

Microgrid Incentive Program (MIP) Handbook

A guide for developing a multi-customer Community Microgrid



This handbook is intended for local and tribal government leaders, CBOs, and technology providers who seek information on what MIP is, how it works, who is eligible, and how to develop a multi-customer Community Microgrid utilizing utility-owned distribution facilities and MIP funding.

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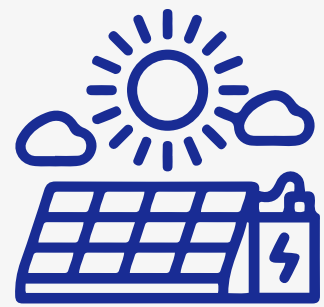


Overview

Microgrid Incentive Program Goals:



Increase electric reliability and resiliency in disadvantaged and vulnerable communities



Distribute the benefits of clean, reliable energy equitably across the IOU service territory



Advance energy resilience technology and inform regulatory action around future clean energy initiatives

The California Investor-Owned Utilities (IOUs) are committed to delivering electric energy to customers safely and reliably. These utilities include Pacific Gas and Electric Company (PG&E), San Diego Gas and Electric Company (SDG&E), and Southern California Edison (SCE).

Innovative solutions like microgrids can increase local energy resilience and reliability, and reduce emissions. Microgrids allow the three California IOUs to continue delivering electricity when customers would otherwise be de-energized as a result of severe weather, wildfires, or other grid conditions. PG&E, SCE and SDG&E are working together to support the development of microgrids in Disadvantaged and Vulnerable Communities (DVCs) most impacted by climate change.

Background

Senate Bill 1339 (enacted in 2018) directed the California Public Utilities Commission (CPUC), in consultation with the California Energy Commission (CEC) and California Independent System Operator (CAISO), to develop policies related to microgrids throughout California. In April 2023, the CPUC approved a **\$200 million Microgrid Incentive Program (MIP)** to support the development of clean Community Microgrids in DVCs.

Communities, local and tribal governments, and community-based organizations (CBOs) that are eligible for the MIP have the opportunity to request funding to support the critical energy needs of vulnerable populations most likely to be impacted by grid outages.

Program Funding by IOU

UTILITY	TOTAL BUDGET*
PG&E	\$87.2M
SCE	\$91.34M
SDG&E	\$21.46M
TOTAL	\$200M

*Includes utility program and administrative costs

Microgrids: The Basics

Click on a section below to learn more.

MICROGRIDS:
THE BASICS



What is a Microgrid?

As defined by the [California Public Utilities Code](#), a microgrid is an interconnected, self-sufficient energy system within a clearly defined electrical boundary that can act as a single, controllable entity. It can connect to, disconnect from, or run in parallel with larger portions of the electric grid, and can be managed and isolated to withstand larger disturbances and maintain electrical supply to connected critical infrastructure.

Microgrids provide energy resilience by disconnecting from the larger electric grid during outages and providing power to customers within the boundary of the microgrid, leveraging energy resources such as solar panels, batteries, generators, etc.

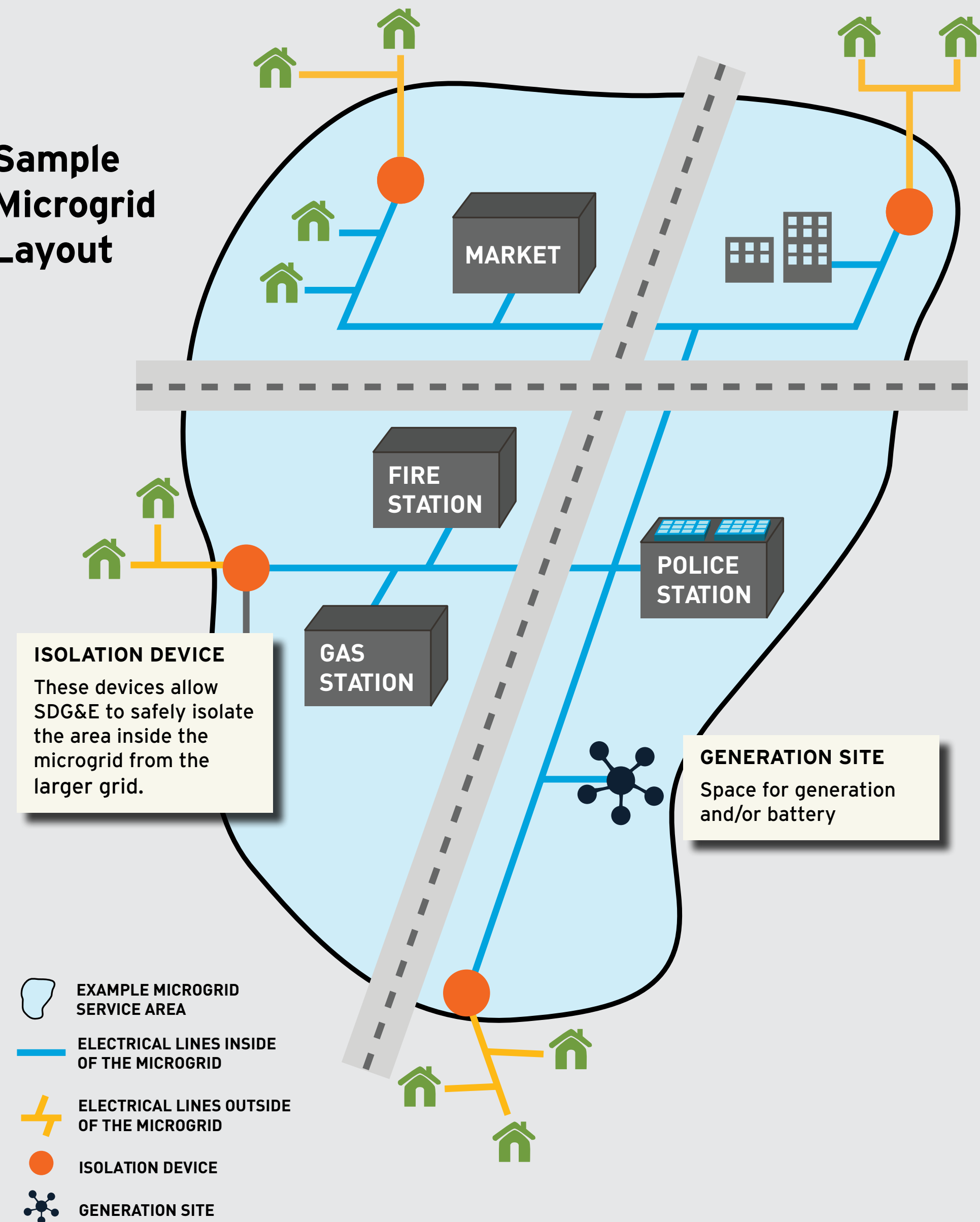
The MIP provides funding specifically for Community Microgrids. These are distinguished by a few key features:

