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

CALIFORNIA ALLIANCE FOR COMMUNITY ENERGY, CALIFORNIA ENVIRONMENTAL JUSTICE ALLIANCE, GRID ALTERNATIVES, RECLAIM OUR POWER: UTILITY JUSTICE CAMPAIGN, SIERRA CLUB, THE CLIMATE CENTER, AND VOTE SOLAR REPLY COMMENTS ON PROPOSED MICROGRID INCENTIVE PROGRAM IMPLEMENTATION PLAN

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The California Alliance for Community Energy, California Environmental Justice Alliance ("CEJA"), GRID Alternatives, Reclaim Our Power: Utility Justice Campaign, Sierra Club, The Climate Center, and Vote Solar (collectively referred to as the "Microgrid Equity Coalition" or "MEC") respectfully submit these reply comments in response to the Proposed Microgrid Incentive Program ("MIP") Implementation Plan of San Diego Gas & Electric Company (U 902-E), Pacific Gas & Electric Company (U 39-E), and Southern California Edison Company (U 338-E) ("Implementation Plan"). These comments are timely filed.[1]

I. Summary

In opening comments, multiple parties voiced support for proposed changes recommended in MEC's opening comments, including:

- Making technical assistance grants available to project applicants earlier in the process;
- Requiring additional information on project emissions requirements;
- Revising the project score to achieve MIP objectives by removing the project score denominator, removing category point caps, allocating more points to the worst performing circuits, maintaining the significant 50% weight value for projects that

[1] The Assigned Commissioner's Amended Scoping Memo and Ruling Resetting Track 4 (issued Dec. 17, 2021) designated January 28, 2022, as the updated deadline for reply comments on the Microgrid Incentive Program Implementation Plan.

serve disadvantaged vulnerable communities ("DVCs"), and removing the priority for projects with a letter of support from local government.

In addition, other parties recommended changes to the Implementation Plan that MEC supports, including:

- Removing the 24-month commercial online date ("COD") requirement, as recommended by the Green Power Institute ("GPI");
- Expanding the definition of DVC to include all California tribal communities and census tracts with a median household income at or below 80% area median income, as recommended by multiple parties;
- Denying the investor owned utilities ("IOU") request to record MIP project costs as regulatory assets and instead instructing the utilities to use a different cost recovery mechanism, as recommended by the Public Advocates Office ("Cal Advocates"); and
- Incorporating limited flexibility in allocating MIP funding amounts between IOUs is appropriate, as recommended by Cal Advocates.

We detail each of these recommendations in the following sections.

II. Technical Assistance Grants Need to Be Available to Project Applicants Earlier in the Process.

Multiple parties endorsed providing the $25,000 technical assistance grants available to applicants earlier in the application process. GPI underscores the importance that the technical assistance awards be available early in the application process.[2] Similarly, the Microgrid Resources Coalition ("MRC") recommended that the funding be made available to applicants in Step 2 of the Implementation Plan's process.[3] MEC agrees and considers this issue to be the most important issue in this Implementation Plan as it is critical to reaching the most vulnerable communities.[4]

III. The Implementation Plan Should Provide Additional Clarity on Emissions Requirements.

As currently written, the Implementation Plan states that a technical eligibility requirement is that "the aggregate emissions from Project Resources and non-Project Resources

[2] GPI Opening Comments at 7.
[3] MRC Opening Comments at 3.
[4] MEC Opening Comments at 9-12.

must be no greater than equivalent grid power" when operating in Island mode.[5] GPI recommends that the final Implementation Plan must include a section specifying net emissions and how they will be quantified and monitored.[6] MEC agrees and further recommends that the Implementation Plan incorporate additional detail on both project and system emissions. In opening comments, MEC raised concern that the Implementation Plan does not define how to identify the system emissions and recommended that the definition of "equivalent grid power" be the lower of either the IOU service territory or CAISO territory, excluding generic imports with unknown emission characteristics.[7]

IV. The Proposed Project Score Requires Revision to Achieve MIP Objectives.

A. The Project Score Denominator Runs Counter to MIP Objectives and Should Be Eliminated.

Other parties agree with MEC's recommendation that basing project scores on funding needs undermines the MIP's equity objectives. Specifically, GPI agrees that using project funding needs in the score's denominator runs contrary to MIP objectives, specifically noting that the effect would be "the opposite of what should occur from any cost-effectiveness metrics or prioritization criteria since it is specifically those projects that will do relatively poorly on the IOUs' proposed prioritization that will actually need funds the most."[8] The Rural County Representatives of California ("RCRC") notes that this formula "perverse[ly]" disadvantages smaller, local projects in communities that lack a diverse funding base.[9] MEC agrees with both organizations.

