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 (Filed September 12, 2019)

COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON THE ADMINISTRATIVE LAW JUDGE'S RULING REQUESTING COMMENT ON THE MICROGRID INCENTIVE PROGRAM STAFF PROPOSAL

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In accordance with Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), the California Energy Storage Alliance ("CESA") hereby submits these comments on the *Administrative Law Judge's Ruling Requesting Comment on the Microgrid Incentive Program Staff Proposal* ("Ruling"), issued by Administrative Law Judge ("ALJ") Collin Rizzo on July 6, 2022, CESA is timely submitting these comments.

I. INTRODUCTION AND SUMMARY.

CESA appreciates the work and thoughtfulness by Commission's Energy Division staff to modify the Joint Investor-Owned Utility ("IOU") Microgrid Incentive Program ("MIP") Implementation Plan (hereinafter referred to as the "Joint Implementation Plan" or "Joint IOU Implementation Plan") that was released by the IOUs in December 2021. MIP is poised to be a critical program to advance resiliency in disadvantaged and vulnerable communities ("DVC") that have both faced the most challenges in electric reliability and resiliency and have the least access to solutions. Community microgrids can be an important resiliency solution to allow customers to maintain access to the critical services provided by electricity in the face of a grid outage, such as medical attention or treatment, air conditioning or heating, and access to telecommunications.

CESA believes that the Staff Proposal recommends a variety of changes that will improve MIP implementation and achievement of MIP's goals, and we respond to the Ruling's questions below with the perspective of how to best advance these goals. At the same time, we would like to emphasize that an important part of achieving the goals of MIP is to launch the program so that communities can access these solutions to mitigate near-term reliability and resiliency challenges,

including ongoing extreme weather events, Public Safety Power Shutoffs ("PSPS"), wildfire, Enhanced Powerline Safety Settings ("EPSS") outages, and even system wide power supply shortages. Therefore, CESA's comments also consider how to launch MIP as quickly as possible. While responding to the questions identified in the Ruling below, we would like to emphasize the following points:

- 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.
- Modifications should be made to scoring criteria to remove arbitrary point caps, using a multiplier approach instead.
- Inclusion of a business plan, justification of critical resilience need, and leveraging funding partnerships should be assessed qualitatively and provide additional points toward a new category of "Project Viability" scoring.
    - Specifically, CESA suggests that the inclusion of a business plan receive a 2 point multiplier, the inclusion of critical resilience documentation receive a 4 point multiplier, and the inclusion of outside sources of funding receive up to a 6 point multiplier.
    - As a result of the new Project Viability scoring category, the weights would be adjusted as follows: Customer & community benefits: 47.5%; Resilience benefits: 28.5%; Environmental benefits: 19%; and Project Viability: 5%.
- Having a dispute resolution process in place provides a backstop mechanism to address unanticipated or unprecedented issues that may arise for the novel microgrid use case and can be reasonably expected as part of any new program launch.
- The proposal for leftover funds to be potentially used and useful for another program is smart and reasonable and can ensure the Commission's intended purpose for the MIP outlined in D.21-01-018 is met.

As discussed further below, CESA's main critique with the IOUs' proposal and staff's rationale for not proposing changes in this regard is that the program with capped points is designed

to favor smaller or simpler projects rather than projects that can maximize benefits, which are often also those that may be larger in size, duration, capabilities, etc. It is not a matter of equitably distributing funds to MIP applicants since the Commission purposefully established $15 million project caps in place, supporting close to 13-15 projects assuming all applicants submitted maximum or close to maximum Application Incentive Request ("AIR") amounts – an unrealistic assumption since the program design provides incentives to submit lower AIRs to score more competitively in the application process. CESA urges the Commission to reassess this aspect of the IOU proposal, and our recommendations are detailed further in our responses to Proposal 4 and the associated questions from the Ruling.

II. PROPOSAL 1: PROVIDE ADDITIONAL INFORMATION, MAPS, AND/OR TOOLS FOR IDENTIFYING FEASIBLE MICROGRID PROJECTS.

Staff preferred Option 2 that would require the IOUs "to develop a heat map identifying key locations where the utilities expect there to be continued grid outages in the coming decade" but also seemed to express openness to Option 1 to "develop documentation and guides that help potential applicants understand when a microgrid is an appropriate solution to their needs."[4]

Overall, data transparency and accurate and timely information from grid planners and operators play key roles in rationally and efficiently siting and developing viable and cost-effective microgrids and distributed energy resources ("DERs") more broadly. Such information and tools support technical and economic viability of projects, as well as efficient understanding of program-related eligibility. To these ends, CESA supports both Option 1 and 2.

