



**Erik Jacobson**  
Director  
Regulatory Relations

Pacific Gas and Electric Company  
77 Beale St., Mail Code B13U  
P.O. Box 770000  
San Francisco, CA 94177

Fax: 415-973-3582

September 15, 2020

California Public Utilities Commission - Energy Division  
Tariff Unit  
505 Van Ness Avenue, 4<sup>th</sup> Floor  
San Francisco, CA 94102

**Subject: PG&E Reply to Protests of Advice Letter 5918-E – Implementation Plan for Community Microgrid Enablement Program**

Dear Energy Division Tariff Unit:

Pacific Gas and Electric Company (PG&E) respectfully submits this reply to protests by: (1) Marin Clean Energy, Peninsula Clean energy Authority, East Bay Community Energy, and Central Coast Community Energy (collectively, the “Joint CCAs”); (2) the California Environmental Justice Alliance (“CEJA”); Concentric Power, Inc. (“Concentric”); and the Microgrid Resources Coalition (“MRC”) to PG&E Advice Letter 5918-E (the “Advice Letter”). In addition, the Clean Coalition and the California Energy Storage Alliance (“CESA”) submitted responses to the Advice Letter.

### **Background**

The parties that submitted responses and protests to the Advice Letter were generally supportive of the Community Microgrid Enablement Program (CMEP), although several parties suggest the need for clarifications and modifications to certain aspects of the Program. For example, the Clean Coalition “strongly supports” the CMEP as a demonstration of the “important role a utility can take as partner” to support community-led microgrid development.<sup>1</sup> CESA is generally supportive of the CMEP implementation details, finding that the program “will play a key role in supporting the project development and interconnection of microgrid projects in close collaboration with PG&E.”<sup>2</sup> Even three

---

<sup>1</sup> See Clean Coalition Response, p. 1 (“PG&E empowers governments to achieve the solutions they desire using utility resources as a guide. The CMEP creates a framework that provides communities the flexibility to prioritize their needs, promoting resilience and lowering barriers to entry through provisions in the [Community Microgrid Enablement Tariff].”).

<sup>2</sup> CESA Response, p. 1.

of the four parties protesting the Advice Letter voiced support for the overall CMEP concept, albeit with desired modifications and clarifications.<sup>3</sup>

Only one party, MRC, argues that the California Public Utilities Commission (“Commission”) should reject the CMEP in its entirety.<sup>4</sup> PG&E finds MRC’s request to reject the CMEP to be inconsistent with MRC’s positions in the broader Microgrid proceeding, where MRC emphasized the urgent need to expedite the development of community-scale microgrids. For example, while MRC argues for rejection here in favor of considering PG&E’s proposal “as part of an overall microgrid tariff development process,”<sup>5</sup> in its comments on the Track 2 Staff Proposal, MRC urged for immediate action on a microgrid tariff and stated that “[a] tariff working group represents indefinite deferral of action.”<sup>6</sup> MRC has also opined in its Track 2 comments that the state needs to move beyond pilot studies.<sup>7</sup> PG&E’s CMEP, supported by the proposed Community Microgrid Enablement Tariff (“CMET”), accomplishes precisely the goal urged by MRC: CMEP is the first multi-customer microgrid proposal to move beyond pilots and to provide a path to commercialization for fully operational community-scale microgrids. The MRC cannot both urge quick action and the need for commercialization while standing in opposition to any utility proposal to accomplish those goals. MRC’s inconsistent and unsupported protest should be dismissed for these and the further reasons discussed below.

## **PG&E Response**

### **I. CMEP Eligibility Requirement**

Several parties addressed the criteria that PG&E proposed for CMEP eligibility generally, and for the vulnerable communities set-aside in particular.

The Joint CCAs raise three issues regarding eligibility. First, they argue that customers who have been impacted by non-PSPS-related outages, including those outages caused by other types of natural disasters, should be eligible to participate.<sup>8</sup> CEJA similarly states concerns about including facilities that are critical outside the context of PSPS events.<sup>9</sup>

---

<sup>3</sup> See CEJA Protest, pp. 1-7 (supporting specific aspects of PG&E’s CMEP, but providing comments to “create a more effective and ambitious” CMEP); Joint CCA Protest, p. 3 (noting that the Joint CCAs “agree with the large majority of the program requirements described in the CMEP Implementation Plan”); Concentric Protest, p. 2 (noting that with revisions it proposes, the CMEP “could serve as a valuable pilot program” and “will allow Concentric to respond rapidly and provide solutions to a broader customer base.”).

<sup>4</sup> MRC Protest, pp. 1-2.

<sup>5</sup> *Id.*, p. 2.

<sup>6</sup> MRC Opening Comments on the Track 2 Microgrid and Resiliency Strategies Staff Proposal, filed in R.19-09-009 on Aug. 14, 2020, p. 7.

