Introduced by Assembly Member Burke

February 19, 2021

An act to amend Sections 913.2, 8370, and 8371 of, and to add Sections 8373 and 8374 to, the Public Utilities Code, relating to electricity.

LEGISLATIVE COUNSEL’S DIGEST

AB 1325, as introduced, Burke. Microgrids: Clean Community Microgrid Incentive Program.

Under existing law, the Public Utilities Commission (PUC) has regulatory authority over public utilities, including electrical corporations. Existing law authorizes the PUC to establish rules for all public utilities, subject to control by the Legislature, and authorizes the PUC to fix the rates and charges for every public utility and requires that those rates and charges be just and reasonable. Existing law requires the PUC, in consultation with the State Energy Resources Conservation and Development Commission and the Independent System Operator, to take specified actions by December 1, 2020, to facilitate the commercialization of microgrids for distribution customers of large electrical corporations.

This bill would require the PUC to develop and implement a Clean Community Microgrid Incentive Program by 2022 to fund community microgrids that support the critical needs of vulnerable communities that utilize distributed energy resources for the generation of electricity. The bill would establish the budget for the program in an unspecified amount to be dispersed in successive phases to local public agencies for community microgrid development and would require that expenses
incurred by a large electrical corporation to fund the program be allocated to all distribution customers of the large electrical corporation on a nonbypassable basis. The bill would require that a third-party administrator that is not a public utility administer the program. The bill would provide that a community microgrid project undertaken pursuant to the program is not subject to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. The bill would require the PUC to include a discussion of the costs and benefits of community microgrid projects implemented pursuant to the program in a specified smart grid report annually submitted to the Governor and the Legislature. The bill would require the PUC to modify Electric Tariff Rule 21 to allow a microgrid developer the option of submitting a single interconnection application for the distributed energy resources to be used in a qualifying microgrid.

Under existing law, a violation of any order, decision, rule, direction, demand, or requirement of the PUC is a crime.

Because certain of the provisions of this bill require PUC implementation, this bill would impose a state-mandated local program by creating new crimes.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement. This bill would provide that no reimbursement is required by this act for a specified reason.


The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares all of the following:

(a) The Public Utilities Commission, Independent System Operator, and State Energy Resources Conservation and Development Commission should support the transition of clean microgrids from a promising and emerging technology solution to a cost-effective, safe, and reliable commercial product that helps California meet its climate change, energy resilience, and environmental justice goals.

(b) A microgrid incentive program is needed to fund clean energy microgrids to support the critical needs of vulnerable
communities impacted by electrical grid outages and to transition
to a more resilient energy and environmentally just future. Reform
of the interconnection process for microgrids that export electricity
to the grid is also needed to support a cost-effective transition.
(c) Vulnerable and lower income communities suffer
disproportionately from electrical outages, in addition to suffering
disproportionately from air pollution. They have not equitably
benefited from investments in microgrids and distributed energy
resources necessary to improve resilience in the face of
deenergization events, heat storms, and other threats that negatively
impact the reliability and resilience of electrical service. Therefore,
the state should provide support for the critical needs of these
communities by supporting the development of microgrids.
SEC. 2. Section 913.2 of the Public Utilities Code is amended
to read:
913.2. By February 1 of each year, the commission shall report
to the Governor and the Legislature on the commission’s
recommendations for a smart grid, the plans and deployment of
smart grid technologies by the state’s electrical corporations, and
the costs and benefits to ratepayers. The commission shall include
in the smart grid report a discussion of the costs and benefits of
community microgrid projects developed and implemented
pursuant to the Clean Community Microgrid Incentive Program
described in Section 8373.
SEC. 3. Section 8370 of the Public Utilities Code is amended
to read:
8370. For purposes of this chapter, the following definitions
shall apply:
(a) “Community microgrid project” means a microgrid
sponsored by a local public agency that serves one or more critical
facilities or groups of customers within a vulnerable community.
(b) “Customer” means a customer of a local publicly owned
electric utility or of a large electrical corporation. A person or
entity is a customer of a large electrical corporation if the customer
is physically located within the service territory of the large
electrical corporation and receives bundled service, distribution
service, or transmission service from the large electrical
corporation.
(c) “Distributed energy resource” means an electric generation or storage technology that complies with the emissions standards adopted by the State Air Resources Board pursuant to the distributed generation certification program requirements of Section 94203 of Title 17 of the California Code of Regulations, or any successor regulation.

(d) “Islanding” means the ability of a microgrid to operate independently of the electrical grid in the event of a planned or unplanned outage of the electrical grid with the capability of maintaining uninterrupted electrical service to those persons or entities receiving electricity through the microgrid.

(e) “Large electrical corporation” means an electrical corporation with more than 100,000 service connections in California.

