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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

**ASSIGNED COMMISSIONER'S SCOPING MEMO
AND RULING FOR TRACK 1**

This scoping memo and ruling sets forth the category, issues to be addressed, and schedule of the proceeding pursuant to Public Utilities Code Section 1701.1 and Article 7 of the Commission's Rules of Practice and Procedure.¹

1. Procedural Background

On September 12, 2019, the Commission initiated this Rulemaking to design a framework surrounding the commercialization of microgrids associated with Senate Bill (SB) 1339 (Stern, 2018), as well as to account for the Commission's commitment toward utilizing additional technologies and activities that may be useful for achieving overall resiliency goals.

Upon issuance of initiating this Rulemaking, on October 21, 2019, parties to this rulemaking filed opening comments to the Order of Rulemaking (R.) 19-09-009. On November 5, 2019, parties filed reply comments to this proceeding's Order.

¹ All subsequent references are to the Public Utilities Code unless otherwise specified.

An Energy Division staff workshop (staff workshop) was held on December 12, 2019. At the workshop, staff and stakeholders discussed short-term actions related to microgrids and other resiliency strategies that could be initiated in early 2020 to reduce the impact of public safety power shutoff (PSPS) outages or other catastrophic events.

Following the staff workshop, a prehearing conference (PHC) was held on December 17, 2019 to discuss the issues of law and fact, determine the need for hearing, and the schedule for resolving the matter. After considering the workshop dialog and discussion at the PHC, I have determined the issues and schedule of the proceeding to be as set forth in this scoping memo.

2. Proceeding Structure

In this scoping memo and ruling, the following framework is adopted: (1) an outline of the proceeding's track(s) scope and schedule; (2) notice of forthcoming staff proposals; (3) solicitation of party comment on forthcoming proposals; and (4) investor owned utility proposals, with party comment. An adopted schedule for these activities is detailed, below. For the near-term of early 2020, we expect to expedite certain microgrid and resiliency strategies to support reliability in anticipation of potential outage events and wildfires. At the same time, pursuant to SB 1339, the Commission must develop, among other statutory requirements, rates and tariffs to support the deployment of microgrids across the state.

3. Scope

This proceeding is divided into three tracks. Based on the Rulemaking, the staff workshop, and statements at the PHC, the scope for the tracks of this proceeding is set forth below. This proceeding also addresses safety issues by

seeking to ensure compliance with the statutory mandates of SB 1339, codified in Section 8371.

3.1. Track 1

Track 1 of this proceeding encompasses the Commission's goal of deploying resiliency planning in areas that are prone to outage events and wildfires, with the goal of putting some microgrid and other resiliency strategies in place by Spring or Summer 2020, if not sooner. Track 1 is expected to conclude by Spring 2020, with a decision giving direction for mitigation measures ready for implementation by September 1, 2020. Therefore, the issues within scope of Track 1 are:

1. Prioritizing and streamlining interconnection applications to deliver resiliency services at key sites and locations;
2. Modifying existing tariffs to maximize resiliency benefits;
3. Facilitating local government access to utility infrastructure and planning data to support the development of resiliency projects; and
4. Investor Owned Utility proposals for immediate implementation of resiliency strategies, including partnership and planning with local governments.

In each of the above issues, the Commission will be considering, but not be limited to, the following elements for key sites and locations: (1) customers with access and functional needs; (2) medical baseline customers; (3) police stations; (4) fire stations; (5) schools (e.g., educational facilities); (6) water and waste water facilities; (7) community centers; (8) senior centers; and (9) disadvantaged and hard to reach communities.²

² The Commission is mindful that similar targeting criteria have been previously identified in Decision (D.) 19-05-042, Appendix C at C4; in D.19-09-027; and in the Proposed Decision of Commissioner Rechtschaffen mailed on 12/11/2019 in R.12-11-05.

3.2. Track 2

Track 2 of this proceeding encompasses the more complex issues and contours of SB 1339 implementation. Here, the Commission will adhere to the statutory language and fulfill the legislative intent of SB 1339, which requires developing standards, protocols, guidelines, methods, rates, and tariffs to support and reduce barriers to microgrid deployment statewide, while prioritizing system, public, and worker safety, and avoiding cost shifts between ratepayers.

While Track 1 is focused on fast-tracking near-term solutions for microgrids and resiliency, Track 2 of this proceeding will help illuminate and accomplish the state's broader policy goals in the context of supporting microgrids and resiliency strategies. These include, but are not limited to: (1) reducing greenhouse gas emissions; (2) adapting to the impacts of a continuously changing climate; and (3) protecting the health, safety, and lives of California residents during catastrophic events. The proceeding may also examine whether to launch pilot microgrid programs to benefit communities most likely to be affected by PSPS. The issues within the scope of Track 2 are:

1. Develop microgrid service standards necessary to meet state and local permitting requirements, pursuant to Section 8371(a).
2. Develop methods to reduce barriers for microgrid deployment, without shifting costs between ratepayers, pursuant to Section 8371(b).
3. Develop guidelines to determine what impact studies are necessary for microgrids to connect to the electrical corporation grid, pursuant to Section 8371(c).
4. Develop separate rates and tariffs, that are just and reasonable, to support microgrids, pursuant to Section 8371(d).

- i. Ensure that the separate rates and tariffs shall not compensate a customer for the use of diesel backup or natural gas generation, except as either of those sources is used pursuant to Section 41514.1 of the Health and Safety Code, or except for natural gas generation that is a distributed energy resource, pursuant to Section 8371(d).
 - ii. Ensure that the development of microgrids ensures system, public, and worker safety, pursuant to Section 8371(d).
5. Ensure that the actions taken by the Commission to fulfill the requirements of SB 1339 do not discourage or prohibit the development or ownership of a microgrid by an electrical corporation, pursuant to Section 8371.5.
6. Ensure that any microgrid programs, rules, or rates developed to implement the requirements of SB 1339 are consistent with relevant state policy goals and are coordinated with existing Commission responsibilities and policies.

