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**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 IMPLEMENTATION RULES  
FOR THE MICROGRID INCENTIVE PROGRAM**

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## **DECISION ADOPTING IMPLEMENTATION RULES FOR THE MICROGRID INCENTIVE PROGRAM**

### **Summary**

Pursuant to Ordering Paragraphs 6 and 7 of Decision 21-01-018, this decision adopts implementation rules for the previously authorized Microgrid Incentive Program for Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company. The Microgrid Incentive Program is a program that targets placement of community microgrids in disadvantaged vulnerable communities (DVCs) to support populations impacted by grid outages. This Microgrid Incentive Program seeks to advance microgrid resiliency technology, advance system benefits of microgrids equitably across DVCs, and inform future regulatory resiliency action to the benefit of all ratepayer customers.

This proceeding remains open.

### **1. Background**

In September 2019, the Commission opened this Order Instituting Rulemaking (OIR)<sup>1</sup> 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, 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: (1) rates, tariffs, and rules, as necessary; that (2) remove barriers for deploying microgrids across the large investor-owned utility (IOU) service

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<sup>1</sup> OIR Regarding Microgrids Pursuant to SB 1339 and Resiliency Strategies, September 12, 2019.

territories; (3) without shifting costs onto non-benefiting customers; and (4) prioritizing and ensuring worker, public, and the electric system's safety and reliability.

### **1.1. Track 1**

Track 1 of this proceeding began in December 2019.<sup>2</sup> Upon resolution of Track 1, the Commission adopted Decision (D.) 20-06-017. D.20-06-017 satisfied many of SB 1339's requirements by requiring the following:

1. Permitting Requirements, Public Utilities Code Section 8371, subdivision (a)<sup>3</sup>
  - (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, Section 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;
  - (d) Removed the storage sizing limit for large net energy metering (NEM)-paired storage and maintained existing metering requirements;

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<sup>2</sup> Administrative Law Judge's (ALJ) Ruling Noticing Microgrid Workshop, December 4, 2019.

<sup>3</sup> All further references to "Section" are to sections of the Public Utilities Code unless otherwise stated.

- (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's) 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; and
  - (i) Approved San Diego Gas & Electric Company's (SDG&E's) request to procure a local area distribution controller.
3. Rates and Tariffs, Section 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; and
  - (b) Removed the storage sizing limit for large NEM-paired storage and maintained existing metering requirements.
4. Standards and Protocols, Section 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; and
  - (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, Track 2 of this proceeding was initiated on July 3, 2020.<sup>4</sup> Upon the resolution of Track 2, 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 SB 1339. 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. PG&E and SCE to revise their Rule 18 and SDG&E to revise its Rule 19 to allow local government microgrids to service critical customers on adjacent parcels;
3. PG&E, SDG&E, and SCE to each create a renewable microgrid tariff that prevents cost shifting for their territories;
4. PG&E, SDG&E, and SCE to jointly develop a statewide microgrid incentive program (Microgrid Incentive Program or MIP) 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; and
5. PG&E, SDG&E, and SCE to develop pathways for the evaluation and approval of low-cost, reliable electrical isolation methods to evaluate safety and reliability.

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<sup>4</sup> Assigned Commissioner's Amended Scoping Memo, July 3, 2020.



### **1.3. Track 3**

Less than a month after the adoption of D.21-01-018, Track 3 of this proceeding was initiated on February 9, 2021. Upon resolution of Track 3, on July 15, 2021, the Commission adopted D.21-07-011 which suspends the capacity reservation component of the standby charge for eligible microgrid distributed technologies.

### **1.4. Track 4**

#### **1.4.1. Expedited Phase 1 of Track 4**

One month after the adoption of D.21-07-011, on August 17, 2021, Track 4 of this proceeding was initiated with an expedited Phase 1, and a Phase 2. Expedited Phase 1 of this proceeding responded to Governor Gavin Newsom's July 30, 2021, Proclamation of a State of Emergency in response to the accelerating impacts of climate change in California.<sup>5</sup> On December 2, 2021, the Commission adopted D.21-12-004 which adopted enhanced summer 2022 and 2023 reliability requirements for PG&E and SDG&E.

#### **1.4.2. Phase 2 of Track 4**

On December 17, 2021, the assigned Commissioner issued her amended Scoping Memo and Ruling for Track 4 and Track 5 of this proceeding's Phase 2.<sup>6</sup> This amended Scoping Memo and Ruling continued to set parameters for implementing SB 1339 microgrid programs, including the implementation of the Joint IOU MIP, an IOU microgrid multi-property tariff, and the value of resiliency.

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<sup>5</sup> Gavin Newsom, Proclamation of a State of Emergency, July 30, 2021, available at: <https://www.gov.ca.gov/wp-content/uploads/2021/07/Energy-Emergency-Proc-7-30-21.pdf>.

<sup>6</sup> Assigned Commissioner's Amended Scoping Memo and Ruling, December 17, 2021.

## **2. Joint IOU MIP Implementation Plan and Energy Division Staff Proposal**

### **2.1. Joint IOU MIP Implementation Plan Summary**

On December 3, 2021, pursuant to Ordering Paragraph (OP) 6 of D.21-01-018, PG&E, SDG&E, and SCE (collectively, Joint IOUs) submitted their Joint IOU MIP Implementation Plan (MIP). D.21-01-018 held that the MIP is a targeted program to:<sup>7</sup>

- Advance microgrid technology for climate response resiliency;
- Advance system benefits of microgrids equitably to disadvantaged vulnerable communities (DVCs) for the purpose of public health, safety, and welfare;
- Alleviate the potential that existing inequities would worsen for counties hardest hit by climate change and de-energization impacts with already vulnerable populations and too few ratepayers; and
- Inform future regulatory action to the benefit of all customers.

Additionally, D.21-01-018 requires the MIP to include the following:<sup>8</sup>

- Description of the program administrator's reporting requirements and timeline, such as program status reports, project status reports, and quarterly budget status reports;
- Discussion of the approach for allocating program funding amongst the individual IOUs;
- Discussion of the accounting treatment and ratemaking, such as specification that the program may only recover costs once expenditures have been incurred and may not be proactively collected;

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<sup>7</sup> D.21-01-018 at 64.

<sup>8</sup> *Id.* at 61.

- Discussion of the method used to control program administrative expenses, such as implementing a cap on overhead of not more than 10 percent of the total project cost;
- Development of a program delivery plan handbook as a resource for potential participants;
- Description of an approach for program evaluation;
- Description of the public workshops that were convened, including but not limited to the number and type of participants, and their inputs in the discussions; and
- Authorize PG&E to propose changes to its Community Microgrid Enablement Program that may be necessary to integrate that Program more fully with the MIP.

#### **2.1.1. Stakeholder and IOU Engagement**

Pursuant to OP 6 of D.21-01-018, the Joint IOUs convened several stakeholder meetings to solicit public input to inform the parameters of the MIPIP.<sup>9</sup> In July and August 2021, the Joint IOUs held the following series of meetings with stakeholders:

- Workshop 1, July 7, 2021: Laying the Foundation
- Workshop 2, July 14, 2021: Program Design
- Workshop 3, July 21, 2021: Eligibility Criteria
- Workshop 4, July 28, 2021: Project Evaluation & Selection
- Workshop 5, August 4, 2021: Application & Review Process
- Workshop 6, August 11, 2021: Program Evaluation

Additionally, the Joint IOUs contracted with the Smart Electric Power Alliance (SEPA). SEPA provided independent facilitation and documentation of

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<sup>9</sup> Joint IOU MIPIP at 9.

the above six workshops.<sup>10</sup> According to the Joint IOUs, SEPA used a combination of stakeholder and utility presentations, facilitated discussion, and targeted questions to elicit relevant feedback from stakeholders.<sup>11</sup>

The Joint IOUs also state that prior to each workshop, stakeholders were encouraged to provide proposals for discussion during the workshop on topics to identify program elements and support program implementation.<sup>12</sup> The Joint IOUs state that after the sessions, the facilitator contacted participants to provide more opportunity for program feedback.<sup>13</sup>

On October 26, 2021, the Commission's Energy Division convened a Draft MIPIP Workshop. At this forum, the Joint IOUs' preliminary MIPIP was shared with stakeholders, and the Joint IOUs contextualized how stakeholder input informed the development of the MIPIP.<sup>14</sup> Additionally, the Joint IOUs state that they met with environmental justice groups and other groups who advocate on behalf of low-income DVCs when developing the MIPIP.<sup>15</sup>

**2.1.2. Party Comment in  
Rulemaking (R.) 19-09-009  
to the Joint IOU MIPIP**

On January 14, 2022, parties filed comments on the Joint IOU MIPIP. The parties that filed comments are: (1) California Energy Storage Alliance (CESA); (2) Clean Coalition; (3) County of Los Angeles (LA County); (4) Microgrid Resources Coalition (MRC); (5) the Public Advocates Office of the California

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<sup>10</sup> *Id.*

<sup>11</sup> *Id.* at 10.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

<sup>15</sup> *Id.*

Public Utilities Commission (Cal Advocates); (6) Rural County Representatives of California (RCRC); and (7) The California Alliance for Community Energy, California Environmental Justice Alliance, GRID Alternatives, Sierra Club, The Climate Center, and Vote Solar (collectively, the Microgrid Equity Coalition or MEC).

Parties then filed reply comments on January 28, 2022. The parties that filed reply comments are: (1) Cal Advocates; (2) Center for Accessible Technology (CforAT); (3) CESA; (4) City of Long Beach (Long Beach); (5) Clean Coalition; (6) Green Power Institute (GPI); (7) MEC; (8) the Joint IOUs; (9) Sonoma County and Napa County (Sonoma & Napa Counties).

This decision hereby enters the December 3, 2021 Joint IOU MIPIP into the formal record of this proceeding.

## **2.2. Energy Division MIP Staff Proposal**

On July 6, 2022, the assigned ALJ issued a ruling requesting comment on the Commission's Energy Division's MIP Staff Proposal (Staff Proposal). The Staff Proposal recommended the following proposed requirements for the Joint IOUs:

- Requiring the IOUs to provide additional information and/or tools for identifying feasible microgrid projects;
- Specifying additional applicant eligibility criteria and ascertainment of long-term project financial viability;
- Justifying critical energy resiliency need;
- Modifying project scoring criteria;
- Engaging communities on project solicitation;
- Providing dispute resolution; and
- Appropriating any leftover funding.

### **2.2.1. Parties Response to Staff Proposal**

Parties filed opening comments in response to the Staff Proposal on August 5, 2022. The parties that filed opening comments are: (1) Cal Advocates; (2) CESA; (3) Clean Coalition; (4) Long Beach; (5) LA County; (6) MEC; (7) RCRC; (8) GPI; and (9) the Joint IOUs.

Parties filed reply comments in response to the Staff Proposal on August 19, 2022. The parties that filed reply comments are: (1) Cal Advocates; (2) CESA; (3) Clean Coalition; (4) MEC; and (5) the Joint IOUs.

### **3. Issues Before the Commission**

The issues within scope of Phase 2 of Track 4 are:

#### **1. Microgrid Incentive Program**

- (a) Should the Joint IOUs' proposal for implementing the Microgrid Incentive Program pursuant to OP 6 of D.21-01-018 be approved?

The remaining Track 4, Phase 2 issues pertaining to the microgrid multi-property tariff and the value of resiliency shall be resolved in the next track of this proceeding.

### **4. Discussion**

Pursuant to Article XII, Sections one through six of the California Constitution, the Commission "has broad authority to regulate utilities."<sup>16</sup> 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."<sup>17</sup> Specifically, Article XII, Section 3 of the California

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<sup>16</sup> *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.

<sup>17</sup> Pub. Util. Code Section 701.

Constitution provides that “the production, generation, transmission, or furnishing of heat, light, water, power” fall under the jurisdiction of the legislature. California Public Utilities statutes are enforced by the Commission.<sup>18</sup>

Section 451 requires that rates, terms and conditions of utility service must be just and reasonable.<sup>19</sup> 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.<sup>20</sup> Section 8371 requires the Commission to facilitate the commercialization of microgrids.

Section 8371(b) requires the Commission, without shifting costs between ratepayers, to develop methods to reduce barriers for microgrid deployment. Section 8371(d) also requires the Commission, without shifting costs between ratepayers, to 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 Commission also has a duty to mitigate the effects of a natural or manmade emergency that impacts utility service.<sup>21</sup> Preserving the safety and the security of Californians in the wake of natural and manmade disasters is critical.<sup>22</sup> Microgrids are a resiliency strategy, within the Commission’s regulated

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<sup>18</sup> Article XII, Section 5.

<sup>19</sup> Sections 451, 454, and 728.

<sup>20</sup> Section 454.51, subds. (a) and (b).

<sup>21</sup> D.19-07-015 at 9.

<sup>22</sup> D.21-01-018 at 60.

public utilities energy resources portfolio,<sup>23</sup> to mitigate and recover from impacts to grid service.<sup>24</sup>

In D.21-01-018, we authorized the MIP and directed the Joint IOUs to submit a MIP development plan into the record of this proceeding – the MIPIP – according to our holdings in D.21-01-018. When we authorized the MIP in D.21-01-018, we considered Section 8371(b)'s requirements which necessitate the Commission, without shifting costs between ratepayers, to reduce barriers for microgrid deployment. We also considered Section 8371(d)'s requirement to develop rates and tariffs to support microgrid deployment. We balanced these statutory requirements against our duty to mitigate the effects of grid emergencies that result in disruption of service, especially for DVCs.<sup>25</sup> These considerations shaped the foundation for D.21-01-018's authorization of the MIP.<sup>26</sup>

Moreover, we found that the MIP for customers of the Joint IOUs is likely to offer many benefits.<sup>27</sup> In D.21-01-018, we identified the following benefits: (1) increases electricity reliability and resiliency for critical public facilities in communities that are at higher risk of electrical outages; (2) prioritizes serving communities with higher proportions of low-income residents, access and functional needs residents, and electricity dependents; (3) enables communities with lower ability to fund development of backup generation to maintain critical services during grid outages; and (4) provides an opportunity for testing new

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<sup>23</sup> Section 454.51, subs. (a) and (b).

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

<sup>25</sup> D.21-01-018 at 60.

<sup>26</sup> *Id.*

<sup>27</sup> D.21-01-018 at 62-63.



technologies or regulatory approaches to inform future action to the benefit of all ratepayers.<sup>28</sup>

D.21-01-018 required the Joint IOUs to engage with stakeholders through workshops and meetings to develop the MIPIP.<sup>29</sup> When we adopted the requirement for stakeholder engagement, we placed guardrails around IOU-stakeholder program design collaboration to facilitate the development of a quality program. Simply put, under D.21-01-018's parameters, the objective for this stakeholder engagement was for the Joint IOUs to: (a) solicit voluntary suggestions from interested stakeholders regarding their perspectives that must (b) rationally and legitimately relate to, and advance, the broader public interest to (c) further the objectives of D.21-01-018, as well as inform the general implementation details that may (d) ultimately aid the full program implementation plan.<sup>30</sup>

Here, we find that the Joint IOUs' and stakeholders' engagement during these workshops and meetings led to a coherent and comprehensive MIPIP and thus, fulfills the requirements of D.21-01-018. We discuss our adoption of the Joint IOU MIPIP below. We also discuss some limited modifications to the Joint IOU MIPIP based on comments to the Staff Proposal recommendations from stakeholders.

We note that several parties raised issues that are out of scope for this proceeding, or out of scope for the comments on the Joint IOU MIPIP and the Staff Proposal, or seek to relitigate issues which the Commission already decided. We decline to act upon these recommendations. We remind these

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<sup>28</sup> *Id.* at 63-64.

<sup>29</sup> *Id.* at 67.

