

January 10, 2020

Ms. Dawn Weisz
Chief Executive Officer
MCE
2300 Clayton Road, Suite 1150
Concord, CA 94520

Dear Ms. Weisz,

I am writing in response to your letter dated January 7, 2020, in which you outline Marin Clean Energy's (MCE) concerns regarding PG&E's proposal to develop Distributed Generation-Enabled Microgrid Services (DGEMS) at certain prioritized substations.

First, I want to express my own and PG&E's continuing interest in working collaboratively with MCE and other local stakeholders, including counties, cities, and other Community Choice Aggregators (CCAs), on this important and urgent project. PG&E has set a challenging goal of implementing its DGEMS proposal for the next fire season. Despite the compressed time, and especially because of the need for all parties to align quickly, PG&E has a strong desire to continue to work in parallel with MCE and other CCAs on mutually agreeable solutions.

After you reached out to me regarding the DGEMS proposal, you and I first spoke about the RFO on December 18, 2019. This conversation led me to request a meeting with the California Community Choice Association (CalCCA) members, including MCE, on December 20, 2019 to discuss the DGEMS proposal. Members of the respective MCE and PG&E teams discussed the DGEMS proposal further on December 19 and 30, 2019. When I spoke with you and with the broader CalCCA membership, I expressed the following:

- PG&E supports the CCAs' efforts to procure generation for their own customers, including the capacity assigned to CCAs through the recent Integrated Resource Plan procurement track decision.
- PG&E's preference is that the CCAs provide energy to their own customers during PSPS events.
- PG&E has encouraged CCAs to bid into the DGEMS Request for Offers ("RFO") to provide the permanently sited distributed generation resources to power the microgrids. Alternatively, PG&E is willing to work with MCE or other interested CCAs to allow the local CCA to be the entity that enters into the generation procurement contract bid by a third-party generator for a particular DGEMS site.

PG&E subsequently hosted MCE representatives, along with other potential RFO participants, on site tours of certain RFO candidate substations.

Based on your January 7 letter, I now understand that you have significant concerns about PG&E's proposal. I have asked the PG&E DGEMS team to thoroughly review the concerns raised in your letter and brief me, so I may be ready to discuss them with you further. I see our ongoing discussions as the best place to attempt to resolve these important issues.

As you know, the DGEMS proposal is one part of PG&E's broader effort to mitigate the disruptions to customers when PG&E initiates a Public Safety Power Shutoff (PSPS) in response to wildfire risks. PG&E is organizing this effort with the guidance of the Governor's office, the California Public Utilities Commission ("Commission"), the California Independent System Operator, and California's emergency response agencies. Beyond PG&E's actions to reduce the impacts of PSPS through the DGEMS proposal, PG&E is also working to reduce:

- The risk of fire ignition via enhanced vegetation management, operational practices, and targeted system hardening
- Fire spread via real-time monitoring in PG&E's Wildfire Safety Operations Center
- The number of customers impacted by future PSPS events via distribution system segmentation and transmission line switching
- Future PSPS event duration by improving restoration times
- Future PSPS event frequency by excluding certain transmission lines via targeted repairs as well as improved meteorology and fuels modeling

Other mitigation strategies and local government coordination efforts are described in PG&E's 2019 Wildfire Mitigation Plan¹ and PSPS reports.²

The DGEMS proposal is a critically important part of the overall strategy to reduce PSPS customer impacts because it is designed to benefit the greatest number of customers who could have safely remained energized if local generation at distribution substations was available during PSPS events in 2019. As PG&E will detail in a proposal to be filed in R.19-09-009 on January 21, 2020, the customers that would be kept energized during PSPS events that may last for up to several days include key sites and locations, including substantial numbers of critical facilities and vulnerable customers.³ As you note in your letter, a significant number of the substations identified as candidates for the DGEMS program are within MCE's service area.

¹ PG&E's 2019 Wildfire Mitigation Plan was filed in R.18-10-007 on Feb. 14, 2019. PG&E's Draft 2020 Wildfire Mitigation Plan will be filed in February 2020.

