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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

**REPLY COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY (U338-E)**  
**ON ADMINISTRATIVE LAW JUDGE'S RULING REQUESTING COMMENT**  
**ON THE TRACK 2 MICROGRID AND RESILIENCY STRATEGIES**  
**STAFF PROPOSAL, FACILITATING THE COMMERCIALIZATION OF**  
**MICROGRIDS PURSUANT TO SENATE BILL 1339**

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Dated: **August 28, 2020**

**Reply Comments of Southern California Edison Company (U338-E) On  
Administrative Law Judge’s Ruling Requesting Comment On The Track 2  
Microgrid And Resiliency Strategies Staff Proposal, Facilitating The  
Commercialization Of Microgrids Pursuant To Senate Bill 1339**

**Table Of Contents**

	Section	Page
I.	INTRODUCTION .....	1
II.	PROPOSAL 1: DIRECT UTILITIES TO REVISE RULE 2 TO EXPLICITLY ALLOW THE INSTALLATIONS OF MICROGRIDS AS SPECIAL FACILITIES .....	1
III.	PROPOSAL 2: DIRECT THE UTILITIES TO REVISE PG&E RULE 18, SCE RULE 18 AND SDG&E RULE 19 TO ALLOW MICROGRIDS TO SERVE CRITICAL CUSTOMERS ON ADJACENT PARCELS .....	5
IV.	PROPOSAL 3: DIRECT THE UTILITIES TO DEVELOP A STANDARDIZED TARIFF FOR COMBINATIONS OF RULE 21 COMPLIANT TECHNOLOGIES .....	9
V.	PROPOSAL 4: DIRECT THE UTILITIES TO DEVELOP A MICROGRID PILOT PROGRAM .....	11
VI.	CONCLUSION.....	16

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**I.**

**INTRODUCTION**

Pursuant to the Administrative Law Judge’s Ruling Requesting Comment on the Track 2 Microgrid and Resiliency Strategies Staff Proposal Facilitating the Commercialization of Microgrids Pursuant to Senate Bill (“SB”) 1339 (“Staff Proposal”), Southern California Edison Company (“SCE”) submits these reply comments on the Staff Proposal. SCE’s reply comments respond to common themes observed in parties’ opening comments on Proposals 1-4 and explain why such comments do not provide any meaningful reasons to reject the Staff Proposal.

**II.**

**PROPOSAL 1: DIRECT UTILITIES TO REVISE RULE 2 TO EXPLICITLY ALLOW  
THE INSTALLATIONS OF MICROGRIDS AS SPECIAL FACILITIES**

The Staff Proposal identifies Rule 2 Added/Special Facilities as a potential barrier to the deployment of microgrids and proposes options to facilitate the utilities’ ability to provide

microgrid-related equipment and services.<sup>1</sup> As noted in its opening comments on the Staff Proposal, SCE agrees with staff-recommended Option 2, which would require SCE to update Rule 2 to eliminate examples of equipment we typically install as Added Facilities.<sup>2</sup>

In reviewing parties' opening comments on the Staff Proposal, SCE noted three key themes rooted either in potential misunderstandings about its provision of Added Facilities under Rule 2 or, in some cases, lack of meaningful consideration for customer benefits and impacts. SCE addresses below these themes which aim to: (1) limit utilities' ability to provide microgrid services under Rule 2; (2) update Rule 2 financing and operations and maintenance rates; and (3) revisit and amplify the nature of Rule 2 and inherent customer protections.

**A. Limiting the Utility Role with Respect to Microgrids Would Violate Existing Laws.**

Certain technology providers and their advocacy organizations seek to limit utility participation in developing microgrids, generally noting that utility participation will create, rather than eliminate, barriers to adoption. For example, Vote Solar and the Climate Center oppose all three of the staff-proposed options because of staff's presumption that investor-owned utilities ("IOUs") would participate in the market for customer-sited microgrids and related equipment.<sup>3</sup>

**Response:** Limiting the utility role in the development or deployment of microgrids would clearly violate Cal. Pub. Util. Code § 8371, which states: "[n]othing in this chapter shall discourage or prohibit the development or ownership of a microgrid by an electrical corporation." Moreover, any proposal to exclude utilities from the market for microgrid facilities would not be consistent with customer interests or the myriad of laws protecting such interests through access to multiple paths to the development and deployment microgrid technology. As

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<sup>1</sup> Staff Proposal, p. 5.

