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)

REPLY 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 reply 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 collaboration between all stakeholders involved in developing and implementing the Microgrid Incentive Program ("MIP"). The MIP will play a critical role in adding resiliency to the grid where disadvantaged and vulnerable communities ("DVC") have been and will continue to be impacted by grid reliability challenges. That said, it is important to ensure that the MIP application process and project selection criteria are structured in a way to capture the areas at most risk of being impacted by grid outages. Additionally, as highlighted by multiple stakeholders, the MIP scoring criteria must be refined to avoid screening out the most vulnerable communities and to capture the most cost-effective and highest-benefit project applications. CESA therefore offers the following reply comments and recommendations to better set up the MIP to provide much needed grid resiliency to DVCs and to the electrical grid overall and achieve the goals and intent established by the Commission in Decision ("D.") 21-01-018.

- Submittal of a business plan should enhance the competitiveness of an application rather than serve as a burden to the applicant.

- Additional justifications and demonstration of critical resiliency need(s) should be optional and scored qualitatively if submitted.
- Maintaining the current utilities' proposed scoring criteria is flawed and must be modified to account for the full range of "uncapped" benefits and assess for project viability.
    - A multiplier system without point caps should be adopted in the scoring criteria to better capture the highest-value and highest-impact projects.
    - Retaining the application incentive request ("AIR") in the denominator will better assess cost-effectiveness.
    - The qualification for points in the "outage risk" sub-category requires further clarification and refinement.
- External funding sources should be awarded some points for validating the economic merits of a project and increasing project viability, but this criterion should not be used to penalize projects without co-funding.

Importantly, the County of Los Angeles ("LA County") stressed the importance of launching the MIP as soon as possible since the state "cannot afford any unnecessarily delays…especially during the current global energy crisis."[1] CESA wholeheartedly agrees. The MIP stakeholder workshops were initiated in Summer 2021, resulting in a yearlong process to solicit stakeholder input and finalize the program details but making the program unavailable for applicants and projects to potentially move forward with inception and development. Perfect should not be the enemy of good when grid resiliency needs for vulnerable communities persist.

II. SUBMITTAL OF A BUSINESS PLAN SHOULD ENHANCE THE COMPETITIVENESS OF AN APPLICATION RATHER THAN SERVE AS A BURDEN TO THE APPLICANT.

For various reasons, multiple parties raised concern with incorporating a business plan requirement or financial need/viability demonstration as either an eligibility criterion or scoring criterion because it would create administrative burden for resource-limited local agencies and community members[2] or would dilute the value put on other benefit categories such as resiliency

[1] LA County comments at 3.
[2] LA County comments at 1-2; MEC comments at 7.

need.[3] Only Public Advocates Office ("Cal Advocates") advocated for the demonstration of long-term financial feasibility as a "pass or fail" eligibility requirement in lieu of such consideration in the scoring process through additional benefits points.[4] CESA agrees with the concerned or opposing parties in some ways, where the Option 1 proposals in the Staff Proposal should not pose an unreasonable burden on applicants and should not deter applications from those with the greatest financial and resiliency needs. To these ends, CESA proposed to qualitatively favor projects with a comprehensive business plan to ensure that applications chosen are financially viable in the long-term.

Given the importance of advancing resiliency in DVCs, it is critical to evaluate the viability of a project to make sure funds are used prudently. Notwithstanding the importance of developing high-quality applications, CESA's proposal to include a comprehensive business plan is not intended to create additional barriers for applicants but instead to encourage DVCs to further strengthen their project plan and increase the probability of project success. CESA acknowledges that certain community-based organizations ("CBO") might not have adequate financial resources needed to develop a competitive MIP application that includes a comprehensive business plan. Additionally, CESA agrees with the Microgrid Equity Coalition's ("MEC") statement that "[m]ost CBOs are not in a financial position to gamble $25,000 on a grant application that ultimately may not be successful."[5] To address upfront barriers of CBOs in developing a business plan, CESA therefore recommends adopting MEC's proposal that one-time MIP-funded application development grants should be disbursed prior to the end of Stage 2.[6] Disbursing these grants early in Stage 2 will mitigate risks of CBOs being screened out due to a lack of financial resources needed to demonstrate project viability.