<sup>30</sup> *Id.* at 68.

parties that the next phase of this proceeding will consider the appropriate form of a multi-customer microgrid tariff as well as the value of resiliency. Issues raised by parties regarding these matters will be addressed through the litigation process in the next phase of this proceeding, and not here.

#### **4.1. Should the Joint IOU MIPIP Proposal Be Approved?**

The Track 4 Scoping Memo and Ruling<sup>31</sup> directed the parties of record to this proceeding to comment on the Joint IOU MIPIP, and to discuss whether it meets the minimum requirements established in OP 6 and OP 7 of D.21-01-018. We discuss the parties' positions, below.

##### **4.1.1. Parties' Positions**

Generally, stakeholders found the Joint IOU MIPIP is well-developed, and support the Joint IOU MIPIP.<sup>32</sup> Some parties also support modification to some of the approaches presented by the Joint IOUs, which we discuss throughout Section 4 of this decision.<sup>33</sup>

##### **4.1.2. Discussion**

In OP 6 of D.21-01-018, we directed the Joint IOUs to jointly file an implementation plan that comprehensively discusses the execution details for the MIP.<sup>34</sup> At a minimum, the Joint IOUs were ordered to include the following information in their joint implementation plan:

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<sup>31</sup> R.19-09-009, E-mail Ruling Modifying Phase 2 Schedule of Track 4, issued October 8, 2021, modified the schedule in the Track 4 Scoping Memo and Ruling.

<sup>32</sup> RCRC Opening Comments to Joint IOU MIPIP at 4; CESA Opening Comments to Joint IOU MIPIP at 2; LA County Opening Comments to Joint IOU MIPIP at 1; MRC Opening Comments to Joint IOU MIPIP at 2-3; Clean Coalition Opening Comments to Joint IOU MIPIP at 1-2; Napa and Sonoma Counties Reply Comments to Joint IOU MIPIP at 1.

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

<sup>34</sup> *See* D.21-01-018, OP 6 at 115.

- Description of the program administrator's reporting requirements and timeline, such as program status reports, project status reports, and quarterly budget status reports;
- Discussion of the approach for allocating program funding amongst the individual IOUs;
- Discussion of the accounting and ratemaking treatment, such as specification that the program may only recover costs once expenditures have been incurred and may not be proactively collected;
- Discussion of the method used to control program administrative expenses, such as implementing a cap of not more than 10 percent of the total project cost;
- Development of a program delivery plan handbook as a resource for potential participants;
- Description of the approach for program evaluation;
- SDG&E and SCE customers shall have access to a one-time matching funds payment to offset some portion of the utility infrastructure upgrade costs associated with implementing the islanding function of the microgrid;<sup>35</sup> and
- Description of the public workshops that were convened, including but not limited to, the number and type of participants, and their contributions to the discussion.

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<sup>35</sup> In D.20-06-017, we adopted PG&E's Community Microgrid Enablement Program and permitted PG&E to appropriate one-time matching funds to offset some portion of utility infrastructure upgrade costs associated with implementing an islanding function. In D.21-01-018, we harmonized the approach from D.20-06-17 by directing SCE and SDG&E to ensure their customers have access to a one-time matching funds payment to offset portion of the utility infrastructure upgrade costs associated with implementing the islanding function of the microgrid.

We find that the Joint IOUs satisfy the elements in OP 6 of D.21-01-018, with modification discussed in the remaining portions of this decision. We adopt the Joint IOUs' MIPIP with the modifications discussed herein.<sup>36</sup>

The MIP is intended for complex projects with longer islanding duration that serve multiple customers that are targeted to address the needs of DVCs.<sup>37</sup> For the purposes of the MIP, DVCs are defined from the Commission's existing definition in D.20-08-046. Additionally, a portion of an eligible community microgrid is required to be geographically located in an area at a higher risk of electrical outages, which will be either: (1) a Tier 2 or Tier 3 High Fire Threat District; (2) an area that has experienced a prior PSPS event; (3) a location prone to strong, damaging earthquakes; or (4) a location with a lower historical level of reliability, defined as one of the top one percent worst performing circuits on the utility's system in either of the prior two years' Utility Annual Electric Reliability Report.<sup>38</sup>

For eligibility purposes, a MIP project must also: (1) serve a geographic DVC and/or (2) primarily serve a geographic DVC and be either: (i) a critical facility;<sup>39</sup> or (ii) a facility that provides important community resilience services (MIP Project). At a technical level, a proposed MIP Project must meet the following technical criteria:<sup>40</sup>

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<sup>36</sup> Joint IOU MIPIP, January 3, 2021.

<sup>37</sup> See D.21-01-018 at 60; see also Joint IOU MIPIP at 11.

<sup>38</sup> Joint IOU MIPIP at 17-19.

<sup>39</sup> For a list of critical facilities for each IOU, see (1) PG&E critical facilities list, available at: [Critical Facility Customers](#) (pge.com); (2) SCE critical facilities list, available at: [Critical Facilities and Critical Infrastructure](#) (sce.com); (3) SDG&E critical facilities list, available at: [PSPS Critical Facilities | San Diego Gas & Electric](#) (sdge.com).

<sup>40</sup> Joint IOU MIPIP at 18-19.

- An MIP Project must be a community microgrid;
- Project resources must receive interconnection permission to operate on a distribution line that is operated at 50 kilovolts or below;
- Project resources must comply with the emissions standards adopted by the California Air Resources Board (CARB), pursuant to the distributed generation certification program requirements of Section 94203 of Title 17 of the California Code of Regulations, or any successor regulation, consistent with the requirements for community microgrids in Section 8370.
- Non-compliant emergency/standby generation shall not be used as Project resources;<sup>41</sup>
- Project resources must be sized and operated to serve a minimum of 24 consecutive hours of energy in Island Mode as determined by a typical load profile within the Microgrid Boundary; and
- When operating in Island Mode, the aggregate emissions from Project Resources and non-Project Resources must be no greater than equivalent grid power. Energy storage that is charged with grid power will be deemed to have the emissions equivalent of the average system emissions for the Utility.

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<sup>41</sup> Joint IOU MIPIP at 19; Emergency/Standby Generation, whether existing or new diesel or other fuel resources that do not comply with Section 8371(d) are not allowed as Project Resources. Emergency/standby generation associated with any of the facilities within the Microgrid Boundary: (1) may not be electrically connected within the Microgrid Boundary of the microgrid, (2) may not be used as a load modifying resource (similar to demand response) within the proposed microgrid electrical boundary when in Island Mode. However, an emergency/standby generation may be used according to applicable rules and tariffs to serve dedicated emergency loads within a facility during Island Mode if the emergency/standby generator is electrically isolated from the Microgrid through an Isolation Device during Island Mode.

LA County<sup>42</sup> sought clarification in comments with respect to the term “multi-customer” in the Joint IOU MIPIP. In D.21-01-018, we held that single-customer projects are excluded from participating in the MIP.<sup>43</sup> In D.21-01-018, we also held that the MIP is intended for multiple customers<sup>44</sup> that are “complex, multi-property microgrids.”<sup>45</sup> Our intent in D.21-01-018 was to target the MIP towards complex, multi-property microgrids. Therefore, we agree with the Joint IOUs that for purposes of eligibility criteria for a multi-customer under the contours of the MIP, a MIP Applicant’s project must include multiple meters, at least two of which measure the energy consumption of different premises that are connected by utility distribution infrastructure.<sup>46</sup>

Next, we direct the Joint IOUs to support DVCs to assess their resiliency needs while pursuing MIP funding. The Joint IOUs should bear in mind that each DVC may be at different starting points to develop a microgrid. Therefore, we direct the Joint IOUs to do the following, at a minimum:

- Provide consultative technical support to the DVCs in the development of their application so that the community: can: (a) discern what resiliency approach may best meet their community’s specific needs; and (b) support the community and its technical/engineering partners in planning and designing a robust community microgrid;
- Create intake windows for the individual utility to facilitate the DVC’s application and application development;

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<sup>42</sup> LA County Opening Comments to Joint IOU MIPIP at 2-3.

<sup>43</sup> D.21-01-018 at 66.

<sup>44</sup> *Id.*

<sup>45</sup> *Id.*

<sup>46</sup> Joint IOU Reply Comments at 8.

- Provide objective, clear, and consistent eligibility requirements that are transparent and simple, to the extent practicable. The eligibility criteria shall be public information made available by the individual utilities during the pre-application consultation process;
- Conduct application eligibility and prioritization scoring for incentive award decisions prior to the MIP Project Technical Evaluation (*i.e.*, interconnection study, *etc.*) results so that the applicant community knows the amount of their authorized MIP award before the technical studies commence;
- Support program flexibility. For example, if eligible applications do not receive MIP awards through a current application intake window, allow the applicant to move to the next intake window to the extent possible; and
- Protect the public from unintended outcomes by ensuring that program aspects remain consistent with the primary goals of the MIP under D.21-01-018.

Next, the MIP shall have a five-stage lifecycle process, starting with utility outreach and ending with community microgrid operations. The five stages are summarized as follows:<sup>47</sup>

- **Stage 0 MIP Community Outreach**: an array of on-the-ground, organized effort to increase MIP awareness, encourage DVC MIP applications, and education in DVCs;
  - (a) This stage shall include a multi-pronged approach to community outreach such as direct engagement as well as partnership with community stakeholders including community-based organizations, local and tribal governments, and smaller community organizations.
- **Stage 1 Consultation**: a two-part process to support DVCs identifying resilience options and MIP eligibility

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<sup>47</sup> Joint IOU MIPIP at 12-13.

requirements as well as community microgrid technical considerations in support of potential application submission;

- **Stage 2 Application:** support DVCs in determining Application eligibility, project scoring and prioritization, MIP Awards, and identifying upgrades for project resource interconnection and safe microgrid operation;
- **Stage 3 Studies:** involves the interconnection study and microgrid islanding study.
- **Stage 4 Development:** involves the execution of a Microgrid Operating Agreement (MOA), and other agreements as necessary, along with actual project development leading to commercial operation of the DVC microgrid. The MIP project development milestones will inform incentive award progress payments; and
- **Stage 5 Operation:** operation of the MIP project in partnership with the utility and its safety and operational requirements.

The Joint IOUs shall open their first application window no later than nine (9) months after the publication of the MIP Handbook, which is discussed in detail below.

With respect to the appropriateness of the scoring methodology and weighting used in selecting MIP projects, we adopt the scoring methodology proposed by the Joint IOUs.<sup>48</sup> In the other sections of this decision, we discuss our reasoning for declining to modify the scoring methodology, as offered by the Staff Proposal. For purposes of this section of this decision, we find the methodology proposed by the Joint IOUs: (1) balances equities, by enabling DVCs to assess their resiliency needs while considering the broader interests of ratepayers who are funding the MIP; (2) provides clear, objective eligibility

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<sup>48</sup> Joint IOU MIPIP at 26-36.



requirements and prioritization scoring; (3) mitigates the potential for unintended consequences by protecting the broader interests of ratepayers who are subsidizing these MIP Projects; and (4) complies with the factors established in D.21-01-018 for project consideration of MIP funds.<sup>49</sup> In other words, the scoring methodology proposed by the Joint IOUs provides assurance that the selected projects which pass through these screens demonstrate the highest value for ratepayer dollar.

Next, we discuss the Joint IOUs' proposal for awarding \$25,000 in development grants. The \$25,000 pre-application development grant is funded from the incentive award funding portion – capped at \$14 million per MIP project – of the MIP budget. MEC and GPI argue that MIP Applicants should be awarded this grant funding at the beginning of the process to prevent the need to self-fund technical assistance prior to acceptance of the incentive application.<sup>50</sup> We disagree with this approach. We adopt the Joint IOUs' proposal to award the \$25,000 in development grants after the utility's acceptance<sup>51</sup> of the incentive Application because it mitigates ratepayer exposure to risk associated with early funding and encourages MIP Applicants to develop viable microgrid proposals. The Joint IOUs' proposal is a prudent approach to assure ratepayers that their funds have been put toward good use.<sup>52</sup>

Now, we turn to the content for the MIP Handbook. We find that the Joint IOUs' content for the MIP Handbook satisfies the requirements of D.21-01-018.

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<sup>49</sup> D.21-01-018 at 67.

<sup>50</sup> MEC Opening Comments to Joint IOU MIPIP at 9; *see also* GPI Opening Comments to Joint IOU MIPIP at 7.

<sup>51</sup> Joint IOU MIPIP at 20.

<sup>52</sup> Joint IOU Reply Comments to Joint IOU MIPIP at 19.

Generally, the MIP Handbook will be a resource to inform community members and leaders in greater detail about the MIP and community microgrids. We direct the Joint IOUs to make the MIP Handbook available, via their websites, within 180 days upon issuance of this decision, and to include, at a minimum, the following:

- An overview of how the MIP works;
- Information on Community Microgrid implementations, including key project design considerations;
- MIP Application Development Grant information;
- Application Intake Window(s) information;
- Eligibility, scoring, and prioritization protocols;
- Timeline and instructions on moving through each step in the MIP lifecycle process;
- Special considerations for tribal governments.

As proposed by the Joint IOUs, the MIP Handbook shall also include information that assists communities in assessing initial project eligibility, viability, and siting considerations. The MIP Handbook shall serve as a centralized technical resource that features applicable standards and guidance to help local and tribal governments navigate the utility service planning and interconnection processes.

As part of our adoption of the Joint IOU MIPIP, we adopt the Joint IOUs' proposal for an MOA. The MOA is an umbrella agreement which incorporates by reference and addendum, all other contracts and agreements that are required to develop and operate the MIP Project.<sup>53</sup> These agreements may include, but are not limited to: (1) interconnection agreements for project resources that will be

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<sup>53</sup> Joint IOU MIPIP at 14.

part of the MIP Project; (2) Microgrid Special Facilities Agreement covering the cost of any Microgrid Special Facilities necessary to implement the MIP Project; (3) the MIP Awardee's contracts with the firms that will be designing, procuring, and constructing the non-utility components of the MIP Project during the Development Term; and (4) operating/maintaining the non-utility components of the MIP Project during the Operating Term.<sup>54</sup>

Additionally, the MOA will incorporate any milestones, performance requirements, or other provisions establishing the overall MIP Project development requirement and touchpoints associated with incentive award payments. The MOA is enforceable, and so, we direct PG&E, SCE, and SDG&E to include a pro forma version of the MOA in the MIP Handbook. Thus, within 180 days upon issuance of this decision, PG&E, SDG&E, and SCE shall submit a Tier 2 AL that includes a final version of the pro forma MOA that reflects the outcomes of this decision.

Future Filing Requirements: We direct PG&E, SDG&E, and SCE to submit a number of future compliance filings to ensure the MIP is being executed according to the rules adopted in D.21-01-018 and this decision.

First, we direct PG&E, SDG&E, and SCE to prepare a Program and Project Status Report<sup>55</sup> each quarter, beginning the quarter after the first application window opens and ending for each utility when funding for the MIP has been exhausted. This program status report shall be transmitted to the Commission via a Tier 1 AL to the Energy Division. The Program Status Report shall include, at a minimum, the following:

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<sup>54</sup> *Id.*

<sup>55</sup> Joint IOU MIPIP at 44.