<sup>2</sup> SCE Opening Comments, p. 3.

<sup>3</sup> Vote Solar and the Climate Center Opening Comments, p. 8.

such, parties' proposals to limit the IOU's ability to facilitate the commercialization of microgrids should be summarily denied.

**B. SCE Supports a Review of the Rule 2 Financing, Operation and Maintenance Rates.**

The Joint Community Choice Aggregators ("Joint CCAs"), Local Government Sustainable Energy Coalition, and 350 Bay Area comment about the need to revisit the Added Facilities rates charged under Rule 2.<sup>4</sup> The California Energy Storage Alliance, the California Solar and Storage Association, and the Vehicle-Grid Integration Council make related comments about revisiting the calculation of Connected Load.<sup>5</sup>

**Response:** SCE agrees with the parties noting that there is a potential need for an update to the Rule 2 Added Facilities rates as a result of incorporating microgrid technologies and services. SCE addressed this issue in its Comments to the Staff Proposal in response to Proposal 1, Question 6 noting that as "part of the Proposal 4 pilot projects, SCE will assess the potential differences between microgrid assets and more typical utility assets deployed as added facilities (e.g., service lives, capital and operational costs) to determine whether additional considerations (e.g., Rule 2, Added Facilities rate changes) are needed."<sup>6</sup>

Regarding recommendations to consider revising how connected loads are rated and defined for load service, SCE believes this is beyond the scope of the Staff Proposal, which contemplates explicitly allowing the installation of microgrid-related facilities as Added Facilities. Connected load ratings have implications beyond microgrid projects as they are necessary to appropriately determine the service size for the customer's electric use without compromising safety and reliability. As such, the issues of connected loads cannot be appropriately or fully addressed in this proceeding.

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<sup>4</sup> Joint CCAs Opening Comments, p. 7; Local Government Sustainable Energy Coalition Opening Comments, p. 7; and 350 Bay Area Opening Comments, p. 5.

<sup>5</sup> California Energy Storage Alliance Opening Comments, p. 4.; California Solar and Storage Association Opening Comments, pp. 3-4; and Vehicle-Grid Integration Council Opening Comments, p. 6.

<sup>6</sup> SCE Opening Comments, p. 6.

**C. Rule 2 Provides Customers with Sufficient Optionality and Customer Protections.**

A number of parties based their comments on an apparent misunderstanding of existing Rules and Commission powers. For example, the City of Long Beach requested specific modification of Rule 2 to clarify that using Added Facilities for microgrids is purely voluntary by the microgrid developer or owner.<sup>7</sup> In a related point, Wild Tree Foundation (“WTF”) opposes all three staff options, asking the Commission to essentially “pre-review” applications for microgrid development to ensure customers are protected from the IOUs refusing to install microgrids, overcharging for IOU services, and to ensure that the public is protected against poorly-designed microgrids that could impact safety.<sup>8</sup>

**Response:** The City of Long Beach’s request to clarify that the use of Added Facilities is purely voluntary is unnecessary. SCE does not install equipment or provide service as Added Facilities unless the customer requests such service and/or the customer’s project requires such service. However, SCE believes that any Added Facilities must use appropriate Commission-established processes if they wish to connect to the IOU facilities to assure the safety and reliability of the entire system

As for WTF’s proposal, it is based on a core misunderstanding of the existing Commission powers to address customer complaints about compliance with Commission rules and authorized charges. The Commission has established and time-tested processes for customers and other entities to lodge complaints and seek resolution. Given the existing regulatory protections already in place, requiring yet more processes be put in place before the deployment of microgrids would only unnecessarily burden the Commission and create a significant time barrier in contravention of the statutory intent.

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<sup>7</sup> City of Long Beach Opening Comments, p. 6.

<sup>8</sup> WTF Opening Comments, pp. 2-3.

### III.

#### **PROPOSAL 2: DIRECT THE UTILITIES TO REVISE PG&E RULE 18, SCE RULE 18 AND SDG&E RULE 19 TO ALLOW MICROGRIDS TO SERVE CRITICAL CUSTOMERS ON ADJACENT PARCELS**

The Staff Proposal identifies the IOUs' Rules 18/19 as a barrier to microgrid deployment for developers who wish to supply power to adjacent premises.<sup>9</sup> As noted in its opening comments on the Staff Proposal, SCE supports (with modifications) staff-recommended Option 2, which would allow ten microgrid projects to be exempt from Rule 18/19 if they are critical facilities owned by municipal corporations and are only supplying electricity to an adjacent premise to conduct emergency and/or critical operations during a grid outage.<sup>10</sup>

In reviewing parties' opening comments on the Staff Proposal, SCE noted three key themes in parties' responses to Staff Proposal 2 that it addresses below: (1) expanding the scope and number of Rule 18/19 exemptions; (2) operating microgrids in parallel with the grid; and (3) requesting that the Commission advance a legislative proposal to amend Public Utilities Code Section 218.