² PG&E's PSPS reports may be found at: <https://www.cpuc.ca.gov/deenergization/>.

³ "Key sites and locations" were defined by the December 20, 2019 Scoping Memo in R.19-09-009 to include: customers with access and functional needs, medical baseline customers, police stations, fire stations, schools, water and waste water facilities, community centers, senior centers, and disadvantaged and hard to reach communities.

PG&E made its DGEMS proposal in response to the need, expressed by State and local leaders and at the Commission, to take immediate actions to mitigate the impacts of PSPS events in 2020 and beyond. The priority has to be protecting the health, welfare, and safety of our customers by preventing catastrophic wildfires and keeping the lights on when PSPS events occur. DGEMS offers a path forward to addressing PSPS outages that we can start implementing immediately and that can provide significant benefits to both MCE's and PG&E's customers in the near-term. We and local stakeholders, including MCE and other CCAs, need to collaborate and move forward cooperatively to ensure this path is available to us for implementation before the 2020 wildfire season.

In light of the urgency of the issues and the benefits that the DGEMS proposal can provide, PG&E does not plan to remove substations in MCE's service area from the DGEMS RFO as you requested. The distribution customers served by these substations should have the same opportunity to receive greater resiliency as part of a substation-level microgrid as PG&E's other customers. PG&E's analysis shows that if its DGEMS program had been operational in 2019, it would have allowed approximately 68,000 additional customers in Marin County to remain energized during the PSPS event that began on October 26, 2019.


MCE and other CCAs are critically important partners in achieving greater resiliency. To meet our shared objectives for mitigating near-term PSPS impacts, we need to work together under Commission guidance and with input from all stakeholders. I agree there is more MCE and PG&E need to do to coordinate regarding the contractual arrangements governing the generation that powers the DGEMS microgrids in MCE's service area, and I welcome your invitation to continue that discussion.

One possible model for coordination and collaboration between PG&E and CCAs on microgrids is the Redwood Coast Airport Microgrid project in Humboldt County. There, PG&E has been working with the Redwood Coast Energy Authority ("RCEA"), the CCA serving the local area, and other stakeholders to develop a community-level microgrid. RCEA intends to own the DG that will power the microgrid during islanding conditions, and the parties to the project intend to provide RCEA compensation during an islanded event for the power it provides to PG&E's bundled customers within the microgrid.

I would also like to address your concerns about the use of fossil fuels. I share your concern, and I know that this is a major concern for many other stakeholders. The RFO was open to bids from all types of generation and hybrid (storage) resources. You are likely correct that non-gas-fired resources will have more difficulty meeting the technical requirements for PSPS mitigation contained in the RFO. These technical requirements are based on a review of past PSPS events, which suggest that future events are likely to last for multiple days and may occur consecutively, thereby extending further the durational requirement for back-up generation. In anticipation that bids will propose the use of gas-fired DG, PG&E is also seeking information from market participants concerning the availability and cost of renewable natural gas (RNG). Use of RNG would help to align this near-term procurement for resiliency and capacity with California's longer-term zero-carbon policy goals that are referenced in your letter.

PG&E will provide additional details on this and its other PSPS mitigation work as part of the proposal it plans to file on January 21, 2020 in Track 1 of the Microgrid Rulemaking (R.19-09-009). The time is very short until the start of the next fire season, and there is much to be done. In light of this urgency, I look forward to further collaborative discussions and input from MCE and other stakeholders so that we can find solutions that are acceptable to all parties.

Best regards,



Fong Wan
Senior VP
Energy Policy and Procurement

Cc: Commissioner Genevieve Shiroma
Commissioner Liane Randolph
ALJ Colin Rizzo
ALJ Julie Fitch
Edward Randolph, CPUC
The Official Service Lists for:

- R.19-09-009 (Microgrids and Resiliency Strategies)
- R.16-02-007 (Integrated Resource Plan)
- R.18-10-007 (Wildfire Mitigation Plan)