- They serve multiple customers connected by utility distribution infrastructure.
- They typically utilize grid-forming batteries or generation resources located in front of the meter.
- They involve a partnership between a third party-owned Distributed Energy Resource (DER), Community Microgrid Authority (CMG Authority), and the utility, as the grid owner and operator.

How Does a Community Microgrid Work?

When necessary, microgrids can become isolated from the larger electric grid and use energy sources and independently provide electricity when an outage of the larger grid occurs. Outages can be planned or unplanned and happen for a variety of reasons including severe weather, wildfires, a Public Safety Power Shutoff (PSPS), or for other safety or reliability reasons. When a microgrid disconnects from the larger grid during an outage, it remains energized.¹ This is called Island Mode. However, the vast majority of the time, microgrids operate in Blue Sky Mode. This is when the larger electric grid is functioning under normal conditions, and resources within the microgrid boundary can generate and store energy in parallel to the grid and participate in regional energy markets.

Sample Microgrid Layout



Community Microgrid Benefits

As California's climate evolves, communities may experience power outages for many reasons. Microgrids can serve as a vital layer of protection in ensuring that communities can continue to have access to safe, reliable power. Benefits include:

- Increase in electric reliability and resiliency in communities with higher risk of electrical outages
- Back-up energy source for critical services and infrastructure such as fire stations, hospitals, and water treatment facilities that might otherwise lose power during an outage
- Fewer impacts from power outages and fewer disruptions for:
 - DVCs
 - Low-income households
 - Individuals who rely on power for medical needs
 - People with other access and functional needs (AFN)
- Reduction of greenhouse gas (GHG) emissions through deployment of clean generation technologies that are added as part of the microgrid development