#### **A. The Staff Proposal Appropriately Limits the Scope and Number of Exemptions to Rule 18/19.**

In opening comments, many parties advocate for expanding the proposed pilots beyond the staff recommendations. For example, Concentric Power and Vote Solar and the Climate Center advocate for not limiting the proposed exemptions to only adjacent parcels.<sup>11</sup> Similarly,

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<sup>9</sup> Staff Proposal, p. 8.

<sup>10</sup> SCE Opening Comments, pp. 7-9.

<sup>11</sup> Concentric Power Opening Comments, p. 3, and Vote Solar and the Climate Center Opening Comments, p. 10.

various parties' request to remove the ten project limit and/or expand eligibility for the proposed exemptions beyond municipally-owned critical facilities.<sup>12</sup>

**Response:** As the Staff Proposal notes, the purpose of Rule 18/19 “is to ensure the safety and reliability of the electricity supplied from the distribution grid to the customers, and to protect customers who may have no or limited choices about who provides their electricity.”<sup>13</sup> The suggestions that would expand the exceptions to Rules 18/19 beyond those proposed by staff fail to take account of this basic precept.

For example, arguing for the elimination of the “adjacent” parcel rule does not consider the fact that this limitation exists to protect the safety and reliability of the electric system and the customers it serves. Serving facilities that are not “adjacent” parcels would require the building of an equivalent of a “private” electrical distribution grid which would not be subject to Commission jurisdiction potentially leading to electrical designs that do not adequately meet fault detection, adequate voltage controls, and/or power quality control.<sup>14</sup> Nothing in the comments has changed or can change these operational paradigms. Notably, SCE is not alone in this view as the Public Advocates Office expressly notes that it “supports Option 2 because it

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<sup>12</sup> Center for Sustainable Energy Opening Comments, pp. 4-5; Vote Solar and the Climate Center Opening Comments, p. 10; Bioenergy Association of California Opening Comments, p. 10; California Clean DG Coalition Opening Comments, pp. 4-5; Tesla Opening Comments, p. 4 and p. 6; Google Opening Comments, p. 5; Sunrun Opening Comments, p. 8; Clean Coalition Opening Comments, p. 4; Doosan Fuel Cell America Opening Comments, p. 6; Enchanted Rock Opening Comments, pp. 3-4; National Fuel Cell Research Center Opening Comments, p. 6; California Energy Storage Alliance Opening Comments, p. 7 and p. 9; California Solar and Storage Association Opening Comments, p. 3; Green Power Institute Opening Comments, pp. 2-3; Concentric Power Inc. Opening Comments, p. 4; and Bloom Energy Opening Comments, p. 7.

<sup>13</sup> Staff Proposal, p. 9.

<sup>14</sup> As noted in its opening comments, p. 8, SCE does not anticipate, contrary to the suggestions made by Tesla in its opening comments, p. 5, that the microgrid projects contemplated in Proposal 2 will use utility infrastructure to serve the adjacent critical facility. SCE views microgrids using SCE facilities as being more aligned with the Proposal 4 pilots, which would include front-of-meter configurations. To ensure the safe and reliable operation of its distribution facilities, SCE would operate the front-of-meter microgrids.



allows a microgrid to transfer electricity to adjacent premises only during emergencies that occur during grid outages.”<sup>15</sup>

Similarly, the contention that the Staff Proposal should go beyond municipalities and the critical facilities they serve misses several key points. The Staff Proposal aims to address serving critical community needs without creating the possibility that a “sale of power” to multiple customers will take place, violating legal constraints. Moreover, as the Commission has previously recognized, municipalities serve the public interest and are far more accountable to protect their residents from undue costs and unsafe conditions than non-utility for-profit entities. As such, limiting the exemptions to the municipally-served critical facilities is well-considered and cannot and should not be expanded beyond the limitations set by staff.

