projects approved under SCE's Rule 21 Fast Track Initial Review to expedite the interconnection of resources available for 2022 summer peak season.
- Require microgrid project production profiles for BTM customer microgrid projects to be capable at minimum of 75% of generating nameplate capacity during summer peak periods and require response to CAISO emergency orders within 15 minutes. .

1.5.2. PG&E

PG&E proposes a study to potentially expand its Temporary Generation Program. The Temporary Generation Program procures temporary generation to mitigate PSPS impacts. PG&E states its Temporary Generation Program can contribute additional capacity to the CAISO controlled system during system shortfall events.¹³ Originally proposed in this proceeding and adopted in D.20-06-017, PG&E's Temporary Generation Program involves procurement of

¹¹ SCE Proposal at 4.

¹² *Id.* at 4.

¹³ PG&E Proposal at 12. In 2021, the Temporary Generation Program provided a total of 168 megawatts. 142 megawatts went toward substations and 26 megawatts went toward storing at or near substations that are expected to be the next-most frequently impacted substations.

temporary generation for four primary PSPS mitigation purposes: (1) substation microgrids; (2) distribution microgrids; (3) critical backup power support; and (4) community resource centers.¹⁴ PG&E states that it utilized some of its temporary generation to parallel into its system in August 2020 and September 2020 in response to emergency declarations and CAISO declared capacity shortfall events. PG&E proposes to build upon these efforts by studying the potential to use additional temporary generation that will already be procured for PSPS events at either or both substation and distribution microgrid sites, if necessary, in a 2022 system capacity shortfall event.¹⁵

1.5.3. SDG&E

SDG&E proposes two circuit-level energy storage microgrid projects and two additional projects for enhanced summer reliability that could contribute up to a total of 40 megawatts/160 megawatt-hours of capacity to fill system capacity shortfalls anticipated in the summers of 2022 and/or 2023. Each of these developed projects would be 10 megawatts with four-hour duration batteries, for a total of 40 megawatt-hours of capacity. SDG&E states these resources are intended to be available for least-cost dispatch during normal conditions in the CAISO market with revenue received from market participation partially offsetting ratepayer costs.¹⁶ First, SDG&E recommends an energy storage microgrid located at SDG&E's Boulevard Substation.¹⁷ Boulevard is a rural desert community located along the Mexican border near the southeastern edge

¹⁴ *Id.* at 8.

¹⁵ *Id.* at 9.

¹⁶ SDG&E Proposal at 5.

¹⁷ *Id.* at 3.

of San Diego County.¹⁸ SDG&E states that the Boulevard facility will be able to island preselected load including the County Sheriff's Department, San Diego County Fire Station 47, Boulevard Border Patrol Station, Campo Reservation Fire Station, and California Department of Forestry and Fire Protection's White Star.¹⁹ The energy storage system will be able to absorb and store excess solar generation and provide that energy back to the grid when needed.²⁰ The Boulevard energy storage microgrid has a proposed on-line date of 2023.²¹

Second, SDG&E recommends building an energy storage microgrid at an SDG&E owned property at the Paradise Substation located in Skyline, San Diego, California.²² The Paradise facility will have the capability to island critical pre-determined load including Fire Station 51, Southeast Division Police department, and Fire Station 32.²³ The energy storage system will be able to absorb and store excess solar generation and provide that energy back to the grid when needed.²⁴ Finally, the Paradise energy storage microgrid has a proposed on-line date in the second half of 2023.²⁵

Next, SDG&E proposes two more potential projects for 2024. SDG&E states these projects require more development and therefore, have longer lead times.²⁶ These two projects are for an in-service date of 2024 at the Clairemont and Elliot

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ *Id.*

²¹ *Id.*

²² *Id.* at 4.

²³ *Id.*

²⁴ *Id.*

²⁵ *Id.*

²⁶ *Id.*

circuit energy storage microgrids, which would be located at an SDG&E owned property.²⁷

1.5.4. Los Angeles County

Los Angeles County proposed four microgrid projects in the Expedited Phase 1 of this Track 4. The projects are: (1) Regional Public Agency Microgrid Program; (2) Eastern Avenue Emergency Operations Battery Storage Microgrid Project; (3) a Los Angeles Department of Public Health Solar and Battery Storage Project; and (4) Pitchess Detention Center Solar and Battery Storage Project.²⁸

1.6 Parties' Response to the Proposals

Opening comments in response to the September 10, 2021, proposals were filed on September 24, 2021, by: (1) AMR; (2) Bloom Energy; (3) Cal Advocates; (4) CESA; (5) Doosan Fuel Cell America, Inc (Doosan); (6) Enchanted Rock; (7) FCE; (8) MRC; (9) National Fuel Cell Research Center (NFCRC); (10) Power Secure; (11) Rural County Representatives of California (RCRC); (12) SCE, SDG&E and PG&E, jointly; (13) Small Business Utility Advocates (SBUA); (14) SoCalGas; and (15) Vote Solar and GRID Alternatives.

Reply comments were filed on October 1, 2021, by: (1) AMR; (2) Bioenergy Association of California (BAC); (3) Bloom Energy; (4) Cal Advocates; (5) CESA; (6) Clean Coalition; (7) Enchanted Rock; (8) GPI; (9) Long Beach; (10) Los Angeles County; (11) MRC; (12) NFCRC; (13) PG&E; (14) Redwood Coast Energy Authority (Redwood Coast); (15) SCE; (16) SoCalGas; and (17) Vote Solar and Grid Alternatives.

²⁷ *Id.*

²⁸ Los Angeles County Proposal at 22-45.

2. Issues Before the Commission for Track 4, Expedited Phase 1

The issues to be determined or otherwise considered are:

1. Suspension of the Capacity Reservation Component of the Standby Charge
 - (a) How should microgrid projects that participate in the suspension of the capacity reservation component of the standby charge, pursuant to D.21-07-011, be required to help address a system capacity shortfall particularly in the summer net peak hours of 4:00 p.m. – 9:00 p.m.?
2. Islanding
 - (a) Does islanding help address a system capacity shortfall?
 - (b) Does islanding supplement or enhance the ability of other resources like storage, generation, or demand response to address a help address a system capacity shortfall, particularly in summer net peak hours?
3. Potential New Microgrid Programs and Projects
 - (a) Could potential new microgrid programs or projects help address a system capacity shortfall, particularly in summer net peak hours?
4. Modifications to Existing Tariffs
 - (a) Excluding the modifications already proposed and adopted in this proceeding (*i.e.*, modifications to PG&E Electric Rule 18, SCE Electric Rule 18, and SDG&E Electric Rule 19), are there other modifications to existing tariffs that would enable microgrids to help a system capacity shortfall, particularly in summer net peak hours?
 - (b) Excluding modifications that have already been proposed and adopted in this proceeding (*i.e.*, modifications to PG&E Electric Rule 18, SCE Electric Rule 18, and SDG&E Electric Rule 19), what rules or requirements may create barriers to expedited or accelerated deployment of microgrid or resiliency

projects that can help address a system capacity shortfall, particularly in summer net peak hours?

5. Leveraging Existing Microgrid and Resiliency Programs

- (a) How should existing Commission microgrid and resiliency regulatory programs, like the Make Ready Program and Temporary Generation Program, be leveraged to reduce load during peak and net peak hours?

6. Leveraging EPIC Programs

- (a) How can existing microgrids that have been awarded grant funds (*i.e.*, projects awarded funding by the California Energy Commission via EPIC) be further leveraged to reduce load, especially during peak and net peak hours?

7. Cost Recovery

- (a) How should the Commission structure cost recovery for the activities contemplated in Expedited Phase 1?

3. Jurisdictional and Statutory Obligations

Pursuant to Article XII, Sections one through six of the California Constitution, the Commission “has broad authority to regulate utilities.”²⁹ 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.”³⁰ Specifically, Article XII, Section 3 of the California Constitution provides that “the production, generation, transmission, or

²⁹ *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.

³⁰ Section 701.

furnishing of heat, light, water, power” fall under the jurisdiction of the legislature. California Public Utilities statutes are enforced by the Commission.³¹

Section 451 requires that rates, terms, and conditions of utility service must be just and reasonable.³² Further, under Section 454.51, the Commission is entrusted with assuring that public utilities develop a portfolio of energy resources that assure the reliability of the state’s long-term electric supply.³³ Section 8371 requires the Commission to facilitate the commercialization of microgrids.