- Forecast: PG&E, SDG&E, and SCE shall each prepare and maintain a forecast of monthly expenditures, Incentive Award payments, MIP Application Development Grant payments, and Interconnection and Microgrid Special Facilities Allowances based on the volume of projects that are in the review process and/or pending completion;
- Accruals: PG&E, SDG&E, and SCE shall each prepare accruals for incentive payments and/or other program expenditures for work that has been completed but not yet invoiced and paid;
- Commitments: PG&E, SDG&E, and SCE shall each prepare and maintain a report showing the status of outstanding contractual obligations identified for work not yet completed;
- Budget Status: PG&E, SDG&E, and SCE shall each report expenditures and budget activity to ensure that all expenditures are valid, allowable, and accurately charged according to the orders of this decision.
- Mitigation of Unintended Outcomes: To protect the value for each ratepayer dollar, we direct PG&E, SDG&E, and SCE – as needed – to each identify any material issue, such issue’s implications, and the resultant program modifications necessary to avoid unintended outcomes, ensure ratepayers are protected, and that the primary goals of this program are not undermined.
- Program Impacts and Key Performance Indicators:
  - Description of efforts and number of projects (as applicable) by status stage:
    - Stage 1: Community Outreach;
    - Stage 2: Consultation and Application;
    - Stage 3: Application Evaluation, Scoring, Incentive Award Decision and Studies;
    - Stage 4: Contracting, Project Development, and Award Payments; and

- Stage 5: Project Operations.
- Number of Projects by Status;
- Number of Customers served by Microgrids developed under the MIP;
- Number of DVC customers served by Microgrids; and
- Number of Critical Facilities served by Microgrids.
- Financial Reports
  - Program Costs – costs reported on a cumulative basis since inception; and
  - Cost Allocation – an allocation of spent funding based on the cost categories below:
    - Administrative Costs, including Marketing/Outreach Costs;
    - Incentive Award Costs;
    - MIP Application Development Grant Costs;
    - Interconnection Allowance;
    - Microgrid Special Facilities Allowance (*i.e.*, funding source is “Matching Funds”);
    - Amount and percentage of program budget spent, and amount committed (incentive, grant);
    - Amount of Microgrid Special Facilities Allowance spent and committed (Matching Funds); and
    - Amount of Interconnection Allowance spent and committed.

Next, we discuss the issues and subsequent changes to the Joint IOU MIPIP that were raised by parties through comment in submission of the Joint IOU MIPIP as well as the Staff Proposal.

#### **4.2. How Should the Allocation of Program Funding Amongst the Individual IOUs Occur?**

The Track 4 Scoping Memo and Ruling<sup>56</sup> directed the parties of record to this proceeding to comment on the Joint IOU MIPIP, and to discuss whether it meets the minimum requirements established in OP 6 and OP 7 of D.21-01-018. We discuss the parties' positions, below.

##### **4.2.1. Joint IOU MIPIP Summary: Budget Allocation, Cost Recovery, and Ratemaking**

Budget Allocation: The Joint IOUs propose an approach for appropriating the \$200 million MIP program budget, adopted by D.21-01-018, across PG&E, SDG&E, and SCE's service territories. The Joint IOUs also propose recovery for all costs associated with the MIP in their ratemaking proposal.

First, the Joint IOUs propose allocating the \$200 million MIP budget, in the following way: (1) PG&E, \$87,200,000; (2) SCE, \$91,340,000; and (3) SDG&E \$21,460,000.<sup>57</sup> Second, the Joint IOUs propose the following:<sup>58</sup>

- (a) As authorized by D.21-01-018, reserve 10 percent of the total program budget for administrative costs, which would be allocated amongst the Joint IOUs, tracked separately through internal orders, and subject to a separate accounting procedure as specified in the preliminary statement;
- (b) Program budget allocation (except for administrative costs) be based on each utility's forecast 2022 Transmission Access Charge (TAC)-area energy sales for

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<sup>56</sup> R.19-09-009, E-mail Ruling Modifying Phase 2 Schedule of Track 4, issued October 8, 2021, modified the schedule in the Track 4 Scoping Memo and Ruling.

<sup>57</sup> Joint IOU MIPIP at 46.

<sup>58</sup> *Id.* at 46-47.

Commission-jurisdictional entities as provided in the CEC 2020 Integrated Energy Policy Report;

- (c) Create a new subaccount in the Microgrid Balancing Account (MGBA) for PG&E and SDG&E, and the Microgrid One-Way Balancing Account (MOWBA) for SCE to record the actual costs of the program, up to each utility's pro-rata program budget cap;
- (d) Create a new subaccount in the MGBA for PG&E and SDG&E and the MOWBA for SCE to record the actual costs of the Matching Funds for the Microgrid Special Facilities cost and the Microgrid Islanding Study to enable safe microgrid islanding capabilities, not to exceed a \$3 million cap per project as proposed in the implementation plan;
- (e) Upon approval of the implementation plan, authorize PG&E to prospectively record the revenue requirement for Community Microgrid Enablement Program (CMEP) capital costs to this new subaccount of the MGBA;
- (f) Record a regulatory asset for customer-side infrastructure (*i.e.*, physical plant) in which the utility will act as a pass-through entity;
- (g) Transfer all MIP development and implementation costs recorded in the Microgrids Memorandum Account (MGMA) pursuant to OP 7 of D.21-01-018 to the utilities' respective two-way balancing accounts for recovery through distribution rates; and
- (h) Recover the actual costs incurred, grossed up for Franchise Fees and Uncollectibles (Revenue Fees and Uncollectibles for PG&E), on an annual basis from all customers in distribution rates as ordered by D.21-01-018, through each utility's respective annual electric true-up advice letter process.

Second, the Joint IOUs propose that if a utility does not incur costs up to its administrative budget cap at the completion of the program, it be allowed to submit a Tier 2 AL seeking Commission approval to re-apportion funds from its

administrative budget to the program budget.<sup>59</sup> The Joint IOUs propose that these potential additional funds for microgrid development will serve DVCs.<sup>60</sup>

Cost Recovery: The Joint IOUs propose to create a new subaccount, the Microgrids Incentive Program Subaccount, in their existing MGBA for PG&E and SDG&E, and the MOWBA for SCE. The utilities propose these one-way balancing accounts to track and record incremental expenses and capital related costs associated with the MIP programs pursuant to D.21-01-018.<sup>61</sup> The Joint IOUs propose that upon approval of the Joint IOU MIPIP, each utility would file a Tier 1 AL to add this new subaccount to the MGBA/MOWBA preliminary statement.<sup>62</sup> The Joint IOUs propose recording the actual incurred costs of the program in their respective new subaccount of the MGBA/MOWBA, up to each Utility's pro-rata budget cap as established by the Commission.<sup>63</sup>

The Joint IOUs also propose that this one-way balancing account treatment be treated in accordance with the adopted cost recovery approach under D.21-01-018.<sup>64</sup> The Joint IOUs state that the costs recorded to the new MGBA/MOWBA subaccount would be incremental, and would not include costs recorded in other balancing accounts or that have previously been requested in prior General Rate Cases, or other funding approved by the Commission.<sup>65</sup> The Joint IOUs state that they anticipate the following types of

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<sup>59</sup> *Id.* at 47-48.

<sup>60</sup> *Id.* at 48.

<sup>61</sup> *Id.*

<sup>62</sup> *Id.*

<sup>63</sup> *Id.*

<sup>64</sup> *Id.*

<sup>65</sup> *Id.*



costs recorded to the Microgrids Incentive Program Subaccount of the MGBA/MOWBA: (1) actual expenses incurred; (2) the capital revenue requirement associated with actual capital expenditures; and (3) the amortization of the regulatory asset revenue requirement.<sup>66</sup>

Ratemaking: In D.21-01-018, we held that the MIP costs “shall be allocated to all distribution customers of the relevant IOU.”<sup>67</sup>

The utilities propose the one-time matching funds for distribution infrastructure offsets be allocated to all distribution customers of the applicable utility.<sup>68</sup> The utilities also propose that the actual costs – including Franchise Fees and Uncollectibles (FF&U) (Revenue Fees and Uncollectibles (RF&U) for PG&E) – be recovered on an annual basis from all customers in distribution rates through each utility’s respective annual electric true-up advice letter.<sup>69</sup>

For its part, PG&E proposes that the unspent CMEP matching funds previously approved for recording to its MGMA be tracked in a new one-way subaccount in its MGBA, the Microgrid Utility Infrastructure Upgrades Subaccount.<sup>70</sup> PG&E also proposes that the recording of CMEP matching funds to the MGBA would be on a prospective basis beginning upon approval of the implementation plan.<sup>71</sup> PG&E states that the costs recorded to this new MGBA subaccount would be incremental and would not include costs recorded in other balancing accounts or that have previously been requested in prior General Rate

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<sup>66</sup> *Id.*

<sup>67</sup> *Id.*

<sup>68</sup> Joint IOU MIPIP at 51.

<sup>69</sup> *Id.*

<sup>70</sup> Joint IOU MIPIP at 50.

<sup>71</sup> *Id.*

Cases, or other funding approved by the Commission.<sup>72</sup> PG&E proposes to seek recovery of any costs recorded to the CMEP Subaccount of the MGMA prior to the approval of the implementation plan through a separate application or in a future General Rate Case, pursuant to D.20-06-017.<sup>73</sup>

SCE and SDG&E propose matching funds payment for microgrid special facilities (*i.e.*, electric distribution infrastructure upgrades necessary to enable safe operations in island mode) and Microgrid Islanding Study have a cap of \$3 million per project.<sup>74</sup> SCE and SDG&E propose to create a new two-way subaccount, the Microgrid Utility Infrastructure Upgrades Subaccount in their existing MGBA/MOWBA, to track actual incurred costs of the Matching Funds payment for utility infrastructure upgrades necessary to enable MIP projects.<sup>75</sup>

#### **4.2.2. Parties' Positions**

Generally, Cal Advocates offers an array of recommendations on budget allocation, cost recovery, and ratemaking. First, Cal Advocates argues that the allocation of the program budget among the IOUs should reflect population and reliability metrics relevant to the program goals.<sup>76</sup> Cal Advocates offered two options for implementing this.<sup>77</sup>

Cal Advocates also argues that we should deny the IOUs' request to record customer-side infrastructure as regulatory assets.<sup>78</sup> Cal Advocates also states that

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<sup>72</sup> *Id.*

<sup>73</sup> *Id.*

<sup>74</sup> Joint IOU MIPIP at 50.

<sup>75</sup> *Id.*

<sup>76</sup> Cal Advocates Opening Comments to Joint IOU MIPIP at 9.

<sup>77</sup> *Id.* at 10.

<sup>78</sup> Cal Advocates Opening Comments to Joint IOU MIPIP at 2-5.

the Commission should require a shorter amortization period with only a debt return on investments as the regulatory cost recovery mechanism.<sup>79</sup> CforAT agrees with Cal Advocates that MIP project costs should not be classified as regulatory assets that generate a rate of return.<sup>80</sup> Finally, Cal Advocates states that the Commission should not pre-approve the recovery of forecasted costs for the one-time matching funds associated with infrastructure upgrades for islanding.<sup>81</sup>

MEC and GPI both commented that the Joint IOUs' proposed administrative costs category in the Joint IOU MIPIP could be excessive.<sup>82</sup>

For their parts, the Joint IOUs disagree with Cal Advocates' arguments and reasoning for classifying MIP projects as regulatory assets.<sup>83</sup> The Joint IOUs assert that the customer-side infrastructure to support community microgrids is necessary for the microgrid to operate in a safe and reliable manner using utility infrastructure.<sup>84</sup> The Joint IOUs also disagree with Cal Advocates' recommendation that the Joint IOUs be required to track matching funds for distribution upgrades in memorandum accounts. The Joint IOUs assert that this unduly and unjustly delays the recovery of costs incurred by the Joint IOUs for a Commission-mandated program.<sup>85</sup>

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<sup>79</sup> *Id.*

<sup>80</sup> CforAT Reply Comments to Joint IOU MIPIP at 1-2.

<sup>81</sup> Cal Advocates Opening Comments to Joint IOU MIPIP at 5-6.

<sup>82</sup> MEC Opening Comments to Joint IOU MIPIP at 26; GPI Opening Comments to Joint IOU MIPIP at 3.

<sup>83</sup> Joint IOUs Reply Comments at 23.

<sup>84</sup> *Id.* at 24.

<sup>85</sup> *Id.* at 25.

Finally, the Joint IOUs state that in order to forecast the revenue requirement for the proposed balancing account, the Joint IOUs would use the project cost information provided by microgrid applicants and would true-up these costs on an annual basis.<sup>86</sup> The Joint IOUs also propose to provide details for the balancing account as part of a compliance advice letter submittal with a preliminary statement for this balancing account.<sup>87</sup>

#### **4.2.3. Discussion**

In D.21-01-018, we established a framework for the MIP and parameters for its budget allocation, cost recovery, and ratemaking.<sup>88</sup> When the Commission initially contemplated the MIP, the Commission's Energy Division – in its Staff Proposal – recommended that MIP projects be funded by ratepayers from the same county the project is located in, and the cost recovery accounting treatment for the program incentives would come directly from the participant county ratepayers.<sup>89</sup> However, stakeholders objected to this approach arguing that it was inequitable to an already vulnerable group of customers.<sup>90</sup>

Thus, based on stakeholder consensus in the record of Track 2 for this proceeding, D.21-01-018 held that funding for the MIP would not be strictly borne by a small set of vulnerable communities within an IOU service territory but rather, that these costs be allocated to all distribution customers of the relevant IOU.<sup>91</sup> D.21-01-018 reasoned that this approach satisfied multiple

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<sup>86</sup> Joint IOU Reply Comments at 26.

<sup>87</sup> *Id.*

<sup>88</sup> D.21-01-018 at 59-64.

<sup>89</sup> *Id.* at 63.

<sup>90</sup> *Id.*, citing to CforAT Opening Comments to July 2020 Staff Proposal and The Utility Reform Network Opening Comments to July 2020 Staff Proposal at 7.

<sup>91</sup> *Id.* at 63-64.

objectives, including: (1) advancing microgrid technology for climate response resiliency; (2) advancing system benefits of microgrids equitably to DVCs, for the purpose of public health, safety, and welfare; (3) alleviating the potential that existing inequities would worsen for counties hardest hit by climate and de-energization impacts with already vulnerable populations and too few ratepayers; and (4) lessons learned from these incentive programs shall inform future regulatory action to the benefit of all ratepayers. This approach also fulfills our duties to deploy microgrids<sup>92</sup> while ensuring just and reasonable rates, terms, and conditions<sup>93</sup> while ensuring the reliability of the state's electric supply.<sup>94</sup>

In this decision, we affirm the above ratemaking mechanism, adopted by D.21-01-018. We discuss the implementation of D.21-01-018's budget allocation, ratemaking, and cost recovery approach, below.

Administrative Budget Costs and Appropriation of MIP Program Fund:

As stated above, D.21-01-018 authorized a total program budget of \$200 million for the MIP.<sup>95</sup> D.21-01-018 ordered the Joint IOUs to include in their implementation plan an approach for allocating program funding amongst the individual IOUs.<sup>96</sup> Additionally, D.21-01-018 authorized a cap for administrative costs of no more than 10 percent of the total project cost.<sup>97</sup>

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<sup>92</sup> Section 8371(b).

<sup>93</sup> Pub. Util. Code Section 451.

<sup>94</sup> Section 454.51, subds. (a) and (b).

<sup>95</sup> D.21-01-018 at 66.

<sup>96</sup> D.21-01-018, OP 6 at 115.

<sup>97</sup> *Id.*

Here, the Joint IOUs propose to allocate 10 percent – or \$20,000,000 – for their administrative costs.<sup>98</sup> The Joint IOUs propose \$8,000,000 each for PG&E and SCE, and \$4,000,000 for SDG&E.<sup>99</sup> The Joint IOUs state that this allocation is appropriate because it covers each of their overhead costs.<sup>100</sup> We find that this budget allocation for administrative costs is reasonable and adheres to the reasoning adopted by D.21-01-018, OP 6. We disagree with the comments presented by MEC and GPI that these costs may be excessive.<sup>101</sup> The MIP is a multi-year program that D.21-01-018 orders the Joint IOUs to execute and provide support to the MIP Applicant. Our objective here is to ensure the Joint IOUs can support the critical needs of vulnerable populations most likely to be impacted by grid outages, and have the means to operationalize this support. The 10 percent, or \$20,000,000, for administrative costs complies with OP 6 of D.21-01-018.

