

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Application of Sunnova Community  
Microgrids California, LLC for a Certificate of  
Public Convenience and Necessity to  
Construct and Operate Public Utility  
Microgrids and to Establish Rates for Service.

Application 22-09-002  
(Filed September 6, 2022)

**RESPONSE OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON THE  
APPLICATION OF SUNNOVA COMMUNITY MICROGRIDS CALIFORNIA, LLC  
FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO  
CONSTRUCT AND OPERATE PUBLIC UTILITY MICROGRIDS AND TO  
ESTABLISH RATES FOR SERVICE**

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October 10, 2022

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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 this response on the *Application of Sunnova Community Microgrids California, LLC for a Certificate of Public Convenience and Necessity to Construct and Operate Public Utility Microgrids and to Establish Rates for Service* (“Application”), filed by Sunnova Community Microgrids California, LLC (“SCMC”) on September 1, 2022.

**I. INTRODUCTION & SUMMARY OF RESPONSE.**

Among other things, Senate Bill (“SB”) 1339 directed the Commission to take specified actions to facilitate the commercialization of microgrids for distribution customers. Since the launch of Rulemaking (“R.”) 19-09-009 to consider various microgrid strategies, policies, and regulations pursuant to SB 1339, the Commission has issued four major decisions, including Decision (“D.”) 20-06-017 (Track 1 Decision on Short-Term Actions), D.21-01-018 (Track 2 Decision on Rates and Tariffs), D.21-07-011 (Track 3 Decision on Standby Charges), and D.21-12-004 (Track 4 Decision on Near-Term Summer Reliability). In the face of growing frequency and magnitude of various extreme weather events/risks accelerated and magnified by climate change (*e.g.*, heat waves, drought, wildfires), the Commission’s actions and investments have been incrementally helpful in developing solutions and strategies to address these challenges and mitigate risks.

However, many of these decisions have been one-off investments or interim in nature. Since the Commission’s Energy Division (“ED”) Staff published a Staff Concept Paper on July 23, 2020, the Commission has yet to establish policies or regulations that could truly unleash and commercialize microgrids in ways that reduce barriers to their deployment at a larger scale. For example, the modifications to Rule 18/19 to allow microgrids to serve multiple customers, as detailed in D.21-01-018, are limited to certain customers and facilities, cap on number of projects, and supply of electricity to adjacent parcels, while the development of multi-customer microgrid tariffs have not emerged out of the Resiliency & Microgrid Working Group (“RMWG”). In a couple of RMWG meetings in February 2021, ED staff presented an overview of three potential non-tariff alternatives to enable multi-property microgrids (*i.e.*, micro-utilities; cooperatives; and own-use doctrine), but the development of these concepts did not advance any further.

With the submission of SCMC’s Application for Certificate of Public Convenience and Necessity (“CPCN”) as a micro-utility, SCMC makes a bold step to commercialize microgrids and serve as a potential model for California and the rest of the country. As detailed in the Application, the benefits of SCMC’s proposed community microgrids are numerous. Using a combination of customer-sited and community solar and energy storage, load management, and emergency generators, customers in the new housing development will be able to support California’s decarbonization and electrification goals from the onset and provide much-desired built-in electric reliability and resiliency. With new housing developments requiring new service line extensions and requisite distribution infrastructure buildout to accommodate the new load additions, SCMC’s proposal have the potential to significantly reduce ratepayer costs, avoiding (not just deferring) distribution investments altogether. With a focus on new rather than existing customers, this model could simplify some of the more complex policy issues (*e.g.*, legacy cost recovery) and foster true customer choice since customers would have to opt-in to the community.

Given these numerous benefits and the Commission’s need for increased reliability and resiliency, CESA generally supports the granting of the CPCN. As a new and novel model for California and elsewhere, CESA expects that the Commission will need to work through various questions and details of the regulatory framework and obligations and technical details of the proposed construction and operations of the distributed energy resources (“DERs”) in this new community microgrid design, but the Commission should *not* dismiss the Application from the onset because of the novelty of the Application’s proposal and requests and/or because the

Commission wishes to develop these alternatives first in the Microgrids proceeding, R.19-09-009. Before making any determination on the merits and reasonableness of the Application, the Commission should give the Application full consideration in the regulatory process, which can involve discovery and hearings.