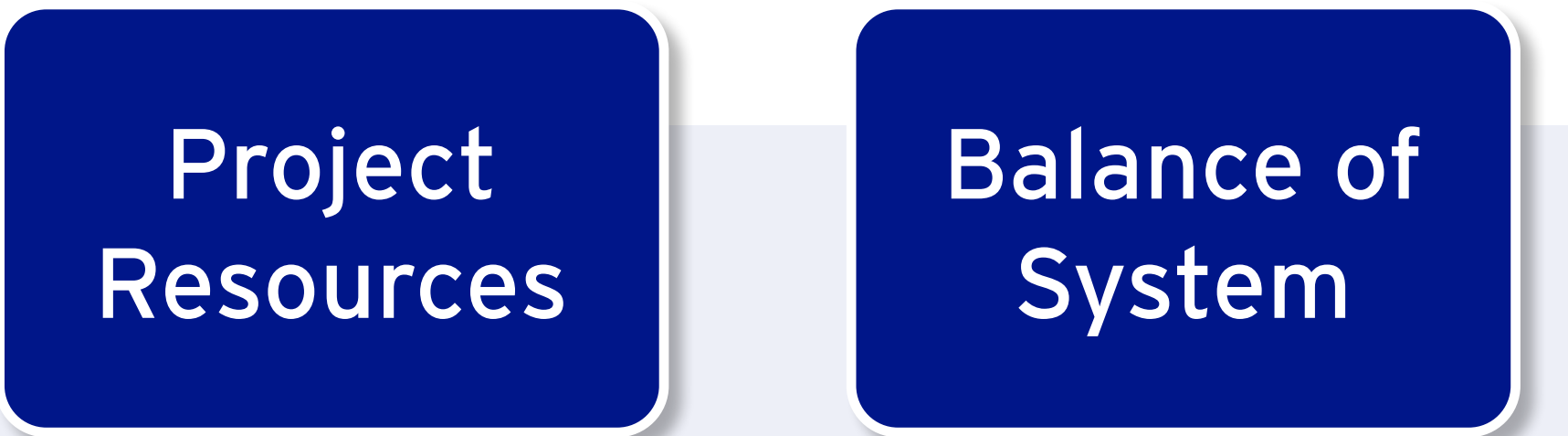


Common Microgrid Misconceptions

- ❓ **Will our community be able to isolate from the larger grid at will?**
No. SDG&E, not the community, will determine when the microgrid will be isolated from the larger grid. The purpose of a Community Microgrid is to provide energy resilience when the larger grid is down. For the safety and stability of the grid, SDG&E retains operational control over the islanding status of the microgrid.
- ❓ **Will separation from the larger grid only occur during a PSPS event?**
No. Separation from the larger grid, and operation of the microgrid in Island Mode, may occur for a variety reasons, including a PSPS event. It may also occur due to planned maintenance of SDG&E's facilities that would otherwise require de-energization. It may also occur due to an unplanned outage.
- ❓ **In Blue Sky Mode, can stored energy be used to meet a community's needs?**
Project Resources, such as a battery energy storage system, can participate in the CAISO wholesale markets for energy and related services during Blue Sky and Island Modes. However, the local Project Resources may not directly sell power to customers within the microgrid at any time. Customers' energy needs will continue to be met by SDG&E, a Community Choice Aggregator (CCA) or a Direct Access (DA) provider during both Blue Sky and Island Mode, and SDG&E will continue to provide energy delivery services for all customers under both conditions.
- ❓ **Do energy rates change with a microgrid?**
The existence of a microgrid, by itself, will not modify customer energy rates. Customers within the microgrid still receive service from SDG&E, a CCA or a DA provider, and will be metered and billed according to their selected rate plan, whether the microgrid is operating in Blue Sky or Island Mode.

What Are the Components of a MIP-funded Community Microgrid?

COMMUNITY MICROGRID



Incentive up to \$14M



Allowances up to \$1M



Allowances up to \$3M

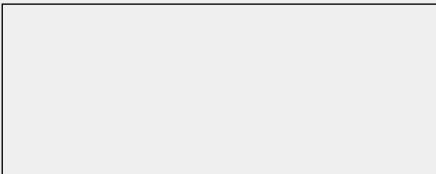
■ Owned by CMG Authority
 ■ Owned by SDG&E

Project Resource: In-front-of-the-meter (IFOM) electric generation and/or storage technology that is used to form a utility-operated microgrid. At least one Project Resource must have a plant controller and sufficient grid-forming capability to allow the utility to maintain acceptable frequency and voltage during Island Mode operation. A Project Resource is controlled by the CMG but may be owned by another party.

Balance of System: Assets, facilities, and equipment owned or controlled by the CMG Authority, other than the Project Resources, necessary to meet the requirements of the project and any applicable tariff or agreements.

Interconnection-Related Upgrades & Facilities: Utility-owned Distribution Upgrades and Interconnection Facilities necessary to enable the interconnection of a DER.

Microgrid Special Facilities: Utility-owned and operated equipment that enables the safe islanding and operation of the microgrid (e.g. microgrid controller that communicates with Project Resources' plant controllers, isolation and fault protection devices, etc.).

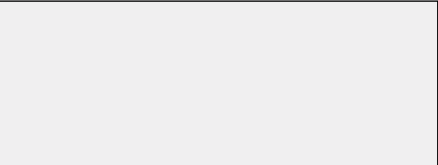


Funding

Click on a section below to learn more.



FUNDING



What Does the MIP Pay For?

The MIP pays for the costs to design and develop a Community Microgrid. The funding falls in several categories as described below.

FUNDING

MIP Funding

Up to
\$14M
per microgrid

Up to
\$3M
per microgrid

Up to
\$1M
per microgrid

Application Incentive Request (AIR)

For eligible engineering and development costs, such as:

- IFOM batteries and clean generation resources
- Engineering and project management costs
- Land purchase or lease costs

Also includes the Application Development Grant of up to \$25,000.

Microgrid Special Facilities Allowance

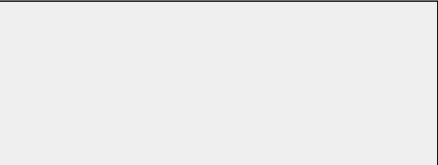
Provides funding for utility equipment and services to enable the safe islanding of a Community Microgrid, such as:

- Microgrid Island Study (MIS)
- Equipment to enable safe transition to and from, and operation in, Island Mode, which may include:
 - Isolation devices
 - Fault protection devices
 - Utility microgrid controller
 - System hardening

MIP Interconnection Allowance

For eligible Interconnection Studies and utility equipment:

- Interconnection Study costs for eligible IFOM Project Resources
- Interconnection Facilities and Distribution Upgrades identified in the Interconnection Study



Application Incentive Request (AIR)

Costs eligible for the AIR include:

- The costs for purchasing IFOM Project Resources and their grid-forming and grid-following inverters
 - To be eligible, none of these resources can have executed an Interconnection Agreement with SDG&E before the close of the Application Window.
- The costs for purchasing IFOM Project Resource's plant controller, protection, and communications equipment
- Permitting and licensing expenses incurred for IFOM Project Resource(s) prior to a microgrid's islanding operation date
- Expenses related to reconfiguring behind-the-meter (BTM) electric service equipment so specific customer or facility loads can be served when the microgrid is in Island Mode
- Project management costs, including costs related to engineering, system integration, and construction activities for IFOM Project Resource and Balance of System site preparation, civil, electrical, and mechanical work
- Expenses associated with purchasing or leasing land for the IFOM Project Resources and Balance of Systems
 - Leasing expenses should reflect the present value of the lease for the land needed for the IFOM Project Resources and Balance of System.
- Costs related to community outreach activities conducted or to be conducted for the microgrid
- Costs associated with developing a microgrid proposal and MIP Application
- Taxes to the extent applicable on any of the above

The Interconnection Allowance and Microgrid Special Facilities Allowance will not be determined until the Interconnection and Microgrid Islanding Studies are completed in Stage 3.