For this decision, we adopt actions that will result in resiliency and microgrid projects installed and delivering reliability benefits by summer 2022 and/or summer 2023 that also conform to the statutory requirements under SB 1339 which includes a prohibition on cost shifting. All resources adopted by this decision must provide peak and net peak grid reliability benefits for the summers of 2022 and/or 2023.

Section 8371(b) requires the Commission to, without shifting costs between ratepayers, develop methods to reduce barriers for microgrid deployment. Section 8371(d) also requires the Commission to, 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.

Section 8371(d) further states that 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 Health and Safety Code

³¹ Article XII, Section 5.

³² Sections 451, 454 and 728.

³³ Section 454.51, subds. (a) and (b).

§ 41514.1, or except for natural gas generation that is a distributed energy resource.

To comply with § 8371(d), we must protect customers from inequitable cross-subsidies by separating customers' fair-share responsibility for a utility's cost of service from those who do not benefit from a resiliency technology, like a microgrid. Thus, our goal under § 8371(d) is to ensure that non-participating microgrid customers remain indifferent while setting parameters to support enhanced reliability for summer 2022 and/or 2023 in the wake of extreme weather due to climate change.

4. Resiliency & Microgrid Summer 2022 and Summer 2023 Reliability Enhancement

Generally, in the Amended Scoping Memo and Ruling for Track 4³⁴ and the subsequent Administrative Law Judge's Ruling,³⁵ parties were asked to focus on several subject areas:

- Prevention vs. Mitigation of System Capacity Shortfall
 - Is the proposal intended to help prevent a system capacity shortfall from occurring, or does it help mitigate the impact of rotating outages, should they be needed? Specify how.
 - How does the proposal address the potential conflict between making resources available to the system to help prevent a system capacity shortfall from occurring and reserving resources for private use to mitigate the impacts of a potential outage?
 - If a proposal is intended to prevent system capacity shortfall from occurring and it includes customer-owned or customer-hosted resources,

³⁴ Assigned Commissioner's Amended Scoping Memo and Ruling, August 17, 2021.

³⁵ Assigned Administrative Law Judge's Ruling, August 23, 2021.

how will availability of those resources to prevent capacity shortfall be guaranteed? Specify how they will be measured and how safety will be ensured?

- Islanding
 - Given that the ability to island is the primary factor distinguishing microgrids from other types of distributed energy resources:
 - Is islanding (separate from any associated reduction in load or increase in generation) essential to the ability of the proposal to address the system capacity shortfall? If so, please describe in detail how islanding is expected to directly help.
 - Does islanding indirectly supplement or enhance the ability of other resources like storage, generation, or demand response to help prevent a system capacity shortfall from occurring? If so, please describe in detail how islanding is expected to indirectly help. In the response, identify what types of generation or load reduction resources the microgrid would support.
- Leveraging Existing Microgrid & Resiliency Programs
 - How should microgrid projects that participate in the suspension of the capacity reservation component of the standby charge, pursuant to Decision 21-07-011, be required to help address a system capacity shortfall, particularly during the net peak hours?
 - How should existing programs like the Make Ready and Temporary Generation program be leveraged to address a system shortfall, particularly in the net peak hours?
 - How should existing microgrids that have been awarded grant funds (e.g., projects awarded

funding by the California Energy Commission or investor-owned utilities via EPIC) be further leveraged to reduce load, especially during net peak hours?

- Approximately how many megawatts could existing programs address during the net peak hours in 2022? Please provide estimates per program.
- Modifications to Existing Microgrid Tariffs
 - Which specific existing tariffs should be modified, or further modified, to enable microgrids to address a system capacity shortfall during net peak hours (e.g., the behind-the-meter microgrid tariffs)?
 - Provide an overview of how the tariffs should be modified.
 - Describe the outcome that the tariff change is intended to achieve (e.g., accelerate deployment of new microgrids or enhance system benefits of existing microgrids) and an estimate of the megawatt potential, if possible.
 - Describe how that outcome can help address a system capacity shortfall (e.g., by making additional generation or reducing load during net peak hours, or by reducing the impact of rotating outages) and how the availability of those resources will be ensured.
 - Approximately how many MW could the changes address during the net peak hours in 2022?
 - Name the existing tariffs by identifying the rate schedule, rule, contract, or other document, or combination of documents, that should be modified.

- Describe the specific changes to the document that should be made to achieve the desired outcome.
- Potential New Microgrid Programs and Projects
 - What new microgrid projects, programs, or measures should be developed to address a system capacity shortfall, particularly in the net peak hours? How would the program help address a system capacity shortfall?
 - What is the target resource, customer, and/or market participants?
 - How should an administrator for the program be chosen?
 - Is it feasible to develop, launch, and operate the program in such a way that it can address net peak hours by the summer of 2022? If not, what timeline could the program be launched?
 - Approximately how many megawatts could the program address during the net peak hours in 2022?

4.1. Parties' Positions

Generally, the parties varied in their positions to the Proposals. We summarize the parties' positions below.

Power Secure recommends deploying mobile or stationary generators fueled by renewable diesel fuel or generators fueled by renewable natural gas.³⁶ Cal Advocates recommends that the Commission should: (1) review how existing microgrids have contributed to system reliability events prior to creating new incentives; (2) prioritize resiliency for microgrid planning while maintaining a clear distinction between reliability and resiliency; (3) direct PG&E to study

³⁶ Power Secure Opening Comments at 2-4.

export constraints and opportunities from permanent resources rather than leverage the Temporary Generation Program to address system reliability needs; (4) not reverse or hinder State decarbonization actions; and (5) increase the Demand Assurance Amount paid by microgrids that exceed contracted demand during the summer net-peak.³⁷

SBUA disagrees with Cal Advocates opposition to PG&E's proposal and reliance on non-clean technology.³⁸ SBUA asserts that the looming capacity shortage for next summer represents a last-resort situation where all options should be on the table.³⁹ SBUA also recommends expediting the development of front-of-the meter (FOM) microgrids for co-located customers (*i.e.*, buildings and strip malls) were storage and solar connect.⁴⁰ SBUA also asserts that the SDG&E circuit level storage proposals have been previously rejected and cautions that these proposals should not be viewed as competitive with real microgrids that could reduce system loads.⁴¹

In response to some proposals presented by some microgrid developers, SCE, SDG&E, and PG&E jointly: (1) caution against the cost-shift the proposals would trigger, which is prohibited by SB 1339; and (2) oppose the risk of double compensation the proposals would trigger, leading to unduly burdening ratepayers.⁴² Additionally, SCE, SDG&E, and PG&E jointly assert that some

³⁷ Cal Advocates Opening Comments at 3-11.

³⁸ Cal Advocates Comments to Scoping Memo and Ruling at 3.

³⁹ SBUA Opening Comments at 3.

⁴⁰ *Id.* at 2.

⁴¹ *Id.* at 3.

⁴² SCE, SDG&E, and PG&E Opening Comments at 7.

proposals are duplicative or similar to existing programs for behind the meter distributed energy resources.⁴³

CESA argues that islanding is one, but not the only means by which microgrids can support capacity needs.⁴⁴ CESA claims capacity payments or programs including compensation are needed to position microgrids for emergency reliability.⁴⁵

RCRC supports the Commission's efforts to utilize renewable energy, but argues that the priority should be to keep the lights on no matter the resource.⁴⁶ RCRC supports the use of non-renewable energy for microgrids to improve individual and system electrical reliability and resiliency.⁴⁷ RCRC disagrees with Cal Advocates that the use of non-renewable generators is inconsistent with the state's clean energy goals.⁴⁸ RCRC argues these assets are stop-gap solutions to address overall system safety and reliability until adequate storage can be brought online.⁴⁹ RCRC recommends that the microgrids should be deployed by leveraging existing substations and that the Commission should prioritize such projects that have the greatest risk of being de-energized during a PSPS event or with a history of unplanned outages.⁵⁰ Finally, RCRC supports SDG&E's

⁴³ *Id.* at 10.

⁴⁴ CESA Opening Comments at 2, 6-8.

⁴⁵ *Id.*

⁴⁶ RCRC Opening Comments at 6.

⁴⁷ *Id.* at 6.

⁴⁸ *Id.* at 7.