<sup>7</sup> See *id.*, p. 6.

<sup>8</sup> Joint CCAs Protest, p. 4.

<sup>9</sup> CEJA Protest, p. 4.

It is important to first note that CMEP eligibility is broader than just customers who have experienced prior PSPS events. Eligible locations include projects that were (1) previously impacted by PSPS events, or (2) in a Tier 2 or 3 High Fire Threat District (“HFTD”), or (3) involve one of the top 1% worst-performing circuits. Collectively, this represents over 50% of PG&E’s service territory. Further, PG&E notes that establishing these criteria is a reasonable way to prioritize those customers that are most likely to be in need of a resiliency solution, as the frequency and scope of PSPS events exceeds other resiliency drivers such as earthquakes or tsunamis. PG&E additionally notes that the CMEP program was proposed and approved in the context of Track 1, which was scoped to address areas “that are prone to outage events and wildfires.”<sup>10</sup> For each of these reasons, PG&E believes the eligibility criteria set forth in the advice letter are appropriate.

Second, the Joint CCAs argue that the exclusion from CMEP of areas in which there is no reasonably anticipated potential future PSPS events due to other PSPS mitigation activities is too vague and will be challenging to implement.<sup>11</sup> CEJA notes “while some of the eligibility criteria are readily accessible, other criteria are not publicly available,”<sup>12</sup> and requests that PG&E provide a map that shows CMEP-eligible locations.<sup>13</sup> The Clean Coalition also supports the idea of having a map or list of all CMEP-qualifying regions.<sup>14</sup> PG&E does not want communities to have any surprises when it comes to potential eligibility for program funds, which is why it placed the Microgrid Consultation and CMET Application, and associated eligibility determination, very early in the CMEP process and did not propose any deposit or payment requirement for those stages.<sup>15</sup> By the same token, PG&E does not want communities to make erroneous assumptions regarding program eligibility. CMEP’s locational eligibility is determined by multiple factors, including whether at least one customer served by the microgrid is located in a Tier 2 or 3 HFTD at the time of CMET application, or is in an area previously impacted by a PSPS event, or is in an area prone to outages. This is information that will be made readily available.

PG&E recognizes that some of the eligibility criteria are highly dynamic and not feasibly reduced to static map layers for all of PG&E’s service area. For example, as noted by CEJA and the Joint CCAs, projects located in areas that have been excluded from all reasonably anticipated potential future PSPS events due to other PSPS mitigation activities are not eligible. The determination of whether particular PSPS mitigation work excludes an area from all reasonably anticipated potential future PSPS events has to be made through a project-specific assessment of the area’s characteristics. Similarly, PG&E recognizes that High Fire Threat Districts (“HFTDs”) and worst performing circuits

---

<sup>10</sup> Assigned Commissioner’s Scoping Memo and Ruling for Track 1, filed in R.19-09-009, Dec. 20, 2019, p. 3.

<sup>11</sup> Joint CCAs Protest, p. 4.

<sup>12</sup> CEJA Protest, p. 5.

<sup>13</sup> CEJA Protest, p. 5.

<sup>14</sup> Clean Coalition Response, p. 2.

<sup>15</sup> CMEP Implementation Plan Advice Letter, p. 8.

are subject to change from year to year. Consequently, CMEP eligibility may be ambiguous in some locations. In order to avoid excluding particular areas unnecessarily through the use of generalized, broad criteria, and to ensure that applicants have an accurate and complete understanding of their eligibility for the tariff and program funds, PG&E's CMEP process provides individual project eligibility assessments directly to the applicant, early in the process as part of the Enhanced Technical Support.

Third, the Joint CCAs argue that the definition of "Critical Facilities" used by PG&E to implement the CMEP eligibility criteria should be updated to reflect the list of critical facilities adopted in D.20-05-051.<sup>16</sup> CEJA and the Clean Coalition similarly argue for broader definitions of Critical Facilities.<sup>17</sup> PG&E utilized the same definition for Critical Facilities as put forth by Commission staff in its Track 2 Staff Proposal.<sup>18</sup> However, PG&E supports using the latest adopted definition of Critical Facilities developed under the PSPS proceeding for purposes of the CMEP. At this time, PG&E understands that to be the definition adopted in D.20-05-051. As part of the CMEP program evaluation proposed in the Advice Letter, PG&E will evaluate whether there are further evolutions of the definition of Critical Facilities that should be incorporated into any continuation of the CMEP.

