

**ASSEMBLY BILL**

**No. 1325**

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**Introduced by Assembly Member Burke**

February 19, 2021

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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.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
 State-mandated local program: yes.

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

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) The Public Utilities Commission, Independent System
- 4 Operator, and State Energy Resources Conservation and
- 5 Development Commission should support the transition of clean
- 6 microgrids from a promising and emerging technology solution
- 7 to a cost-effective, safe, and reliable commercial product that helps
- 8 California meet its climate change, energy resilience, and
- 9 environmental justice goals.
- 10 (b) A microgrid incentive program is needed to fund clean
- 11 energy microgrids to support the critical needs of vulnerable

1 communities impacted by electrical grid outages and to transition  
2 to a more resilient energy and environmentally just future. Reform  
3 of the interconnection process for microgrids that export electricity  
4 to the grid is also needed to support a cost-effective transition.

5 (c) Vulnerable and lower income communities suffer  
6 disproportionately from electrical outages, in addition to suffering  
7 disproportionately from air pollution. They have not equitably  
8 benefited from investments in microgrids and distributed energy  
9 resources necessary to improve resilience in the face of  
10 deenergization events, heat storms, and other threats that negatively  
11 impact the reliability and resilience of electrical service. Therefore,  
12 the state should provide support for the critical needs of these  
13 communities by supporting the development of microgrids.

14 SEC. 2. Section 913.2 of the Public Utilities Code is amended  
15 to read:

16 913.2. By February 1 of each year, the commission shall report  
17 to the Governor and the Legislature on the commission's  
18 recommendations for a smart grid, the plans and deployment of  
19 smart grid technologies by the state's electrical corporations, and  
20 the costs and benefits to ratepayers. *The commission shall include*  
21 *in the smart grid report a discussion of the costs and benefits of*  
22 *community microgrid projects developed and implemented*  
23 *pursuant to the Clean Community Microgrid Incentive Program*  
24 *described in Section 8373.*

25 SEC. 3. Section 8370 of the Public Utilities Code is amended  
26 to read:

27 8370. For purposes of this chapter, the following definitions  
28 shall apply:

29 (a) *“Community microgrid project” means a microgrid*  
30 *sponsored by a local public agency that serves one or more critical*  
31 *facilities or groups of customers within a vulnerable community.*

32 (a)

33 (b) *“Customer” means a customer of a local publicly owned*  
34 *electric utility or of a large electrical corporation. A person or*  
35 *entity is a customer of a large electrical corporation if the customer*  
36 *is physically located within the service territory of the large*  
37 *electrical corporation and receives bundled service, distribution*  
38 *service, or transmission service from the large electrical*  
39 *corporation.*

40 (b)

1 (c) “Distributed energy resource” means an ~~electric~~ *electrical*  
 2 generation or storage technology that complies with the emissions  
 3 standards adopted by the State Air Resources Board pursuant to  
 4 the distributed generation certification program requirements of  
 5 Section 94203 of Title 17 of the California Code of Regulations,  
 6 or any successor regulation.

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

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

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

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

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

34 8371. The commission, in consultation with the Energy  
 35 Commission and the Independent System Operator, shall take all  
 36 of the following actions ~~by December 1, 2020,~~ to facilitate the  
 37 commercialization of microgrids for distribution customers of  
 38 large electrical corporations:

39 (a) Develop microgrid service standards necessary to meet state  
 40 and local permitting requirements.

1 (b) Without shifting costs between ratepayers, develop methods  
2 to reduce barriers for microgrid deployment.

3 (c) Develop guidelines that determine what impact studies are  
4 required for microgrids to connect to the electrical corporation  
5 grid.

6 (d) Without shifting costs between ratepayers, develop separate  
7 large electrical corporation rates and tariffs, as necessary, to support  
8 microgrids, while ensuring that system, public, and worker safety  
9 are given the highest priority. The separate rates and tariffs shall  
10 not compensate a customer for the use of diesel backup or natural  
11 gas generation, except as either of those sources is used pursuant  
12 to Section 41514.1 of the Health and Safety Code, or except for  
13 natural gas generation that is a distributed energy resource.

14 (e) Form a working group to codify standards and protocols  
15 needed to meet California electrical corporation and Independent  
16 System Operator microgrid requirements.

17 (f) Develop a standard for direct current metering in the  
18 commission's *Electric Tariff Rule 21* to streamline the  
19 interconnection process and lower interconnection costs for direct  
20 current microgrid applications. *Electric Tariff Rule 21 shall be*  
21 *modified to allow a microgrid developer the option of submitting*  
22 *a single interconnection application for the distributed energy*  
23 *resources to be used in a qualifying microgrid. If the application*  
24 *otherwise meets the requirements of Electric Tariff Rule 21 for*  
25 *expedited approval, the application shall be eligible for expedited*  
26 *approval. If it is not eligible for expedited approval, it shall be*  
27 *processed through the detailed study process as a single*  
28 *application.*

29 SEC. 5. Section 8373 is added to the Public Utilities Code, to  
30 read:

31 8373. (a) The commission shall develop and implement a  
32 Clean Community Microgrid Incentive Program by 2022 to fund  
33 community microgrids that support the critical needs of vulnerable  
34 communities that utilize distributed energy resources for the  
35 generation of electricity.

36 (b) The establishment of a community microgrid does not  
37 constitute a change of organization or a reorganization and the  
38 operation of a community microgrid is not a district authorized to  
39 furnish electric service within the meaning of Section 56129 of  
40 the Government Code, and a project undertaken pursuant to the

1 Clean Community Microgrid Incentive Program is not subject to  
2 the requirements of the Cortese-Knox-Hertzberg Local Government  
3 Reorganization Act of 2000 (Division 3 (commencing with Section  
4 56000) of Title 5 of the Government Code).

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

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

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

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

23 (3) Installation, commissioning, testing, and acceptance of the  
24 community microgrid project, including permitting and other  
25 development costs.

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

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

30 8374. (a) A microgrid may be used to reduce resource  
31 adequacy requirements or supply resource adequacy capacity  
32 pursuant to Section 380, for a load-serving entity, and Section  
33 9620, for a local publicly owned electric utility.

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

38 SEC. 7. No reimbursement is required by this act pursuant to  
39 Section 6 of Article XIII B of the California Constitution because  
40 the only costs that may be incurred by a local agency or school

1 district will be incurred because this act creates a new crime or  
2 infraction, eliminates a crime or infraction, or changes the penalty  
3 for a crime or infraction, within the meaning of Section 17556 of  
4 the Government Code, or changes the definition of a crime within  
5 the meaning of Section 6 of Article XIII B of the California  
6 Constitution.

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