When these studies are complete, SDG&E will identify the required utility-owned Interconnection Facilities and Special Facilities. This information, along with the estimated costs, will be documented in the Generator Interconnection Agreement and in the Microgrid Special Facilities Agreement.

Owners of the IFOM Project Resources will only be required to pay for the costs of utility-owned Interconnection Facilities to the extent the costs exceed the \$1 million allowance cap. Likewise, the Awardee will only be required to pay for the costs of utility-owned Special Facilities to the extent the costs exceed the \$3 million allowance cap.

FUNDING

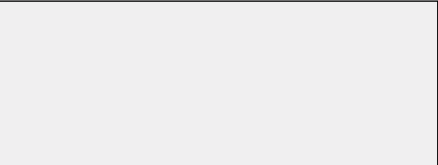
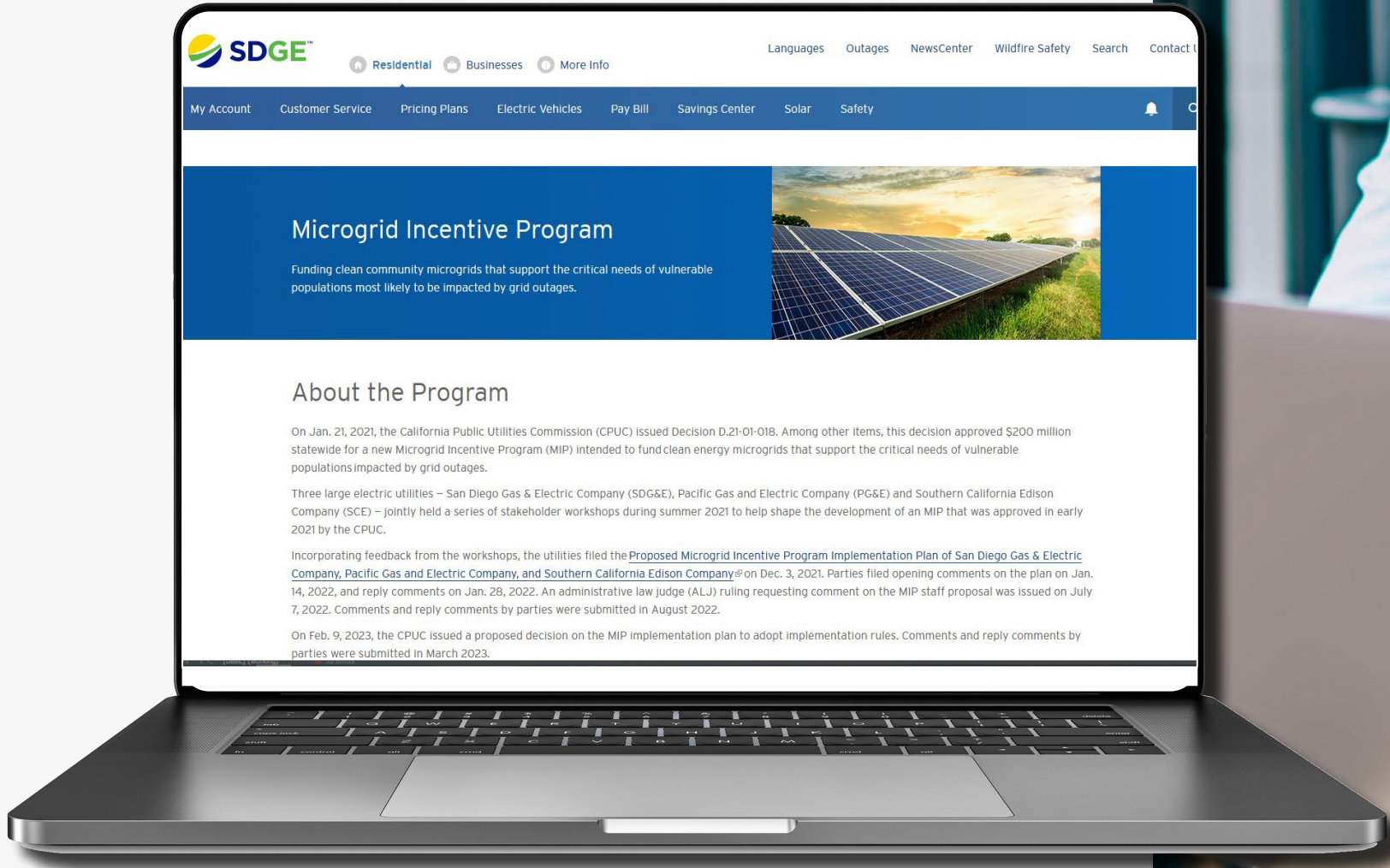


Application Development Grant

SDG&E recognizes that it can be expensive to develop a technical application required for the MIP and that this burden may be especially hard on the DVCs for which the MIP is intended. For this reason, SDG&E will reimburse the costs incurred in development of an eligible MIP application, up to a cap of \$25,000, whether the Applicant is awarded a MIP incentive award or not. This one-time Application Development Grant, if requested, will be paid to the requesting eligible Applicant following submission of an acceptable AIR and confirmation of eligibility.

Applicants must detail the technical support costs associated with the grant request, along with an explanation of how the funds were used. The Application Development Grant will be issued to the Applicant within approximately 30 calendar days of SDG&E's determination that the Applicant's incentive application is eligible. Payment of the Application Development Grant by SDG&E, and receipt and use of the Application Development Grant funds by the Awardee, is subject to the provisions of the MIP Participation Agreement.