Question 1: In addition to the IOU technical consultation, is the documentation described in Option 1 useful or redundant? Please discuss.

Option 1 recommends that the IOUs be required to, "develop documentation and guides that help potential applicants understand when a microgrid is an appropriate solution to their needs." CESA believes that a short document providing an overview of what a microgrid is, how a microgrid works, and how MIP supports the development of microgrids would be helpful so that external stakeholders and community members that are unfamiliar with microgrids or how they work can better understand microgrid solutions. Additionally,

CESA believes there could be value in having, "checklists and other simple steps to help jurisdictions that may require more direction in selecting appropriate resiliency solutions."[1]

In contrast, "[t]he initial Microgrid Technical Consultation is designed to share key information about the electrical conditions of the distribution system at the proposed location and initial engineering design requirements for Community Microgrids."[2] Therefore, the right educational materials will not be redundant, given that the IOU consultation will be very technical in nature.

<u>Question 2</u>: Should the IOUs be instructed to provide educational and informational material like Option 1? Please discuss.

At the same time, CESA believes that the crucial information outlined in Option 1, including "MIP program guidelines, funding availability, eligibility and scoring criteria, and engagement best practices," should be included in the MIP Handbook. Similar to the Self-Generation Incentive Program ("SGIP") Handbook, the MIP Handbook will include technical details on the program and requirements but should fundamentally provide a complete overview of MIP in a way that is as comprehensive and accessible as possible.

An additional, if underappreciated, benefit of such an approach is the help such language inclusion would give in validation of the community microgrid concept overall. In many of the DVCs that are most at risk, there are not many local stakeholders with a substantial understanding of the concepts of microgrids or that there are programs to help in their development. Often the first time that a community hears about the concept at all is from the sales representatives of developers or contractors who would benefit from these projects. Communities may be somewhat skeptical of the self-interested motives of developers, which often leads to considerable delays in even starting the consideration of a potential project. The inclusion of educational and informational materials in the MIP Handbook would help to shorten this process considerably by having a trusted source of information to allow communities to validate or clarify what they have heard from company representatives.

[1] Staff Proposal at 2
[2] Joint IOU Implementation Plan at 21.

Question 3: **In addition to the content proposed in Option 1, is there any other documentation that would be useful to prospective applicants? Please discuss.**

CESA has no additional recommended documentation at this time.

Question 4: **Under Option 2, what are the other layers that might be most useful? Please discuss.**

CESA believes that Option 2 could be helpful to provide communities and developers with information on grid outages to develop the most successful MIP applications possible. In addition to information on where outages are most likely to persist, CESA proposes that additional layers be included with MIP eligibility criteria: high-fire threat districts, California earthquake risk zones, worst 1% of performing circuits, CalEnviroScreen information,[3] low-income census tracts, rural areas, and other eligibility information that is available to the IOUs. This will allow communities to easily identify whether they may be eligible for MIP.

Question 5: **Would the maps or tools identified in Option 2 assist in identifying communities most impacted by grid outages as well as the communities that would take the longest to recover from grid outages? Please discuss.**

These maps and tools suggested that the Annual Reliability Reports and Historical Lookback Analyses may be useful for identifying those most impacted by grid outages or that have the longest recovery periods. In looking at current impacts, the Annual Reliability Report can provide an accurate picture of the past year. However, the Annual Reliability Reports do not include information on planned grid investments which may mitigate the outage risk, so potential applicants will still need to discuss the grid need with the IOU during the Initial Resilience Consultation that is in the current IOU Implementation Plan.

For a Historical Lookback Analysis ("HLA"), CESA cautions that these analyses, while indicative, are highly sensitive to modeling parameters and will have to be

[3] CESA would like to note that CalEnviroScreen top 25% most disadvantaged census tracts may not be a useful eligibility criterion, given the lack of overlap between these census tracts and areas that meet the Outage Vulnerability eligibility criteria.

consistently reviewed for accuracy.[4] For example, Pacific Gas and Electric ("PG&E") has used a 10-year HLA to help identify locations for substation level microgrids.[5] This model uses weather data from the last 10 years with current vegetation and grid conditions; the model then goes through each day to determine whether to trigger a PSPS event based on current PSPS protocols. However, questions have been raised in A.21-06-022 as to the appropriateness of using ten years of historical weather data, given that climate change is heavily impacting weather patterns.[6]

Question 6: Would maps or tools identified in Option 2 be helpful in identifying where microgrids may be effective mitigations for grid outages? Please discuss.