The Joint IOUs propose that if the utility does not incur costs up to its 10 percent administrative budget cap at the completion of the program, it be allowed to submit a Tier 2 AL seeking Commission approval to re-apportion funds from its administrative budget to the program budget to provide additional funds for the development of microgrids which serve DVCs. We decline to adopt this proposal. Instead, if a utility does not incur costs up to its 10 percent administrative budget cap at the completion of the program, the additional funds must be returned to ratepayers. This approach ensures that

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<sup>98</sup> Joint IOU MIPIP at 46.

<sup>99</sup> *Id.* at 47.

<sup>100</sup> *Id.*

<sup>101</sup> MEC Opening Comments to Joint IOU MIPIP at 26; GIP Opening Comments to Joint IOU MIPIP at 3.

project costs remain cost-effective, reduces the effects of cost shifting, and allows for the least amount of pressure placed on California's ratepayers who are subsidizing this program for DVCs across the state.

Next, we discuss the appropriation of the MIP funds across the Joint IOUs. As we have stated throughout this decision, D.21-01-018 authorized \$200 million to implement the MIP. The Joint IOUs propose to allocate the total program budget – less the 10 percent reserve for administrative costs – based on each utility's forecast 2022 energy sales by its TAC-area for CPUC-jurisdictional entities.<sup>102</sup> As detailed above, this allocation would budget the following amounts across the Joint IOUs: (1) \$79,200,000 for PG&E; (2) \$83,340,000 for SCE; and (3) \$17,460,000 for SDG&E.<sup>103</sup> The Joint IOUs state that this allocation methodology is appropriate because it “provides for a fair and equitable allocation to each Utility's customer base since Utility Distribution Customers (*i.e.*, bundled and unbundled) will be eligible to participate and funding of the program will be via distribution rates.”<sup>104</sup>

Alternatively, Cal Advocates argues that this approach does not reflect population and reliability metrics and recommends two different options for program appropriation. Cal Advocates recommends: (1) \$30 million should be allocated for PG&E and SCE, and \$15 million for SDG&E, where the remainder of the funds would be dispersed according to the scoring system in the implementation plan; or (2) require the Joint IOUs to submit a revised MIP

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<sup>102</sup> *Id.* at 47.

<sup>103</sup> Joint IOU MIPIP at 47.

<sup>104</sup> *Id.*

budget allocation that is quantitatively based on the distribution of DVCs in each service territory.<sup>105</sup>

We decline to adopt the approaches offered by Cal Advocates. We agree with the Joint IOUs that their proposed allocation method is the most straightforward.<sup>106</sup> We also find that the Joint IOUs' proposed allocation mitigates the potential for inequitably burdening distribution customers in one of the service territories with a relatively high proportion of the MIP costs.<sup>107</sup> We also find that the Joint IOU's proposed allocation method targets the funds across the state more equitably. Therefore, we adopt the following program budget for each utility: (1) \$79,200,000 for PG&E; (2) \$83,340,000 for SCE; and (3) \$17,460,000 for SDG&E.

Cost Recovery: D.21-01-018 ordered the Joint IOUs to develop the Joint IOU MIPIP, which is the subject of this decision.<sup>108</sup> In other words, the Joint IOU MIPIP is a Commission-mandated program adopted in D.21-01-018 to serve DVCs. In this portion of the decision, we discuss the mechanisms for the MIP cost recovery.

First, we direct PG&E and SDG&E in their existing MGBA and SCE in its existing MOWBA to create a new subaccount called the *Microgrid Incentive Program Subaccount*. These separate subaccounts will separately track costs for program implementation, up to each utility's share of the program budget cap. We direct PG&E, SDG&E, and SCE to file a Tier 1 AL, within 30 days upon issuance of this decision, adding this new subaccount to the MGBA/MOWBA

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<sup>105</sup> Cal Advocates Opening Comments to Joint IOU MIPIP at 10.

<sup>106</sup> Joint IOU Reply Comments to Joint IOU MIPIP at 27.

<sup>107</sup> *Id.*

<sup>108</sup> D.21-01-018, OP 6 at 114-115.



preliminary statement. PG&E, SDG&E, and SCE shall record the actual incurred costs of the program in their respective new subaccounts up to each utility's pro-rata budget cap established in this section of the decision. The types of costs that shall be recorded in the MIP subaccount of the MGBA/MOWBA shall be: (1) actual expenses incurred; (2) capital revenue requirement associated with actual capital expenditures; and (3) administrative costs. We now turn to the Joint IOUs' request to record the MIP project costs as regulatory assets.

The Joint IOUs propose that the MIP project costs be recorded as a regulatory asset and amortized over 10 years, with a return on investment at a rate equivalent to each utility's current authorized return on rate base.<sup>109</sup> The Joint IOUs assert that the 10-year amortization period benefits customers and lessens the impact on rates, which otherwise might spike if these costs were expensed and recovered over the course of a shorter period (*i.e.*, one year).<sup>110</sup> The Joint IOUs state that the regulatory asset revenue requirement would include amortization expense, return on investment, and taxes over a 10-year period.<sup>111</sup>

For its part, Cal Advocates argues that the Commission should deny this request because it "unduly imposes a financial burden" on ratepayers.<sup>112</sup> Cal Advocates asserts that the Commission should adopt a shorter amortization period of four to five years with a debt return on investments as the regulatory cost recovery mechanism for this program.<sup>113</sup> In response, the Joint IOUs disagree with Cal Advocates' objection to recording customer-side infrastructure

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<sup>109</sup> Joint IOU MIPIP at 49.

<sup>110</sup> *Id.*

<sup>111</sup> *Id.*

<sup>112</sup> Cal Advocates Opening Comments on the Joint IOU MIPIP at 3.

<sup>113</sup> *Id.*

costs as regulatory assets. The Joint IOUs state that the customer-side infrastructure built to support these community microgrids is necessary so that the microgrid operates “in a safe and reliable manner using utility infrastructure, consistent with the Commission’s intent to offer resiliency to vulnerable communities by outages.”<sup>114</sup> The Joint IOUs cite to D.14-03-021 for support.

In D.14-03-021, the Commission adopted parameters for the utilities in the Mobile Home Park Pilot Program which was created to increase the safety and reliability of electric and gas service to Mobile Home Parks. In D.14-03-021, the Commission held that “because ‘beyond the meter’ construction is necessary for the entire, new distribution system to function and provide ratepayer value, it will create a regulatory asset, and the associated, reasonably incurred construction costs should be amortized over 10 years at the rate equivalent to the utility’s then-current authorized return on rate base.”<sup>115</sup> Then, in D.20-04-004, the Commission extended the findings of D.14-03-021, holding, “D.14-03-021 has concluded that the pass-through role is based on ratepayers’ promise to repay the utility, and that this ratemaking obligation constitutes a regulatory asset, to be recovered from ratepayers over time. Thus, the capitalized treatment of the construction costs adopted in the Mobile Home Pilot in D.14-03-021 is applicable to the next phase of the program at least through 2025.”<sup>116</sup>

We decline to rely on the Mobile Home Parks Utility Conversion Program as precedent when we weigh the arguments presented by the Joint IOUs and Cal Advocates. For the purposes of the MIP, however, the DVCs and the Joint IOUs are ordered by D.21-01-018 and this decision to work together to enhance

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<sup>114</sup> Joint IOU Reply Comments to Joint IOU MIPIP at 24.

<sup>115</sup> D.14-03-021 at 70, Finding of Fact 36.

<sup>116</sup> D.20-04-004 at 127.

and upgrade a portion of the utilities' distribution system to provide increased resiliency to DVC ratepayers under the MIP. We remind these parties that the MIP is a Commission-mandated DVC program. When we balance the arguments presented by the Joint IOUs and Cal Advocates, we find that it is appropriate for the Joint IOUs to recover the costs of the customer-side infrastructure as a regulatory asset, but we agree with Cal Advocates that this should be subject to a shorter amortization period and limited to debt return on investment. Therefore, we adopt a five-year amortization period for the regulatory asset, as offered by Cal Advocates, rather than a 10-year amortization period. With respect to the debt return on investment, as Cal Advocates argues, D.20-04-004 states that its handling of the behind-the-meter costs for the Mobile Home Parks shall not be precedential.<sup>117</sup> Given the fact-specific nature of the MIP program, we find that it is reasonable to limit the regulatory asset recovery to a debt return. This decision's administration of the MIP costs shall not be precedential.

The cost recovery for the regulatory assets of the MIP customer-side infrastructure shall be at a rate equivalent to each utility's respective weighted average cost of debt, as authorized pursuant to the outcomes of each utility's respective cost of capital proceedings.

Finally, we direct PG&E, SDG&E, and SCE within 60 days upon issuance of this decision, to each submit a Tier 2 AL seeking authorization to transfer the MIP development and implementation costs recorded in the MGMA, pursuant to OP 7 of D.21-01-018 through the approval date to each of the utilities' respective two-way distribution revenue balancing accounts for recovery in distribution rates. We authorize PG&E, SDG&E, and SCE to recover the actual costs incurred,

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<sup>117</sup> *Id.* at 124.

grossed for revenue/franchise fees and uncollectibles, on an annual basis from all customers in distribution rates through each IOU's respective annual electric true-up advice letter.

SCE and SDG&E One-Time Matching Funds: In D.21-01-018, we ordered SCE and SDG&E customers to have access to a one-time matching funds payment to offset some portion of the utility infrastructure upgrade costs associated with implementing the islanding function of the microgrid.<sup>118</sup> We also held that these one-time matching funds are in addition to the total MIP budget for eligible costs.<sup>119</sup>

We adopt SCE and SDG&E's proposal to create a new, two-way subaccount called the *Microgrid Utility Infrastructure Upgrades* subaccount in their existing MOWBA and MGBA, respectively. This new subaccount shall track actual incurred costs of the matching funds payment for utility infrastructure upgrades necessary to enable MIP projects. The matching funds payment for microgrid special facilities and microgrid islanding for SCE and SDG&E customers shall have a cap of \$3 million per project.

We direct SCE and SDG&E to file a Tier 1 AL within 30 days upon issuance of this decision that modifies their respective electric preliminary statement to establish a new specific subaccount called the *Microgrid Utility Infrastructure Upgrades* subaccount in their respective, existing MOWBA and MGBA to track: (1) the actual incurred costs of the matching funds payment for utility infrastructure upgrades necessary to enable MIP projects; and (2) the

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<sup>118</sup> D.21-01-018, OP 6 at 115.

<sup>119</sup> D.21-01-018 at 62.

matching funds payment for facilities and microgrids islanding for SCE and SDG&E customers, capped at \$3 million per project.

PG&E CMEP Harmonization: Next, PG&E proposes that its unspent CMEP matching funds previously approved for recording to its MGMA be tracked in a new, one-way subaccount in its MGBA, called the *Microgrid Utility Infrastructure Upgrades* subaccount. PG&E proposes that the recording of the CMEP matching funds to the MGBA would be on a prospective basis beginning upon approval of the implementation plan and that costs recorded to this new subaccount would be incremental; and would not include costs recorded in other balancing accounts or have been previously requested in prior General Rate Cases or other funding mechanisms. PG&E states it would seek recovery of any costs recorded to the CMEP through a separate application or in a future General Rate Case pursuant to D.20-06-017.

We adopt PG&E's request to apply unspent CMEP matching funds previously approved for recording to its MGMA for tracking in a new, one-way subaccount in its MGBA called the *Microgrid Utility Infrastructure Upgrades* subaccount. In adopting this requirement, we find that this will further the intent of D.21-01-018's MIP so that funds support local and tribal governments in DVCs as well as community resilience through microgrid deployment.

#### **4.3. Should the Commercial Operation Deadline Established in D.21-01-018 Be Modified?**

The Track 4 Scoping Memo and Ruling<sup>120</sup> directed the parties of record to this proceeding to comment on the Joint IOU MIPIP, and to discuss whether it

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<sup>120</sup> R.19-09-009, E-mail Ruling Modifying Phase 2 Schedule of Track 4, issued October 8, 2021, modified the schedule in the Track 4 Scoping Memo and Ruling.

meets the minimum requirements established in OP 6 and OP 7 of D.21-01-018. We discuss the parties' positions, below.

#### **4.3.1. Joint IOU MIPIP Summary**

The Joint IOUs state that they, and most, stakeholders believe that the 24-month MIP commercial operation deadline adopted in D.21-01-018 for the individual projects to come online is too short.<sup>121</sup> The Joint IOUs propose modifying the deadline for MIP projects to come online in the following fashion:

- The Development Term is the period commencing on the effective date of the MOA (MOA Effective Date) and shall remain in effect until the MIP Project Islanding Operation Date, no later than 24 months from the MOA Effective Date unless modified by mutually agreed-to extensions with a total term not to exceed 36 months from the MOA Effective Date.<sup>122</sup>

The Joint IOUs state that during the stakeholder workshops, there was consensus regarding the need for flexibility in terms of development timeline.<sup>123</sup> The Joint IOUs argue that developing community microgrids is complex and the timeline for execution of the projects needs more flexibility.<sup>124</sup>

#### **4.3.2. Parties' Positions**

RCRC states that the utilities and stakeholders believe that a 24-month window for execution of projects is too short for projects not currently in

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<sup>121</sup> Joint IOU MIPIP at 5.

<sup>122</sup> *Id.*

<sup>123</sup> *Id.*

<sup>124</sup> *Id.*

development.<sup>125</sup> RCRC recommends modifying the deadline by triggering the date from adoption of the Joint IOU MIPIP to execution of the MOA.<sup>126</sup>

CESA also supports the IOUs' proposal to extend the commercial operation deadline. CESA states that stakeholders universally agreed that D.21-01-018's commercial operation deadline is one of the largest barriers to participation in MIP, particularly for DVCs.<sup>127</sup> LA County also supports the Joint IOUs' request to modify the commercial operation deadline.<sup>128</sup> Likewise, MRC also supports the Joint IOUs' request to extend the eligibility period.<sup>129</sup> For its part, MEC recommends that the commercial operation date requirement be extended or removed.<sup>130</sup>

In addition to advocating for an extension – or removal – of the 24-month commercial operation deadline,<sup>131</sup> Clean Coalition recommends that interconnection timelines be guaranteed by each utility.<sup>132</sup>

#### **4.3.3. Discussion**

D.21-01-018 establishes that the individual projects supported by the MIP shall reach commercial operation within 24 months of the Commission's adoption of a final MIP.<sup>133</sup> The Joint IOUs state that they discussed this duration of time within the stakeholder workshops and found that most, if not all,

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<sup>125</sup> RCRC Opening Comments to Joint IOU MIPIP at 4-5.

<sup>126</sup> *Id.*

<sup>127</sup> CESA Opening Comments to Joint IOU MIPIP at 3.

<sup>128</sup> LA County Opening Comments to Joint IOU MIPIP at 3.

<sup>129</sup> MRC Opening Comments to Joint IOU MIPIP at 2.

<sup>130</sup> MEC Reply Comments to Joint IOU MIPIP at 6.

<sup>131</sup> Clean Coalition Reply Comments to Joint IOU MIPIP at 2-3.