⁴⁹ *Id.*

⁵⁰ *Id.* at 4.

proposals, recommends SCE and PG&E consider similar opportunities within their service territories.⁵¹

Enchanted Rock recommends the Commission explore policies that encourage the utilities to use dispatchable microgrid technologies that support net peak load conditions and system emergencies.⁵² Vote Solar and Grid Alternatives do not support PG&E's proposal to rely on temporary fossil fuel generation.⁵³ Additionally, Vote Solar and Grid Alternatives support the development of the Boulevard and Paradise microgrids by SDG&E but oppose the development of additional microgrids by IOUs without first going through a competitive solicitation.⁵⁴

4.2 Electric Reliability is a Priority Objective for Community Continuity in the Wake of Extreme Weather and a Strained Electrical Grid.

We are living in a world already affected by climate change caused by human-induced concentrations of greenhouse gases in the atmosphere. Year after year, we have seen the physical effects of a changing climate gradually intensifying into catastrophic events across our state. From wildfire events to extreme summer heat, no one is immune from the effects of climate change and environmental degradation. Indeed, the physical impacts of a warmer world will lead to increased challenges, compounding one another – and as extreme events become more intense and more frequent, we must recover by building greater reliability and greater resiliency.

⁵¹ *Id.* at 4.

⁵² Enchanted Rock Opening Comments at 4.

⁵³ Vote Solar and Grid Alternatives at 7.

⁵⁴ *Id.* at 8.

Electric reliability is a priority objective to preserve the public health and safety for all Californians as we experience extreme weather because of climate change. To minimize the number of customers affected by a planned or unplanned electrical outage because of extreme weather and a strained electrical grid, we adopt PG&E and SDG&E's proposals, subject to the requirements set forth below. We decline to adopt SCE's proposal because it is likely to impact the SGIP program in ways that should be addressed within the SGIP proceeding. However, we suggest SCE present this proposal within the SGIP proceeding.

Finally, Los Angeles County proposed four projects in the Expedited Phase 1 of this Track 4 that merit attention. The projects are: (1) Regional Public Agency Microgrid Program; (2) Eastern Avenue Emergency Operations Battery Storage Microgrid Project; (3) a Los Angeles Department of Public Health Solar and Battery Storage Project; and (4) Pitchess Detention Center Solar and Battery Storage Project.⁵⁵ In D.21-01-018, we adopted a Microgrid Incentive Program⁵⁶ to fund clean community microgrids that support critical needs of vulnerable populations most likely impacted by grid outages. We also adopted a \$200 million budget for the Microgrid Incentive Program.⁵⁷ We suggest Los Angeles County propose its Eastern Avenue Emergency Operations Battery Storage Microgrid Project, a Los Angeles Department of Public Health Solar and Battery Storage Project, and Pitchess Detention Center Solar and Battery Storage Project in the Microgrid Incentive Program for consideration, subject to the overall eligibility, cost and budget constraints of the Microgrid Incentive Program.

⁵⁵ Los Angeles County Proposal at 22-45.

⁵⁶ D.21-01-018 at 61-70.

⁵⁷ *Id.* at 66.

Microgrids and resiliency technologies may help California mitigate the energy supply shortage the state faces in 2022 and/or 2023 as well as reduce strain on the grid. For example, the expansion of PG&E's Temporary Generation Program can serve as a stop-gap solution to address system capacity shortfalls, enhance overall system safety and reliability, and serve as a transitional mechanism until other cleaner and reliable resources can be brought online to address broader system capacity problems.

To be clear, below, we approve PG&E to study whether its temporary generation program *could be* (emphasis added) expanded for use in 2022 for reliability purposes in the event of extreme weather and grid strain. And *if* (emphasis added) it could be expanded, we direct PG&E to submit an advice letter for implementation approval, subject again to stakeholder review. These activities are narrowly permitted. The temporary generation program is not a long-term procurement strategy for the years of 2022.⁵⁸ This decision is only authorizing potential expansion for 2022 to address the immediate shortfall of up to 3,500 megawatts during *potential* (emphasis added) extreme weather conditions and grid strain – a strategy that was utilized during the reliability emergencies in 2020.

Furthermore, the authorization of PG&E expansion of its temporary generation program is consistent with the governor's Proclamation. Specifically, the governor's Proclamation directed the Commission to exercise its powers to expedite action, to the maximum extent necessary to meet the purposes and directives of the proclamation. This includes: (1) suspension of permitting requirements adopted by local air quality management districts to the extent

⁵⁸ D.20-06-017 at 81-82.

they restrict the amount of power that a facility may generate; (2) restriction of the amount of fuel that a facility may use; or (3) imposition of air quality requirements that prevent the facility from generating additional power.⁵⁹ We highlight that some parties to this proceeding, including RCRC,⁶⁰ state that diesel is a necessary solution to prevent power outages in their communities, despite it being the least favorable of all reliability resources.

Now, we take a moment to highlight our consistent movement away from diesel temporary generation to cleaner alternatives, while still ensuring the lights stay on for safe-to-energize customers in the event of a grid outage. As described in Section 1 of this decision, the Commission held a workshop in August 2020 that focused on transitioning to cleaner alternatives. In September 2020, this proceeding issued a proposed framework for reserving temporary generation that encouraged the development of cleaner, alternative solutions. This framework, with modification, was adopted in D.21-01-018. D.21-01-018 ordered PG&E to pilot a clean substation microgrid project at one of its substations.⁶¹

Additionally, the Commission opened another proceeding, Application (A.) 21-06-022, in which it is reviewing a new PG&E substation microgrid program to facilitate this transition to clean substation back up generation. Specifically in this proceeding, PG&E and stakeholders are litigating a framework that, among other things, is developing substation-level microgrid

⁵⁹ Gavin Newsom, Proclamation of a State of Emergency, July 30, 2021, available as of October 12, 2021 at: <https://www.gov.ca.gov/wp-content/uploads/2021/07/Energy-Emergency-Proc-7-30-21.pdf>.

⁶⁰ RCRC Opening Comments at 7-8.

⁶¹ The Request for Proposal for this pilot program was released on November 30, 2021, and is expected to be operable during the 2022 wildfire season.

solutions to mitigate PSPS outages consistent with a pathway to transition to cleaner sources of generation pursuant to D.21-01-018.

To be sure, under this decision, PG&E is still required to use alternative fuels like hydrotreated vegetable oil and renewable diesel, where feasible, instead of conventional diesel fuel. This is consistent with requirements of D.21-01-018's interim approach for reserving temporary generation for safe-to-energize substations. Concurrently, D.21-01-018's actions – the interim approach for reserving temporary generation and shift away from the use of diesel fuel – are necessary to continue the availability of all resources to keep the lights on for safe-to-energize customers during grid outage events. Nothing in this decision modifies the requirements of D.21-01-018 to ultimately and totally, move away from diesel as a temporary generation resource.

We also note that the Commission ordered⁶² PG&E's shareholders to provide \$10 million for transitioning to cleaner fuel alternatives as part of a larger penalty related to the 2017 and 2018 wildfires. These alternatives could potentially be scaled to the substation level in the future.

Now, we turn to SDG&E's four circuit-level energy storage microgrid projects may address both local reliability and grid resiliency to address overall system capacity shortfalls. For example, SDG&E's four circuit-level energy storage microgrid projects will facilitate the islanding of local critical facilities like law enforcement and fire stations during system disturbances. Additionally, SDG&E's four-circuit level energy storage microgrid projects may enable storage of excess solar generation which can be fed back to the grid to address system capacity shortfalls. Since SDG&E will make these microgrid storage resources

⁶² D.21-05-019, Appendix A.

available for least-cost dispatch during normal conditions in the CAISO market, the revenue received from market participation will partially offset ratepayer costs. Collectively, PG&E and SDG&E's proposals will support the state's broader goal of ensuring electric reliability to preserve community continuity.

Implementation of Approvals: First, we direct PG&E to file a Tier 2 Advice Letter requesting authorization to study a need for reservation of temporary generation for 2022 to address system capacity shortfall, within 60 days of the effective date of this decision, that. In this study, we direct PG&E to take a close and sensitive look at how temporary generation could potentially impact a disadvantaged community (DAC):.