Tools may be helpful to determine where microgrids can effectively mitigate outages if information is shared on the causes of recent power outages (*e.g.,* PSPS, other weather, etc.). For example, if outages in an area have been caused by damaged distribution or secondary lines, then the potential of a microgrid solution to support customers directly connected to that line may be limited. Information on outage causes would help customers and developers identify whether a microgrid could effectively mitigate that outage.

Question 7: Are there other maps or tools that parties can identify that could be used in lieu of Option 3, to identify areas are impacted by social burdens of grid outages? Please discuss.

CESA has no comment at this time.

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[4] *See* CESA Opening Testimony (CESA-001) in Application ("A.") 21-06-022 at p.11, lines 16-20: "Sensitivity to modeling parameters has already been shown through PG&E's existing Prepared Testimony in this Application. Between PG&E's original Prepared Testimony submitted in June 2021 and Supplemental Testimony submitted in December 2021, the predictions of impacts to substations changed drastically, with only one substation, Clear Lake, appearing in the both the top ten most impacted substations in both analyses."

[5] *See* PG&E Prepared Testimony (PGE-001) in A.21-06-022 at Chapter 3. *See also* "Introduction to the North Coast Resiliency Initiative" presented by PG&E on May 13, 2022, detailing the use of the HLA in the North Coast Resiliency Initiative.

[6] *See* CESA Opening Testimony (CESA-001) in A.21-06-022 at p.3 line 18, - p.4 line 1: "PG&E's current proposal based on analysis of historical weather may not be reflective of future conditions and therefore not adequately determine substations that are at risk of persistent PSPS or other outage."

Question 8: **Should the Commission instruct the IOUs to collaborate with Sandia National Labs in demonstrating the application of the tool described in Option 3, for evaluative and demonstration purposes only? Please explain.**

CESA has no comment at this time.

III. PROPOSAL 2: SPECIFY APPLICANT ELIGIBILITY CRITERIA AND ASSESS LONG-TERM PROJECT FINANCIAL VIABILITY

The Staff Proposal contemplated that the IOUs ought to specify applicant (not just project) eligibility criteria to screen MIP applicants for financial need, as well as screen projects for long-term financial feasibility. Staff recommended Option 1, which considers a screening process for applicant financial need via documentation 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.

In sum, CESA supports Option 1 with modifications. CESA views long-term project financial viability as an important qualitative criterion that should be considered in the application review and ranking process, but this may be better scored qualitatively, assigning points on a binary basis with additional points if a business plan is present or not.

Question 1: **Should the Commission adopt Option 1? Please discuss.**

CESA supports adopting Option 1 to qualitatively favor projects with a comprehensive business plan showing how the applicant plans to ensure that their project is financially viable in the long-term. Given that business plans can take time to develop and that communities will be submitting MIP applications in a designated time window, CESA does not believe that this should be a requirement for MIP eligibility. However, projects with business plans can ensure that those projects are properly prioritized given their increased probability of being successfully executed.

Some of the long-term financial viability will be captured in a lower AIR amount in the application since projects will have either secured funding partnerships (discussed further in response to Proposal 5) or grid-service contracts/opportunities to bring additional revenue to a project and provide broader grid benefits. Meanwhile, the application

materials and attachments (*e.g.*, single line diagram, configurations, interconnection study applications and results) will be reviewed under the IOUs' proposed process to presumably assess project viability, at least from a deployment timeline and technical safety and reliable perspective.

If the Commission and stakeholders find it important and helpful to nonetheless provide additional scoring points to projects with a comprehensive business plan, it should be assessed on a binary and qualitative basis on whether one is submitted or not. Comprehensive business plans can include additional grant funding sources, plans to sell generated energy to the California Independent System Operator ("CAISO") wholesale market, contract resources for Resource Adequacy ("RA") or distribution deferral, or plans to help fulfill some of the microgrid needs with behind-the-meter ("BTM") solutions (ineligible for MIP) to reduce in-front-of-the-meter ("IFOM") microgrid costs (eligible for MIP), among other services. Given that business plans can take time to develop and contract for and MIP applications will be submitted in a designated time window, CESA does not believe that development of a business plan or execution should be a requirement for MIP eligibility.

<u>Question 2</u>: Should the Commission direct the joint IOUs to modify their MIP Implementation Plan to require additional information to screen or restrict types of applicants? Please discuss.