In addition, CESA acknowledges and appreciates the concerns of the Rural County Representatives of California ("RCRC") regarding the value of points awarded for resilience needs and benefits, if points are added for inclusion of a business plan. However, CESA did not include significant weights for viability in our proposed scoring methodology to avoid overwhelming other important categories. Moreover, adding these viability criteria would not screen out projects like it would with the Cal Advocates proposal, which recommends adopting a "pass or fail"

[3] RCRC comments at 4.
[4] Cal Advocates comments at 10.
[5] Microgrid Equity Coalition Comments at 4
[6] Microgrid Equity Coalition Comments at 4

requirement that would reject all projects that cannot demonstrate long-term financial feasibility.[7] All things considered, CESA's proposed inclusion of a business plan is not intended to burden the applicant but is intended to enhance the competitiveness and viability of their MIP application.

III. ADDITIONAL JUSTIFICATIONS AND DEMONSTRATIONS OF CRITICAL RESILIENCY NEED(S) SHOULD BE OPTIONAL AND SCORED QUALITATIVELY IF SUBMITTED.

CESA observed no outright opposition from parties in opening comments regarding Proposal 3 Option 1 to award additional points to projects when a project applicant can describe how it serves a critical energy resiliency need identified within regional community plans. While additional points should be added for providing additional documentation supporting critical energy resiliency needs identified within regional community plans, CESA recommends this be optional. As mentioned in the previous section, increasing project viability is a key factor for increasing the probability of success to realize the scored benefits with the actual and sustainable development and operations of the given project. As such, 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. While supporting additional points for demonstrating critical resiliency need, we agree with the Clean Coalition that the additional points should not provide a huge lift for applicants.[8] Along these lines, we suggest adding proof of critical resilience need to a separate points category on Project Viability.[9] For similar reasons, we recommend assigning points on a binary basis with additional points awarded if justification is present so that this demonstration does not pose an unreasonable or significant burden on applicants.

IV. MAINTAINING THE CURRENT UTILITIES' PROPOSED SCORING CRITERIA IS FLAWED AND MUST BE MODIFIED TO ACCOUNT FOR THE FULL RANGE OF "UNCAPPED" BENEFITS AND ASSESS FOR PROJECT VIABILITY.

The greatest source of comments and recommendations surrounded the scoring criteria and whether it should be modified. In sum, CESA views the focus and range of comments on the scoring criteria as suggesting to the Commission that it requires some important modifications and

[7] Cal Advocates comments at 10
[8] Clean Coalition comments at 10
[9] *Table 1. CESA's Proposed Benefit Scoring Methodology.*

cannot just be adopted as-is as recommended in Option 2 of Proposal 4. As it stands, there is misalignment among the investor-owned utilities ("IOUs"), stakeholders, and Commission staff on how to establish weights across the benefit categories,[10] how to define the specific benefits,[11] and the structure by which to generate the overall composite score.

CESA therefore agrees with Green Power Institute ("GPI") that staff's justification for not making scoring criteria modifications is flawed, where an advice letter process should be used as a last-resort process for correcting program issues.[12] The advice letter process would only serve to lengthen and add uncertainty to the process for successfully implementing the MIP projects in line with the goals and intent set forth in D.21-01-018. Rather, CESA believes that the issues identified in the scoring criteria by multiple stakeholders should be addressed and corrected from the start. To that end, CESA recommends the scoring criteria be modified to reflect a point multiplier approach without point caps and Project Viability be added as a Benefit Scoring Category, which is summarized in the table below. All points with an "x" next to it represent how the points along this scoring parameter are on a per-customer, per-facility, or per-event basis, without maximums or caps, whereas all other scoring parameters are scored on a binary basis on whether it meets the criteria or not.