Finally, SCE is puzzled by the objections made by some of the parties to limiting the number of the microgrids proposed by staff. The Staff Proposal is not only reasonable given the complexity of deploying new technologies and configurations, but it can be revisited with lessons learned. Put another way, although speeding deployment of microgrids is essential, that speed should not and need not come at the cost of safety and reliability. The Staff Proposal reflects a well-considered balance of safety, speedy deployment, critical needs, and customer protections.

**B. Microgrids Should Only Operate During Grid Outages and Only When Safe Operation Is Possible.**

Local Government Sustainable Energy Coalition, Center for Energy Efficient and Renewable Technologies, Joint Community Choice Aggregators and others advocate for expansion of microgrid operations to include parallel operations with the grid.<sup>16</sup>

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<sup>15</sup> Public Advocates Office Opening Comments, p. 7.

<sup>16</sup> Local Government Sustainable Energy Coalition Opening Comments, p. 8; Center for Energy Efficient and Renewable Technologies Opening Comments, p. 3; and Joint CCAs Opening Comments, p. 7.

**Response:** SCE clarifies that when the applicable interconnection agreements are in place, a customer can operate its generating facility in parallel with the grid to serve its own electrical needs. However, when the generating facility is operating in parallel with the grid, it should not be connected to the adjacent facility as this can lead to unsafe operating conditions. Further, a microgrid may not engage in a sale of power and may not operate at the same time as its local utility without violating the utility franchise/exclusive operation rights or essentially creating a duplicative grid infrastructure that would burden customers with a multiplicity of costs. Indeed, to serve multiple customers on a routine basis, an entity must become a public utility to assure appropriate regulatory oversight. These are well-established parameters that cannot be revised or revisited in this proceeding and the Commission should not entertain any proposal that is intended to serve as a vehicle for statutory violations or end runs by parties wishing to provide essential service without sufficient oversight.

**C. Requests That the Commission Advance a Legislative Proposal to Amend Public Utilities Code Section 218 Are Inappropriate and Misguided.**

Solar Energy Industries Association, Microgrids Resources Coalition, Sunrun, Applied Medical Resources, Schneider Electric North America, and California Solar and Storage Association advocate for the Commission to advance a legislative proposal to amend Cal. Pub. Util. Code § 218.<sup>17</sup>

**Response:** There is nothing on the record to support these recommendations. Cal. Pub. Util. Code § 218 was implemented to protect California electricity customers from issues with safety, reliability, and price equity for an essential service. Entities offering services that meet the definition of an electric utility should be regulated as such. Simply wanting to be free from the “onerous regulations” applicable to electrical corporations is not a justification for changing

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<sup>17</sup> Solar Energy Industries Association Opening Comments, p. 6; Microgrid Resources Coalition Opening Comments, p. 5; Sunrun Opening Comments, p. 3; Applied Medical Resources Opening Comments, p. 3; Schneider Electric North America Opening Comments, p. 6; and California Solar and Storage Association Opening Comments, p. 4.

these requirements. Moreover, it is highly inappropriate to suggest that a regulatory body charged with protecting the public should lobby on behalf a distinct group of commercial interests.

#### IV.

#### **PROPOSAL 3: DIRECT THE UTILITIES TO DEVELOP A STANDARDIZED TARIFF FOR COMBINATIONS OF RULE 21 COMPLIANT TECHNOLOGIES**

To address regulatory barriers related to rate complexity while appropriately preventing inequitable cost shifts as mandated by SB 1339, the Staff Proposal recommends creating a new streamlined microgrid tariff that combines relevant sections of existing tariffs, but does not recommend any exemptions from cost responsibility surcharges other than those already granted by existing tariffs.<sup>18</sup> As stated in its opening comments, SCE supports the Staff Proposal's recommendation.<sup>19</sup> In reviewing parties' opening comments on the Staff Proposal, SCE noted two key themes and that it addresses, below: (1) proposed exemptions from one or more cost responsibility surcharges; and (2) the need to develop a resiliency value for microgrids.

#### **A. Exempting Microgrids from Cost Responsibility Surcharges Violates SB 1339.**

In opening comments, many parties advocate for exempting microgrid projects from one or more cost responsibility surcharges such as non-by passable, departing load, and standby charges.<sup>20</sup>

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<sup>18</sup> Staff Proposal, p. 17.

<sup>19</sup> SCE Opening Comments, p. 14.