The Clean Coalition errs by arguing that the scoring formula offers a "good way for the state to stretch the available funding across the greatest number of projects" by ensuring that "[p]rojects requesting less money will receive higher scores."[10] MEC emphasized that the Implementation Plan's proposed scoring system frustrates the core purpose of providing clean microgrids to the most disadvantaged and vulnerable communities. By incorporating funding needs into the project score, the proposed scoring formula further tilts the advantage toward projects that already have funding and against communities with the greatest need. MEC

[5] Implementation Plan at 19-20.
[6] GPI Opening Comments at 8.
[7] MEC Opening Comments at 23-24.
[8] GPI Opening Comments at 7.
[9] RCRC Opening Comments at 14.
[10] Clean Coalition Opening Comments at 2-3.

therefore reiterates its demand that this scoring system be revised.[11] The final Implementation Plan must not include project funding needs as a basis for project scoring.

B. The Category Point Caps Provide Arbitrary Limits on Beneficial Projects.

The California Energy Storage Alliance ("CESA") noted that the points for the Benefit Score for each sub-category should not be arbitrarily limited because the point caps "mean that larger microgrids that are providing services to potentially hundreds of low-income and vulnerable customers, or over multitudes of community facilities (*e.g.*, 10) do not earn points commensurate with their broader-scale contributions."[12] RCRC emphasized the same point, noting that point caps for low-income or vulnerable customers undervalue large projects serving many people.[13] MEC agrees and emphasizes that it raised a similar concern in opening comments, noting that MEC developed a scoring system that uses a multiplier approach instead of a point cap within each category in order to avoid this problem.[14] MEC therefore recommends that the Commission use a multiplier system as proposed in its opening comments.

C. More Points Should Be Awarded to Projects Serving the Worst Performing Circuits.

RCRC recommends higher scoring for projects located on poorly performing circuits.[15] MEC agrees and recommended in opening comments a more significant point increase for projects serving the worst 2% performing circuits.[16]

RCRC raises concerns that Public Safety Power Shutoff ("PSPS") mitigation measures may disqualify communities from MIP eligibility[17] while noting that the temporary diesel generation used for some PSPS mitigation is—in MEC's view, appropriately—restricted from operation during unplanned outages. While MEC does not support the use of polluting resources, we agree that temporary measures should not influence eligibility for long term solutions provided by MIP. This certainly includes replacing resources permitted under the California Air Resources Board's ("CARB") Portable Engine Registration Program ("PERP").

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[11] *See* MEC Opening Comments at 16-22.
[12] CESA Opening Comments at 4.
[13] RCRC Opening Comments at 9.
[14] MEC Opening Comments at 21.
[15] RCRC Opening Comments at 7-8, 10 (more points for projects serving the least reliable circuits).
[16] MEC Opening Comments at 16 (recommending additional points for projects serving the worst 2% performing circuits).
[17] RCRC Opening Comments at 5-6.

D. Points for Serving DVC Should Carry Significant Weight.

The proposed weighting between categories includes a heavy point priority for projects that serve DVCs. This is in line with MEC's recommendations that project priority should be primarily based on project beneficiaries and community vulnerability. This weighting is necessary to ensure that MIP funding goes to disadvantaged and vulnerable communities, as required by D.21-01-018.[18] RCRC errs in suggesting that the proposed scoring places too much priority on customers and communities benefited (50% category weight) and not enough on resilience benefits (30% category weight).[19] While both categories are important and included in the MIP objectives, directing MIP funds to the most vulnerable communities should be the focus. Accordingly, the Implementation Plan should retain the significant, 50% category weighting for project beneficiaries rather than resilience benefits.