FUNDING



Eligibility

To be eligible for MIP, a proposed microgrid must:

- Meet at least one requirement in section A
- Meet at least one requirement in section B
- Meet all technical requirements in section C

Eligible communities are encouraged to apply either on their own or through a designated representative. The MIP application process is competitive, and eligibility does not guarantee funding.

ELIGIBILITY

Vulnerable to Outages

Microgrid must be located in one of the following areas:

- Tier 2 or 3 High Fire-Threat District
- Area that experienced prior PSPS outage(s)
- Elevated earthquake risk zone
- Locations with lower historical reliability

The local or tribal government leadership may be able to justify other forms of vulnerability.

Disadvantaged and Vulnerable Community

Microgrid must be located in a DVC (one of four criteria below), or power a critical community facility that primarily serves a DVC.

- Census tracts with median household incomes less than 60% of state median
- California Native American Tribal Community
- Community with highest risk per CalEnviroScreen
- A rural area

Technical Eligibility

Microgrid must:

- Be able to serve a minimum of 24 consecutive hours of energy in Island Mode as determined by a typical load profile within the microgrid boundary²

Project Resources must:

- Interconnect on a distribution line that is operated at 50kV or below
- Comply with the emissions standards adopted by the State Air Resources Board pursuant to the distributed generation certification program requirements of Section 94203 of Title 17 of the California Code of Regulations, or any successor regulation.³
- Have aggregate emissions, along with non-Project Resources, no greater than equivalent grid power when operating in Island Mode
 - Energy storage that is charged with grid power will be deemed to have the emissions equivalent of the average system emissions for the Utility.

The MIP Lifecycle (Stages 1-5)

Click on a section below to learn more.

The creation of a multi-customer Community Microgrid is a complex endeavor involving the community, its technical partner, and SDG&E as the distribution system owner and operator. SDG&E advises that communities seek a technical partner early in the process, as a technical partner will be needed in order to submit an application.

Community Microgrids proposed under the MIP will progress through a five-stage process.

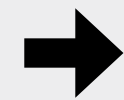
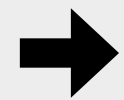
Approx. 6 Months

2-3 Months

12-18 Months

18-36 Months

10+ Years



MIP LIFECYCLE
STAGES



NOTE: Each Community Microgrid is unique and will follow different timeframes. These estimates are provided as guidelines only.

Stage 1: Consultation

Goals:



Identify resiliency needs within the community



Discuss potential projects/energy solutions to meet community's need



Review the eligibility requirements for MIP funding



Discuss any design challenges with Applicant's engineering partner, and coordinate on solutions in preparation for application

Community Interest Notification

To begin the consultation process, your community should notify SDG&E of its interest by submitting an email to microgridincentiveprogram@sdge.com. SDG&E will promptly respond and provide information on next steps. An Initial Resilience Consultation will then be scheduled. The Applicant will be provided with a consultation request form that must be completed prior to the consultation. Please read through the Initial Interest Form and familiarize yourself with information required to provide to SDG&E before continuing with the handbook.



STAGE 1:
CONSULTATION

Initial Resilience Consultation (IRC)

The IRC is the official first step toward the submittal of a MIP application request. It is the first opportunity to share the community's specific goals and energy needs with SDG&E, and discuss potential resilience solutions. The consultation will take place by phone or video call.

During the IRC, SDG&E will work with the Applicant, the community, and/or a technical engineering partner to evaluate whether a MIP-eligible Community Microgrid is the best option to meet resiliency objectives. Options to be explored may include:

- ✓ A multi-customer microgrid involving:
 - IFOM resources (eligible for MIP funding)⁴
 - BTM resources (ineligible for MIP funding)⁵
 - A combination of both IFOM and BTM resources
- ✓ Other resiliency options that are ineligible for MIP funding may include:
 - Single-customer microgrids using BTM solutions⁶

During this consultation, SDG&E will work with the Applicant regarding MIP funding eligibility (please refer to the Eligibility section of the handbook).

The IRC may also cover the following:

- Incentive application and scoring procedures
- Overview of microgrid islanding study and development process, including relevant agreements
- Overview of utility transmission and distribution system characteristics in the Applicant's identified Community Microgrid area
- Known technical issues related to the interconnection of new resources and/or microgrid configuration
- Information about the capacity of the distribution facilities within the boundary of the microgrid
- Relevant information about SDG&E's planned PSPS mitigation activities
- Community Microgrid information, including potential grid isolation points that will establish the boundary of the microgrid (i.e., the Microgrid Islanding Point)

**STAGE 1:
CONSULTATION**

 If the proposed microgrid is likely eligible⁷ and the Applicant wishes to pursue incentive funding, the Applicant will fill out the Microgrid Technical Consultation form provided by SDG&E. From this point in the MIP process onwards, SDG&E requires the Applicant to partner with an engineering firm with the capacity to manage the technical elements of the MIP development, construction, and operation process on behalf of the community. As part of the IRC, SDG&E can help identify characteristics of a competent technical partner.

Microgrid Technical Consultation

The Microgrid Technical Consultation will support the Applicant and their partners in planning and designing a multi-customer Community Microgrid and will help the Applicant prepare a complete MIP Application. Relevant technical aspects of the proposed microgrid, including electrical conditions of the distribution system within the proposed microgrid boundary, will be shared and reviewed with the Applicant and their technical/engineering partners.