<sup>132</sup> *Id.*

<sup>133</sup> D.21-01-018 at 65-66.

stakeholders believe this is too short of time for microgrid projects to develop.<sup>134</sup> Indeed, the record supports that the commercial operation deadline should be modified. Therefore, we adopt the Joint IOUs' and stakeholders' recommendation to modify the commercial operation deadline, with the ability to extend the deadline on an as-needed basis. The 24-month commercial operation deadline will commence with the execution of the MOA, rather than from the date of the issuance of this decision. Additionally, if PG&E, SDG&E, or SCE find that extenuating circumstances may prevent or have prevented a Microgrid Incentive Program project from achieving commercial operation within the deadline established by the Decision and substantial progress on the Microgrid Incentive Program project has been achieved, PG&E, or SCE, or SDG&E may submit a Tier 2 Advice Letter seeking to justify a reasonable further extension.

In modifying the commercial operation deadline, we do not discount the importance of establishing a clear endpoint. Bringing a project online, and to finality, is critical to ensure funding is used timely. However, we believe that this modification is warranted given the complexity of the project application and development process. Considering the stakeholder comment, we agree that D.21-01-018's requirement that the deadline of 24 months from issuance of this decision is prohibitive, given the complexity of the project application and development process as well as the technical novelty of the program.

First, D.21-01-018's deadline would likely only support projects that are currently under development and could aggressively compete for money. This is incongruent with the intent of the MIP. D.21-01-018's timeline would thus

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<sup>134</sup> Joint IOU MIPIP at 5.



effectively give an even shorter timeline for projects to work their way through the development and applicant process and be ready for online operation.

Second, modifying the 24-month commercial operation deadline requirement to commence with the execution of the MOA, rather than from issuance of this decision, supports the Joint IOUs' efforts to provide access and support to ensure that more DVCs can apply to this program. Third, D.21-01-018's deadline is also incongruent with the needs of MIP applicants and the Joint IOUs' ability to issue the MIP Handbook, which, as discussed above, is a comprehensive resource to guide both the MIP applicant and the Joint IOU through the implementation process.

However, we disagree with Clean Coalition's recommendation to require each utility to guarantee interconnection timelines.<sup>135</sup> There is a lack of project experience for these types of complex projects on both the applicant and utility side. By modifying the commercial operation deadline, we support the Applicant and the utility's efforts to, within the fullness of a reasonable timeframe, bring a project online and in a timely fashion under the guidelines adopted in this decision.

In short, we support the unanimous request to modify the 24-month commercial operation deadline requirement so that it commences with the execution of the MOA, rather than from the issuance of this decision. Further, if PG&E, SDG&E, or SCE find that extenuating circumstances may prevent or have prevented a Microgrid Incentive Program project from achieving commercial operation within the deadline established by the Decision and substantial progress on the Microgrid Incentive Program project has been achieved, PG&E,

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<sup>135</sup> Clean Coalition Opening Comments to Joint IOU MIPIP at 5.

or SCE, or SDG&E may submit a Tier 2 Advice Letter seeking to justify a reasonable further extension.

**4.4. Should the Joint IOUs Be Required to Provide Additional Information, Maps, and/or Tools for Identifying Feasible Microgrid Projects?**

Consistent with the ALJ Ruling,<sup>136</sup> parties were asked an array of questions regarding the recommendations from the Staff Proposal. We summarize the Staff Proposal and the Staff Proposal's recommendations, as well as the parties' positions, below.

**4.4.1. Staff Proposal Summary:  
IOU Additional Information,  
Maps, and/or Tools to Identify  
Feasible Microgrid Projects**

The Staff Proposal recommends requiring the IOUs to share additional information to help project developers identify when a microgrid is a reasonable solution, or develop a heat map identifying key locations where utilities expect continued grid outages in the coming decades, or to pilot the Resilience Node Cluster Analysis Tool (ReNCAT).<sup>137</sup> The Staff Proposals offers three options and recommends adopting Option 2.<sup>138</sup>

**4.4.2. Parties' Positions**

Cal Advocates asserts that Option 2 is insufficient on its own, and instead, the Commission should adopt Option 3, which would require the IOUs to pilot the application of the ReNCAT.<sup>139</sup>

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<sup>136</sup> ALJ Ruling, July 6, 2022.

<sup>137</sup> ALJ Ruling, Staff Proposal at 1-4.

<sup>138</sup> *Id.*

<sup>139</sup> Cal Advocates Opening Comments to Staff Proposal at 4-6.

CESA states that additional information in the MIP Handbook such as heat maps with additional layers to determine/affirm customer and project eligibility will be helpful in supporting the development of eligible and feasible MIP microgrid projects.<sup>140</sup>

Clean Coalition recommends that the Commission adopt Option 1 and Option 2. Clean Coalition states both are low-cost solutions that can be implemented within a short period of time.<sup>141</sup> CESA also recommends that maps should include layers for each of the eligibility criteria from the proposed Joint IOU MIPIP.<sup>142</sup>

The Joint IOUs state the additional documentation proposed in the Staff Proposal Option 1 is redundant when coupled with the information in the Joint IOUs' proposed implementation plan.<sup>143</sup>

MEC supports the educational and additional material described in Staff Proposal Option 1 but states that any maps or tools would only be helpful if they present information at a very granular level.<sup>144</sup> MEC also supports the inclusion of the ReNCAT to the extent that it supports program implementation rather than delaying it.<sup>145</sup> RCRC supports Option 1 and Option 2.

#### **4.4.3. Discussion**

We decline to adopt the Staff Proposal's recommendation to require the IOUs to share additional information contemplated under any of the proposed

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<sup>140</sup> CESA Opening Comments to Staff Proposal at 3.

<sup>141</sup> Clean Coalition Opening Comments to Staff Proposal at 3.

<sup>142</sup> *Id.* at 5-6.

<sup>143</sup> Joint IOU Opening Comments to Staff Proposal at 2-4.

<sup>144</sup> MEC Opening Comments to Staff Proposal at 5.

<sup>145</sup> *Id.* at 6.

options. First, the education and outreach documentation and guides described in Option 1 will be included in the IOU's respective handbooks. We agree with the Joint IOUs that this information, coupled with the consultative process adopted above, would be redundant with Staff Proposal Option 1.<sup>146</sup> Thus, we decline to adopt Option 1.

Second, we decline to adopt Staff Proposal Option 2. We agree with Cal Advocates that the heat map information is insufficient on its own merit because it would restate information that is already available to potential applicants.<sup>147</sup> However, we direct the Joint IOUs to utilize the resiliency planning informational resources developed under D.20-06-017 during the consultative process to help MIP applicants shape the design of their microgrid and related resiliency projects.<sup>148</sup> The resiliency planning informational resources developed under D.20-06-017 include: (1) semi-annual workshops; (2) guides; (3) websites; and (4) maps with multiple layers developed pursuant to OP 11. The map information contained within the access-restricted data portal ordered under OP 11 of D.20-06-017 should give MIP Applicants sufficient context for understanding such things as: (1) where planned utility work and grid investments will occur; (2) layers showing high fire threat districts; (3) layers showing electrical infrastructure; and (4) layers showing key weather-related information.<sup>149</sup> This information contains the building blocks of information which, combined with the Joint IOU consultative process, should empower MIP Applicants with pragmatic information about where a microgrid may be

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<sup>146</sup> Joint IOU Opening Comments of Staff Proposal at 2.

<sup>147</sup> Cal Advocates Opening Comments of Staff Proposal at 4.

<sup>148</sup> D.20-06-017, OP 7, OP 9, and OP 11.

<sup>149</sup> *Id.*, OP 11.

effective for grid outage mitigation. In short, we agree with the Joint IOUs that the maps being developed and/or launched in compliance with OP 11 of D.20-06-017 would likely satisfy the needs that are targeted under Staff Proposal Option 2.<sup>150</sup> By declining to adopt Option 2 and directing the Joint IOUs and MIP Applicants to utilize the map information and resources from OP 7, OP 9, and OP 11 of D.20-06-017, we preserve further expenditure of ratepayer dollars by utilizing existing resources. Finally, we direct the Joint IOUs to include tools to help applicants, such as High Fire Threat District Maps, maps with census information, earthquake zone maps, and interconnection capacity analysis maps. Thus, we decline to adopt Option 2.

Next, we decline to adopt Staff Proposal Option 3. For purposes of MIP implementation, we agree with the Joint IOUs<sup>151</sup> that their resources are more effectively deployed by working one-on-one with prospective applicants through the consultative process adopted by this decision. However, Cal Advocates<sup>152</sup> and MEC<sup>153</sup> support directing the IOUs to collaborate with Sandia National Labs to develop the ReNCAT tool. We agree with Cal Advocates and MEC that the ReNCAT tool is important to support because it is aimed toward assessing the social burden of outages. Thus, the Commission will explore the development of the ReNCAT tool through the next track of this proceeding, under the value of resiliency. Gaining additional stakeholder input on the development and use of the ReNCAT tool will help facilitate future Energy Division workshops.

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<sup>150</sup> Joint IOU Opening Comments to Staff Proposal at 4.

<sup>151</sup> *Id.* at 8.

<sup>152</sup> Cal Advocates Opening Comments to Staff Proposal at 7.

<sup>153</sup> MEC Opening Comments to Staff Proposal at 6.

#### **4.5. Should the Joint IOUs Specify Applicant Eligibility Criteria and Assess Long-Term Project Financial Viability?**

Consistent with the ALJ Ruling,<sup>154</sup> parties were asked an array of questions regarding the recommendations from the Staff Proposal. We summarize the Staff Proposal and the Staff Proposal's recommendations, as well as the parties' positions, below.

##### **4.5.1. Staff Proposal Summary: Specify Applicant Eligibility Criteria and Assess Long-Term Project Financial Viability**

The Staff Proposal contemplates that the IOUs ought to specify additional applicant eligibility criteria to screen MIP applicants for financial need, as well as screen projects for long-term financial feasibility.<sup>155</sup> The Staff Proposal strives to clarify applicant eligibility criteria to target funding for applicants with a low ability to afford community microgrid projects as intended by D.21-01-018. The Staff Proposal offers two options.<sup>156</sup>

Option 1 contemplates a screening process for applicant financial need and for projects that have business plans demonstrating the community microgrid project has long-term financial feasibility and provisions to protect against the risk of abandoned projects.<sup>157</sup> Option 2 would take no action.<sup>158</sup> The Staff Proposal recommends Option 1.<sup>159</sup>

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<sup>154</sup> ALJ Ruling, July 6, 2022.

<sup>155</sup> ALJ Ruling, Staff Proposal at 4-6.

<sup>156</sup> *Id.*

<sup>157</sup> *Id.*

<sup>158</sup> *Id.*

<sup>159</sup> *Id.*

#### 4.5.2. Parties' Positions

Cal Advocates states that the Commission should adopt Staff Proposal Option 1, with modification.<sup>160</sup> Cal Advocates argues that a business plan submittal should be a requirement<sup>161</sup> but asserts that demonstration of long-term financial feasibility should be an *eligibility requirement* for projects to receive MIP funding.<sup>162</sup> Cal Advocates recommends that MIP applicants should be required to repay grant funds in the event of project abandonment.<sup>163</sup>

RCRC suggest recharacterizing the submittal of business plan as a feasibility analysis.<sup>164</sup> RCRC also recommends that this information be submitted on an optional basis, rather than as a requirement.<sup>165</sup> CESA states it supports Option 1 with modification.<sup>166</sup> CESA states it supports awarding a business plan with separate points in the project viability category, and that two points be awarded for inclusion of a business plan.<sup>167</sup> Finally, CESA cautions against requiring that applicants repay incentives if the microgrid is not completed.<sup>168</sup>

Clean Coalition argues that the project should be financially viable with MIP funding and any additional granting funding.<sup>169</sup> Clean Coalition cautions

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<sup>160</sup> Cal Advocates Opening Comments to Staff Proposal at 10.

<sup>161</sup> *Id.*

<sup>162</sup> *Id.*

<sup>163</sup> *Id.* at 12.

<sup>164</sup> RCRC Opening Comments to Staff Proposal at 4-5.

<sup>165</sup> *Id.*

<sup>166</sup> CESA Opening Comments to Staff Proposal at 7.

<sup>167</sup> *Id.* at 9.

<sup>168</sup> *Id.* at 10.

<sup>169</sup> Clean Coalition Opening Comments to Staff Proposal at 8.

against any financial viability requirements, nor proof of financial need, because of the limited existing market.<sup>170</sup>

With respect to Option 1, for the Joint IOUs' part, they state that they are amenable to an additional requirement that community applicants attest to a financial need in the form of an affidavit, the Joint IOUs are not in a position to evaluate the financial statements of applicants and to evaluate those applicants' relative need based on those statements.<sup>171</sup> In short, the Joint IOUs do not support a requirement that applicants provide a financial statement.<sup>172</sup> Also, the Joint IOUs state they "do not want to pass judgment on applicants' long-term business plans," and do not believe extra points should be awarded for scoring purposes simply because a long-term business plan was included.<sup>173</sup>

Likewise, MEC does not support adoption of Option 1 and recommends that the Joint IOUs use a scoring system that sends incentives to the communities who need the projects the most.<sup>174</sup>

#### **4.5.3. Discussion**

We adopt Staff Proposal Option 1, with modification. As a threshold matter, the Staff Proposal articulates its rationale for Option 1 to provide: (1) added assurance to ratepayers that the community microgrid will be sustainable over the long-term; and (2) to restrict grant funding distributions who clearly demonstrate they have a need because they have a low ability to afford a community microgrid project. The Staff Proposal contemplates a

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<sup>170</sup> *Id.*

<sup>171</sup> Joint IOU Opening Comments to Staff Proposal at 10.

<sup>172</sup> *Id.*

<sup>173</sup> *Id.*

<sup>174</sup> MEC Opening Comments to Staff Proposal at 6-7.



business plan as a requirement to at least, in part, reduce ratepayer exposure to a project's financial risk of failure.

To protect ratepayers from waste, we agree with Cal Advocates<sup>175</sup> that demonstration of long-term financial feasibility should be a requirement for MIP projects. This shall be demonstrated through a long-term business plan as part of the Application Incentive Request. This requirement underscores our two-fold objective: (1) the importance for ensuring long-term project viability so communities who need these community microgrids the most, get them; and (2) to protect ratepayers from wasteful expenditure. However, we appreciate the concerns raised by MEC<sup>176</sup> and LA County, who oppose Option 1.<sup>177</sup>

LA County argues that the requirement of a business plan and/or financial statement would create an "undue burden" on local governments and would be a deterrent for many communities from "even applying for MIP funding."<sup>178</sup> LA County also argues that a business plan and/or financial statement would "disadvantage low-income communities with lower tax bases."<sup>179</sup> MEC asserts that an assessment of long-term financial viability of proposed projects is "onerous, unpredictable, and risks prejudicing applications from DVCs."<sup>180</sup> However, we remind these parties that we have a duty to protect California ratepayers, who are subsidizing the MIP community microgrids, from exposure

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<sup>175</sup> Cal Advocates Opening Comments to Staff Proposal at 12.

<sup>176</sup> MEC Reply Comments to Staff Proposal at 4.

<sup>177</sup> LA County Opening Comments to Staff Proposal at 1.

<sup>178</sup> *Id.* at 2.

<sup>179</sup> *Id.*

<sup>180</sup> MEC Reply Comments to Staff Proposal at 4.

to risk and wasteful project expenditure.<sup>181</sup> In balancing this, we find that it is reasonable to require an applicant to submit a business plan to demonstrate its project has an executable future, with long-term viability. Thus, we direct the Joint IOUs to not award points for the business plan, but rather, use this business plan requirement for informational, record-keeping purposes.

Additionally, we decline to adopt the Staff Proposal's recommendation to require applicants to supply documents justifying the financial need for the MIP incentive. We are persuaded by MEC<sup>182</sup> that supplying this information would be unhelpful since, as the Joint IOUs state, they are not best positioned to verify an applicant's financial statements which can be subjective and lead the program down a "slippery slope" of qualifying levels of financial need.<sup>183</sup> Indeed, this could put at risk the goal of a streamlined and equitable access to the program.<sup>184</sup> Therefore, rather than supplying various financial documents to justify the financial need for a MIP incentive, project applicants shall have a representative provide a self-attestation stating that they do not have other financial means to cover the community microgrid project expenses. This shall be part of the information only, business plan requirement.