E. Letters of Support From Local Governments Should Not Be Prioritized Over Other Forms of Community Support.

RCRC suggests prioritization of projects that are accompanied by a letter of support from the local government of the proposed microgrid location, citing the knowledge that local governments have about community needs.[20] However, communities are fully able to assess their needs without the intervention of a government authority. As MEC noted in our opening comments, significant sectors of society have experienced limited representation, institutionalized racism, and historic disenfranchisement through their governments.[21] This reality suggests that some local governments may not be reliable advocates for the communities that the MIP aims to invest in, and thus, government-supported projects should not be prioritized over community-led projects. Therefore, while a letter of support from the local government *may* qualify as showing community support for a project, MEC advocates for attestations from community members and community-based organizations to receive at least equal weight for purposes of project prioritization.[22]

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[18] D.21-01-018 at 60 (defining the goal of the MIP is "to develop a microgrid incentive program to fund clean energy microgrids to support the critical needs of vulnerable populations most likely to be impacted by grid outages").
[19] RCRC Opening Comments at 8.
[20] *Id.* at 10.
[21] MEC Opening Comments at 6.
[22] MEC Opening Comments, Attachment 1 ("MEC Proposal on MIP Implementation") at 7; *see also* MEC Opening Comments at 6.

V. Parties Nearly Unanimously Recommend that the Commission Extend or Remove the 24-Month COD Requirement.

Nearly every party agrees that the Commission should extend[23] or remove the 24-month COD requirement altogether.[24] MEC agrees and recommends that the COD requirement be removed. Reaching the current 24-month requirement from the date of Commission approval will be difficult, if not impossible, for most projects to achieve, given the complexity of the application process, project selection, and the expected project complexity. While MEC wants to see projects built in a timely fashion, MEC also agrees with GPI that "[s]ince applicants are motivated by resilience and equity concerns, and in order to be eligible must demonstrate such legitimate concerns, [they] will have no reason to delay COD."[25] Implementation delays can occur for reasons outside the control of the project developer. For example, the Clean Coalition notes the uncertainty created for a project by variability in the interconnection timelines of the project resources.[26] Additionally, it remains unclear what will happen in the event that a project cannot meet this deadline. If MIP funding will be revoked or canceled in the event of project delays, the risk of failing to meet the COD would discourage worthwhile applications.

MEC has proposed project implementation tracking in terms of progress on key specified milestones as an element of program evaluation in our MIP implementation proposal.[27] Because MIP is a new program and it is in the interest of all parties and the Commission for MIP projects to succeed, such implementation tracking will enable early identification and correction of issues that could otherwise cause project delays or even failure. Early identification and correction of issues is far superior to enforcing a deadline as a means to support successful project implementation. For these reasons and given the widespread agreement between parties, the Commission should remove the 24-month COD requirement.

[23] RCRC Opening Comments at 4-5 (noting that the current 24-month requirement "would likely ensure that only those projects currently under . . . development could compete for funding," and that the current trigger date of MIP Implementation Plan adoption effectively renders the 24-month window an 18-month window instead); CESA Opening Comments at 3-4; County of LA Opening Comments at 3.
[24] GPI Opening Comments at 4-5 (recommending that MIP include no COD deadline).
[25] *Id.* at 5.
[26] Clean Coalition Opening Comments at 5.
[27] MEC Opening Comments, Attachment 1 ("MEC Proposal on MIP Implementation") at 18.

VI. Multiple Parties Agree that the Definition of DVC Should Be Expanded to Include All California Tribal Lands and Low-Income Census Tracts Based on 80% of Area Median Income.

Multiple parties proposed revisions to the definition of DVC that should be incorporated into the Implementation Plan. Both Cal Advocates and RCRC recommended that the Implementation Plan include "all California tribal lands" in the definition of DVC rather than limiting the term to include only "federally recognized tribes."[28] Cal Advocates note that the Commission included "all California tribal lands" in the definition of DVC in D.20-08-046.[29] MEC strongly agrees that all tribal communities should be included in the Implementation Plan's definition of DVC.

RCRC also recommends that the Implementation Plan expand the definition of "low income communities" from census tracts with median household incomes less than 60% of state median income as defined in D.20-08-046[30] to include census tracts with median household incomes less than 80% of state median income as defined in the Commission's Environmental and Social Justice Action Plan.[31] MEC notes that including communities from census tracts with median household incomes less than 80% of state median income in the MIP is worthy of consideration, as these are also defined as low-income communities in the ESJ Action Plan but would not qualify for the 60% threshold. However, MEC emphasizes that priority must go to the lowest income communities with the greatest need, and that expanding the definition must not result in funding going toward certain projects at the expense of communities with the greatest need. A potential way to address both concerns could be to expand eligibility criteria, but to clearly prioritize communities meeting the 60% threshold through scoring criteria.