<sup>20</sup> Vote Solar and the Climate Center Opening Comments, p. 12; GRID Alternatives Opening Comments, p. 6; California Clean DG Coalition, p. 5; Tesla Opening Comments, p. 13; Green Hydrogen Coalition Opening Comments, p. 7; Solar Energy Industries Association Opening Comments, p. 9; Microgrid Resources Coalition Opening Comments, p. 6; Sunrun Opening Comments, p. 3; Fuel Cell Energy Opening Comments, p. 7; Doosan Fuel Cell America Opening Comments, p. 8; National Fuel Cell Research Center Opening Comments, p. 8; California Energy Storage Alliance Opening Comments, p. 14; Concentric Power Inc. Opening Comments, p. 8; Bloom Energy Opening

**Response:** While exempting microgrid projects from cost responsibility would lower costs for customers benefitting from the microgrid, such actions will merely shift costs to non-participating customers, which is prohibited by SB 1339. The Staff Proposal appropriately recommends Proposal 3, Option 4 because it “represents the best combination of addressing the regulatory barrier of complex rate schedules while avoiding the risk of inappropriate and unfair cost shifting.”<sup>21</sup> Parties charged with consumer advocacy agree.<sup>22</sup>

As the Staff Proposal notes, non-by passable charges are levied on all customers to “recover fixed charges or program costs of the electrical system.”<sup>23</sup> Therefore, exempting microgrid projects from non-by passable charges will inappropriately shift costs to non-participating customers. Similarly, the Staff Proposal notes that “departing load charges are intended to avoid cost shifting of customers who leave the utility service in favor of a different electricity provider. In the case of microgrids, this would be represented by distributed energy resources located within the microgrid, which would deliver energy to the microgrid participants.”<sup>24</sup> Finally, standby charges are used to recover costs from customers whose electricity is supplied from non-utility facilities because utilities have an obligation as the “provider of last resort” to maintain its own facilities to supply electricity in the event the non-utility facilities fail to do so.<sup>25</sup> Exempting microgrid projects from standby charges because they can supply electricity during a grid outage is improper because utilities will still incur costs to maintain service on a standby basis during normal grid operating conditions. Granting

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Comments, p. 6; Clean Coalition Opening Comments, p. 4; and Dr. Barbara R. Barkovich Opening Comments, p. 8.

<sup>21</sup> Staff Proposal, p. 17.

<sup>22</sup> Utilities Consumers’ Action Network Opening Comments, p. 4; The Utility Reform Network Opening Comments, p. 6; and Public Advocates Office Opening Comments, pp. 11-15.

<sup>23</sup> Staff Concept Paper, p. 62.

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

<sup>25</sup> *Id.*, p. 63.

exemptions to standby charges will thus shift these costs to non-participating customers, which is prohibited by SB 1339.

**B. Exploring Resiliency Value of Microgrids Can Be Appropriately Considered in Track 3.**

Rather than exempting microgrids from cost responsibility surcharges, parties such as Sierra Club and the County of Los Angeles advocate for the development of a resiliency value that captures the benefits a microgrid brings to all customers.<sup>26</sup> This is presumably meant to provide the basis for an incentive to compensate microgrid projects while avoiding cost shifting.

**Response:** SCE sees benefit in exploring the resiliency value of microgrids, which will undoubtedly vary widely depending on technology, configuration, ownership, and application. However, such an exercise should be conducted in Track 3. Furthermore, this exercise should be incorporated into, or at least aligned with, other Commission activities where it can be put into proper context with the utilities' broader resiliency efforts (*e.g.*, General Rate Cases).

**V.**

**PROPOSAL 4: DIRECT THE UTILITIES TO DEVELOP A MICROGRID PILOT PROGRAM**

To address financial barriers to microgrid commercialization, Proposal 4 would require the IOUs to develop an incentive program to fund clean energy community microgrids that support the critical needs of vulnerable populations most likely to be impacted by grid outages.<sup>27</sup> The Staff Proposal describes project criteria, community criteria, technology performance criteria, and a process for a third-party contractor to conduct a cost-effectiveness evaluation.<sup>28</sup> The Staff Proposal also describes the following staff-recommended options: IOUs will

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<sup>26</sup> Sierra Club Opening Comments, pp. 10-12, and County of Los Angeles Opening Comments, p. 10.

<sup>27</sup> Staff Proposal, p. 18.