CESA does not believe that certain types of applicants should be screened out or restricted. At the end of the day, CESA believes that the beneficiaries of the MIP project are more important than the specific applicant, who may be a developer, local government, or financially-limited community organization. For applicants who have financial need, the IOU proposal appears to already address these situations by including Stage 1-2 in the process, where the IOUs will conduct community outreach and consultation services. Grants up to $25,000 are also proposed to cover application costs for eligible DVC communities who may be MIP applicants. Otherwise, a developer who plays the role of MIP applicant and submits a MIP project that could provide significant customer and community benefits would be screened out of the MIP process.

Question 3: **If the Commission adopts Option 1, what other forms of documents are sufficient for justifying financial need? Please discuss.**

CESA has no comment at this time.

Question 4: **If the Commission adopts Option 1, should the business plan be mandatory or optional? Please discuss.**

See our response to Proposal 2 Question 1 above.

Question 5: **How should the scoring be modified to accredit the MIP Applicant for an optional business plan? Please discuss.**

CESA suggests that the business plan be awarded points in a separate points category on Project Viability, which is explained in Proposal 4, Question 2. CESA suggests that 2 points be awarded for the inclusion of a business plan. This is in recognition that a business plan can increase viability by showing that effort has been put in to consider how to make the entire microgrid project financially viable. However, with no requirement for contracts to be fully executed, CESA believes that less points should be given to this criterion compared to those laid out in Staff Proposals 3 and 5.

Question 6: **How should the Commission and stakeholders protect ratepayers from risk that funds being appropriated to projects that more likely than not, have no long-term financial viability? In other words, how should ratepayers be protected from exposure to wasteful project expenditure? Please discuss.**

Currently, the proposed IOU MIP Implementation Plan already seems to address the Commission's concerns in this regard. A portion of the MIP incentive payments are conditional on the achievement of milestones. Disbursement milestones and schedules are not set given the wide variety of microgrids that could be designed, but the IOUs lay out general project milestones that will likely be used, including:

- "Completion and approval of the Project Implementation Plan
- Final engineering design, siting, permits and local approvals

- Construction stages (mobilization, equipment procurement and delivery, including Interconnection and Special Facilities pursuant to timeframes governed by those Agreements)
- Development and approval of required plans and procedures such as safety, operational protocols and procedures, commissioning criteria, commissioning test plan
- Commissioning (e.g., permission to operate, in-service date, commission testing, IOD & supporting attestation(s))"[7]

Incentives will also, "be generally tied to Milestones that represent material cost responsibility by the MIP Awardee, such as final design engineering and mobilization, capital equipment procurement and delivery, ongoing construction and successful project completion and commissioning."[8] Therefore, if a project does not make it to, for example, construction, the portion of the MIP award associated with that milestone will not be paid, protecting ratepayers from disbursing incentives that are not used to cover project costs. As such, CESA does not see a need to develop an additional protection measure at this time, but we do recommend the creation of a new Project Viability category where points can be assigned to MIP projects.

<u>Question 7</u>: If the Commission adopts Option 1, would the MIP Applicant be required to re-pay the grant funding in event of project abandonment? If so, how should the repayment be secured?

CESA does not believe that grant funding should be repaid in the all cases where a MIP-awarded project is does not achieve operations. Microgrid development in California has been challenging and still requires close coordination between the customers and communities being served, microgrid developers, and the distribution utilities. Since only a handful of multi-customer microgrids have been constructed in the state, unforeseen challenges may emerge.

CESA cautions against requiring that applicants repay incentives if the microgrid is not completed. MIP is designed to help California's disadvantaged and vulnerable

[7] Joint IOU Implementation Plan at 39.
[8] Joint IOU Implementation Plan at 40.

communities that have traditionally faced lower levels of electric reliability and resiliency and face barriers to the adoption of resiliency solutions, including microgrids. Therefore, forcing applicants to repay these grants will only create additional burden. With this understanding, the pre-application grant will be provided to all eligible MIP applicants, even if the project is not ultimately selected. CESA believes the same logic should be applied to projects that receive partial MIP incentive awards but do not reach operation.

IV. PROPOSAL 3: JUSTIFICATION FOR CRITICAL ENERGY RESILIENCE NEED

The Staff Proposal recommended Option 1 that would award additional points to projects when a project applicant can describe how it serves a critical energy resiliency need identified within regional community plans, as provided in supporting documentation (*e.g.*, local hazard mitigation plan, climate adaptation plan, letter(s) of support). Overall, CESA supports Option 1 given that the inclusion of a microgrid as a part of a larger resilience plan or local government/leadership support will increase project viability. As in CESA's response to Proposal 2, our suggestion is to score Justification of Critical Energy Resilience Need qualitatively, assigning points on a binary basis with additional points if this justification is present.

Question 1: Should the Commission adopt Option 1? Please discuss.