Concentric argues that eligibility for CMEP should be expanded beyond 20 megawatts ("MW") in nameplate capacity for the participating resources, or that the 20 MW cap should be an effective export limitation, in order to facilitate the participation of lower capacity factor renewable energy resources.<sup>19</sup> The 20 megawatt cap is a function of the typical maximum capacity for a 21 kilovolt (kV) distribution circuit. Facilities larger than 20 MW would typically need to be connected to a substation bus or transmission line, which is a more complex and expensive undertaking outside the target scope and funding for the CMEP. Additionally, PG&E recognizes that generation resource types have different capacity factors. However, PG&E's obligation is to ensure the operational safety and stability of the grid at peak generation and peak loads for which nameplate capacity is the most appropriate planning and design metric.

---

<sup>16</sup> Joint CCAs Protest, p. 5.

<sup>17</sup> CEJA Protest, p. 4 ("The critical facilities list should also be expanded to include existing community facilities such as senior and youth centers, park and recreation sites, libraries, health clinics, schools, emergency shelters, healthcare centers, and places of worship."); Clean Coalition Response, p. 1-2.

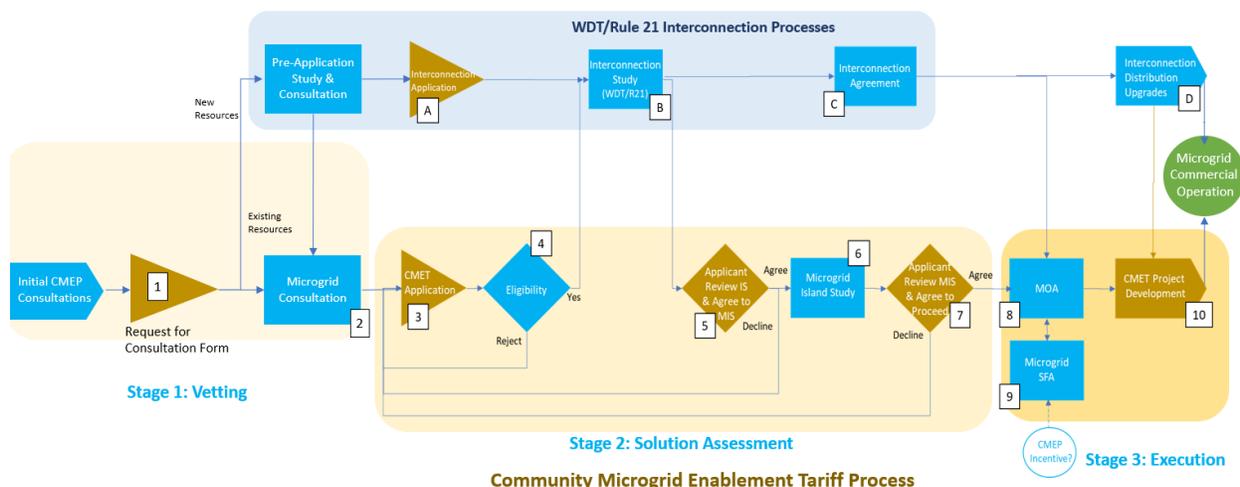
<sup>18</sup> Administrative Law Judge's Ruling Requesting Comment on the Track 2 Microgrid and Resiliency Strategies Staff Proposal, Facilitating the Commercialization of Microgrids Pursuant to Senate Bill 1339, filed in R.19-09-009 on July 23, 2020, Attach. 1 (Staff Proposal on Track 2), pp. 9, 13, and 19.

<sup>19</sup> Concentric Protest, pp. 3-4.

## II. CMEP Prioritization Criteria

Parties raised several concerns and requests for clarification regarding how PG&E intends to implement the prioritization criteria.

First, several parties find the Advice Letter unclear regarding how the prioritization of certain categories of projects relates to other statements that projects will be considered on a first-come, first-served basis.<sup>20</sup> In particular, the Joint CCAs request clarification regarding whether prioritized projects will be supported on a first-come, first-served basis.<sup>21</sup> Prioritization would apply, as necessary, to the Enhanced Technical Support that PG&E employees would provide. PG&E will endeavor to provide full support to all interested communities within the Commission authorized expense budget, however, prioritization of providing Enhanced Technical Support to projects will be necessary if community interest exceeds PG&E’s capacity. This is different and distinct from the cost-offsets, which would be reserved on a first-come-first-serve basis. The trigger for a cost-offset reservation is the completion of a microgrid islanding study (“MIS”) and the execution of a special facilities agreement (“SFA”) for the necessary upgrades. The following figure illustrates the process proposed in the CMET, with the SFA execution and reservation of any cost-offset occurring in Step 9.



At this point, the community microgrid concept would have been validated, engineering would be largely complete, an interconnection study and the MIS would be complete. Placing the reservation at this place in the process has multiple benefits. First, the MIS is necessary to identify what specific upgrades are necessary to enable the community microgrid to safely operate. Thus, the MIS is necessary to identify the value of the cost-offsets and the associated reservation. Second, if the community decides to sign the SFA, the likelihood of the project moving forward to completion is going to be fairly high as the community will have largely complete information about project feasibility and costs. Third, requiring a completed MIS and SFA as opposed to a low bar, such as simply

<sup>20</sup> See Joint CCAs Protest, p. 6.