- Identifies the number of sites studied for potential parallel connection of temporary generation;
 - Identifies sites, and megawatts per site, where temporary generation could be safely interconnected to address a system capacity shortfall;
 - Identifies sites, if any, for which additional temporary generation is requested specifically for addressing a system capacity shortfall rather than PSPS mitigation purposes;
 - Identifies sites where temporary generation reserved for PPS purposes could also be used to address a system capacity shortfall;
 - Identifies, for each site requiring modifications to safely and reliably accommodate temporary generation for addressing a system capacity shortfall, the following:
 - The costs necessary to upgrade the site;
 - Timeframe necessary to complete the make-ready upgrades;
 - Estimated incremental operating and maintenance costs for temporary generation for utilization during a system capacity shortfall;
 - Recommendation whether make-ready upgrades should be pursued;

- Date when parallel connection of temporary generation is expected to be available for utilization during a system capacity shortfall (make ready upgrades complete and temporary generation available);
- Detail any necessary air permit requirements, and how they will be met by September 2022, to permit temporary generation to operate for utilization during a 2022 system capacity shortfall or if temporary generation would only be able to operate if air permitting requirements were temporarily suspended; and
- Detail and assess any impact in a DAC⁶³ should a temporary generation need arise, and discuss why.
 - Identifies megawatts that could be feasibly transported to an appropriate site to address a system capacity shortfall.
- Ensures redundancy of resources so that the physical location of mobile generation and an adequate fuel supply is available for both a simultaneous PSPS event and a system capacity shortfall;
- Discusses expected availability of renewable diesel and/or hydrotreated vegetable oil for 2022/2023; and
- Describes how PG&E will utilize renewable diesel and hydrotreated vegetable oil to the maximum extent possible if temporary generation is made available to maintain reliability during a system capacity shortfall.

If PG&E chooses to reserve temporary generation for 2022 to mitigate the impacts of public safety power shutoffs, it may include the information described above in the Tier 2 Advice Letter required by D.21-01-018 in lieu of filing a separate advice letter but PG&E must adhere to the same deadline.

⁶³ Guidance on DAC communities is available at [Disadvantaged Communities \(ca.gov\)](https://www.sfpuc.org/disadvantaged-communities).

Second, subject to approval of PG&E's Tier 2 Advice Letter, see above, we direct PG&E to file a Tier 1 Advice Letter within 30 days upon the approval date of this Tier 2 Advice Letter. This Tier 1 Advice Letter shall update PG&E's existing Microgrids Memorandum Account with a new subaccount titled, "Microgrid Summer 2022 Reliability Sub-Account" for the purpose of recording any actual, incurred the costs associated with the requirements adopted in Section 4.2 of this decision that are greater than the cost forecast approved, if any, as part of the Tier 2 Advice Letter required by Section 4.2 of this decision. Additionally in this advice letter, PG&E shall update its existing Microgrids Balancing Account with a new subaccount titled, "Microgrid Summer 2022 Reliability One-Way Balancing Account" for the purpose of recovering the actual, incurred costs associated with the requirements adopted in Section 4.2 of this decision, up to the cost forecast approved, if any, as part of the Tier 2 Advice Letter required by Section 4.2 of this decision

PG&E's Tier 1 Advice Letter shall also include the applicable tariff language, as necessary. For recovery of the costs, if any, recorded to the new sub-account in the Microgrids Memorandum Account, we direct PG&E to file an application or include these costs as part of its upcoming general rate cases. Costs, if any, recorded to the Microgrid Summer 2022 Reliability One-Way Balancing Account may be recovered in rates through the Cost Allocation Mechanism.

Finally, upon approval of PG&E's Tier 2 Advice Letter, above, we direct PG&E to collaborate with the Energy Division to establish a regular reporting schedule that illustrates the progress PG&E is making to enhance reliability starting in summer 2022. We direct PG&E to include any megawatts PG&E is

making available to address a capacity shortfall under its potentially expanded Temporary Generation Program for enhanced summer 2022 in this report.

Next, we direct SDG&E to develop up to its four circuit-level energy storage microgrid projects.⁶⁴ This development is conditioned upon the requirement that these projects provide peak and net peak grid reliability benefits during the summers of 2022 and/or 2023. Any project pursued by SDG&E must have a commercial online date no later than August 1, 2023. Furthermore, these projects must demonstrate they will provide reliability benefits and islanding and resiliency capabilities through the Tier 2 Advice Letter, below. Additionally, we direct SDG&E to comply with the Cost Allocation Mechanism for utility owned storage previously adopted in R.20-11-003. SDG&E shall comply with any subsequent modifications to the Cost Allocation Mechanism adopted through R.20-11-003.

Now, we direct SDG&E to submit a Tier 2 Advice Letter, within 30 days upon the effective date of this decision, discussing the following information on the reliability and resiliency capabilities each of these four procured projects will produce for enhanced summer reliability in 2022 and/or 2023:

- Describe, specifically, how the project will provide reliability benefits, including when the project would obtain full capacity deliverability status.
- What portions of the circuit(s) would receive a resiliency benefit? For example, would the entire circuit be covered or would it only cover pre-determined or pre-selected critical load customers?
 - If less than the entire circuit is covered, discuss:

⁶⁴ The projects were originally part of SDG&E proposal in A.18-02-016. D.19-06-032, in effect, denied the application for these projects without prejudice.

- Customer counts by rate class for the circuit, separately identifying the number which are critical loads and which are non-critical loads;
 - Estimate of percentage of load on circuit for each represented rate class of customers, separately identifying the percentage for critical loads and non-critical loads; and
 - Identify if there are critical loads on the circuit that would not be provided with resiliency from the proposed projects.
- Estimate the outage duration for which resiliency could be provided to critical loads at a minimum of the following states of charge of the batteries: 100 percent; 75 percent; 50percent; and 20 percent.
 - Describe what, if any, minimum state of charge SDG&E would maintain to ensure that a level of resiliency is available for critical loads during unplanned outages;
 - Discuss the emergency reliability needs provided as well as describe the critical facilities that would be provided with resiliency.

Finally, we direct San Diego Gas & Electric Company (SDG&E) to file a Tier 2 Advice Letter containing detailed contract and cost information, within 60 days, after the approval of the Tier 2 Advice Letter required above, upon completion of the contracting necessary to implement each of its up to four circuit-level energy storage microgrid projects for enhanced reliability starting in the summer of 2022 and/or 2023.

Proposals Not Adopted: Next, we describe some of the proposals the Commission is not approving in this decision and our reasoning for declining to do so.

Many proposals proffered by parties in response to the assigned Administrative Law Judge's Ruling addressed policy changes that were not directly related to microgrid and resiliency strategies to enhance summer 2022 and/or summer 2023 reliability. Many of these proposals have broad policy

implications beyond the scope of this Expedited Phase 1 of Track 4. These proposals also touch upon subject matter of other ongoing Commission proceedings. We decline to adopt a proposal that is beyond the scope of Expedited Phase 1 of Track 4 or may result in conflicting with an outcome of another ongoing Commission proceeding. Additionally, we decline to adopt proposals that effectually result in cost-shifting, which is prohibited by Section 8371.

Only proposals that fit within the contours of R.19-09-009 can be adopted here. D.21-01-018 held that this proceeding is not intended to authorize sweeping and broad financial arrangements for developers that could excessively burden the average California electric customer without adequate scrutiny.⁶⁵

Many microgrid developers presented proposals in this Expedited Phase 1 that could potentially, burden ratepayers excessively without more time for review. Indeed, in response to our efforts to address prevention versus mitigation of system capacity shortfalls, many parties submitted proposals that need further record development. These proposals also need stronger review under Section 8371(d)'s prohibition against cost shifting than the schedule of Expedited Phase 1 allows. In subsequent tracks of this proceeding, or in other proceedings, these proposals may be ripe for review and will be appropriately solicited and considered should a need arise.

We have a statutory obligation to ensure that energy procurement practices are reasonable from environmental, affordability, safety, and equity perspectives. We also have a duty to establish rules, policies, and procurement

⁶⁵ D.21-01-018 at 46.

practices that result in a just and reasonable collection from ratepayers for charges in utility service.

Cost-Shifting Proposals Prohibited by Section 8371: Generally, AMR recommends that we modify D.21-01-018 to allow natural gas generation to qualify for behind-the-meter microgrid rate and tariff schedules.⁶⁶ We decline to adopt this recommendation because D.21-01-018 does not change compensation that would otherwise incentivize any megawatts. We also remind AMR to mind the cost-shifting prohibition of Section 8371.