<sup>28</sup> *Id.*, pp. 19-20.

administer the program; projects will be funded by customers from the county in which the project is located; applications will be accepted on a first come, first served basis for projects meeting eligibility requirements; the subscription is limited to 15 projects; and customers will have access to one-time matching funds to offset some portion of utility infrastructure upgrade costs.<sup>29</sup> While SCE noted its support for the concept, many questions must be addressed to effectively launch such a program.<sup>30</sup> SCE recommends at least one workshop to provide clarity.<sup>31</sup>

Parties had suggestions or proposals for each of the aforementioned items. Because of the many divergent positions regarding program specifics, SCE has grouped comments into three key themes: (1) the need for a utility-administered microgrids pilots; (2) the SB 1339 prohibition on shifting costs between customers; and (3) the potential and unintended impacts of the projects on vulnerable customers.

**A. A Utility-Administered Program Will Support Many of the Objectives and Requirements in SB 1339.**

A number of parties question the benefit of the proposed utility pilot program. For example, Doosan Fuel Cell America and the National Fuel Cell Research Center filed virtually identical comments on this topic, believing that microgrids have already been demonstrated and that only novel and emerging aspects of microgrids should be piloted.<sup>32</sup> The Joint CCAs and Schneider Electric North America express similar concerns.<sup>33</sup> Microgrids Resources Coalition does not believe the pilots are needed because microgrids are not a new technology and that having utilities manage the pilots would be anticompetitive.<sup>34</sup> Center for Sustainable Energy

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<sup>29</sup> Staff Proposal, pp. 21-22.

<sup>30</sup> SCE Opening Comments, p. 21.

<sup>31</sup> *Id.*, p. 25.

<sup>32</sup> Doosan Fuel Cell America Opening Comments, p. 10, and National Fuel Cell Research Center Opening Comments, pp. 10-11.

<sup>33</sup> Joint CCAs Opening Comments, p. 14, and Schneider Electric North America Opening Comments, p. 9.

<sup>34</sup> Microgrids Resources Coalition Opening Comments, p. 22.

proposes more widescale solutions, such as a microgrid tariff program or removing identified barriers, and encourages further consideration of Type III and IV microgrids within the Staff Proposal.<sup>35</sup>

**Response:** SCE appreciates parties' concerns about a microgrid pilot program when many microgrid-related research, development and demonstration issues have been addressed by the California Energy Commission as part of the Electric Program Investment Charge ("EPIC") Program. SCE agrees that the EPIC Program has laid important groundwork, but more progress is needed to enable widespread deployment. A key step toward commercialization is taking lessons learned in the EPIC Program as well as progress made during Track 1 of this proceeding, developing pilots to test the concepts, further developing standards, processes, and procedures for safely and reliably incorporating such technologies onto the grid, and addressing some of the key issues as expressed in SB 1339.<sup>36</sup> The Staff Proposal recommends such an effort. Proposal 4 would deploy a limited number of microgrids (importantly limiting cost impacts to customers), which will provide factual information in the context of grid deployment with the results being reviewed by an independent reviewer to inform future policy. Although SCE recommends at least one workshop to refine program scope, eligibility, timing, and funding, this effort is entirely consistent with the requirements of SB 1339, will answer many of the questions posed in the legislation, and will support the commercialization of microgrids. Moreover, it will provide independently reviewed information with which to update SCE's Rule 2, Added Facilities provisions, including party-proposed updates to Added Facilities rates.

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<sup>35</sup> Center for Sustainable Energy Opening Comments, p. 2.

<sup>36</sup> Senate Bill (SB) 1339 Section 1(d): (1) How microgrids operate and their value; (2) Improving the electrical grid with microgrids; (3) How microgrids can play a role in implementing policy goals; (4) How microgrids can support California's policies to integrate a high concentration of distributed energy resources on the electrical grid; (5) How microgrids operate in the current California regulatory framework; (6) Microgrid technical challenges.

With respect to the Microgrids Resources Coalition's assertion that utility administration is anticompetitive, SCE points to Cal. Pub. Util. Code § 8371.5 for its response.<sup>37</sup> SCE agrees with Center for Sustainable Energy's identification of additional workstreams, but notes that these topics will be further and more appropriately addressed in Track 3 of the proceeding. SCE further notes its proposed phasing of the pilot projects to reflect progress made in this proceeding.<sup>38</sup> It would not be reasonable to pilot advanced technologies without understanding the ground rules. To do so would limit the pilot's ability to address the key issues facing commercializing microgrids, described in SB 1339.