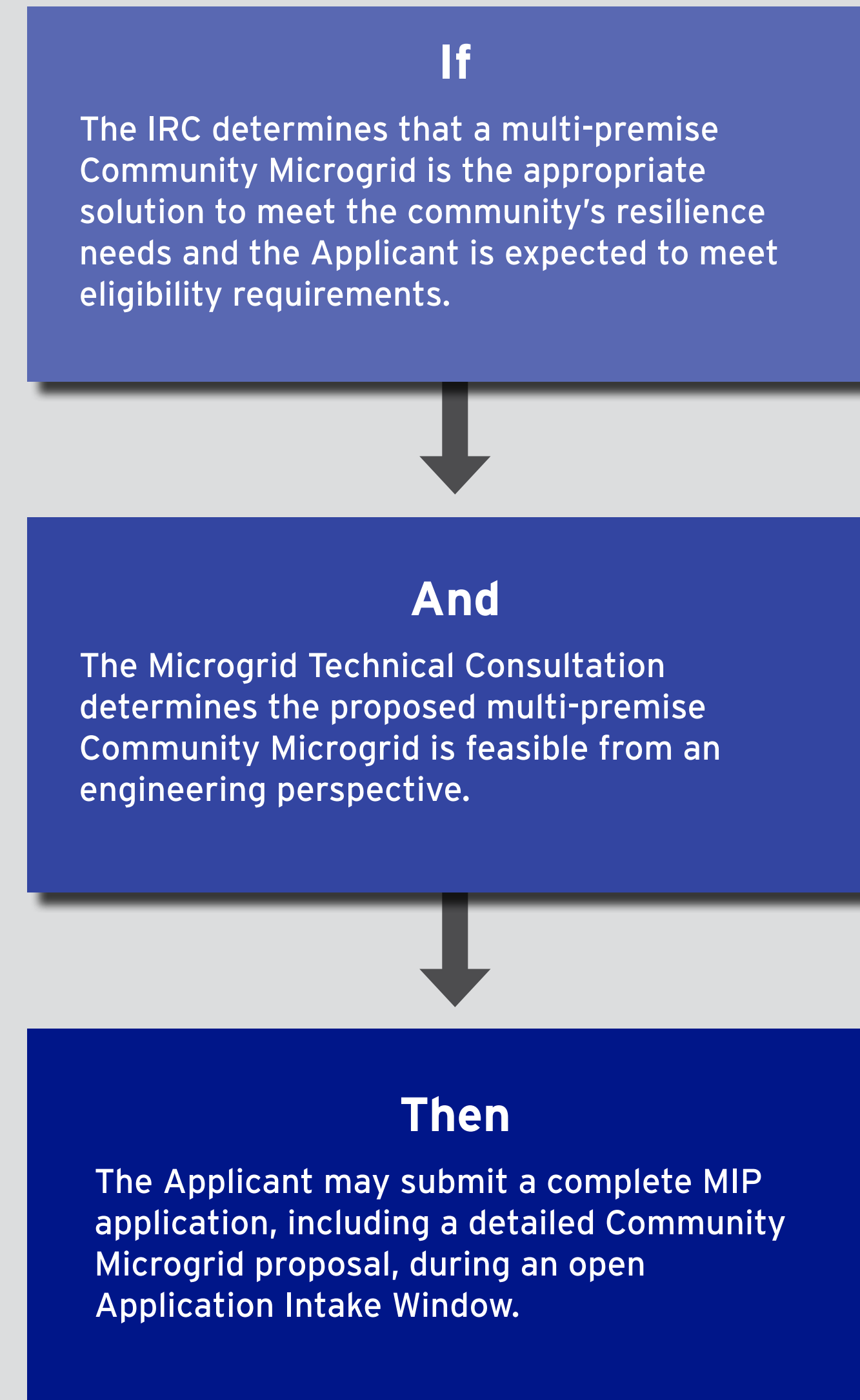
The technical consultation may take place in-person or virtually, as mutually agreed by the Applicant and SDG&E. All parties that participate in these technical conversations must review, agree to, and submit the following:

- SDG&E confidentiality and Non-Disclosure Agreement.⁸ NDA forms will be provided by SDG&E.
- Technical Consultation Application
 - The Technical Consultation Application allows SDG&E to evaluate community-specific information provided by the Applicant and their technical partner.

During this step, SDG&E will provide relevant information necessary to prepare a complete MIP Application, such as aggregated customer load profiles including forecast growth over the 10-year operating term, subject to all applicable customer and data privacy regulations. SDG&E will also review the MIP application requirements with the Applicant and technical partner.

Once the Microgrid Technical Consultation is complete, SDG&E will provide the Applicant with the following templates and samples to begin reviewing contractual conditions and processes:

- MIP Participation Agreement (which governs the financial arrangements between SDG&E and the Awardee)
- Information on the generator interconnection process
- Microgrid Island Study Agreement
- Pro-forma Microgrid Special Facilities Agreement
- Pro-forma Microgrid Operating Agreement (MOA)



STAGE 1:
CONSULTATION

Stage 2: Application

Goals:



Develop and gather information for your MIP Application



Complete and submit your MIP Application, AIR and Application Development Grant request to SDG&E during a MIP Application Window



Execute MIP Participation Agreement

Preparing Your Application

Once the Consultation Stage is complete, the Applicant can prepare and submit a MIP Application.

✓ STEP 1: Submitting Your Application

Applications can be submitted via email, including attachments to MicrogridIncentiveProgram@SDGE.com.