Yes, CESA generally supports additional points for applicants that can provide additional documentation showing how the MIP microgrid solution fits into a larger community resiliency plan. Alignment with local governments and community stakeholders can increase project viability, as these local governments and leaders may have access to other funding sources for the project or have plans to contribute with their own resources (*e.g.*, by incorporating BTM solutions in public buildings). However, this documentation should not be required since "community members face a lack of representation by some governmental entities,"[9] and therefore may not have access to this type of documentation even if the microgrid will provide critical resiliency services.

[9] Staff Proposal at 6.

Question 2: If the Commission adopts Option 1, are there other forms of acceptable documents that will achieve the same goal?

Some local governments in DVCs are at a disadvantage in that, while they may recognize resilience vulnerabilities and be working to address them, they are subordinate to a larger political entity, such as a county, in terms of preparing a community resilience plan. An example would be a Community Services District, Water District, or Fire Protection District in unincorporated areas who would be subordinate to a County for inclusion in a Community Resilience Plan. In other case,s the timeline of creating a new or updating an existing county-wide resilience plan may not be synchronized with the application timeline of MIP. In each of these cases, history has shown that there are vulnerable communities that are likely to be disadvantaged in the process of competing for the designations that allow competition for limited funding.

A solution to this would be to allow minor political subdivisions with elected boards to prepare their own resilience plans, instead of making them dependent on plans made or updated at a county-wide or even regional level. The MIP should expressly give minor political subdivisions the authority to develop their own resilience plans and submit them in this process on an equal footing with those of larger political entities, provided that these plans are approved by a vote of the elected Board at a noticed Public Meeting and included in the minutes of that meeting.

Question 3: If the Commission adopts Option 1, how many additional points should be added? Please discuss.

CESA suggests that this documentation or proof of critical resilience need should be in a separate points category on Project Viability, which is explained in Proposal 4 Question 2. CESA suggests that 4 points be awarded if any support is provided showing local government/stakeholder support and/or how the microgrid will help community resiliency. This is in recognition of the increased chance of a project successfully reaching commercial operation if it is supported by local leaders.

V. PROPOSAL 4: SCORING CRITERIA MODIFICATION

The Staff Proposal highlights some of the common critiques of the scoring methodology outlined by the IOUs in their Joint Implementation Plan. Overall, staff acknowledges that parties have provided feedback suggesting that the IOU proposed point caps be lifted, the maximum MIP award cap be removed, additional points be provided in accordance with the size of clean energy systems being constructed, and that additional points be provided for increased project viability. Option 1 would require the IOUs to modify their scoring criteria in alignment with these critiques. On the other hand, the Staff-recommended Option 2 would not change the scoring methodology.

CESA is very disappointed to see staff recommend maintaining the scoring methodology proposed in the Joint Implementation Plan. We reiterate that the methodology as laid out would disproportionately harm larger projects, would not allow for consideration of the project viability criteria laid out in Proposals 2 and 3.

Question 1: Should the Commission adopt Option 2? Please discuss.

No, the Commission should not adopt Option 2 that maintains the scoring of MIP applications as laid out in the IOU proposal. In comments on the IOU Implementation Plan, CESA highlighted the flaws with the scoring criteria, particularly surrounding the implementation of sub-category caps, as "point caps will disproportionately harm the Project Scores of larger projects, even as larger projects could serve a larger number of customers for the same amount of requested funds as smaller projects."[10] This critique has been echoed by multiple parties and external members of the public, such as Rural County Representatives of California ("RCRC" stating that "[g]iven the magnitude of benefits achieved by deploying a microgrid to serve critical facilities that provide vital support to a large population base, it is not clear that the draft Implementation Plan appropriately reflects the magnitude of potential benefits from keeping critical facilities energized."[11] The Microgrid Equity Coalition ("MEC") similarly commented that "[t]he point cap system therefore sets limits on projects with distinct, significant benefits,"[12] while Lake County explained that "the scoring system […] undervalues moderately-sized projects with

[10] CESA Opening Comments on Joint Implementation Plan at 5.
[11] RCRC Opening Comments on Joint Implementation Plan at 9.
[12] MEC Opening Comments on Joint Implementation Plan at 21.

the potential to create jobs for California workers and benefit thousands of residents,"[13] among others.[14]

Staff justifies the original IOU proposal by stating that "it was developed through a stakeholder process during the working groups and/or public workshops."[15] However, Workshop #4 discussing project evaluation and selection included no proposals with point caps, and this style of cap was not discussed at the workshop.[16] Instead, the MEC proposal included multipliers to weigh different criteria, with another weighting of the larger general categories, which, CESA agrees, affords "more flexibility to capture high value projects."[17].