Table 1: CESA's Proposed Benefit Scoring Methodology

Benefit Scoring Category	Subcategory	Scoring Parameter / Criteria	Validation	Points	Percentage Weight
Customer & Community Benefits	Low Income Customers	Number of CARE and FERA customers within MIP Project	Utility Records	0.1x	47.5%
	Vulnerable Customers	Number of AFN, MB, and Life Support customers within MIP Project	Attestation from Authority having Jurisdiction	0.2x	
	Critical Facilities	Number of CFs within MIP Project Boundary	CPUC Definition	5x	

[10] RCRC comments at 7. *See, e.g.*, "the MIP program and application scoring methodology should focus primarily on resiliency and reliability deliverables. We disagree that half of the points available are based on the customers and communities served and that another 20% of points are awarded solely on the environmental attributes of the project." *See also* MEC comments at 12.
[11] *Ibid*. *See, e.g.*, "Given the relatively short 24-hour minimum discharge requirement, this means that up to three points will be awarded for taking one fossil fuel backup generator offline for the first 24 hours of what could be a several-day outage."
[12] GPI comments at 7.

		Number of CFs within MIP Project Boundary Serving DVC	CPUC Definition	10x	
	Community Services	Community Resilience Service facilities within MIP Project (*minimum of 1*)	Attestation from Authority having Jurisdiction	2x	
Resilience Benefits	Location Outage Risk	HFTD 2	CPUC HFTD Map	3	28.5%
		HFTD 3	CPUC HFTD Map	6	
		Prior PSPS Events (*2 points per historical PSPS event, any year, that has not been substantially mitigated at time of MIP application*)	Utility Records	2x	
		1% Worst Performing Circuits	Appears in either of prior 2 years of Utility Annual Electric Reliability Report	4	
	Island Duration	Duration of Islanded Operation provided by MIP Project beyond 24-hour minimum requirement	Each subsequent 6-hour period of operation beyond 24 hours determined by typical load profile of the microgrid electrical boundary	0.5x	
Environmental Benefits	Clean Energy	100%	% of installed IFOM clean energy Project Resource capacity in relation to the total installed IFOM resource capacity within MIP Project. (*Installed capacity for resources using inverters will be based on the AC output capability*)	17	19%
		95-99%		12	
		90-94%		7	
		80-89%		2	
		<79%		0	
	Fossil Fuel Displacement	Fossil Fuel Emergency or Backup Generation Displacement as primary back-up (*minimum of 1*)	Applicant Attestation	3	
Project Viability	Business Plan	Inclusion of a business plan	Business plan attachment	2	5%
	Critical Resilience	Inclusion of critical resilience plan	Documentation of critical resilience need and community plan	4	
	Co-Funding	Inclusion of external funding from other grant or private investment sources	Documentation validating external funding sources	6	

Additionally, CESA recommends that the Benefit Score incorporate considerations of the expected useful life ("EUL") of the project, in recognition that both the customers being served by the microgrid as well as ratepayers benefit more from longer lasting projects. CESA recommends that the Benefit Score points from the table above be multiplied by the total number of years of EUL to support comparison of applications over the full project lifetime.[13]

A. A multiplier system without point caps should be adopted in the scoring criteria to better capture the highest-value and highest-impact projects.

Consistent with their proposals and presentations at the MIP workshops, MEC reiterates their recommendations to establish a multiplier system in the scoring criteria without point caps.[14] CESA strongly agrees with MEC and believes that establishing a multiplier system would more accurately capture and value applications that offer significant benefits to the most disadvantaged communities,[15] whereas the point cap system would set limits on such distinct, high-value projects".[16] While CESA agrees with MEC on a multiplier system without point caps, we strongly believe that a multiplier system coupled with adding a Project Viability category and redistributing the weight of the categories would capture more high-value and high-impact projects.[17]