We note that there are four mechanisms that should help reduce the risk that MIP community microgrids may fail after initial operation. These mechanisms are included in the Joint IOU MIPIP, which we adopt here. They are: (1) the requirement that each applicant submit a budget that shows how it arrived at its Application Incentive Request (*i.e.*, the applicant must distinguish

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<sup>181</sup> Sections 451, 454, and 728.

<sup>182</sup> MEC Reply Comments to Staff Proposal at 4.

<sup>183</sup> Joint IOU Opening Comments to Staff Proposal at 11.

<sup>184</sup> *Id.*

between the costs necessary for start-up and the costs of ongoing operations); (2) the inclusions of a detailed Project Implementation Plan, which is part of the MOA, that provides a clear view of the financial, technical, and operational commitments required to successfully construct, commission, and operate the microgrid for the required 10-year minimum duration of the Operating Term; (3) the inclusion of the awardees contract(s) with the firms that will designing, procuring, and constructing the non-IOU components of the project; and (4) the scoring criteria.

#### **4.6. Should MIP Applicants Demonstrate Meeting a Critical Energy Resiliency Need?**

Consistent with the ALJ Ruling,<sup>185</sup> parties were asked an array of questions regarding the recommendations from the Staff Proposal. We summarize the Staff Proposal and the Staff Proposal's recommendations, as well as the parties' positions, below.

##### **4.6.1. Staff Proposal Summary: Justify Energy Resiliency Need**

The Staff Proposal recommends awarding additional points to projects when a project applicant can describe how it serves a critical energy resiliency need identified within regional community plans.<sup>186</sup> The Staff Proposal offers two options and recommends Option 2.<sup>187</sup>

First, Option 1 requires the IOUs to modify their scoring criteria.<sup>188</sup> This would require the IOUs to include additional points for applicants who can provide supporting documentation that their project increases electricity

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<sup>185</sup> ALJ Ruling, July 6, 2022.

<sup>186</sup> ALJ Ruling, July 6, 2022, Staff Proposal at 6-8.

<sup>187</sup> *Id.*

<sup>188</sup> *Id.*

reliability and resiliency in communities that may be at higher risk of electrical outages from a high-hazard event.<sup>189</sup> Option 2 recommends no action.<sup>190</sup>

#### **4.6.2. Parties' Positions**

Cal Advocates agrees with the Staff Proposal that MIP applications would be strengthened by supplementary vulnerability assessments demonstrating either coordination with local hazard mitigation plans or proactive mitigation planning.<sup>191</sup> However, Cal Advocates recommends that if additional scoring points are awarded to projects for submittal of vulnerability assessments, the points should be added to the number of the project prioritization score rather than the Staff Proposal's recommendation to add benefit points to the 100-point scale.<sup>192</sup>

RCRC states it is hesitant to support awarding additional points for non-resiliency needs/benefits due to its concerns with the Joint IOUs' proposed scoring methodology.<sup>193</sup>

CESA supports additional points for applicants that can provide additional documentation showing how the MIP microgrid solution fits into a larger community resiliency plan but should not be a requirement.<sup>194</sup>

Clean Coalition supports the addition of documentation that shows how its MIP microgrid solution is coordinated with local hazard mitigation plans or

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<sup>189</sup> *Id.*

<sup>190</sup> *Id.*

<sup>191</sup> Cal Advocates Opening Comments to Staff Proposal at 13.

<sup>192</sup> *Id.*

<sup>193</sup> RCRC Opening Comments to Staff Proposal at 5-6.

<sup>194</sup> CESA Opening Comments to Staff Proposal at 11.

climate adaptation plans but acknowledges that some potential applicants may not have access to broader resilience planning.<sup>195</sup>

The Joint IOUs do not support awarding additional points for applicants who can provide supporting documentation that a project increases electrical reliability or resiliency in communities.<sup>196</sup> The Joint IOUs state the program already provides points for projects who demonstrate resiliency benefits and including additional scoring points would be duplicative.<sup>197</sup>

MEC similarly agrees the Joint IOU MIPIP currently accounts for vulnerability to outages as part of community eligibility and does not support a requirement that an applicant demonstrate resiliency benefits.<sup>198</sup>

#### **4.6.3. Discussion**

As stated above, the Staff Proposal recommends awarding additional points to projects when a project applicant can describe how it serves a critical resiliency need within regional community plans. The Staff Proposal also recommends that the Joint IOUs modify their scoring criteria to include additional points for applicants who can provide additional documentation that their project increases electric reliability and resiliency in communities.

Several of the parties offered modifications to the Staff Proposal's recommendation. However, MEC<sup>199</sup> argues that adding more documentation to show critical energy resilience need would add "an additional burden on applicants when this information should already be accounted for in eligibility

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<sup>195</sup> Clean Coalition Opening Comments to Staff Proposal at 10.

<sup>196</sup> Joint IOU Opening Comments to Staff Proposal at 15.

<sup>197</sup> *Id.*

<sup>198</sup> MEC Opening Comments to Staff Proposal at 9-10.

<sup>199</sup> MEC Opening Comments to Staff Proposal at 10.

and scoring criteria of projects.”<sup>200</sup> We agree. We decline to adopt the Staff Proposal’s recommendation because it would add an additional burden on MIP Applicants.

This additional layer would also create redundancy on MIP Applicants as the program already requires applicants to demonstrate vulnerability to outages, and the scoring criteria already provide points for projects demonstrating resiliency benefits.<sup>201</sup> We agree with the Joint IOUs that providing additional points would “double count the resilience benefits portion of the project score, throwing out of balance the relationship to customer and community benefits as well as environmental benefits.”<sup>202</sup> We see no need to add unhelpful steps into a process that already accounts for resiliency benefits. However, we direct the Joint IOUs to accept a letter of support from local, tribal jurisdictions that identifies and justifies other forms of vulnerability to outages as the basis for why a local, tribal jurisdiction has a critical energy resilience need.

#### **4.7. Should the Project Scoring Criteria be Modified?**

Consistent with the ALJ Ruling,<sup>203</sup> parties were asked an array of questions regarding the recommendations from the Staff Proposal. We summarize the Staff Proposal and the Staff Proposal’s recommendations, as well as the parties’ positions, below.

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<sup>200</sup> *Id.*

<sup>201</sup> Joint IOU MIPIP at 30-32.

<sup>202</sup> Joint IOU Reply Comments to Staff Proposal at 11-12.

<sup>203</sup> ALJ Ruling, July 6, 2022.

#### **4.7.1. Staff Proposal Summary: Modifying the Scoring Criteria**

The Staff Proposal contemplates reconsidering the scoring prioritization method proposed by the Joint IOUs. The current implementation plan proposes a scoring prioritization method based on several benefit categories, sub-categories, and weightings.<sup>204</sup>

Some stakeholders argue that benefit categories may arbitrarily be assigned point thresholds that may limit project competitiveness. Given this stakeholder reaction, the Staff Proposal offers two options.<sup>205</sup> Option 1 would require the Joint IOUs to modify scoring criteria to adjust benefits to customers, expand consideration for different sized projects, and impact to the environment. Option 2 would make no changes.<sup>206</sup> The Staff Proposal recommends Option 2.<sup>207</sup>

#### **4.7.2. Parties' Positions**

Cal Advocates supports the Staff Proposal's recommendation to adopt Option 2.<sup>208</sup> MEC supports modifying the scoring criteria to support DVCs.<sup>209</sup> CESA does not support adopting Option 2, arguing that it would disproportionately harm larger projects and would not allow for consideration of the project viability criteria.<sup>210</sup> CESA argues that if the Commission adopts Option 1, the sub-category point caps should be removed, and instead have a

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<sup>204</sup> ALJ Ruling, July 6, 2022, Staff Proposal at 9-11.

<sup>205</sup> *Id.*

<sup>206</sup> *Id.*

<sup>207</sup> *Id.*

<sup>208</sup> *Id.* at 14.

<sup>209</sup> MEC Opening Comments to Staff Proposal at 11-12.

<sup>210</sup> CESA Opening Comments to Staff Proposal at 13.

scoring methodology with a multiplier.<sup>211</sup> CESA supports the inclusion of additional benefit score points for projects that can show a business plan, evidence of the microgrid fulfilling a community resilience need, or leveraging of outside funding.<sup>212</sup> The Joint IOUs support adopting Option 2 because Option 2 preserves the current, proposed scoring thresholds in the Joint IOU MIPIP.<sup>213</sup>

#### **4.7.3. Discussion**

The Staff Proposal suggests reconsidering the scoring prioritization method proposed by the Joint IOUs in their Joint IOU MIPIP. We decline to reconsider the scoring criteria.

The scoring criteria and methodology in the Joint IOU MIPIP, as Cal Advocates states, was developed through stakeholder engagement in working groups under the guidelines of D.21-01-018.<sup>214</sup> In D.21-01-018,<sup>215</sup> we directed stakeholders to participate and engage in the MIP workshops but not to use the forum to relitigate settled issues, rehash prior positions, or frame the MIP discussion to serve a narrow set of interests that ultimately do not serve the public interest.<sup>216</sup> We decline to undo this work. We adopt the scoring criteria thresholds in the Joint IOU MIPIP to ensure every applicant has a fair shot at funding.

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<sup>211</sup> *Id.* at 14.

<sup>212</sup> *Id.* at 15.

<sup>213</sup> Joint IOU Opening Comments to Staff Proposal at 16.

<sup>214</sup> Cal Advocates Opening Comments to Staff Proposal at 14.

<sup>215</sup> D.21-01-018 at 61.

<sup>216</sup> D.21-01-018 at 68.



#### **4.8. Should MIP Applicants Leverage Other Public and/or Private Funding Partnerships?**

Consistent with the ALJ Ruling,<sup>217</sup> parties were asked an array of questions regarding the recommendations from the Staff Proposal. We summarize the Staff Proposal and the Staff Proposal's recommendations, as well as the parties' positions, below.

##### **4.8.1. Staff Proposal Summary: Leveraging Other Public and/or Private Funding Partnerships**

The Staff Proposal recommends leveraging external public and/or private partnerships that would help distribute D.21-01-018's \$200 million grant funding across the greatest number of projects.<sup>218</sup> The current implementation plan scoring criteria does not assign additional points for projects that leverage multiple funding sources.<sup>219</sup> The Staff Proposal offers two options to encourage public/private partnerships. The Staff Proposal recommends Option 3.<sup>220</sup>

First, Option 1 requires the IOUs to include a list of external grant sources in the MIP Handbook, program website and other outreach efforts, so project developers have external resources readily available.<sup>221</sup> Second, Option 2 recommends taking no action.<sup>222</sup> Finally, Option 3 requires the IOUs to modify the scoring criteria to include additional points for project developers who can demonstrate that they leveraged other grant funding sources.<sup>223</sup> For project

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<sup>217</sup> ALJ Ruling, July 6, 2022.

<sup>218</sup> ALJ Ruling, July 6, 2022, Staff Proposal at 11-13.

<sup>219</sup> *Id.*

<sup>220</sup> *Id.*

<sup>221</sup> *Id.*

<sup>222</sup> *Id.*

<sup>223</sup> *Id.*

developers that were denied grant funding from their city council, county board of supervisors, or state or federal funding, points would be designated in recognition for good faith efforts.<sup>224</sup>

#### **4.8.2. Parties' Positions**

Cal Advocates supports Option 3 arguing it could enhance project success and leverage non-ratepayer sources of funding to accomplish climate and resiliency goals.<sup>225</sup>

RCRC states the Commission should not adopt Option 3 in its entirety because: (1) awarding points to applicants who have secured (or been rejected) for outside funding will further erode the value the scoring methodology places on the resilience and reliability benefits provided by the project; and (2) will actually push those projects in greatest need of IOU funding farther back in the queue.<sup>226</sup>

Clean Coalition supports the idea of connecting MIP applicants with other funding sources.<sup>227</sup> For complex projects, Clean Coalition states that finding multiple sources of capital is beneficial, if not necessary, especially if the microgrid cannot be optimized for economics.<sup>228</sup>

The Joint IOUs state they are amenable to a limited scope on the first part of Option 3: providing links to the California Grants Portal and the Governor's Office of Planning and Research through the MIP program webpage, MIP

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<sup>224</sup> *Id.*

<sup>225</sup> Cal Advocates Opening Comments to Staff Proposal at 15.

<sup>226</sup> RCRC Opening Comments to Staff Proposal at 8.

<sup>227</sup> Clean Coalition Opening Comments to Staff Proposal at 11.

<sup>228</sup> *Id.*

Handbook, and communication collateral.<sup>229</sup> However, the Joint IOUs do not agree with modifying the scoring criteria because they state it is unnecessary and duplicative to the program design.<sup>230</sup> The Joint IOUs state their implementation contemplates MIP applicants to demonstrate the extent to which other grant funding sources were leveraged.<sup>231</sup>

MEC states it supports Option 1 and a portion of Option 3 that recommends maintaining a list of external grant sources and connecting MIP applicants with other relevant revenue sources.<sup>232</sup> MEC opposes Option 3's proposal of awarding points for leveraging other funding sources.<sup>233</sup>

#### **4.8.3. Discussion**

Several parties object to awarding additional points for securing outside funding. For example, MEC asserts that parties who are most in need of funding will have the least capacity to secure outside sources of matching funds. MEC states that such a system "ignores the reality that a serious project applicant is likely to seek multiple sources of funding; however, an under-resourced applicant may be less likely to successfully obtain such funding, due to challenges with access or technical capacity."<sup>234</sup> We agree.

However, we believe that having this information available would be beneficial so applicants can find more funding sources they are eligible for. This could increase the likelihood that they will apply for and obtain additional

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<sup>229</sup> Joint IOU Opening Comments to Staff Proposal at 18.

<sup>230</sup> *Id.*

<sup>231</sup> *Id.*

<sup>232</sup> MEC Opening Comments to Staff Proposal at 13-14.

<sup>233</sup> *Id.*

<sup>234</sup> MEC Opening Comments to Staff Proposal at 14.

funding.<sup>235</sup> Therefore, we adopt Staff Proposal Option 1 and direct the Joint IOUs to include a non-exhaustive list of other external grant sources in the MIP Handbook and MIP program website, so that those resources are available for MIP Applicants.<sup>236</sup>

#### **4.9. Should There Be Community Engagement for Project Solicitation?**

Consistent with the ALJ Ruling,<sup>237</sup> parties were asked an array of questions regarding the recommendations from the Staff Proposal. We summarize the Staff Proposal and the Staff Proposal's recommendations, as well as the parties' positions, below.

##### **4.9.1. Staff Proposal Summary: Community Engagement for Project Solicitation**

The Joint IOU MIPIP states that each utility would present project prioritization results to the Disadvantaged Communities Advisory Group (DACAG).<sup>238</sup> The Staff Proposal recommends the Commission adopt the Joint IOU MIPIP with modification to this element to clarify the role and intended level of DACAG involvement.<sup>239</sup>

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<sup>235</sup> *Id.* at 14-15.

<sup>236</sup> The Joint IOUs may include links to external funding resources and may include a disclaimer that the links do not offer an exhaustive and complete guide to all funding, and is offered as a resource to start the grant search.

<sup>237</sup> ALJ Ruling, July 6, 2022.

<sup>238</sup> ALJ Ruling, July 6, 2022, Staff Proposal at 13-14.