In addition, it is a misrepresentation of the results of the workshops to imply that there was anything approaching consensus on the proposed scoring criteria being the proper way to move forward. There were presentations that directly argued against the proposed criteria discussed at the workshop, which directly spoke to the flaws that were the recognized by staff. There was a well-received discussion on alternative scoring mechanisms that would ameliorate many of these issues, while the IOU proposed scoring methodology has received little support as discussed above. Even if the Commission decides to adopt Option 2 and maintains the scoring methodology as-is, there should be no implication that this was a consensus position among parties.

<u>Question 2</u>: If the Commission adopts Option 1, how should the benefit categories, benefit points, and point caps be re-distributed?

At a minimum, CESA continues to recommend that sub-category point caps be removed, and to instead have a scoring methodology with a multiplier approach, as proposed by MEC. This would convert all of the IOUs proposed sub-category points to point multipliers (with yes/no questions equal to 1/0 respectively) and remove any point caps. Weighting for categories could then be applied.

[13] Lake County Public Comment submitted January 3, 2022.
[14] *See* Green Power Institute Reply Comments on Joint Implementation Plan at 6, Clean Coalition Reply Comments on Joint Implementation Plan at 3.
[15] Staff Proposal at 10.
[16] Joint IOU Implementation Plan, Attachment 2 at 21-26.
[17] MEC Opening Comments on Joint Implementation Plan at 21.

Additionally, 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, as suggested in Staff Proposals 2, 3, and 5. The inclusion of a business plan, critical resilience documentation, or leveraging of outside funding would be evaluated on a qualitative basis, with CESA suggesting that the inclusion of a business plan receive a 2 point multiplier, the inclusion of critical resilience documentation receive a 4 point multiplier, and the inclusion of outside sources of funding receive up to a 6 point multiplier, as explained in Proposals 2, 3, and 5. These could be placed in their own category, a Project Viability category, with an associated weight, and CESA believes it would be appropriate to weight this category at 5%, in alignment with MEC's proposal to weight Ratepayer Cost effectiveness as 5% of the overall application score.[18]. Under this model, the weights of other categories would be adjusted proportionally:

- Customer & community benefits: 47.5%
- Resilience benefits: 28.5%
- Environmental benefits: 19%
- Project Viability: 5%

The creation of a separate category will help to weigh these additional proposals appropriately. At this time, CESA does not believe that Project Viability criteria should be weighted significantly more than 5%, given that MIP should focus on prioritizing projects that can provide the most benefits to communities, but some consideration of viability can help raise overall MIP effectiveness.

Another scoring issue where there was discussion during the workshops and where there is room for substantial improvement from the existing scoring system is in the area of Expected Useful Life ("EUL") and the related area of uses per year. Simply put, if Project A has a technology that has an EUL of 7 years if only used during emergencies, and Project B has an EUL of 20 years if used daily, Project B delivers considerably more lifetime benefit to the community and ultimately to ratepayers. This could be remedied by the addition of another points category incorporating EUL and expected frequency of

[18] MEC "Scoring" presented at Workshop #4 on July 28, 2021 at slide 12.

dispatch, or alternatively, the total points could be calculated across the total number of years of EUL to support comparison of applications over the full project lifetime, delivering the estimated benefits across different periods of time.[19]

VI. PROPOSAL 5: LEVERAGING OTHER PUBLIC AND/OR PRIVATE FUNDING PARTNERSHIPS

The Staff Proposal recommended leveraging external public and/or private partnerships that would help distribute the $200 million in grant funding available in the MIP across the greatest number of projects. By contrast, the current IOU implementation plan scoring criteria does not assign additional points for projects that leverage multiple funding sources. Among the three options proposed, staff recommended adoption of Option 3, which would require the IOUs to modify the scoring criteria to include additional points for project developers who can demonstrate that they leveraged other grant funding sources and/or show good-faith efforts to pursue supplemental means. CESA supports including the presentation of outside funding sources, particularly private funding partnerships, as another Project Viability criterion, as discussed above.

Question 1: Should the Commission adopt Option 3? Please discuss.

The Commission should adopt Option 3 of providing additional points to projects that are looking at outside sources of funding, in recognition that leveraging other sources of funding will increase a project's financial viability. In this sense, CESA sees this option as highly aligned with Staff's recommendation to give projects additional points to projects that have business plans. In both cases, this kind of documentation should not be required but instead give projects additional points.

Question 2: Should the IOUs or the CPUC provide a clearinghouse of available grant funding sources? Please discussion.