<sup>21</sup> Joint CCAs Protest, p. 7.

presenting a concept for a microgrid, prevents applicants from holding reservations simply to preserve optionality and potentially leaving more viable microgrid projects out of the program. Fourth, having a prioritization system for cost-offsets as opposed to first-come-first-serve would entail significant administrative delay, entailing application windows, and scoring processes. This would add unnecessary delay to projects. For each of these reasons, PG&E believes that first-come-first-served is the optimal arrangement. However, PG&E also notes that other factors could become apparent once the program is implemented, which may warrant a change in the first-come-first-serve cost-offset policy. Thus, the CMEP advice letter requests permission to make such modifications to program design via advice letter as necessary.

Second, the Joint CCAs state that the Advice Letter is unclear regarding whether projects that are prioritized because they further public health, safety, and public interest objectives would also be eligible for the separate funding set aside for vulnerable communities.<sup>22</sup> If not, the Joint CCAs request clarification regarding how the former projects will be prioritized.<sup>23</sup> The Joint CCAs also recommend that PG&E develop “clear and verifiable metrics” to determine which projects are most urgent for public health, safety, and public interest.<sup>24</sup> PG&E first refers the reader back to the prior answer regarding prioritization of Enhanced Technical Support versus first-come-first-serve for cost offsets. The prioritization for projects that are most urgent for public health, safety, and public interest would initially apply to enhanced technical support if there was insufficient capacity to support all projects. These projects would not be eligible for the \$9 million reservation of cost-offsets for vulnerable communities. However, if PG&E determined that funding for cost-offsets is insufficient to meet demand, PG&E would file an advice letter to modify the first-come-first-served process for allocating cost-offsets and to establish a prioritization process for projects that are most urgent for public health, safety, and public interest.

Third, CEJA argues that rather than generally prioritizing applicants for microgrids utilizing relatively higher levels of renewable energy, PG&E should “most strongly prioritize projects using zero emissions technologies.”<sup>25</sup> The spirit of the CMEP is to enable community-driven choice and solutions. While PG&E strongly supports renewable resources, PG&E also recognizes that economic and technical factors could lead a community to make reasonable tradeoffs that are necessary to ensure a project can be technically and economically viable. Rather than playing arbiter of these tradeoffs, PG&E places these decisions in the hands of the local communities, subject to all applicable California laws and regulations.

---

<sup>22</sup> Joint CCAs Protest, p. 6.

<sup>23</sup> *Id.*

<sup>24</sup> *Id.*

<sup>25</sup> CEJA Protest, p. 3.

### III. Matching Funds for Qualified Projects

The Joint CCAs request clarification regarding the types of equipment that may be covered by the one-time matching funds offered to qualified projects under the CMEP.<sup>26</sup> Specifically, the Joint CCAs ask whether the matching funds are intended to cover line upgrades and/or new facilities or lines needed to be installed behind the customer meter in order to implement a community microgrid.<sup>27</sup>

The cost offsets will cover PG&E-owned and operated infrastructure recommended by PG&E in a Microgrid Islanding Study as necessary to safely enable the islanding condition of a CMEP-eligible community microgrid. This will allow PG&E to partner with communities by adapting utility-owned infrastructure to enable existing or planned community-owned generating resources to provide resiliency to local communities. PG&E's proposal for one-time matching funds would not cover line upgrades triggered by the Interconnection Study to ensure there is sufficient hosting capacity on the circuit to receive energy from the Distributed Energy Resources (DERs) or deliver energy to any storage additions. PG&E's CMEP proposal adopted in Track 1 was to offset distribution facility costs associated with safely enabling the islanding function on microgrids. Line upgrade costs related to energy resources would continue to be covered by the relevant interconnection rules and processes, and are not modified by CMEP.

PG&E also does not seek to nor anticipate owning behind the meter ("BTM") community microgrid infrastructure, thus BTM cost offsets are not contemplated. Given that community microgrids of the type that CMEP seeks to enable do not exist today, PG&E recognizes the possibility that unforeseen design considerations could arise that would lead a community and PG&E to prefer PG&E ownership of limited BTM infrastructure. Should that mutual preference occur, PG&E would use the proposed program modification process, subject to advice letter review and approval, to request modification to allow cost offsets for BTM assets for either the specific project or purpose, depending upon the circumstance.