## **II. BACKGROUND AND INTEREST IN THE PROCEEDING.**

CESA is a 501c(6) membership-based advocacy group committed to advancing the role of energy storage in the electric power sector through policy development, education, outreach, and research in an effort to support a more affordable, efficient, reliable, safe, and sustainable electric power system for all Californians. With over 120 companies represented in the energy storage ecosystem, CESA has a direct interest in the proceeding in shaping the policies, procedures, and rules for community microgrid solutions, where energy storage resources will play a critical role in integrating renewable capacity and providing reliability and resiliency to customers, community, and broader grid. Energy storage is being contemplated in the Application and is often a critical resource and technology type included in microgrid projects, where CESA's unique perspective will be important and cannot be fully represented by any other party or stakeholder. CESA also has been an active participant in related rulemakings, such as the proceedings for Microgrids (R.19-09-009), De-Energization (R.18-12-005), Reliable Electric Service in Extreme Weather (R.20-11-003), Distributed Resource Planning (R.14-08-013, *et al.*), Integrated Distributed Energy Resources (R.14-10-003), Integrated Resource Planning and Procurement (R.16-02-007, R.20-05-003), High DER Future (R.21-06-017), and Resource Adequacy (R.19-11-009), among others.

## **III. ISSUES TO BE CONSIDERED.**

In this response, CESA is strongly supportive of full consideration of SCMC's CPCN Application. Overall, the Application is thorough in its description of how it will fulfill its obligation as a micro-utility as defined under Public Utilities Code ("PUC") Section 2780-2780.1, including how it plans to: service customers as part of a community; ensure reliable and safe electric service through resource design, multi-resource optimization, regular inspections, monitoring, etc.; and establish rates and terms of service. Understandably, as a novel model, CESA, like the Commission and other stakeholders, has questions about the proposal and believes

that several details will need to be worked out in the Application, such as opt-out pathways, non-discriminatory delivery of services, operational interface and protocols for “islanding” the microgrid from the utility distribution system, and regulatory obligations to the Commission as it relates to, for example, Renewable Portfolio Standard (“RPS”), Integrated Resources Planning (“IRP”), and Resource Adequacy (“RA”) and/or whether and how they apply to SCMC as a micro-utility. Meanwhile, certain details, such as the specific rate design and terms of service, may come later in a separate Commission filing upon approval of the CPCN Application.

In this context, CESA does not have specific issues to be considered at this time. Despite these general areas of questions and clarification, CESA strongly urges the Commission to leverage this Application as an opportunity to begin to address the issues and questions raised in the Staff Concept Paper and RMWG. Having a concrete example and use case will likely foster better understanding of and clarity on how to establish a process, obligations, and requirements for a micro-utility serving multiple customers under a community microgrid structure with shared resources, in addition to charting a model for others to potentially follow. In other words, the Commission should give the Application full consideration and afford various stakeholders an opportunity vet the Application, consistent with the goals and objectives of SB 1339 and the Commission’s clear need for reliability and resiliency as the state advances to meet its long-term decarbonization goals.

#### **IV. CATEGORIZATION, HEARINGS, AND SCHEDULE.**

CESA agrees with SCMC’s proposed categorization of the proceeding as “ratesetting” and generally supports the proposed schedule, whereby a Proposed Decision (“PD”) would be issued within 155 days after the Application was filed if no hearings are determined to be necessary. We do not have a position at this time on whether evidentiary hearings will be necessary.

V. **SERVICE.**

All communications, notices, and other correspondences should be made to the following CESA representative.

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VI. **CONCLUSION.**

CESA appreciates the opportunity to submit this response on the Application and looks forward to collaborating with the Commission and stakeholders in this proceeding.

Respectfully submitted,



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**CALIFORNIA ENERGY STORAGE ALLIANCE**

October 10, 2022