Yes, CESA generally supports the creation of a clearinghouse or library of available grant funding sources. Staff already details some of these sources already in the Staff

[19] A 50-point project with 10-year EUL would result in 500 project lifetime points, versus a 50-point project with 30-year EUL would result in 1,500 project lifetime points.

Proposal, along with resources from through other state agencies. Considering our response to the Question 1 above, CESA believes that having a resource library is a good approach to support applicants in becoming aware of, pursuing, and securing funding partnerships. CESA therefore supports the adoption of Option 1.

Question 3: Is there a compendium or clearinghouse of available grant funding opportunities maintained by a local jurisdiction, state, or federal agency that could be publicized with the MIP webpage materials? Please discuss.

CESA has no comment at this time.

Question 4: Are there additional programs and funding sources the MIP can leverage? Please discuss.

CESA has no comment at this time.

Question 5: Is the documentation defined for demonstrating a good-faith effort necessary and sufficient? If not, what other recommendations should the Commission consider?

CESA has no comment at this time.

Question 6: If the Commission adopts Option 3, should a sliding scale be used to determine how many additional points are needed to modify the scoring criteria for applicants who can demonstrate they leveraged other grant funding sources? Please discuss.

CESA suggests that 6 points be awarded to participants that can show that they have received awards and/or financing from other funding sources, both grants and other forms of financing. During many grant applications, there is a review of the technical plan for the microgrid alongside the business plan with proposed revenue streams. For private investment or financing, due diligence requirements are often even higher, with project developers needing to propose a project that is very viable to receive this funding, given sensitivity to investment risk. These parties, both entities giving out grants and private investors/financiers, also provide another layer of oversight to ensure that the project is

executed on schedule and according to plan. Therefore, the Commission can have much more confidence that these projects will achieve commercial operation.

Question 7: How many points should the Joint IOU scoring criteria award for the good-faith effort? Please discuss.

CESA has no comment at this time.

Question 8: Should the scoring for good-faith effort be a sliding scale based on funding need? Please discuss.

CESA has no comment at this time.

Question 9: If the Commission does not adopt Option 3, what tools can it or the IOUs use to advance leveraging alternative funding? Please discuss.

See our response to Proposal 5 Question 2 above.

VII. PROPOSAL 6: COMMUNITY ENGAGEMENT FOR PROJECT SOLICITATION

The Staff Proposal recommended that the Commission adopt the Joint IOU Implementation Plan with modification to this element to clarify the role and intended level of Disadvantaged Communities Advisory Group ("DACAG") involvement (Option 1). On August 2, 2022, Energy Division staff emailed the R.19-09-009 service list to clarify that the IOUs are directed to inform parties on whether the DACAG consents to performing certain roles in the MIP process.

Pending this information, CESA reserves comment at this time until the IOUs have provided an update on the DACAG's role or have provided an alternative recommendation to accomplish community-based advisory group review.

Question 1: Should the Commission adopt Option 1? Please discuss.

CESA has no comment at this time.

Question 2: **What authority should the DACAG have in the event there is disagreement in ranking between the DACAG and the utility as program administrator? Please discuss.**

CESA has no comment at this time.

Question 3: **If the Commission adopts Option 1, and should any disagreements arise between the DACAG and the program administrators, how should disagreements be reconciled? Please discuss. When describing your recommendation, frame the recommendation so it embodies a theme of consensus building.**

CESA has no comment at this time.

VIII. PROPOSAL 7: DISPUTE RESOLUTION

Having a defined dispute resolution process, whether one that is already existing or a new one, will facilitate the process in moving forward with microgrid project contracting and development. CESA has no particular recommendation for the specific venue or process, but we support a backstop process to work through novel and complex issues related to the microgrid use case and the growing pains associated with new program launch and administration.

Question 1: **Should the Commission adopt Option 1 or Option 2? Please discuss. When answering, please discuss the benefits and drawbacks for both Option 1 and Option 2.**

CESA recommends the adoption of Option 1. The greater complexities and novelty of IFOM and community microgrids necessitate this backstop process to ensure that contracting, interconnection, and operations of awarded microgrids meet the objectives and requirements of MIP. To illustrate, PG&E has faced delays in completing negotiations for projects for the 2021 Clean Substation Microgrid ("CSM") Request for Offers ("RFO"), leading to extension requests being requested and subsequently granted twice.[20] In this case, it appears that many of the sources of delay are technical in nature, requiring

[20] PG&E Advice 6667-E: Request for Approval of PG&E's Pending Extension Request to Develop a Clean Substation Microgrid Project submitted on July 29, 2022.