The Joint CCAs also argue that if a community microgrid "results in the deferral or elimination of any future planned distribution system upgrades," then "the value of these . . . upgrades [should] be used to offset the cost of the microgrid."<sup>28</sup> The Distribution Investment Deferral Framework (DIDF) process adopted R.14-08-013 is available to Community Microgrids outside of the CMEP. If there was an identified grid need where a Community Microgrid is proposed, the project would need to be competitive with alternative solutions for that opportunity under the DIDF process. Additionally, as PG&E is funding the cost-offsets for CMEP projects, it may be inappropriate for CMEP projects

---

<sup>26</sup> Joint CCAs Protest, p. 7.

<sup>27</sup> *Id.*

<sup>28</sup> *Id.*, p. 8.

to seek compensation via DIDF in circumstances where the PG&E-funded CMEP distribution upgrades resolve the constraint.

Third, the Joint CCAs recommend that matching funds in the CMEP be reserved for a specific applicant's use after the applicant meets minimum eligibility requirements.<sup>29</sup> In order to facilitate the reservation of such funds against the program funding caps, the Joint CCAs also recommend that PG&E establish an initial cost estimate for the distribution system upgrades needed in the early stages of the interconnection process.<sup>30</sup> The Joint CCAs propose that these funds would be "released" for other applicants' use if projects with reserved funding do not complete the MIS and SFA.<sup>31</sup> There are multiple reasons why PG&E believes that the process outlined in the CMEP Implementation Plan is more likely to promote equitable access to program funds and avoid negative unintended consequences than the process described by the Joint CCAs. For one, the design and configuration of a multi-customer microgrid is dependent on the outcomes of the Interconnection Study(ies), the MIS, the Microgrid Operating Agreement and the SFA. Communities may make significant changes to their plans as they proceed through this process, which will impact the amount of funds applicable under CMEP for the distribution upgrades necessary to enable the islanding function of the microgrid and ensure safe operations. Setting aside an arbitrary dollar amount early in the process is impractical, and can result in program funds being over-subscribed early in the process, thereby blocking valid eligible projects from proceeding by projects which ultimately will not be realized.

PG&E also heard the concerns from advocates for disadvantaged and vulnerable communities who expressed concern about being blocked out of access to funding by better-funded communities who are able to get their initial applications together more quickly. PG&E's initial stages of CMEP's Enhanced Technical Support (see Stage 1: Vetting and Stage 2: Solution Assessment in diagram above) will provide the applicant with information to help assess the extent of likely upgrades needed under different scenarios, to discern what resiliency approach may best meet their needs, and ultimately to help design a robust multi-customer resilience solution. Through these iterative conversations, the applicant will be able to understand cost considerations of various options. Furthermore, the Interconnection Study also results in a cost estimate for the interconnection of project resources. Attempting to provide any further specific cost estimate earlier in the process, other than what is already provided through the Interconnection Study and the MIS, is redundant and would not be based on accurate facts.

---

<sup>29</sup> *Id.*, p. 8.

<sup>30</sup> *Id.*

<sup>31</sup> *Id.*

CEJA raises concerns about the interaction between the separate set-aside of matching funds for vulnerable communities and the general pool of matching funds.<sup>32</sup> First, CEJA requests clarification on how projects in vulnerable communities will be treated in terms of the queue for the general pool if the funds in the set-aside are depleted.<sup>33</sup> Second, CEJA proposes certain accountability requirements to ensure that there is a review of any determination by PG&E that the set-aside matching funds should be made available to the general pool of applicants because the reserved funds are not expected to be used by vulnerable communities.<sup>34</sup> PG&E proposed multiple ways to support projects that serve and keep energized disadvantaged communities (“DACs”) and vulnerable communities. These include engaging proactively with DACs and vulnerable communities, ensuring community representation in the planning stage for resiliency projects in DACs or vulnerable communities, prioritizing access to Enhanced Technical Support for DACs and vulnerable communities, and creating a separate funding bucket cost category for these communities. With regard to the scenario described by CEJA in which funds in the set-aside bucket are depleted, DAC and vulnerable communities may also access the non-reserved portion of funds. Since PG&E is prioritizing Enhanced Technical Support for DACs and vulnerable communities, these communities are most likely to receive expedited treatment through the processes leading up to the allocation of cost offsets. DACs and vulnerable communities are in this way already favored for access to these funds.

In regard to CEJA’s proposal regarding certain accountability requirements to ensure that there is a review of any determination by PG&E that the set-aside matching funds should be made available to the general pool of applicants, PG&E is already subject to CMEP accountability requirements per D.20-06-017. In that Decision, the Commission requires PG&E to provide a CMEP program evaluation to the Commission in its 2023 GRC application.<sup>35</sup> PG&E will provide an evaluation of any set-aside matching funds made available to the general pool of applicants as part of that larger program evaluation for Commission and stakeholder review.