Next, Bloom Energy recommends that we adopt a “capacity services tariff” and payment that identifies specific performance and eligibility criteria.⁶⁷ We decline to adopt this recommendation because it is out of scope for the purposes of the Expedited Phase 1 of Track 4. Additionally, we are not adopting new subsidies that would result in a cost-shift prohibited by Section 8371.

Proposals Potentially Affecting Outcomes in Other Proceedings: Generally, CSE recommends that we adopt parameters to maintain an inventory of CEC-administered microgrid projects and other projects with peak load reduction capabilities.⁶⁸ CSE also recommends that we permit dual participation in the Emergency Load Reduction Program and existing Demand Response programs. We decline to adopt these recommendations because an inventory of microgrid projects will not contribute immediately to summer 2022 and/or summer 2023 enhanced reliability. Additionally, modifying the Emergency Load Reduction Program and/or any Demand Response programs will interfere with activity occurring outside the contours of this proceeding.

⁶⁶ AMR Proposal at 5.

⁶⁷ Bloom Proposal at 6-7.

⁶⁸ CSE Proposal at 3.

CESA offered an array of proposals⁶⁹ that are being considered in R.20-11-003. We decline to adopt any proposals that could or will affect outcomes in other proceedings, or that are outside the scope of the Expedited Phase 1 of Track 4 to this proceeding.

Long Beach recommends that we modify Rule 18 to allow the resale of electricity.⁷⁰ We decline to adopt Long Beach's recommendation because it conflicts with the settled requirements the Commission adopted when it modified Rule 18 in D.21-01-018.

GPI proposes that we adopt an automated and streamlined Rule 21 interconnection process for front-of-meter and large-NEM projects to add time certainty under the interconnection process.⁷¹ We reject this proposal because the proper venue for it is R.17-07-007.

MRC proposes that we adopt a new emergency services tariff for behind-the-meter microgrids eligible to interconnect under Rule 21.⁷² We decline this proposal because it may affect outcomes in other proceedings.

5. Conclusion

This decision adopts enhanced summer 2022 and/or summer 2023 requirements for Pacific Gas and Electric Company (PG&E) and San Diego Gas & Electric Company (SDG&E). First, PG&E shall file a Tier 2 Advice Letter, within 60 days of the effective date of this decision, to study the potential to expand its Temporary Generation Program for mitigating the system capacity shortfalls anticipated in the summer of 2022.

⁶⁹ CESA Proposal at 2-4, 6-8, and 8-10.

⁷⁰ Long Beach Proposal at 4.

⁷¹ GPI Proposal at 3-4.

⁷² MRC Proposal at 2-5.

Second, SDG&E may procure up to four circuit-level energy storage microgrid projects that may provide a total of 40 megawatts/160 megawatt-hours of capacity to fill system capacity shortfalls anticipated in the summers of 2022 and/or 2023. The procurement of these four circuit-level energy storage microgrid projects is conditioned upon these resources providing peak and net peak grid reliability benefits in the summers of 2022 and/or 2023. Any project pursued by SDG&E must have a commercial online date no later than August 1, 2023. SDG&E shall file a Tier 2 Advice Letter, within 30 days of the effective date of this decision, seeking implementation authorization for procurement of these four circuit-level energy storage microgrid projects. Since SDG&E will make these storage resources available for least-cost dispatch during normal conditions in the California Independent System Operator market, the revenue received from market participation will partially offset ratepayer costs. SDG&E shall comply with the Cost Allocation Mechanism for utility owned generation previously adopted in Rulemaking (R.) 20-11-003. Furthermore, SDG&E shall comply with any subsequent modifications to the Cost Allocation Mechanism adopted in R.20-011-003.

We suggest Los Angeles County propose its Eastern Avenue Emergency Operations Battery Storage Microgrid Project, a Los Angeles Department of Public Health Solar and Battery Storage Project, and Pitchess Detention Center Solar and Battery Storage Project in the Microgrid Incentive Program for consideration, subject to the overall eligibility, cost and budget constraints of the Microgrid Incentive Program.

6. 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. The comment period was shortened pursuant to Commission Rule of Practice and Procedure 14.6(c)(10) on the ground of public necessity, such that opening comments were due on November 10, 2021, and reply comments were due on November 16, 2021.

Comments were filed on November 10, 2021, by the following parties:

(1) Bioenergy Association of California, Clean Coalition, Center for Energy Efficiency and Renewable Technologies, Green Power Institute, Local Government Sustainable Energy Coalition, Microgrid Resources Coalition, National Fuel Cell Research Center, and the Climate Center (Joint Parties); (2) Bloom Energy Corporation (Bloom Energy); (3) California Energy Storage Alliance (CESA); (4) Center for Sustainable Energy (CSE); (5) City of Long Beach, CA, a Municipal Corporation (Long Beach City); (6) Clean Coalition; (7) County of Los Angeles (Los Angeles County); (8) Pacific Gas and Electric Company (PG&E); (9) Public Advocates Office (Cal Advocates); (10) San Diego Gas & Electric Company (SDG&E); (11) Sierra Club; (12) Small Business Utility Advocates (SBUA); (13) Southern California Edison Company (SCE); and (14) Vote Solar.

Reply Comments were filed on November 16, 2021, by the following parties: (1) Bloom; (2) Cal Advocates; (3) California Hydrogen Business Council (CHBC); (4) California Environmental Justice Alliance (CEJA); (5) Clean Coalition; (6) National Fuel Cell Research Center (NFCRC); (7) Placer County Air Quality Management District (Placer County); (8) Peterson Power Systems, Inc. (Peterson Power); (9) PG&E; (10) SDG&E; and (11) Vote Solar.

We have carefully considered the suggested changes proposed by parties in their comments and their reply comments to this Decision. This section

summarizes the main points in parties' comments. Where discussed below, the relevant changes have also been made in the text, findings, or conclusions of the decision, as appropriate.

Sierra Club argues that the decision errs by approving PG&E's temporary generation proposal because it does not comply with California climate law, the governor's emergency proclamation, or Commission precedent.⁷³ We disagree. First, we approved PG&E to study whether its temporary generation program *could be* (emphasis added) expanded for use in 2022 for reliability purposes in the event of extreme weather and grid strain. And *if* (emphasis added) it could be expanded, we directed PG&E to submit an advice letter for implementation approval, subject again to stakeholder review.

We also remind stakeholders that these activities are narrowly permitted, and the temporary generation program is not a long-term procurement strategy for 2022.⁷⁴ This decision is only authorizing potential expansion for 2022 to address the immediate shortfall of up to 3,500 megawatts during *potential* (emphasis added) extreme weather conditions and grid strain, a strategy that was utilized during the reliability emergencies in 2020.

Second, this approach is consistent with California climate law and Commission precedent. In D.21-01-018, we adopted an interim approach for reserving temporary generation for safe-to-energize substations as well as a process for transitioning to clean generation beyond 2021. We remind all stakeholders that the Commission has another open proceeding, Application (A.) 21-06-022, in which it is reviewing a new substation microgrid program to

⁷³ Sierra Club Opening Comments to the Proposed Decision at 2.

⁷⁴ D.20-06-017 at 81-82.

facilitate this transition to clean substation back up generation. Specifically in this proceeding, PG&E and stakeholders are litigating a framework that, among other things, is developing substation-level microgrid solutions to mitigate PSPS outages consistent with a pathway to transition to cleaner sources of generation pursuant to D.21-01-018. Furthermore, PG&E is still required to use alternative fuels like hydrotreated vegetable oil and renewable diesel, where feasible, instead of conventional diesel fuel. This is consistent with requirements of D.21-01-018's interim approach for reserving temporary generation for safe-to-energize substations. Nothing in this decision modifies the requirements of D.21-01-018.

Third, the review, and potentially, the authorization of PG&E expansion of its temporary generation program is consistent with the governor's Proclamation. Specifically, the governor's Proclamation directed the Commission to exercise its powers to expedite action, to the maximum extent necessary to meet the purposes and directives of the proclamation, including: (1) suspension of permitting requirements adopted by local air quality management districts to the extent they restrict the amount of power that a facility may generate; (2) restriction of the amount of fuel that a facility may use; or (3) imposition of air quality requirements that prevent the facility from generating additional power.⁷⁵ We highlight that some parties to this proceeding, including the Rural County Representatives of California,⁷⁶ state that diesel is a necessary stop-gap

⁷⁵ Gavin Newsom, Proclamation of a State of Emergency, July 30, 2021, available as of October 12, 2021 at: <https://www.gov.ca.gov/wp-content/uploads/2021/07/Energy-Emergency-Proc-7-30-21.pdf>.