3.3. Track 3

Track 3 of this proceeding will consider the ongoing implementation requirements of SB 1339 as well as any future resiliency planning. Therefore, the Track 3 issues include, but are not limited to:

1. Facilitate the formation of a working group to codify standards and protocols needed to meet California electrical corporation and California Independent System Operator microgrid requirements, pursuant to Section 8371(e);
2. Develop a standard for direct current metering in Electric Rule 21 to streamline the interconnection process and lower interconnection costs for direct current microgrid applications, pursuant to Section 8371(f), including net energy metering paired with storage systems and microgrids; and
3. Remove the waiver of fees for projects that do not provide resiliency.

The above tracks are not mutually exclusive, as the issues from each track relate to one another. Thus, the issues in Track 2 and 3 will be considered in parallel as they relate to Track 1. However, to address mission critical needs, Track 1 is prioritized first as articulated below.

4. Schedule

The following schedule is adopted here and may be modified by the Administrative Law Judge (ALJ) as required to promote the efficient and fair resolution of the Rulemaking:

Track 1 Calendar - Schedule of Activities

ALJ Ruling/Staff Proposal, filed and served	January 21 2020
Investor Owned Utility Proposals for Immediate Resiliency Strategies for Outages, filed and served	January 21, 2020
Comments on the Staff Proposal and Utility Proposal, filed and served	January 30, 2020
Reply comments on Staff Proposal and Utility Proposal, filed and served	February 6, 2020

This proceeding will conform to the statutory case management deadline for ratesetting matters set forth in Section 1701.5. In particular, it is the Commission’s intention to resolve all relevant issues in each track within 36 months of the date this Rulemaking is adopted. In using the authority granted in Section 1701.5(b) to set a time longer than 18 months, consideration is given to the number and complexity of the tasks and the need to coordinate with multiple other proceedings. However, this does not mean that the proceeding must take 36 months. The Commission will make every effort to expedite the schedule for addressing all items within the scope of this proceeding. The ALJ will revise the schedule when more information is available.

In addition, there will be workshops in this proceeding. Notice of such workshops will be posted on the Commission's Daily Calendar to inform the public that a decisionmaker or an advisor may be present at those meetings or workshops. Parties should check the Daily Calendar regularly for such notices.

5. Category of Proceeding/*Ex Parte* Restrictions

In the Rulemaking opening this proceeding, the Commission preliminarily determined that this is a ratesetting proceeding. (Commission Order Instituting Rulemaking at 10, September 12, 2019.) This scoping memo confirms that categorization.

In a ratesetting proceeding, such as this one, *ex parte* communications are restricted and must be reported pursuant to Article 8 of the Commission's Rules of Practice and Procedure.

6. Need for Hearing

In the Rulemaking, the Commission preliminary determined that hearings are required and this initial Scoping Memo confirms that determination. However, hearings are deemed not necessary in Track 1. Hearings remain an option in Track 2 and 3, at the discretion of the assigned Commissioner and the ALJ.

7. Oral Argument

Unless comment is waived pursuant to Rule 14.6(c)(2) for granting the uncontested relief requested, motion for oral argument shall be by no later than the time for filing comment on the proposed decision.

8. Public Outreach

Pursuant to Section 1711(a), I hereby report that the Commission sought the participation of those likely to be affected by this matter by noticing it in the Commission's monthly newsletter that is served on communities and businesses that subscribe to it and posted on the Commission's website.

9. Intervenor Compensation

Pursuant to Section 1804(a)(1), a customer who intends to seek an award of compensation must file and serve a notice of intent to claim compensation by January 17, 2020, 30 days after the prehearing conference.

10. Response to Public Comments

Parties may, but are not required to, respond to written comments received from the public. *See* Section 1701.1(g). Parties may do so by posting such response using the “Add Public Comment” button on the “Public Comment” tab of the docket card for the proceeding.

11. Public Advisor

Any person interested in participating in this proceeding who is unfamiliar with the Commission’s procedures or has questions about the electronic filing procedures is encouraged to obtain more information at <http://consumers.cpuc.ca.gov/pao/> or contact the Commission’s Public Advisor at 866-849-8390 or 415-703-2074 or 866-836-7825 (TTY), or send an e-mail to public.advisor@cpuc.ca.gov.

12. Service of Documents on Commissioners and Their Personal Advisors

Rule 1.10 requires only electronic service on any person on the official service list, other than the ALJ.

When serving documents on Commissioners or their personal advisors, whether or not they are on the official service list, parties must only provide electronic service. Parties must NOT send hard copies of documents to Commissioners or their personal advisors unless specifically instructed to do so.

13. Assignment of Proceeding

Genevieve Shiroma is the assigned Commissioner and Colin Rizzo is the assigned ALJ for the proceeding.

IT IS RULED that:

1. The scope of this proceeding is described above.
2. The schedule in this proceeding is as set forth above.
3. Evidentiary hearings are not needed for Track 1 but are reserved for Track 2 and 3, if deemed necessary by the assigned Commissioner or Administrative Law Judge.
4. The presiding officer is Administrative Law Judge Colin Rizzo
5. The category of the proceeding is ratesetting.

Dated December 20, 2019, at San Francisco, California.

/s/ GENEVIEVE SHIROMA

Genevieve Shiroma
Assigned Commissioner