#### **IV. Dedicated CMEP Staffing Resources**

While CEJA appreciates PG&E’s efforts to prioritize vulnerable communities, it argues that PG&E should hire additional staff to partner with those communities.<sup>36</sup> PG&E appreciates CEJA’s comment and is looking into how to effectively organize and allocate CMEP staffing resources. We feel that a staffing approach that generally supports all eligible projects, but in which CMEP representatives are trained to address the specific needs of vulnerable communities, will be the most efficient approach. PG&E is open to

---

<sup>32</sup> CEJA Protest, p. 2.

<sup>33</sup> *Id.*

<sup>34</sup> *Id.*

<sup>35</sup> D.20-06-017, p.85.

<sup>36</sup> CEJA Protest, p. 6.

revising our staffing plan as needed and can address this specific concern in the 2023 GRC program evaluation.

## V. Regulatory Process Concerns

MRC and Concentric Power both raise concerns regarding the regulatory process and legal standards governing approval of the Advice Letter. First, MRC alleges that the Advice Letter “fails to comply with D.20-06-017, General Order (“GO”) 96-B, and is a violation of due process.”<sup>37</sup> However, MRC fails to support with either facts or citations to legal authority either the claim of failure to comply with D.20-06-017 or that the Advice Letter violates due process. This is unsurprising given that these allegations are patently false: D.20-06-017 specifically directs PG&E to file an advice letter to provide a detailed implementation plan for the CMEP,<sup>38</sup> and the advice letter process under GO 96-B clearly meets the applicable due process requirement that the Commission provide “adequate notice to a party affected and an opportunity to be heard before a valid order can be made.”<sup>39</sup>

Turning to GO 96-B, MRC sets forth two grounds for rejection of the Advice Letter: (1) that the relief requested in the Advice Letter is pending before the Commission in R.19-09-009, a formal proceeding; and (2) that the relief requested in the Advice Letter is inappropriate for the advice letter process.<sup>40</sup> With regard to the first argument, it is incorrect that consideration of the implementation details of the CMEP is pending in R.19-09-009. In fact, the Track 1 Decision in that very proceeding directed unambiguously that the CMEP implementation details be submitted for review via advice letter.<sup>41</sup> MRC’s second argument is an untimely collateral attack on the Commission’s decision interpreting its own regulations in the Track 1 Decision, where it directed the advice letter process should be used to review and approve the implementation details for the CMEP.<sup>42</sup> Even if MRC’s argument was not procedurally barred, it is unavailing. G.O. 96-B, Rule 5.1(1), authorizes a utility to submit an advice letter when the utility “has been authorized by . . . [a] Commission order . . . to seek the requested relief by means of advice letter,” as occurred in this case. Further, the courts will generally defer to the Commission’s interpretation of its own regulations, and whether to proceed by advice

---

<sup>37</sup> MRC Protest, p. 1.

<sup>38</sup> D.20-06-017, p. 131 (Ordering Paragraph 17).

<sup>39</sup> *Pacific Gas & Electric Co. v. Public Utilities Com.* (2015) 237 Cal. App. 4th 812, 859 (quoting *People v. Western Air Lines, Inc.* (1954) 42 Cal.2d 621, 632).

<sup>40</sup> MRC Protest, p. 1.

<sup>41</sup> D.20-06-017, p. 131 (Ordering Paragraph 17).

<sup>42</sup> If MRC opposed the requirement to file the CMEP Implementation Plan via advice letter on legal error grounds, it was required to file for rehearing of the Track 1 Decision within 30 days of its issuance, which lapsed on July 17, 2020. See Commission Rule of Practice and Procedure 16.1. MRC failed to file any such request, and it should now be barred from challenging that determination.

letter or formal proceeding “is a decision peculiarly within the [Commission’s] expertise and judgment.”<sup>43</sup>

It is important to note that the CMET is an “an experimental tariff associated with a limited CMEP.”<sup>44</sup> As described in the scoping rulings for R.19-09-009, the Commission is examining the need for broadly applicable microgrid tariffs and rates as part of Tracks 2 and 3 of that proceeding. The development of such broadly applicable tariffs is a very different objective than the limited scope served by the CMET. Moreover, approval of the CMEP without the CMET would frustrate the very purpose of the program, since existing tariffs and rules do provide a pathway for the CMEP projects to become operational. That is why PG&E’s proposed framework for the CMEP, provided in testimony in R.19-09-009 and approved in D.20-06-017, explicitly stated that PG&E intended to submit a tariff to operationalize the CMEP as part of the detailed implementation plan.<sup>45</sup>

While the MRC cites the Joint CCAs as supporting its position that the Commission should reject the CMET,<sup>46</sup> it is noteworthy that the protest submitted by the Joint CCAs themselves does not argue for outright rejection of the Advice Letter or of the CMET on procedural grounds.