RCRC also recommends that the Implementation Plan should significantly expand the definition of "rural areas." RCRC proposes to designate as a "rural area" any area that meets any of the following categories:

- *The census tract is listed on the U.S. Health and Human Services Administration's List of Rural Counties and Designated Eligible Census Tracts in Metropolitan Counties,*

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[28] Cal Advocates Opening Comments at 11-12; *See also* RCRC Opening Comments at 12.
[29] Cal Advocates Opening Comments at 12 (referencing D.20-08-046 at 119, 199).
[30] D.20-08-046 at 23.
[31] RCRC Opening Comments at 11-12.

- *Is considered a rural area by the U.S. Census (is not located in an urban area designated by the U.S. Census),*
- *Provides information satisfactory to the utility demonstrating the rural nature of the area in which the project is located.*[32]

MEC takes no position on the first two additional categories suggested by RCRC, but opposes the third category, which is vague and provides excessive discretion to the utilities. MEC also recommends that rural designation alone does not establish eligibility as a DVC; rather, an additional disadvantage or vulnerability should be required to ensure that the most vulnerable communities are prioritized.

VII. The Commission Should Deny the IOU Request to Record MIP Project Costs as Regulatory Assets and Use a Different Cost Recovery Mechanism.

Cal Advocates rightly objects to the Implementation Plan's proposal to record MIP project costs as regulatory assets. MEC agrees with Cal Advocates that the Commission should require the IOUs to report individual project costs to ensure that project prioritization is not influenced by the IOUs' incentive to increase their return on investment.[33] Cal Advocates points out that MIP expenditures are not traditional utility investments and therefore the utilities should not receive a rate of return on MIP awards.[34] MEC agrees with Cal Advocates that a debt return on investment is more appropriate than a capital return for MIP funding.[35]

VIII. The Implementation Plan Needs to Limit IOU Discretion in Selecting Winning Projects.

In the Implementation Plan, the IOUs describes:

> [The] Utility will present preliminary results to CPUC's Disadvantaged Communities Advisory Group (DACAG), in an advisory capacity, for review and feedback. The Utility, as the program administrator, retains discretion regarding Incentive Awards, MIP Application Development Grants, Microgrid Special Facilities Allowances and Interconnection Allowances considering ratepayers' interests.[36]

In response, multiple parties urged the Commission to limit IOU discretion in selecting projects for MIP funding. GPI objects to the broad IOU discretion in determining MIP awards

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[32] *Id.* at 13-14 (internal citation omitted).
[33] Cal Advocates Opening Comments at 3.
[34] *Id.* at 4.
[35] *Id.* at 4-5.
[36] Implementation Plan at 28.

and argues for clear transparent criteria.[37] Similarly, Clean Coalition recommends that the IOUs provide applicants with a clear understanding of the relative score needed for an application to be approved.[38] MEC agrees that the scoring criteria needs to be determined and clear in advance in order to assure transparency in the scoring system and limit the IOUs' "discretion."

Along similar lines, the DACAG review needs to be meaningful in order to ensure transparency.[39] In the event that the DACAG review raises concern with the process and/or selected winners, the MEC recommends that the Commission mediate the issue rather than allowing the utilities to retain final "discretion."

IX. Incorporating Limited Flexibility in Allocating MIP Funding Between IOUs May Be Appropriate.

Cal Advocates recommends that MIP funding be more flexibly allocated between utilities as far more MIP-eligible communities are located in PG&E territory.[40] MEC supports this concept. Cal Advocates' proposed Option 1 (recommending added flexibility to the funding allocation while setting a minimum of 2 projects each for PG&E and SCE and 1 project for SDG&E) seems particularly workable.[41]

X. Conclusion

The MEC wants to see the Microgrid Incentive Program succeed in its goal to fund microgrid projects that benefit the most vulnerable disadvantaged communities, and we appreciate the opportunity to provide input on how this Implementation Plan can be improved to accomplish that goal. Thank you for your consideration of these comments.

Dated: January 28, 2022

Respectfully submitted,

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[37] GPI Opening Comments at 8.
[38] Clean Coalition Opening Comments at 2.
[39] MEC Opening Comments at 22.
[40] Cal Advocates Opening Comments at 9.
[41] *Id.* at 10.

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