B. Retaining the application incentive request ("AIR") in the denominator will better assess cost-effectiveness.

MEC recommends removing the denominator of the Project Score since the Benefit Score (numerator) already captures many of the issues raised by stakeholders.[18] CESA respectfully disagrees and finds the AIR in the denominator as better assessing the cost-effectiveness of applications and projects, incentivizing applicants to pursue co-funding opportunities where and if possible and driving the program to get the greatest bang for buck. Furthermore, using the AIR will also protect ratepayers by ensuring that the benefit of each dollar allocated to a project is prudently calculated. When combined with

[13] Alternatively, another Benefit Score point category could be added to value EUL.
[14] MEC comments at 12.
[15] MEC comments at 11.
[16] MEC comments at 12.
[17] *Table 1. CESA's Proposed Benefit Scoring Methodology.*
[18] MEC comments at 12.

modifications to uncap the benefits scoring of applications, projects that provide the most value for DVCs in terms of customer, resilience, and environmental benefits will show higher cost-effectiveness ratios and rank highly among MIP applications, even if the AIR remains in the denominator and the AIR may in some cases be relatively higher for projects located in and benefiting DVCs.

C. The qualification for points in the "outage risk" sub-category requires further clarification and refinement.

RCRC recommended that resilience points be assigned based on the combined number of PSPS and/or Fast Trip outages experienced by each circuit that will be served by a project,[19] while MEC added that outages should be weighted equally based on frequency, duration, and forecast likelihood of change reflecting planned utility investments.[20] CESA agrees with these comments and recommends that the "outage risk" sub-category be further clarified and modified to include both the number of PSPS and Fast Trip outages. Additionally, CESA recommends weighing PSPS events and Fast Trip outages based on frequency, duration, and future forecast. Using future forecast of outages as opposed to historical data will result in capturing applications from areas that are more likely to experience an outage event in the future. This approach will also have a significant impact on cost-effectiveness for the MIP since it will utilizing ratepayer funds for projects that will experience outage events in the future as they did in the past.

V. EXTERNAL FUNDING SOURCES SHOULD BE AWARDED SOME POINTS FOR VALIDATING THE ECONOMIC MERITS OF A PROJECT AND INCREASING PROJECT VIABILITY, BUT THIS CRITERION SHOULD NOT BE USED TO PENALIZE PROJECTS WITHOUT SUCH CO-FUNDING .

Other than Cal Advocates who favored Proposal 5 Option 3[21] in line with CESA's comments, RCRC and MEC opposed the awarding of additional points to applicants and projects that have secured external funding. In line with their comments elsewhere on the Staff Proposal, they found such proposals to, respectively, dilute the focus on the primary resiliency focus of the

[19] RCRC comments at 6.
[20] MEC comments at 13.
[21] Cal Advocates comments at 15.

program[22] and to disadvantage applicants whose first and maybe only source of funding is the MIP.[23]

CESA recognizes and appreciates RCRC and MEC's concerns; however, CESA's proposal is structured in a way that would not dilute the focus of the program. Given the structure of the points methodology proposed by CESA, the Project Viability category, where the additional points would be awarded for securing external funding, has the smallest weighting compared to other categories. Along these lines, the proposed point structure would also ensure the minimal amount of dilution for the important focus on resiliency benefits. Furthermore, the co-funding aspect of Option 3 could be structured in a way to not disadvantage applicants whose only funding would be the MIP. For instance, CESA proposed awarding additional points to applicants that can demonstrate that they have submitted a grant application that is under review and/or have been shortlisted, representing a sign of co-funding chance, even though external funds have not yet been secured. This structure would not only ensure that certain applicants are not put at a disadvantage but would also encourage all applicants to seek external funding, which could subsequently result in more DVCs benefiting from the MIP and attaining resiliency.

CESA believes every category within the scoring methodology proposed is critical; however, including viability as a category for the scoring structure will ensure communities benefit from these microgrid systems, considering that screening for viability will increase the probability of such systems coming online. To that end, it is crucial that the success rate of programs like the MIP continue to increase to make certain that similar programs in the future are viewed as an effective and viable option to advance resiliency in DVCs.

VI. CONCLUSION.

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

[22] RCRC comments at 8-9.
[23] MEC comments at 14.

Respectfully submitted,

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