Concentric makes similar, and equally unsupported, legal and procedural arguments for rejection of the Advice Letter. It argues that the Advice Letter contains policies that are “unjust, unreasonable, discriminatory, and inconsistent with D.20-06-017.”<sup>47</sup> Alternatively, Concentric argues that approval of the Advice Letter would “violate statute or Commission Order.”<sup>48</sup> However, as with the protest of MRC, these allegations lack both factual and legal support. Concentric’s core concern appears to be that the CMET “does not facilitate or sufficiently encourage or enable community-driven microgrids supported by renewable energy.”<sup>49</sup> That the CMEP, and the accompanying CMET, will facilitate the development of community microgrids is beyond dispute, when compared to the status quo in which existing rules and tariffs do not provide a pathway to bring such projects online. Whether the facilitation the CMEP will provide is “sufficient” is not relevant to compliance with SB 1339, since that statute leaves to the Commission’s discretion how and how much to facilitate the commercialization of microgrids within certain parameters.<sup>50</sup>

---

<sup>43</sup> *Pacific Bell v. Public Utilities Com.* (2000) 79 Cal.App.4th 269, 282-283.

<sup>44</sup> Advice Letter 5918-E, App. 4 (CMET), p. 1.

<sup>45</sup> Exh. PG&E-1, Prepared Testimony, served in R.19-09-009 on Jan. 21, 2020, p. 5-4, lines 12-28 (describing the need for community microgrid tariffs and stating that PG&E intended to submit one or more tariffs to govern the types of community microgrids to be supported by CMEP “as part of the implementation advice letter . . . to finalize the details for the CMEP.”)

<sup>46</sup> MRC Protest, p. 2.

<sup>47</sup> Concentric Protest, p. 2 (citing G.O. 96-B § 7.4(6)).

<sup>48</sup> *Id.* (citing G.O. 96-B § 7.4(2)).

<sup>49</sup> Concentric Protest, p. 3.

<sup>50</sup> See Cal. Pub. Util. Code § 8371.

Concentric's argument that the CMEP is "discriminatory" appears related to its request that the proposed limit of 20 MW in installed capacity be modified to allow resources with greater nameplate capacities to participate.<sup>51</sup> PG&E addresses above the technical rationale for the 20 MW limit. This limit is no more discriminatory than other existing rules that limit the participation in programs to resources with a certain nameplate capacity.<sup>52</sup> More importantly, the 20 MW limit is not discriminatory as to any particular market participant or resource type because it is technologically neutral. To the contrary, adopting a different set of eligibility rules only for certain types of resources, as Concentric appears to urge, could result in discriminatory treatment.

In sum, the Commission should reject the largely unsupported procedural and legal argument set forth in the protests from MRC and Concentric. The process that has led to the submission of the CMEP Advice Letter has been a robust one: (1) PG&E submitted testimony proposing a framework for the CMEP and requesting authority to file an implementation advice letter following approval of that framework, including a tariff; (2) the Commission took comment on that proposal, issued a proposed decision, and then approved the CMEP proposal in D.20-06-017, expressly requiring PG&E to submit an implementation advice letter; (3) PG&E submitted the present Advice Letter, in compliance with D.20-06-017. PG&E's advice letter complies with all applicable laws and procedural requirements.

## **VI. Resource Adequacy Compensation**

Concentric argues that because it views PG&E as operating the microgrids developed under the CMEP in both islanded and blue sky conditions, PG&E should be required to procure any available Resource Adequacy ("RA")-qualifying capacity from the resources within the microgrid during blue sky conditions.<sup>53</sup> As a threshold issue, Concentric's argument suggests confusion regarding the extent to which PG&E will "operate" the microgrids that are developed under the CMEP. CESA also asks for greater clarity regarding the operational responsibilities between PG&E and third-parties for the microgrids.<sup>54</sup> As detailed in the CMET attached to the Advice Letter, PG&E will not operate third-party-owned Project Resources, including generating and/or storage, nor any load modifying resources that may be employed, under either blue sky or islanded modes. Rather, PG&E will retain its role as the owner and operator of the distribution grid and will communicate with a designated third-party microgrid operator (the "Community Microgrid Aggregator" or "CMG Aggregator" as defined in the CMET) regarding the operational needs to maintain distribution service quality and safety when in islanded

---

<sup>51</sup> See Concentric Protest, pp. 3-4.

<sup>52</sup> For example, certain California feed-in tariff programs, including the Renewable Market-Adjusting Tariff, and the Commission's Renewable Auction Mechanism, contain nameplate limits for participation.

<sup>53</sup> Concentric Protest, p. 4.

<sup>54</sup> CESA Response, p. 3.

mode.<sup>55</sup> The CMA will be responsible for the operation of the resources to meet those operational requirements. While the CMET does not foreclose the possibility that PG&E could propose to itself own the Project Resources and to serve as the CMG Aggregator, consistent with SB 1339's requirement that utilities not be prohibited from owning microgrids,<sup>56</sup> it is PG&E's expectation that under the CMET the CMG Aggregator will be a third-party, and therefore that third-parties will own and operate the CMEP microgrid's Project Resources during islanded mode.