additional interconnection studies (*e.g.*, Independent Safety Analysis, Inverter Specifications Study, Microgrid Islanding Study).[21] CESA does not cite PG&E's 2021 CSM RFO experience as an example of what may happen in the MIP application and project development process since there may be certain differences that make it unreasonable to draw parallels (*e.g.*, substation-level microgrids and higher transaction cost bilateral contracts in the CSM RFO versus less sophisticated or community microgrids and simpler incentive payment structures in the MIP), but rather, this highlights how there may be unanticipated or unprecedented issues or circumstances that arise that necessitate a third party or the Commission's Energy Division to intervene and facilitate a resolution. As such, CESA sees mostly benefits to having a dispute resolution process in place.

Presumably, staff is envisioning a dispute resolution that extends beyond technical interconnection and operational issues, which may be one of the main sources of dispute on, for example, the necessity or applicability of certain studies, restrictions or provisions governing transitions between operational modes, to name a few. In addition to these potential technical and operational disputes, applicants may also find issue with other elements of the program, such as eligible project costs for awards and the calculation of the scoring methodology. Naturally, with any new program, there may be some growing pains and gaps/challenges that were not anticipated at the design and inception of the program. Having a dispute resolution in place to cover non-technical and more programmatic and implementation issues is therefore helpful to ensure the success of the MIP.

With all that said, CESA generally finds the IOUs' implementation plan to be well thought out and find most elements of the program to facilitate the achievement of the program's objectives. Having a dispute resolution process in place is not intended to be cast the IOUs as obstructionists or bad actors but rather to ensure there is some backstop mechanism to address unanticipated or unprecedented issues that may arise for the novel microgrid use case and can be reasonably expected as part of any new program launch. Generally, in CESA's view, establishing a dispute resolution process is a best practice for any energy or customer program.

[21] *Ibid* Appendix A at 2.

IX. PROPOSAL 8: LEFTOVER FUNDING

The Staff Proposal recommended that the Joint IOU Implementation Plan be revised to address what should be done with unused program funding at the end of the MIP. Option 1 recommended modifying the Implementation Plan to allow a utility to file a Tier 1 advice letter to reallocate unused program funding to another customer resiliency project program. Option 2 would make no changes. The Staff Proposal recommended Option 1. In response, CESA generally finds the Staff Proposal to be smart and reasonable and similarly recommends its adoption.

Question 1: Should the Commission adopt Option 1. Please discuss

CESA supports staff's recommendation to adopt Option 1. Unless the frequency and/or magnitude of grid outages drastically decrease, vulnerable populations will continue to face critical resiliency needs. On balance, in approving the MIP, the Commission found it appropriate to reduce barriers for microgrid deployment without shifting costs between ratepayers and determined that the MIP would offer a number of benefits, in line with the Commission's various statutory obligations.[22] So long as another "customer resiliency project program" can leverage the unused funds in adherence to the intent and guidance provided in D.21-01-018, the IOUs should have the option to start a new program with similar intent, though potentially with different program design.

Based on workshop and stakeholder participation in 2021 and the fact that grid outage events persist,[23] CESA's expectation is that demand for MIP incentives will likely outstrip supply of funds as impacted customers continue to need resiliency strategies and solutions. Yet, there may be several scenarios under which MIP would end up with unused funds. For example, the lower-than-expected MIP applicant participation may be a result of unanticipated program design flaws, which may stem from burdensome application and administrative processes or narrow eligibility for participation. In other cases, there may be unused funds as a result of project attrition if certain milestones are not met, considering the IOUs' proposal currently stipulates that MIP project development milestones will

[22] D.21-01-018 at 60, 62-63, and Findings of Fact ("FOF") 22 and 24-26.
[23] For example, there have been over 500 EPSS outages in PG&E territory this year. See " June Outages Monthly Report – EPSS" submitted by PG&E. Available at: https://www.cpuc.ca.gov/industries-and-topics/wildfires/pacific-gas-and-electric-heightened-equipment-sensitivity-wildfire-mitigation-program

inform incentive award progress payments. Regardless of the specific cause, CESA believes the staff's proposal is prudent, mitigating the possibility that the Commission-approved and allocated funds are used and useful if another program could better meet the Commission's intended purpose as outlined in D.21-01-018.

X. CONCLUSION.

CESA appreciates the opportunity to submit these comments on the Ruling and looks forward to collaborating with the Commission and stakeholders in this proceeding.

Respectfully submitted,

Jin Noh
Policy Director
CALIFORNIA ENERGY STORAGE ALLIANCE

August 5, 2022