(f) “Local public agency” means a city, county, city and county, district, community choice aggregator, community college district, school district, joint powers authority, or other entity designated or created by a political subdivision relating to energy development projects, and any other political subdivision or public corporation in the state.

(g) “Microgrid” means an interconnected system of loads and energy resources, including, but not limited to, distributed energy resources, energy storage, demand response tools, or other management, forecasting, and analytical tools, appropriately sized to meet customer needs, within a clearly defined electrical boundary that can act as a single, controllable entity, and can connect to, disconnect from, or run in parallel with, larger portions of the electrical grid, or can be managed and isolated to withstand larger disturbances and maintain electrical supply to connected critical infrastructure.

SEC. 4. Section 8371 of the Public Utilities Code is amended to read:

8371. The commission, in consultation with the Energy Commission and the Independent System Operator, shall take all of the following actions by December 1, 2020, to facilitate the commercialization of microgrids for distribution customers of large electrical corporations:

(a) Develop microgrid service standards necessary to meet state and local permitting requirements.
(b) Without shifting costs between ratepayers, develop methods
to reduce barriers for microgrid deployment.
(c) Develop guidelines that determine what impact studies are
required for microgrids to connect to the electrical corporation
grid.
(d) Without shifting costs between ratepayers, develop separate
large electrical corporation rates and tariffs, as necessary, to support
microgrids, while ensuring that system, public, and worker safety
are given the highest priority. The separate rates and tariffs shall
not compensate a customer for the use of diesel backup or natural
gas generation, except as either of those sources is used pursuant
to Section 41514.1 of the Health and Safety Code, or except for
natural gas generation that is a distributed energy resource.
(e) Form a working group to codify standards and protocols
needed to meet California electrical corporation and Independent
System Operator microgrid requirements.
(f) Develop a standard for direct current metering in the
commission’s Electric Tariff Rule 21 to streamline the
interconnection process and lower interconnection costs for direct
current microgrid applications. Electric Tariff Rule 21 shall be
modified to allow a microgrid developer the option of submitting
a single interconnection application for the distributed energy
resources to be used in a qualifying microgrid. If the application
otherwise meets the requirements of Electric Tariff Rule 21 for
expedited approval, the application shall be eligible for expedited
approval. If it is not eligible for expedited approval, it shall be
processed through the detailed study process as a single
application.
SEC. 5. Section 8373 is added to the Public Utilities Code, to
read:
8373. (a) The commission shall develop and implement a
Clean Community Microgrid Incentive Program by 2022 to fund
community microgrids that support the critical needs of vulnerable
communities that utilize distributed energy resources for the
generation of electricity.
(b) The establishment of a community microgrid does not
constitute a change of organization or a reorganization and the
operation of a community microgrid is not a district authorized to
furnish electric service within the meaning of Section 56129 of
the Government Code, and a project undertaken pursuant to the
Clean Community Microgrid Incentive Program is not subject to the requirements of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Division 3 (commencing with Section 56000) of Title 5 of the Government Code).

(c) Expenses incurred by a large electrical corporation to fund the Clean Community Microgrid Incentive Program shall be allocated to all distribution customers of the large electrical corporation on a nonbypassable basis.

(d) The total budget for the program shall be dollars ($____) to be dispersed in successive phases to local public agencies for community microgrid development. Funding shall be provided pursuant to the program to the local public agency sponsor of a community microgrid project and may be used for all of the following:

1. Consultants and other expenses of identifying the appropriate scope of a community microgrid project, coordinating with the large electrical corporation serving the community, and procuring the services of a contractor or contractors to implement a community microgrid project.

2. Interconnection costs and the costs of islanding switchgear or other special facilities installed by the large electrical corporation serving the community.

3. Installation, commissioning, testing, and acceptance of the community microgrid project, including permitting and other development costs.

(e) A third-party administrator that is not a public utility shall administer the Clean Community Microgrid Incentive Program.

SEC. 6. Section 8374 is added to the Public Utilities Code, to read:

8374. (a) A microgrid may be used to reduce resource adequacy requirements or supply resource adequacy capacity pursuant to Section 380, for a load-serving entity, and Section 9620, for a local publicly owned electric utility.

(b) Microgrids shall be considered for ensuring electrical grid reliability as part of integrated resource planning by load-serving entities, pursuant to Sections 454.51, 454.52, and 454.54, and by local publicly owned electric utilities, pursuant to Section 9621.

SEC. 7. No reimbursement is required by this act pursuant to Section 6 of Article XIIIB of the California Constitution because the only costs that may be incurred by a local agency or school
district will be incurred because this act creates a new crime or
infraction, eliminates a crime or infraction, or changes the penalty
for a crime or infraction, within the meaning of Section 17556 of
the Government Code, or changes the definition of a crime within
the meaning of Section 6 of Article XIII B of the California
Constitution.