<sup>239</sup> *Id.*

#### **4.9.2. Parties' Positions**

Clean Coalition also supports DACAG engagement and proposes that if the DACAG is not available, a separate stakeholder working group should be created for the purpose of selecting winning applications.<sup>240</sup>

The Joint IOUs state they are amenable to further detailing the intended role of the DACAG and engaging with the DACAG if it is willing to perform an advisory role.<sup>241</sup> MEC also supports the Staff Proposal's recommendation to engage the DACAG and to obtain its consent for serving in an oversight and advisory role for scoring and selection.<sup>242</sup>

#### **4.9.3. Discussion**

We decline to adopt Staff Proposal Option 1. However, multiple parties support the involvement of the DACAG, and several parties pointed out the need to clarify the role and intended level of involvement. Therefore, should a need arise for the Joint IOUs to seek advice or consultation from the DACAG, the Joint IOUs may consult with the DACAG regarding review and provide actionable feedback on MIP Applications.

#### **4.10. Should There Be a Dispute Resolution Process for the MIP Applicant and the Program Administrator?**

Consistent with the ALJ Ruling,<sup>243</sup> parties were asked an array of questions regarding the recommendations from the Staff Proposal. We summarize the Staff Proposal and the Staff Proposal's recommendations, as well as the parties' positions, below.

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<sup>240</sup> Clean Coalition Opening Comments to Staff Proposal at 12.

<sup>241</sup> Joint IOU Opening Comments to Staff Proposal at 21.

<sup>242</sup> MEC Opening Comments to Staff Proposal at 16.

<sup>243</sup> ALJ Ruling, July 6, 2022.

#### **4.10.1. Staff Proposal: Resolving Disputes**

The Staff Proposal recommends that the Joint IOUs identify a potential dispute resolution process for situations where there is a difference in opinion between a project applicant and the utility.<sup>244</sup> The Staff Proposal offers two options.<sup>245</sup> Option 1 contemplates the utility develop a process within the MIP Handbook to resolve disagreements.<sup>246</sup> Option 2 contemplates no dispute resolution process.<sup>247</sup> The Staff Proposal recommends Option 1.<sup>248</sup>

#### **4.10.2. Parties' Positions**

Cal Advocates agrees with the Staff Proposal's recommendation to require the utilities to identify the process for dispute resolution in the MIP Handbook.<sup>249</sup> CESA supports the adoption of a dispute resolution process.<sup>250</sup> Clean Coalition supports the adoption of a dispute resolution process.<sup>251</sup> MEC also supports the adoption of a dispute resolution process to resolve disagreements.<sup>252</sup>

The Joint IOUs state that each of the Joint IOUs will include a dispute resolution scope and process in its MIP Handbook, including specifying the method for an applicant to notify the utility of a dispute, timelines for pursuing remedies, and identifying the utility personnel authorized to resolve a

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<sup>244</sup> ALJ Ruling, July 6, 2022, Staff Proposal at 15.

<sup>245</sup> *Id.*

<sup>246</sup> *Id.*

<sup>247</sup> *Id.*

<sup>248</sup> *Id.*

<sup>249</sup> Cal Advocates Opening Comments to Staff Proposal at 17.

<sup>250</sup> CESA Opening Comments to Staff Proposal at 19.

<sup>251</sup> *Id.*

<sup>252</sup> MEC Opening Comments to Staff Proposal 18.

MIP-related dispute in this process.<sup>253</sup> Further, the Joint IOUs state their dispute resolution process is intended to be an informal meet-and-confer process to communicate concerns and attempt to resolve any such concerns on a timely basis through bilateral discussions.<sup>254</sup> Finally, the Joint IOUs assert that, to the extent any particular dispute cannot be resolved through this process, an applicant should be able to present the dispute for resolution to the Commission pursuant to the Commission's Rules of Practice and Procedure.<sup>255</sup>

#### **4.10.3. Discussion**

We direct the Joint IOUs to include a dispute resolution scope and process in its MIP Handbook, including specifying the method for an applicant to notify the utility of a dispute, timelines for pursuing remedies, and identifying the utility personnel authorized to assist with resolving a MIP-related dispute in the MIP process. To be clear, the dispute resolution process is intended to be an informal meet-and-confer process to communicate concerns and attempt to resolve any such on a timely basis through bilateral discussions.

#### **4.11. How Should Potential Leftover Funding Be Appropriated?**

Consistent with the ALJ Ruling,<sup>256</sup> parties were asked an array of questions regarding the recommendations from the Staff Proposal. We summarize the Staff Proposal and the Staff Proposal's recommendations, as well as the parties' positions, below.

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<sup>253</sup> Joint IOU Opening Comments to Staff Proposal at 23-24.

<sup>254</sup> *Id.*

<sup>255</sup> *Id.*

<sup>256</sup> ALJ Ruling, July 6, 2022.

**4.11.1. Staff Proposal:  
Addressing Leftover Funding**

The Staff Proposal recommends that the Joint IOU MIPIP be revised to address what should be done with unused program funding at the end of the MIP.<sup>257</sup> The Staff Proposal offers two options.<sup>258</sup> Option 1 recommends modifying the Implementation Plan to allow a utility to file a Tier 1 AL to reallocate unused program funding to another customer resiliency project program.<sup>259</sup> Option 2 would make no changes to the Joint IOU MIPIP.<sup>260</sup> Staff recommends Option 1.<sup>261</sup>

**4.11.2. Parties' Positions**

Cal Advocates states the Commission should not adopt Option 1 or Option 2,<sup>262</sup> but should instead, require all unused funding to be returned to ratepayers.<sup>263</sup> CESA supports Option 1 because vulnerable populations will continue to face critical resiliency needs.<sup>264</sup>

The Joint IOUs state they support the ability to either request approval to reallocate unused money to other programs, or to return the unused money to ratepayers.<sup>265</sup>

MEC supports Option 1 in order to ensure efficient use of ratepayer funding.<sup>266</sup> MEC recommends that Option 1 should be modified to ensure that

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<sup>257</sup> ALJ Ruling, July 6, 2022, Staff Proposal at 15-16.

<sup>258</sup> *Id.*

<sup>259</sup> *Id.*

<sup>260</sup> *Id.*

<sup>261</sup> *Id.*

<sup>262</sup> Cal Advocates Opening Comments to Staff Proposal at 18.

<sup>263</sup> *Id.*

<sup>264</sup> CESA Opening Comments to Staff Proposal at 21.

<sup>265</sup> Joint IOU Opening Comments to Staff Proposal at 24.

<sup>266</sup> MEC Opening Comments Regarding to Staff Proposal at 18.



the funding may only be allocated to customer resiliency project programs that benefit DVCs.<sup>267</sup>

#### **4.11.3. Discussion**

We decline to adopt the Staff Proposal recommendations. We direct the Joint IOUs to return leftover MIP program funds to ratepayers. By returning any leftover funds back to ratepayers, we ensure that this funding is used for the expressed purposes identified in this decision as well as D.21-01-018.

### **5. Conclusion**

Pursuant to Ordering Paragraphs 6 and 7 of Decision 21-01-018, this decision adopts implementation rules for the previously-authorized MIP for PG&E, SCE, and SDG&E. The MIP is a program that is targeted for placement of community microgrids in DVCs to support populations impacted by grid outages. The MIP seeks to advance microgrid resiliency technology, advance system benefits of microgrids equitably across DVCs, and inform future regulatory resiliency action to the benefit of all ratepayer customers.

### **6. Summary of Public Comment on the Docket Card**

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the “Public Comment” tab of the online Docket Card for that proceeding on the Commission’s website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding.

Here, public comment was received from constituents in Lakeport, California supporting the Microgrid Incentive Program with modification as well as from constituents from across California expressing support for increased resiliency and reliability measures from microgrids to prevent grid outages.

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<sup>267</sup> *Id.*

## 7. Comments on Proposed Decision

The proposed decision of ALJ Colin Rizzo in this matter was mailed to the parties in accordance with Pub. Util. Code Section 311 and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on March 1, 2023 by: (1) California Energy Storage Alliance (CESA); (2) Center for Accessible Technology; (3) California Environmental Justice Alliance, Sierra Club, The Climate Center, and Vote Solar (Microgrid Equity Coalition); (3) Green Power Institute (GPI); (4) Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company (Joint IOUs). Reply comments were filed on March 6, 2023, by: (1) Joint IOUs; (2) Microgrid Equity Coalition; (3) Microgrid Resources Coalition; and (4) the Public Advocates Office.

We have carefully considered the suggested changes proposed by parties in their comments and their reply comments to this Decision. The suggested changes that we have accepted are reflected in the revised version of this Decision. However, we take a moment to directly address some suggested changes by some parties, below.

CESA asserts that the benefit score point caps should be removed in order to truly select projects with the highest value for ratepayer dollar.<sup>268</sup> For the reasons discussed throughout the Decision, we decline to adopt this recommendation. CESA also recommends that a deadline should be established for when the Joint IOUs should open their first MIP application window.<sup>269</sup> We agree and have adopted this change throughout the Decision.

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<sup>268</sup> CESA Opening Comments to Proposed Decision at 4-5.

<sup>269</sup> *Id.* at 5-6

CforAT states MIP project costs should not be classified as regulatory assets the generate a rate of return.<sup>270</sup> CforAT supports the Decision's determination that local governments and tribal jurisdictions may provide a letter of support on how a MIP reduced vulnerability to outages as part of a showing of critical need.<sup>271</sup>

MEC supports the Decision's intent to use ReNCAT.<sup>272</sup> MEC also supports the Decision's intent to not duplicate eligibility criteria, not to adopt additional points using outside funding, and the Decision's establishment of a dispute resolution process.<sup>273</sup> MEC recommends that we include the available extensions to the 24-month commercial operation deadline in the Conclusions of Law and Ordering Paragraphs.<sup>274</sup> We agree and adopted this change throughout the Decision. MEC also recommends that we provide technical assistance money up front, increase DACAG authority over the MIP process and evaluation, and modify the scoring criteria.<sup>275</sup> For the reasons discussed throughout this decision, we decline to adopt these recommendations.

GPI comments that that changing the commercial operation deadline is still too short a period to bring a project online. For the reasons discussed throughout this Decision, we disagree. GPI also recommends that the \$25,000 development grant be made available to eligible applicants at the start of the

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<sup>270</sup> CforAT Opening Comments to Proposed Decision at 1-3.

<sup>271</sup> *Id.* at 2-3

<sup>272</sup> MEC Opening Comments to Proposed Decision 2-3.

<sup>273</sup> *Id.*

<sup>274</sup> *Id.* at 3-4.

<sup>275</sup> *Id.* at 5-6.

application process. For the reasons discussed throughout this Decision, we disagree.

The Joint IOUs comment that the Decision errs by failing to authorize compensatory cost recovery for customer-side infrastructure costs. For the reasons discussed throughout this Decision, we disagree. In particular, we find merit in the view that we should, based on the facts here, exercise our ratemaking authority to strike a balance between the competing objectives of providing a fair recovery of expenses to utilities while reducing the burden on ratepayers.

The Joint IOUs, who requested “regulatory asset” treatment of the equipment in question, argue in their comments that the Proposed Decision’s determination that they should provide financing for MIP projects at a debt-only rate of return arbitrarily departs from “precedent” and cost-of-service ratemaking and would commit legal error if adopted, citing to D.14-03-021.<sup>276</sup> According to the Joint IOUs, the conceptual structure of general utility ratemaking legally requires us to provide the level of return they seek because a regulatory asset requires IOU financing and therefore is entitled to return on cost of capital, including return on equity. Elaborating on their point, Joint IOUs argue that they will be financing long-term investments through a Commission-approved capital structure of debt and equity; and, as a result, they should earn a Commission-approved rate of return based on the resulting cost of capital and to do otherwise would not allow any return on the equity portion of financing these

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<sup>276</sup> Decision On Issues Concerning Voluntary Conversion Of Electric And Natural Gas Master-metered Service At Mobilehome Parks And Manufactured Housing Communities To Direct Service By Electric And/Or Natural Gas Corporations, issued March 13, 2014 in R. 11-02-018.

costs.<sup>270</sup> The Joint IOUs thus claim that the Decision is arbitrary, capricious and unjustified by the record and as a matter of ratemaking policy; and would result in appealable legal error unjust departure from its prior policies and decisions in the Cost of Capital proceedings.<sup>277</sup>

Cal Advocates claims that the Decision would provide the Joint IOUs with the special regulatory asset treatment they request, but that alone does not warrant full rate of return here. They assert that the Joint IOUs would enjoy the benefits of recovery for investment in customer-side infrastructure without the risks associated with direct ownership. Cal Advocates emphasizes that the Decision authorizes the Joint IOUs to amortize these customer-side infrastructure costs over a 5-year period with a reasonable recovery rate to cover financing, that reflects the lowered risk that the Joint IOUs enjoy from this ratemaking approach.<sup>278</sup> Cal Advocates further argues:

[An alternative rate recovery mechanism] would provide a balance that would treat both the utilities and ratepayers equitably. The IOUs would earn a debt return over a 4 - 5-year time frame . . . The customers would be relieved of the burden associated with the utilities proposal to provide a return on rate base. This approach would serve to alleviate the concern about creating a rate spike or affordability issues that may be associated with expensing the costs on an annual basis.<sup>279</sup>

Cal Advocates emphasizes that the Proposed Decision authorizes the Joint IOUs to amortize these customer-side infrastructure costs over a 5-year period with a reasonable recovery rate to cover financing costs that reflects the lowered

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<sup>277</sup> Opening Comments of the Joint IOUs dated March 1, 2023; at 3.

<sup>278</sup> Cal Advocates Reply Comments dated March 6, 2023; at 2-3.

<sup>279</sup> Cal Advocates Opening Comments at 4-5.

risk that the Joint IOUs enjoy in this situation. 280 In sum, Cal Advocates states that the “record evidence and sound policy support the PD’s proposed cost recovery rate as a mechanism to balance the Joint IOUs’ request for special treatment of customer side infrastructure costs as regulatory assets.”<sup>274</sup>

First, the Joint Utilities are incorrect that the mobile home park cases set precedent that full rate of return is called for when the utility procures behind the meter assets that will be owned and operated by customers or third parties. Decision 20-04-004 specifically provided, “This decision’s handling of BTM costs shall not be precedential.”<sup>281</sup> The ratemaking scenario for MIP is similar, but not identical, to that of D.14-03-021, where the utilities are playing a pass-through role which is based on ratepayers’ promise to repay the utility. In the mobile home cases, the investments were a combination of both in front of meter, utility owned equipment that the utility would operate as well as behind the meter, customer owned equipment. We note contrary to the Joint Utilities’ claims, it is not unprecedented to deviate from ordinary rates of return. The Commission recently exercised such discretion regarding the financing of behind the meter (BTM) non-utility owned energy infrastructure when considering how to finance the expansion of transportation infrastructure in D.22-11-040.<sup>282</sup> There, the Commission determined that eliminating future utility ownership of electric vehicle charging equipment and avoiding future capitalization of related costs

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<sup>280</sup> Cal Advocates Reply Comments dated March 6, 2023; at 2-3.)

<sup>281</sup> *Id.* at 124.

<sup>282</sup> *Decision on Transportation Electrification Policy and Investment*, issued in R.18-12-006 on November 17, 2022.

would better serve customers' interests.<sup>283</sup> We found, "a shift in the ownership paradigm allows for technology and construction flexibility, while reducing the cost burden that capitalized IOU expenditures impose on ratepayers." The instant proceeding is similarly oriented towards spurring microgrid technological and use case development. SB 1339, which spurred initiation of this proceeding found, "Allowing the electricity customer to manage itself according to its needs, and then to act as an aggregated single entity to the distribution system operator, allows for a number of innovations and custom operations."<sup>284</sup>

In Decision 11-05-018, the Commission deviated from full rate of return recovery where it determined that it was reasonable to reduce the rate of return on equity in calculating the applicable rate of return for the unamortized net plant balance associated with electromechanical electric meters replaced by SmartMeters.<sup>285</sup> There, Conclusion of Law 11 provides "In order to reflect reduced regulatory risk, it is reasonable to reduce the rate of return on equity to 6.55% in calculating the applicable rate of return for the unamortized net plant

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<sup>283</sup> *Id.* at 100-105.