**B. The SB 1339 Prohibition Against Shifting Costs Between Customers Is Absolute.**

Like other parties in this proceeding, SCE has many questions regarding how to implement the pilot program without violating the SB 1339 prohibitions against cost shifting. A large number of parties propose spreading costs across the entirety of an IOU's service territory (*e.g.*, Rural County Representatives of California, California Environmental Justice Alliance, Tesla, and Southern California Gas Company).<sup>39</sup> The County of Los Angeles opposes the Staff Proposal's recommendation for customers in the counties in which the microgrids are located to fund projects because limiting funding disbursement at a county level will create regulatory reporting and utility accounting challenges and may inadvertently create equity issues impacting participation in this program.<sup>40</sup> The Utility Reform Network believes that the costs of any microgrid project should be allocated to all distribution customers but collected as part of the Public Purpose Program charge using an equal cents per kilowatt-hour allocation.<sup>41</sup>

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<sup>37</sup> Cal. Pub. Util. Code § 8371.5: Nothing in this chapter shall discourage or prohibit the development or ownership of a microgrid by an electrical corporation.

<sup>38</sup> SCE Opening Comments, pp. 23-25.

<sup>39</sup> Rural County Representatives of California Opening Comments, p. 5; California Environmental Justice Alliance Opening Comments, p. 3; Tesla Opening Comments, p. 15; and Southern California Gas Company Opening Comments, p. 4.

<sup>40</sup> County of Los Angeles Opening Comments, p. 19.

<sup>41</sup> The Utility Reform Network Opening Comments, p. 7.



**Response:** While SCE understands the cost concerns expressed by parties and spreading such costs across all IOU customers would undoubtedly lessen the impact to customers benefitting from the microgrid, it is impossible to argue that such treatment is not a prohibited cost shift under Cal. Pub. Util. Code § 8371(b) and Cal. Pub. Util. Code § 8371(d). Sunrun agrees, stating its preference for Proposal 4, Option 1, which states that projects will be funded by the customers from the same county in which the project is located, and noting that the benefits of a microgrid are highly localized.<sup>42</sup> The County of Los Angeles is correct that limiting the costs to the customers that benefit from the microgrid project may create regulatory reporting and utility accounting [and billing] challenges, but this does not negate the SB 1339 cost-shifting prohibitions. The Utility Reform Network proposes an innovative solution to allocate costs to all distribution customers as part of the Public Purpose Program charge, but does not explain how this would avoid shifting costs to other utility customers. Irrespective of how the funds are collected, SB 1339 is the genesis of the instant proceeding and prohibits cost shifting. As such, that requirement would apply to all programmatic elements resulting from this proceeding. In sum, and as stated in opening comments, SCE believes a workshop is necessary to further refine the proposed pilot program,<sup>43</sup> including discussing funding options that achieve the stated objectives, but do not violate SB 1339's cost shifting prohibition.

**C. Relying on Vulnerable Communities to Fund Microgrid Projects Could Negatively Impact the Very Communities the Effort Seeks to Support.**

Small Business Utility Advocates opposes Proposal 4, Option 1 because funding projects from county ratepayers could impose significant costs on individual customers if a microgrid is funded in a county with relatively few ratepayers.<sup>44</sup> Dr. Barbara R. Barkovich notes this option should not be adopted because the residents are unlikely to be able to afford the rate increases,

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<sup>42</sup> Sunrun Opening Comments, pp. 12-13.

<sup>43</sup> SCE Opening Comments, p. 23.

<sup>44</sup> Small Business Utility Advocates Opening Comments, p. 8.

even if the utility billing systems could identify the customers in those counties.<sup>45</sup> California Environmental Justice Alliance and California Energy Storage Alliance share similar concerns.<sup>46</sup>

**Response:** SCE shares these concerns. At this time, SCE does not have an SB 1339-compliant solution to address this issue and recommends a workshop to discuss Proposal 4.<sup>47</sup>

## VI.

### CONCLUSION

SCE appreciates the opportunity to submit these reply comments and looks forward to working with the Commission and other parties to implement SB 1339.

Respectfully submitted,

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<sup>45</sup> Dr. Barbara R. Barkovich Opening Comments, p. 10.

<sup>46</sup> California Environmental Justice Alliance Opening Comments, p. 4, and California Energy Storage Alliance Opening Comments, p. 17.

<sup>47</sup> SCE Opening Comments, p. 23.