The issue of operational control is similar during blue sky conditions. Whenever the CMEP microgrid is not being operated in islanded mode, the operator of the Project Resources, which PG&E presumes will be the third-party CMG Aggregator, will be able to utilize those resources to provide any products that may generate incremental value or revenue. For example, the CMG Aggregator may be able to deliver products into the wholesale market or may be able to serve load behind the meter. PG&E's role will continue to be as the distribution owner and operator, providing distribution service and interconnection pursuant to existing tariffs.

Having addressed the threshold issue, it is clear that Concentric's assertion is based on faulty assumptions. Namely, PG&E will not be in "an operator role" with regard to the Project Resources in either blue sky or islanded conditions, as Concentric states.<sup>57</sup> Neither will the Project Resources be under "PG&E's operational direction" during blue sky conditions.<sup>58</sup> Rather, the owner and operator of the Project Resources will be free to contract with any party to sell any RA-qualifying capacity that the Project Resources can produce during blue sky conditions.

PG&E disagrees with Concentric's conflation of RA and the services to be provided under the CMEP. RA is an entirely separate reliability program, and the resources providing generation, storage, or demand response during islanded conditions are not limited by the CMET from seeking to provide RA during blue sky conditions, so long as they meet all other requirements under the RA program and are available to provide islanding services during islanded mode. One significant RA-related requirement is that the resource be deliverable to the California Independent System Operator-controlled grid, which requirement may trigger significant network upgrade requirements and costs. The owner of the Project Resources will need to weigh any such costs to achieve deliverability of the Project Resources against the incremental revenues or value that the owner expects to be able to secure through sale or use of the RA credit. However, there is no reason why the owner of the Project Resources would be limited to only selling their RA credits to PG&E, as Concentric suggests; the RA can be sold to any market participant.

---

<sup>55</sup> PG&E will also control the grid infrastructure (the "recloser") that allows the microgrid to island, which is necessary because PG&E determines under the CMET when the microgrid is needed due to outage conditions.

<sup>56</sup> Cal. Pub. Util. Code § 8371.5.

<sup>57</sup> Concentric Protest, p. 4.

<sup>58</sup> *Id.*

## **VII. Interconnection Issues**

Concentric reads the CMET as requiring each resource within a CMEP microgrid to execute a separate interconnection agreement, and it finds this requirement unreasonable in light of the fact that the project resources will be treated during islanding as a “single Microgrid Islanding Point.”<sup>59</sup>

The Microgrid Islanding Point is not the same location as the Point of Interconnection as defined under PG&E’s Wholesale Distribution Access Tariff or Rule 21 for each of the Project Resources. An interconnection study is required for each Project Resource that will operate in blue sky mode and that will have unique Points of Interconnection with PG&E’s distribution system. The Microgrid Islanding Point is the point on PG&E’s distribution system in which a PG&E recloser or another device is positioned to enable the microgrid to separate from the larger grid to create an island. The MIS evaluates the operation of Project Resources with associated microgrid loads within an island mode.

## **VIII. Ability to Provide Wholesale Market Products Outside of Outages**

CESA and the Joint CCAs note the importance of CMEP projects having advance notice of outages requiring them to island in order to ensure that they can also meet their commitments during blue sky conditions (e.g., day-ahead scheduling with the CAISO).<sup>60</sup>

PG&E will provide advance notice of PSPS events and planned outages pursuant to operating protocols in the Microgrid Operating Agreement consistent with PG&E’s pro forma Operating Agreement in the Transmission Interconnection Handbook. Unplanned or emergency operations will be coordinated with the CMG Aggregator under the MOA. The CMG Aggregator, for CAISO participating resources, will need to follow CAISO’s tariff requirements regarding notification of planned and unplanned events.

## **IX. Track 2 Policy Issues**

The Joint CCAs raise a number of issues that they believe do not warrant rejection of the Advice Letter, but they assert should be further discussed in Track 2 of the Microgrid and Resiliency Strategies Rulemaking. These include the weight that should be accorded the CMET as precedent when developing a broader microgrid tariff or rate schedule and the allocation of costs for utility upgrades needed to support microgrids that serve certain public interests or critical needs and that are built outside of the CMEP.<sup>61</sup>

PG&E agrees that these issues are appropriately within the scope of Track 2 of the proceeding and that they do not need to be resolved in this advice letter in order to allow the CMEP to move forward expeditiously.

---

<sup>59</sup> Concentric Protest, pp. 4-5.

<sup>60</sup> CESA Response, pp. 2-3; Joint CCAs Protest, p. 9.

<sup>61</sup> Joint CCAs Protest, pp. 10-11.