<sup>284</sup> SB 1339, Section 1, subd. b., Stern, Stats. 2018, Ch. 566.

<sup>285</sup> *Application of Pacific Gas and Electric Company for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2011. (U39M); Order Instituting Investigation on the Commission's Own Motion into the Rates, Operations, Practices, Service and Facilities of Pacific Gas and Electric Company, 2011 Cal. PUC LEXIS 275, issued May 5, 2011 in Investigation 10-07-027.*

balance associated with electromechanical electric meters replaced by SmartMeters.” That case was not appealed.

Here, the MIP expenditures have a high likelihood of recovery and do not pose a collection risk or risk of overspending. D.21-01-018 has formally authorized the utilities to spend up to \$200 million, meaning that the incurred costs of the MIP have a high likelihood of recovery and have a hard cost cap.<sup>286</sup> There is not a collection risk to the utilities for this \$200 million, or risk of overspending, because the Commission has already ruled on the issue.<sup>287</sup> Allowing a risk premium such as the authorized rate of return is unjustified because these are not utility-owned plant assets. Therefore, the cost of capital rules are not directly on point for our purposes here. In the case of the MIP, the proposed regulatory asset is financing customer-side infrastructure separate from traditional ratebase with costs that are capped and a revenue requirement to be tracked in a balancing account for recovery.

The ratemaking scenario for MIP is similar, but not identical, to that of D.14-03-021, cited by the utilities, where the utilities are playing a pass-through role which is based on ratepayers’ promise to repay the utility.<sup>288</sup> In the mobile home cases, the investments were a combination of both in front of meter, utility owned equipment as well as behind the meter, customer owned equipment. Further, the Commission did in fact reconsider the expense recovery options for voluntarily converted mobile home master-metered service in D.20-04-004,

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<sup>286</sup> D.21-01-018 at 66.

<sup>287</sup> *Ibid.*

<sup>288</sup> Joint IOU MIPIP at 49.



contrary to Joint Parties claim that the Commission did not have the option to use an alternative financing method.

The current scenario is more akin to a temporary loan from the IOUs to ratepayers rather than an IOU investment in utility infrastructure. The ratemaking obligation constitutes a regulatory asset, appropriate for recovery from ratepayers in rates over time. It should also be noted that the IOUs will receive up to a ten percent portion of the total program budget for administrative expenses in procuring this equipment. The current scenario is more akin to a temporary loan from the IOUs to ratepayers rather than an IOU investment in utility infrastructure. The ratemaking obligation constitutes a regulatory asset, appropriate for recovery from ratepayers in rates over time.

Next, the Joint IOUs also:<sup>289</sup> (1) comment that 90 days is not reasonable to produce the MIP Handbook; (2) offer clarifications to the 5-Step MIP Process; (3) state the if the parties mutually agree, they should be able to seek a 12-month extension to the 24-month online deadline; and (4) clarifies that the list of other funding resources included in the MIP handbook is a non-exhaustive starting point. We agree with these recommendations and have made the appropriate changes throughout the Decision.

## **8. 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. D.21-01-018 authorized a \$200 million budget for Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego

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<sup>289</sup> Joint IOU Opening Comments to Proposed Decision at 9-13.

Gas & Electric Company (SDG&E) to implement the Microgrid Incentive Program (MIP) appropriated as follows, across the investor-owned utilities:

(1) \$79,200,000 for PG&E; (2) \$83,340,000 for SCE; and (3) \$17,460,000 for SDG&E.

2. D.21-01-018 OP 6 required PG&E, SCE, and SDG&E to jointly file a Microgrid Incentive Program Implementation Plan (MIPIP) that sets forth parameters to implement the MIP for disadvantaged vulnerable communities (DVCs).

3. D.21-01-018 OP 6 required PG&E, SCE, and SDG&E develop a MIPIP that: (1) describes their compliance requirements; (2) discusses their approach for allocating program funding amongst the utilities; (3) proposes an accounting and ratemaking treatment; (4) discusses the method used to control administrative expenses; (5) develops content for a program handbook; (7) allocates to SCE and SDG&E customers, one-time matching funds payment to offset costs; and (8) details the utilities' engagement with stakeholders.

4. The MIP is for complex projects with longer islanding duration capability that serve multiple customers in DVCs.

5. DVCs are defined from the Commission's existing definition within D.20-08-046.

6. A MIP microgrid is for communities at a higher risk of electrical outages either in a Tier 2 or Tier 3 High Fire Threat District, an area that has experienced a prior grid outage event, a location prone to strong, damaging earthquakes, or a location with lower historical level of reliability.

7. A MIP microgrid is for serving disadvantaged vulnerable communities and a critical facility or a facility that provides important community resiliency services.

8. Awarding a \$25,000 share of the MIP project funding in pre-application development grants to a MIP Applicant who has first been accepted into the MIP Program mitigates ratepayer exposure to risk that is associated with early funding.

9. A new subaccount, called the Microgrid Incentive Program Subaccount, in PG&E and SDG&E's existing Microgrid Balancing Account will separately track costs for the MIP implementation, up to each utility's share of the budget cap.

10. A new subaccount, called the Microgrid Incentive Program Subaccount, in SCE's existing Microgrid One-Way Balancing Account will separately track costs for implementing the MIP, up to its share of the budget cap.

11. D.21-01-018 requires SCE and SDG&E customers to have access to a one-time matching funds payment to offset some portion of the utility infrastructure upgrade costs associated with implementing the islanding function of the microgrid, with a cap of \$3 million per project.

12. Applying unspent matching funds from PG&E's Community Microgrid Enablement Program to a new, one-way subaccount in PG&E's Microgrid Balancing Account will further the intent of D.21-01-018's MIP so that funds support local and tribal governments in DVCs as well as community resilience through microgrid deployment.

13. D.20-06-017 required PG&E, SCE, and SDG&E to develop resiliency informational resources for local communities and tribal governments.

14. Submittal of a long-term business plan from a MIP applicant will help ensure long-term project viability and protect ratepayers from wasteful expenditure.

15. A letter of support from local governments and tribal jurisdictions that identifies and justifies forms of vulnerability to outages satisfies a showing of a critical resiliency need.

16. External grant resources may encourage DVCs to engage with local and federal jurisdictions to access additional funding for resiliency projects.

17. A dispute resolution process between the MIP applicant and a utility may help resolve disagreements during a project's lifecycle.

### **Conclusions of Law**

1. PG&E, SCE, and SDG&E's MIPIP, with certain modifications, should be adopted.

2. MIP projects should consist of a longer islanding duration that serves multiple customers, and to address the needs of DVCs who are at a higher risk of electrical outages.

3. A portion of a MIP microgrid should be geographically located in an area at a higher risk of electrical outages, which will be either: (1) a Tier 2 or Tier 3 High Fire Threat District; (2) an area that has experienced a prior outage event; (3) a location prone to strong, damaging earthquakes; or (4) a location with a lower historical level of reliability.

4. A MIP microgrid should serve a geographic disadvantaged community and/or primarily serve a geographic disadvantaged community and be either: (i) a critical facility; or (ii) a facility that provides important resiliency services.

5. A MIP microgrid should: (1) be a community project; (2) operate at 50 kilovolts or below; (3) comply with California Air Resource Board emissions standards; (4) be sized and operated to serve a minimum of 24 consecutive hours of energy in island mode; (5) have aggregate emissions no greater than what is equivalent to grid power; and (6) include multiple meters, at least two of which

measure the energy consumption of different premises that are connected by utility distribution infrastructure.

6. The MIP should have the following five-stage lifecycle process:

(0) Community Outreach; (1) Consultation; (2) Application; (3) Studies; (4) Development (contracting, development, and incentive award payments); and (5) Operation.

7. When working with a MIP DVC applicant, PG&E, SCE, and SDG&E should provide: (i) consultative technical support; (ii) create intake windows for the individual utility to facilitate the applicant's project development; (iii) provide transparent guidance toward project development; (iv) conduct eligibility and scoring for financial incentive award prior to the project's technical evaluation; and (v) protect ratepayers from unintended and inconsistent outcomes with this decision and D.21-01-018.

8. PG&E, SCE, and SDG&E should develop a MIP Handbook that explains to MIP applicants how the MIP project development process works.

9. PG&E, SCE, and SDG&E should open their first application window no later than nine (9) months after the publication of the MIP Handbook.

10. A MIP Handbook should explain how the MIP works, detail key project design considerations, provide additional information on other grant resources, discuss eligibility and scoring protocols, provide a timeline for project development to completion, detail special considerations for tribal governments, and include a pro forma microgrid operating agreement.

11. PG&E, SCE, and SDG&E should submit quarterly program status reports as well as quarterly project status reports to the Commission's Energy Division via Tier 1 Advice Letters.

12. The \$200 million budget authorized for the MIP by D.21-01-018 should be appropriated as follows: (1) \$79,200,000 for PG&E; (2) \$83,340,000 for SCE; and (3) \$17,460,000 for SDG&E.

13. Ten percent of the \$200 million authorized by D.21-01-018 for the MIP should cover the investor-owned utilities' administrative expenses, and should be appropriated as follows: (1) \$8,000,000 for PG&E; (2) \$8,000,000 for SCE; and (3) \$4,000,000 for SDG&E.

14. PG&E and SDG&E should create new subaccounts in their respective Microgrid Balancing Accounts to separately track costs for the MIP implementation, up to each utility's share of the program budget cap.

15. SCE should create a new subaccount in its existing Microgrid One-Way Balancing Account to separately track costs for implementing the MIP, up to its share of the program budget cap.

16. PG&E, SCE, and SDG&E MIP infrastructure should: (i) be categorized as a regulatory asset, subject to a five-year amortization period; (ii) be limited to debt return on investment; with (iii) recoverable customer-side infrastructure costs.

17. PG&E, SCE, and SDG&E should seek cost recovery for the regulatory asset of the MIP customer-side infrastructure at a rate equivalent to each utility's respective weighted average cost of debt, as authorized pursuant to the outcomes of each utility's respective cost of capital proceedings.

18. SCE and SDG&E should create a new, two-way subaccount in their existing Microgrid Balancing Account and Microgrid One-Way Balancing Account to track the costs of the one-time matching funds for utility infrastructure upgrades to enable MIP projects in their service territories.

19. PG&E should create a new one-way subaccount in its Microgrids Balancing Account to support local and tribal government MIP projects in DVCs.

20. PG&E should apply unspent matching funds from its Community Microgrid Enablement Program to a new, one-way subaccount in PG&E's Microgrid Balancing Account to further the intent of D.21-01-018's MIP to support local and tribal governments in DVCs.

21. PG&E, SCE, and SDG&E should accept a letter of support from local governments and tribal jurisdictions to satisfy demonstration of a critical energy resiliency need.

22. A MIP project should have a 24-month commercial operation deadline upon execution of a microgrid operating agreement unless modified by mutually agreed-to extensions with a total term not to exceed 36 months from the microgrid operating agreement effective date. If PG&E, or SCE, or SDG&E find that extenuating circumstances may prevent or have prevented a MIP project from achieving commercial operation within 36 months and substantial progress on the MIP project has been achieved, the utility should be authorized to submit a Tier 2 Advice Letter seeking to justify a reasonable further extension.

23. PG&E, SCE, and SDG&E should use the resiliency planning informational resources developed pursuant to D.20-06-017 to help MIP applicants shape the design of their microgrid resiliency project.

## **O R D E R**

**IT IS ORDERED** that:

1. Upon issuance of this decision, Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company shall each implement the Microgrid Incentive Program according to this decision.

2. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company shall submit a Program and Project

Status Report quarterly, beginning the quarter after the first application window opens and ending for each utility when funding for the Microgrid Incentive Program has been exhausted, to the Commission's Energy Division via a Tier 1 Advice Letter.

3. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company shall open their first Microgrid Incentive Program application window no later than nine (9) months after the publication of the Microgrid Incentive Program Handbook.

4. Within 180 days upon issuance of this decision, Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company shall make available the Microgrid Incentive Program Handbook on their respective websites.

5. Within 180 days upon issuance of this decision, Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company shall each submit a final, pro forma Microgrid Operating Agreement via a Tier 2 Advice Letter to the Commission's Energy Division.

6. Within 30 days upon issuance of this decision, Pacific Gas and Electric Company (PG&E), shall submit a Tier 1 Advice Letter modifying its preliminary statement for the Microgrid Balancing Accounts (MGBA) creating:

- A new subaccount in its MGBA to record the actual costs of the Microgrid Incentive Program (up to its share of the program budget cap) of \$79,200,000 and the Microgrid Incentive Program administrative expenses up to \$8,000,000; and
- A new one-way subaccount in its MGMA for recording microgrid utility infrastructure upgrades and to prospectively record the revenue requirement for its Community Microgrid Enablement Program capital costs.



7. Within 30 days upon issuance of this decision, San Diego Gas & Electric Company (SDG&E) shall submit a Tier 1 Advice Letter modifying its preliminary statement for the Microgrid Balancing Accounts (MGBA), creating:

- A new subaccount in its MGBA to record the actual costs of the Microgrid Incentive Program (up to its share of the program budget cap) of \$17,460,000 and the Microgrid Incentive Program administrative expenses up to \$4,000,000; and
- A new subaccount within the MGBA for SDG&E to record the actual costs of the matching funds used to offset the costs of the microgrid islanding study and the microgrid special facilities, up to a \$3 million per-project cap.

8. Within 30 days upon issuance of this decision, Southern California Edison Company (SCE) shall submit a Tier 1 Advice Letter modifying its preliminary statement for the Microgrid One-Way Balancing Account (MOWBA) creating:

- A new subaccount in its MOWBA to record the actual costs of the Microgrid Incentive Program (up to its share of the program budget cap) of \$83,340,000 and the Microgrid Incentive Program administrative expenses up to \$8,000,000; and
- A new two-way subaccount within the MOWBA to record the actual costs of the matching funds used to offset the costs of the microgrid islanding study and the microgrid special facilities, up to a \$3 million per-project cap.

9. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company are authorized to recover the costs of the Microgrid Incentive Program customer-side infrastructure as a regulatory asset at a rate equivalent to each utility's respective weighted average cost of debt during the period in which the financing costs for the regulatory asset are incurred, over a five-year period.

10. If Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), or Southern California Edison Company (SCE) find that extenuating circumstances may prevent or have prevented a Microgrid Incentive Program project from achieving commercial operation within the deadline established by the Decision and substantial progress on the Microgrid Incentive Program project has been achieved, PG&E, or SCE, or SDG&E may submit a Tier 2 Advice Letter seeking to justify a reasonable further extension.

11. Within 60 days upon issuance of this decision, Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE) shall each submit a Tier 2 Advice Letter seeking authorization to: transfer the Microgrid Incentive Program development and implementation costs recorded in the Microgrids Memorandum Account pursuant to Ordering Paragraph 7 of Decision 21-01-018 through the approval date to each of the utilities' respective two-way distribution revenue balancing accounts for recovery in distribution rates. PG&E, SDG&E, and SCE are authorized to recover the actual costs incurred, grossed up for revenue/franchise fees and uncollectibles, on an annual basis from all customers in distribution rates through each utility's respective annual electric true-up advice letter.

12. Rulemaking 19-09-009 remains open.

This order is effective today.

Dated April 6, 2023, at San Francisco, California.

ALICE REYNOLDS

President

GENEVIEVE SHIROMA

DARCIE L. HOUCK

JOHN REYNOLDS

KAREN DOUGLAS

Commissioners