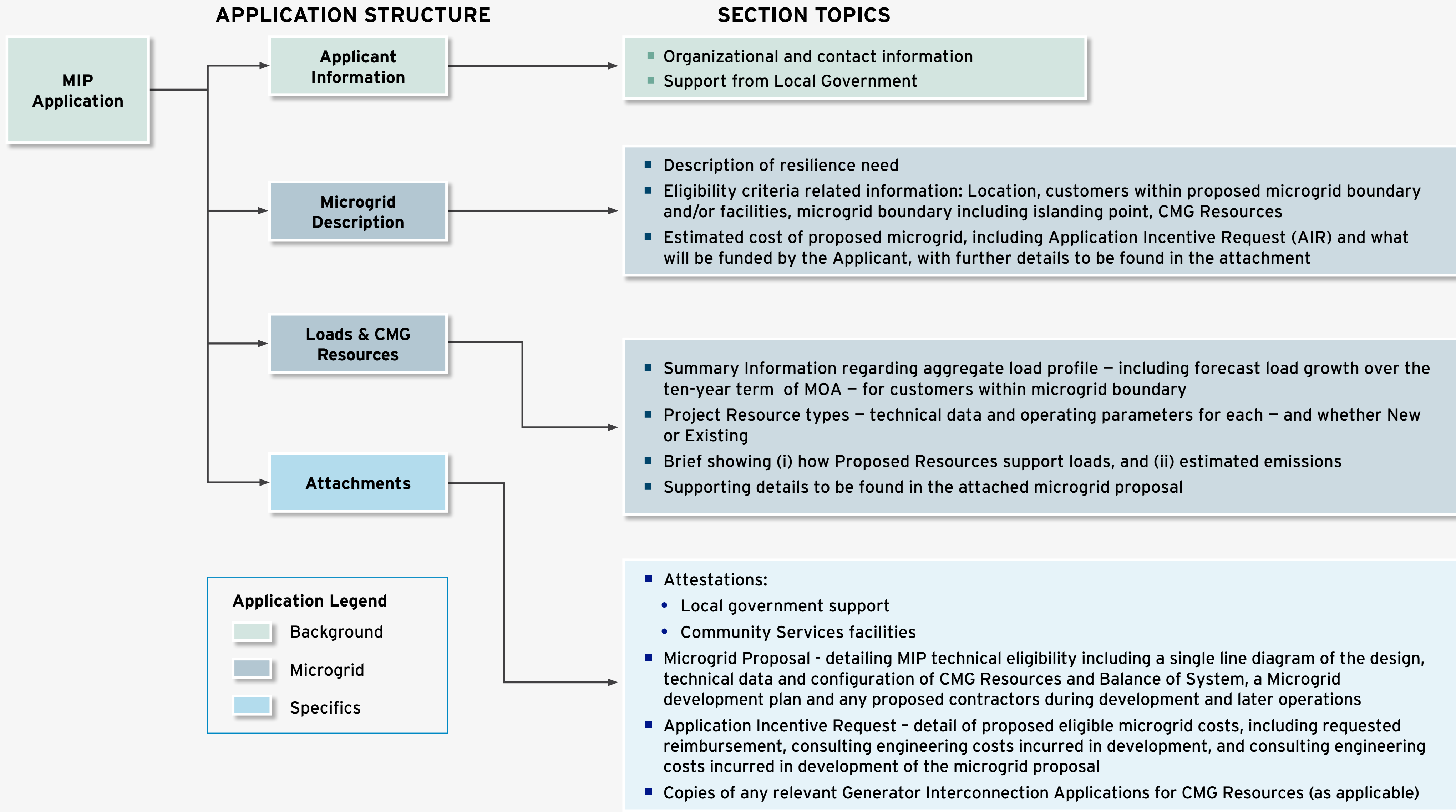
- All applications received within the Application Window will be acknowledged and reviewed for completeness. SDG&E will store all the information and attachments included in the MIP Application to evaluate the microgrid project. This information will be treated by SDG&E as confidential.
- If complete, SDG&E will calculate a Project Score for the corresponding microgrid. This Project Score will be used to prioritize funding of eligible MIP applications. The same scoring parameters will be used for each application, with no preference or priority given to applications received earlier or later within the MIP Application Window.
- If an application is incomplete, SDG&E will inform the Applicant which aspects of the application need to be completed or updated before it can be accepted. Once the Applicant has been notified of the necessary changes/information, they have a 10-business day cure period to submit a revised application.
- Applicants may not submit multiple applications for substantially similar microgrids in the same area.

✓ STEP 2: Eligibility Confirmation

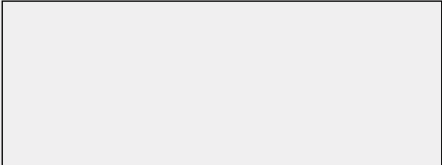
After submission, SDG&E will conduct a review to confirm the application's eligibility for the MIP.

- The cure period, or time allowed to amend an application, will allow the Applicant to provide any missing information critical to SDG&E's determination of eligibility.