⁷⁶ Rural County Representatives of California Opening Comments at 7-8.

solution to prevent power outages in their communities, despite it being the least favorable of all reliability resources.

Finally, we agree with Sierra Club that it is unclear whether PG&E's temporary generation resources would be permitted to operate during a projected shortfall if the governor does not again suspend air permit requirements. Therefore, in the revisions of this decision, we direct PG&E to include an analysis of the air permits that would be required *should* (emphasis added) PG&E actually need to operate temporary generation for the purposes of mitigating system capacity shortfalls in the summer of 2022. We also direct PG&E to clearly state if operation of temporary generation would be dependent on a temporary suspension of permitting requirements.

Additionally, in the revisions of this decision, we direct PG&E, if it operates temporary generation for the purposes of mitigating system capacity shortfalls in summer of 2022, to comply with the following requirements of the governor's proclamation. These requirements are: (1) notify the relevant local air quality management district of any facility that operates in excess of permitting requirements for conditions of a certificate suspended; and (2) report additional fuel use, additional hours of operation and times of operation, and energy produced by that additional use and operation to the relevant local air quality management district within 30 days of operation.⁷⁷ All of this will add transparency for when diesel is operating in a state of an emergency. These efforts address some of the concerns presented by CEJA⁷⁸ and Placer County.⁷⁹

⁷⁷ *Id.*

⁷⁸ CEJA Reply Comments to the Proposed Decision at 1-3.

⁷⁹ Placer County Reply Comments to the Proposed Decision at 4-7.

For its part, CESA claims that the decision inconsistently assesses the merits of some proposals and does not clarify how approved resiliency strategies support system reliability.⁸⁰ We disagree. All proposals were equally assessed, yet many parties' proposals required rule or tariff changes that fall under the purview of other proceedings including: the Integrated Resource Planning and Related Procurement Processes Proceeding (R.20-05-003); the Resource Adequacy proceeding (R.21-10-002); the High Distributed Energy Resources Future proceeding (R.21-06-017); the Energy Efficiency proceeding (R.13-11-005); the Self-Generation Incentive Program proceeding (R.20-05-012); the Transportation Electrification proceeding (R.18-12-006); the Net Energy Metering proceeding (R.20-08-020); and the Rule 21 Reform proceeding on the distribution-level interconnection of distributed energy resources (R.17-07-007).

Only proposals that fit within the contours of R.19-09-009 can be adopted here. We stated in D.21-01-018 that this proceeding is not intended to authorize sweeping and broad financial arrangements for developers that could excessively burden the average California electric customer without adequate scrutiny.⁸¹ Many microgrid developers presented proposals in this Expedited Phase 1 that could potentially burden ratepayers excessively without more time for review and assessment of evidence given the expedited nature of this track of the proceeding. Indeed, in response to our efforts to address prevention versus mitigation of system capacity shortfalls, many parties submitted proposals that need more record development. These proposals need stronger scrutiny under Section 8371(d)'s prohibition against cost shifting than the schedule of Expedited

⁸⁰ CESA Opening Comments to the Proposed Decision at 3-9.

⁸¹ D.21-01-018 at 46.

Phase 1 allows. In subsequent tracks of this proceeding, these proposals may be ripe for review.

Next, CESA argues additional information and demonstrations must be provided before approving SDG&E microgrid projects for emergency and/or mid-term capacity needs. While SDG&E identifies these projects as having full capacity deliverability status, we agree. We have revised the decision to require SDG&E to provide reliability information in its Tier 2 Advice Letters to help demonstrate that these resources will provide reliability benefits. CESA also asserts that broader solicitations for third-party microgrid solutions should be procured. We disagree.

Next, SBUA seeks clarification on whether its proposal may be considered by the Commission at a future point in time.⁸² Likewise, Vote Solar notes that the decision is also silent on its proposal.⁸³ We reiterate that many, but not all, proposals submitted under Expedited Phase 1 merit the full scrutiny of a fully litigated Commission review. SBUA and Vote Solar's proposal indeed, may fit more appropriately within the future contours of a non-expedited phase of this proceeding or within another proceeding, like R.20-05-012. We encourage both SBUA and Vote Solar, as well as other parties, to submit their proposals within a future track of this proceeding or other Commission proceedings.

Next, the Joint Parties assert that the proposed decision fails to adequately protect customers from the lack of availability of power, and retreats from California's goals to combat toxic air pollution and climate change.⁸⁴ Similarly, Bloom asserts that multiple parties proposed customer investments in microgrids

⁸² SBUA Opening Comments to the Proposed Decision at 3.

⁸³ Vote Solar Opening Comments to the Proposed Decision at 3-4.

⁸⁴ Joint Parties Opening Comments to the Proposed Decision at 4-9.

that merit further attention and approval.⁸⁵ We reject these characterizations and these assertions. This decision protects ratepayers from proposals that could create more cost-shifting subsidies that are statutorily prohibited by Senate Bill 1339. As we stated above, in D.21-01-018, consistent with Section 8371(d), this proceeding is not intended for authorizing sweeping and broad financial arrangements for developers that could excessively burden the average California electric customer without adequate scrutiny given the expedited track of this proceeding.⁸⁶ While considering the magnitude and the speed with which we must act under the governor's proclamation, we decline to overlook our other constitutional and statutory mandates – namely to ensure just and reasonable rates.

To be sure, we remind the Joint Parties and Bloom that we have a statutory obligation to ensure that energy procurement practices are reasonable from both environmental, affordability, safety, and equity perspectives. We have a duty to establish rules, policies, and procurement practices that result in a just and reasonable collection from ratepayers for charges in utility service. This decision, coupled with the other extreme weather summer 2022 and 2023 reliability decisions, adopts a suite of measures to help provide contingency resources to support California's electric grid in an extreme weather event. Each of the measures adopted by all the decisions, in total, may help fill the need for reliability resources for ratepayers in 2022 and/or 2023.

Long Beach City argues that we disregard the scope of Track 4 and misstate the intentions of D.21-01-018.⁸⁷ We reject Long Beach City's assertions.

⁸⁵ Bloom Opening Comments to the Proposed Decision at 3-9.

⁸⁶ D.21-01-018 at 46.

⁸⁷ Long Beach City Opening Comments to the Proposed Decision at 3-4.

As we stated above, we have a statutory obligation to ensure that energy procurement practices are reasonable from both environmental, affordability, safety, and equity perspectives. We have a duty to establish rules, policies, and procurement practices that result in a just and reasonable collection from ratepayers for charges in utility service. In this way, we uphold our application of Section 8371(d) here, as we did in D.21-01-018, without authorizing sweeping and broad financial arrangements for developers that could excessively burden the average California electric customer without adequate scrutiny.⁸⁸ And, in D.21-01-018, we rejected expansive modifications to Rule 18 and Rule 19 in such a way that materially affect Section 218 and accordingly, reject Long Beach City's interpretation of D.21-01-018.

Clean Coalition argues that we should approve Los Angeles County's regional public agency microgrid program proposal in this decision rather than redirect it to the Microgrid Incentive Program.⁸⁹ For its part, Los Angeles County⁹⁰ argues that the submittal of its three microgrid project proposals through the microgrid incentive program is infeasible, that public agencies need technical and financial assistance to accelerate the deployment of behind-the-meter microgrid solutions, and the decision fails to integrate equity and access consideration. We disagree.

First, Los Angeles County does not need the Commission's approval to pursue any of its microgrid project proposals, nor does it need the Commission's approval to pursue funding sources for its projects. If Los Angeles County seeks funding through the Commission's rate authority, then it is appropriate for Los

⁸⁸ D.21-01-018 at 46.

⁸⁹ Clean Coalition Opening Comments at 3.

⁹⁰ Los Angeles County Opening Comments at 2-4.

Angeles County to seek such funding authorization through the Microgrid Incentive Program, as we have suggested. Additionally, Los Angeles County can avail itself to the numerous other Commission-authorized programs available for renewable, behind-the-meter resources.

Behind-the-meter resources can be part of proposals to the Microgrid Incentive Program. Though these resources are not eligible for additional ratepayer-funded subsidies. Nothing, however, precludes Los Angeles County and its proposal from successfully participating in the Microgrid Incentive Program.

Funding for all projects approved through the Microgrid Incentive Program is allocated across all distribution customers of the relevant utility service territory. By design, this satisfies multiple objectives: (1) advancing microgrid technology for climate response resiliency; (2) advancing system benefits of microgrids equitably to disadvantaged and vulnerable populations, for the purpose of public health, safety, and welfare; (3) alleviating the potential that existing inequities would worsen for locations hardest hit by climate change and de-energization impacts with an already vulnerable populations and too few ratepayers; and (4) learn lessons to inform future regulatory decision making.⁹¹ We also decline to undo the purpose of the Microgrid Incentive Program through this decision. Undoing the original framework for the Microgrid Incentive Program so it is focused on reliability rather than resiliency for vulnerable communities most impacted by grid outages is disingenuous, at best. Such undoing would harm the rights of parties who are actively seeking approval under the Microgrid Incentive Program as well as vulnerable communities, who

⁹¹ *Id.* at 63-64.

are the targeted populations to receive the Microgrid Incentive Program's benefits.

SDG&E requests that the decision be revised to reflect that it may develop only up to four circuit-level energy storage microgrid projects rather procure these projects.⁹² We agree. We have reflected this change in the revised version of this decision. SDG&E also proposes a new ordering paragraph containing contract and cost information.⁹³ We agree. We have reflected this change in the revised version of this decision.

PG&E recommends that cost forecasts approved via advice letter should be eligible for recovery through a one-way balancing account. We agree. PG&E also recommends that the Commission provide PG&E additional time to submit the Tier 2 Advice Letter and requests that we clarify the date of submission. We agree. The date for the submittal of the advice letter is 60 days upon issuance of this decision. Finally, PG&E recommends that the Commission should clarify that any temporary generation project capable of delivering energy to the grid during a system shortfall event will provide grid reliability benefits. We agree. We have reflected these changes in the revised version of this decision.

Cal Advocates recommends that we clarify that SDG&E's Clairemont and Elliot storage projects must be developed under the clean substation microgrid program.⁹⁴ We disagree. The clean substation microgrid program is applicable when a utility seeks to reserve temporary generation under the interim approached established in D. 21-01-018.⁹⁵ SDG&E is not seeking to reserve

⁹² SDG&E Opening Comments to the Proposed Decision at 1-2.

⁹³ *Id.*

⁹⁴ Cal Advocates Opening Comments to the Proposed Decision at 2-4.

⁹⁵ D.21-01-018 at A-4.

temporary generation. Therefore, it is not required to pursue a clean substation microgrid program.

Cal Advocates recommends we adopt the condition that SDG&E's storage projects be used to offset ratepayer costs by participating in CAISO markets, as specified in SDG&E's proposal. We agree. We have reflected this change in the revised version of this decision. Next, Cal Advocates also recommends that we require SDG&E to quantify the load that each storage project will remove from the system during a capacity shortfall in its advice letter filing.⁹⁶ We disagree. During capacity shortfall events, SDG&E's proposed storage projects would provide up to an additional 40 megawatts of grid-connected resources to be available. Only during an outage, planned or unplanned, would the proposed storage projects form an island that removes load from the system.⁹⁷

SCE recommends we modify our decision to correctly describe its reliability proposal.⁹⁸ We agree. We have adopted this modification and have reflected this change in the revised version of this decision.

7. Assignment of Proceeding

Genevieve Shiroma is the assigned Commissioner and Colin Rizzo is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. Human-induced concentrations of greenhouse gases in the atmosphere are intensifying and accelerating climate change and catastrophic events across California.

⁹⁶ *Id.*

⁹⁷ SDG&E Reply Comments to Proposed Decision at 2.

⁹⁸ SCE Opening Comments to the Proposed Decision at 2.

2. On July 30, 2021, Governor Gavin Newsom issued a Proclamation of a State of Emergency in response to the significant and accelerating impacts of climate change in California.

3. Governor Newsom declared that drought conditions coupled with record-breaking extreme heat events have hit California and other Western states hard, increasing residents' electrical demand and putting significant strain on California's energy grid.

4. Studying the potential expansion of Pacific Gas and Electric Company's Temporary Generation Program to address system capacity shortfalls is a necessary, stop-gap solution to address overall system safety and reliability until other cleaner and reliable resources can be brought online.

5. If PG&E operates temporary generation for the purposes of mitigating system capacity shortfalls in summer of 2022, notification and reporting to the relevant local air quality management district will add transparency for when diesel generation is operating in a state of an emergency.

6. San Diego Gas & Electric Company's four circuit-level energy storage microgrid projects may address both local reliability and grid resiliency to address overall system capacity shortfalls.

7. Revenue from participation in the California Independent System Operator market can partially offset ratepayer costs for development of San Diego Gas & Electric Company's four circuit-level energy storage microgrid projects.

8. San Diego Gas & Electric Company's four circuit-level energy storage microgrid projects will facilitate the islanding of local critical facilities like law enforcement and fire stations during system disturbances.

9. San Diego Gas & Electric Company's four circuit-level energy storage microgrid projects may enable storage of excess solar generation which can be fed back to the grid to address system capacity shortfalls.

10. To effectively address anticipated system capacity shortfalls, resources adopted by this decision and approved through the advice letter processes described herein will must provide peak and net peak grid reliability benefits starting in the summer of 2022 and/or the summer of 2023.

Conclusions of Law

1. It is reasonable to require resources adopted under this decision to provide peak and net peak grid reliability benefits starting in the summer of 2022 and summer 2023 to ensure these resources provide a meaningful contribution to maintaining reliability.

2. It is reasonable to require PG&E to file a Tier 2 Advice Letter, within 60 days upon the issuance of this decision, requesting authorization for reservation of temporary generation for 2022 to address system capacity shortfall needs consistent with the requirements set forth in Section 4.2 of this decision.

3. It is reasonable for PG&E to each create a new subaccount of its existing Microgrid Memorandum Accounts, should it demonstrate that temporary generation can safely interconnect to address system capacity shortfalls starting in the summer of 2022 and summer of 2023, for the purpose of recording the costs associated with the requirements set forth in Section 4.2 of this decision.

4. It is reasonable to require PG&E to create a new one-way subaccount in its existing Microgrid Balancing Account, should it demonstrate that temporary generation can safely interconnection to address system capacity shortfalls starting in the summer of 2022, for the purpose of recovering the actual, incurred costs associated with the requirements set forth in Section 4.2 of this decision; up

to the cost forecast approved as part of the Tier 2 Advice Letter required by this decision.

5. It is reasonable for PG&E to create a new subaccount of its existing Microgrid Memorandum Account, should it demonstrate that temporary generation can safely interconnect to address system capacity shortfalls starting in the summer of 2022, for the purpose of recording any actual, incurred costs associated with the requirements set forth in Section 4.2 of this decision above the cost forecast approved, if any, as part of the Tier 2 Advice Letter required by this decision.

6. It is reasonable for PG&E to collaborate with the Commission's Energy Division to establish a regular reporting schedule that illustrates the progress PG&E is making to enhance reliability starting in summer 2022.

7. It is reasonable for PG&E to, in its reporting schedule with the Commission's Energy Division, include any megawatts PG&E is making available to address a capacity shortfall under its potentially expanded Temporary Generation Program for enhanced reliability starting in the summer of 2022 and in this report.

8. It is reasonable, if PG&E operates temporary generation for the purposes of mitigating system capacity shortfalls in summer of 2022, to require PG&E to notify and report to the relevant local air quality management district to add transparency for when diesel generation is operating in a state of an emergency.

9. It is reasonable to require SDG&E to develop up to four circuit-level energy storage microgrid projects conditioned upon the requirement that these resources provide peak and net peak grid reliability benefits starting in the summer of 2022 and/or summer of 2023 to addresses local reliability, grid

resiliency, and overall system capacity shortfalls consistent with the requirements adopted in Section 4.2 of this decision.

10. It is reasonable to require any circuit-level energy storage microgrid projects developed by SDG&E to have a commercial online date of no later than August 1, 2023.

11. It is reasonable to require SDG&E to demonstrate that its four circuit-level energy storage projects provide reliability benefits.

12. It is reasonable to require SDG&E to demonstrate that its four circuit-level energy storage projects can island and provide resiliency capabilities, in addition to reliability benefits.

13. It is reasonable to require SDG&E to make its circuit-level energy storage microgrid projects available for least-cost dispatch during normal conditions in the California Independent System Operator market.

14. It is reasonable to require SDG&E to operate offset its circuit-level energy storage microgrid projects to maximize ratepayer benefits and net revenue under least-cost dispatch, thereby partially offsetting development costs with revenue received from participation in the California Independent System Operator market.

15. It is reasonable to require SDG&E to file a Tier 2 Advice Letter, within 30 days upon the issuance of this decision, seeking authorization to implement up to four circuit-level energy storage microgrid projects that may address both local reliability, grid resiliency, and overall system capacity shortfalls consistent with the requirements set forth in Section 4.2 of this decision.

16. It is reasonable to require SDG&E to comply with the Cost Allocation Mechanism adopted, and/or subsequently modified in, Rulemaking 20-11-003.

O R D E R**IT IS ORDERED** that:

1. Pacific Gas and Electric Company shall file a Tier 2 Advice Letter, within 60 days upon the effective date of this decision, requesting authorization, if any, for reservation of 2022 temporary generation and associated make-ready improvements for the purposes of mitigating system capacity shortfalls. We direct PG&E to take a close and sensitive look at how temporary generation could potentially impact a disadvantaged community (DAC). This Tier 2 Advice Letter shall discuss the following:

- Identify the number of sites studied for potential parallel connection of temporary generation;
 - Identify sites, and megawatts per site, where temporary generation could be safely interconnected to address a system capacity shortfall;
 - Identify sites, if any, for which additional temporary generation is requested specifically for addressing a system capacity shortfall rather than Public Safety Power Shutoff (PSPS) mitigation purposes;
 - Identify sites where temporary generation reserved for PSPS purposes could also be used to address a system capacity shortfall;
 - Identify, for each site requiring modification to safely and reliably accommodate temporary generation for addressing a system capacity shortfall, the following:
 - The costs necessary to upgrade the site;
 - Timeframe necessary to complete the make-ready upgrades;
 - Estimated incremental operating and maintenance costs for temporary generation for utilization during a system capacity shortfall;
 - Recommendation whether make-ready upgrades should be pursued;
 - Date when parallel connection of temporary generation is expected to be available for

utilization during a system capacity shortfall (make ready upgrades complete and temporary generation available);

- Detail any necessary air permit requirements, and how they will be met by September 2022, to permit temporary generation to operate for utilization during a 2022 system capacity shortfall or if temporary generation would only be able to operate if air permitting requirements were temporarily suspended; and
- Detail and assess any impact in a DAC⁹⁹ should a temporary generation need arise, and discuss why.
 - Identify temporary generation, and the temporary generation's total megawatts, that could be feasibly transported to an appropriate site to address a system capacity shortfall.
- Ensure redundancy of resources so that the physical location of mobile generation and an adequate fuel supply is available for both a simultaneous PSPS event and a system capacity shortfall;
- Discuss expected availability of renewable diesel and/or hydrotreated vegetable oil for 2022; and
- How PG&E will utilize renewable diesel and hydrotreated vegetable oil to the maximum extent possible if temporary generation is made available to maintain reliability during a system capacity shortfall.

2. If Pacific Gas and Electric Company chooses to reserve temporary generation for 2022 to mitigate the public safety power shutoffs, it may include the information described above in the Tier 2 Advice Letter required by Decision 21-01-018 in lieu of filing a separate advice letter. However, this advice letter must be filed within 60 days upon the issuance of this decision.

⁹⁹ Guidance on DAC communities is available at [Disadvantaged Communities \(ca.gov\)](https://www.cdph.ca/Programs/CID/DCDC/Pages/DisadvantagedCommunities.aspx).

3. Pacific Gas and Electric Company (PG&E) shall file a Tier 1 Advice Letter within 30 days upon the approval of its Tier 2 Advice Letter from Ordering Paragraph 1. In this Tier 1 Advice Letter, PG&E shall: (1) update its existing Microgrids Memorandum Accounts with a new subaccount titled, "Microgrid Summer 2022 Reliability Sub-Account" for the purpose of recording any actual, incurred costs associated with the requirements adopted in Section 4.2 of this decision that are greater than the cost forecast approved, if any, as part of the Tier 2 Advice Letter required by Ordering Paragraph 1; and (2) update its existing Microgrids Balancing Account with a new subaccount titled, "Microgrid Summer 2022 Reliability One-Way Balancing Account" for the purpose of recovering the actual, incurred costs associated with the requirements adopted in Section 4.2 of this decision up to the cost forecast approved, if any, as part of the Tier 2 Advice Letter required by Ordering Paragraph 1. PG&E's Tier 1 Advice Letter shall also include the applicable tariff language, as necessary. For recovery of the costs, if any, recorded to the new sub-account in the Microgrids Memorandum Account, we direct PG&E to file an application or include these costs as part of its upcoming general rate cases. Costs, if any, recorded to the Microgrid Summer 2022 Reliability One-Way Balancing Account may be recovered in rates through the Cost Allocation Mechanism.

4. Pacific Gas and Electric Company (PG&E) shall, upon approval of PG&E's Tier 2 Advice Letter from Ordering Paragraph 1, collaborate with the Commission's Energy Division to establish a regular reporting schedule that illustrates the progress PG&E is making to enhance summer 2022 reliability. PG&E shall include any megawatts PG&E is making available to address a capacity shortfall under its potentially expanded Temporary Generation Program for enhanced reliability starting in the summer 2022 in this report.

5. Pacific Gas and Electric Company (PG&E) shall, if it operates temporary generation for the purposes of mitigating system capacity shortfalls in summer of 2022, within 30 days of operation:

- Notify the relevant local air quality management district of any facility that operates in excess of permitting requirements for conditions of a certificate suspended; and
- Report additional fuel use, additional hours of operation and times of operation, and energy produced by that additional use and operation to the relevant local air quality management district within 30 days of operation

6. San Diego Gas & Electric Company (SDG&E) shall file a Tier 2 Advice Letter, within 30 days upon the effective date of this decision, discussing the following information on the reliability and resiliency capabilities that each of its four circuit-level energy storage microgrid projects will produce for enhanced reliability starting in the summer of 2022 and/or in 2023:

- Describe, specifically, how the project will provide reliability benefits, including when the project would obtain full capacity deliverability status.
- What portions of the circuit(s) would receive a resiliency benefit? For example, would the entire circuit be covered or would it only cover pre-determined or pre-selected critical load customers?
 - If less than the entire circuit is covered, discuss:
 - Customer counts by rate class for the circuit, separately identifying the number which are critical loads and which are non-critical loads;
 - Estimate of percentage of load on circuit for each represented rate class of customers, separately identifying the percentage for critical loads and non-critical loads; and
 - Identify if there are critical loads on the circuit that would not be provided with resiliency from the proposed projects.

- Estimate the outage duration for which resiliency could be provided to critical loads at a minimum of the following states of charge of the batteries: 100 percent; 75 percent; 50percent; and 20 percent.
 - Describe what, if any, minimum state of charge SDG&E would maintain to ensure that a level of resiliency is available for critical loads during unplanned outages; and
- Discuss the emergency reliability needs provided as well as describe the critical facilities that would be provided with resiliency.

7. SDG&E may develop only up to its four circuit-level energy storage microgrid projects, conditioned upon the requirement that these projects provide peak and net pea grid reliability benefits starting in the summers of 2022 and/or 2023. Furthermore, these projects must demonstrate islanding and resiliency capabilities through this Tier 2 Advice Letter, in addition to reliability benefits. SDG&E shall comply with the Cost Allocation Mechanism for utility owned storage previously adopted in Rulemaking 20-11-003. SDG&E shall comply with any subsequent modifications to the Cost Allocation Mechanism adopted in Rulemaking 20-11-003.

8. San Diego Gas & Electric Company shall operate its circuit-level energy storage microgrid projects to maximize ratepayer benefits and net revenue under least-cost dispatch during normal conditions in the California Independent System Operator market and shall partially offset ratepayer costs for development of the projects with revenue received from market participation.

9. San Diego Gas & Electric Company (SDG&E) shall file a Tier 2 Advice Letter containing detailed contract and cost information, within 60 days, after the approval of the Tier 2 Advice Letter required in Ordering Paragraph 5, and upon completion of the contracting necessary to implement each of its up to four

circuit-level energy storage microgrid projects for enhanced reliability starting in the summer of 2022 and/or 2023.

10. Rulemaking 19-09-009 remains open.

This order is effective today.

Dated _____, at San Francisco, California.