STAGE 2:
APPLICATION



**STAGE 2:
APPLICATION**



Preparing Your Application (Continued)



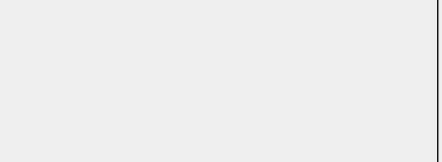
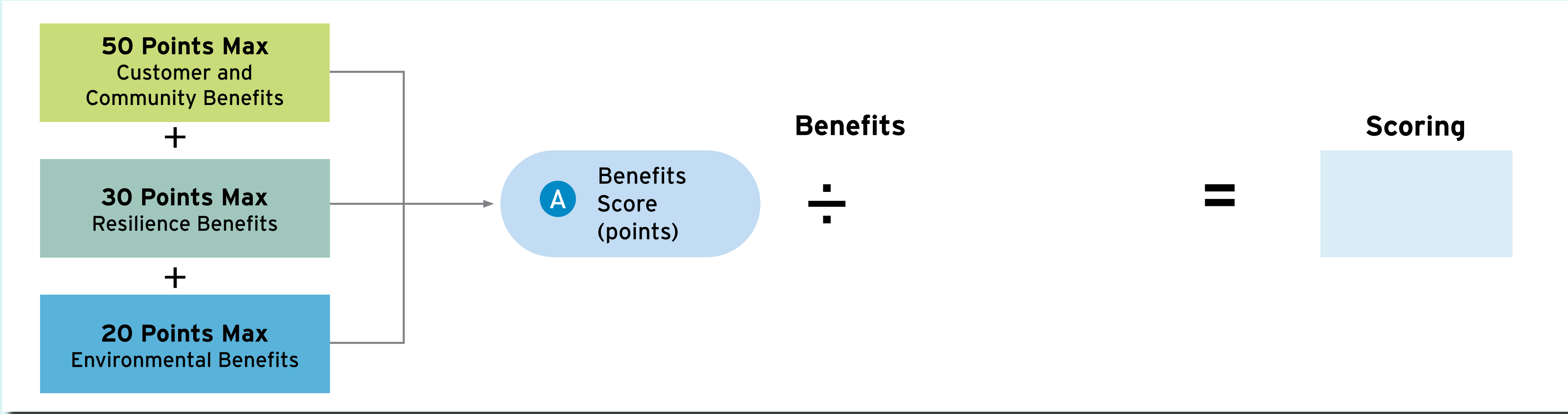
- After the MIP Application Window closes and SDG&E has accepted an application (which means SDG&E has determined that the eligible Applicant has provided all required information), SDG&E will calculate a Project Score for every accepted MIP Application.
- The formula and other calculations SDG&E uses to develop Project Scores are designed to minimize subjectivity and prioritize those microgrids that will deliver the most customer and community resilience, and environmental benefits per AIR dollar requested.
- The MIP application and related information will be used to generate a Benefit Score, which along with the AIR, will be used to calculate a Project Score.

A Calculate Your Benefit Score

The Benefit Score is equal to the sum of the MIP application's Customer and Community Benefits points, Resilience Benefits points, and Environmental Benefit points. Each of these Benefits receives the following percentage points:

- Customer and Community Benefit points: **50%** of the total available benefit points
- Resilience Benefit points: **30%** of total available Benefit Points
- Environmental Benefit points: **20%** of total available Benefit Points

STAGE 2:
APPLICATION



Customer and Community Benefits (50% Total Points)

Customer and Community Benefits points are based on the benefits a microgrid will deliver to customers within eligible DVCs, as well as facilities that serve DVCs. They are determined by:

- Number of low-income customers that would be served by the microgrid
 - Low-income customers are the number of California Alternate Rates for Energy Program (CARE) and/or Family Electric Rate Assistance Program (FERA)⁹ customers located within the microgrid's boundary, according to SDG&E's records.
- Number of vulnerable customers within the proposed microgrid's boundary
 - Vulnerable customers are the number of AFN, Medical Baseline (MBL), or Life Support customers.¹⁰ This number is determined by the number of vulnerable customers listed in the local government or tribal attestations included in the MIP Application as well SDG&E's records.
- Number of critical facilities serving DVC residents within the proposed microgrid's boundary
 - Fire stations, hospitals and other critical facilities are defined by the CPUC,¹¹ and will be identified by SDG&E based on its records.
- Number of Community Resilience Services facilities for DVC residents within the proposed microgrid's boundary
 - This number is determined by how many Community Resilience Services facilities are listed within the microgrid's boundary in the local government or tribal attestations included in the MIP application.

Resilience Benefits (30% Total Points)

Resilience Benefits Points are based on the outage risk of the utility distribution facilities within the microgrid boundary, plus the continuous length of time the proposed microgrid can provide electricity when operating in Island Mode. They are determined by:

- Whether the microgrid will be located on an electric circuit that passes through a [CPUC Level 2 or 3 High Fire-Threat District \(HFTD\)](#)
- Whether the microgrid location:
 - Will be on a circuit that has been identified over the past two years as one of SDG&E's 1% Worst Performing Circuits, in terms of duration or frequency, as identified in the most recent two years of published SDG&E Electric Reliability Reports.
 - Has been impacted by a past PSPS event as determined by SDG&E.
 - Is in an area that SDG&E has excluded from all reasonably anticipated potential future outage events due to other resilience mitigation activities. If the proposed microgrid is in such an area, it will not be awarded points in this category, even if it has been impacted by past PSPS events.
- The number of six-hour periods that the microgrid can operate in Island Mode beyond the 24-hour minimum. This number of six-hour periods of subsequent operation is determined by the typical load profile of the customers served by the microgrid and the expected electrical energy production capacity of the microgrid's Project Resources combined with the expected electrical energy production capacity of Non-Project Resources within the microgrid boundary. For purposes of determining the number of six-hour periods of subsequent operation, SDG&E will use the following process:
 - The same hourly energy load profile used to establish eligibility for an incentive award will be assumed to continue for a total of four consecutive days.¹²
 - This hourly energy load profile will be compared with the expected electrical energy production capability of Project Resources and non-Project Resources within the microgrid boundary.

**STAGE 2:
APPLICATION**

Environmental Benefits (20% Total Points)

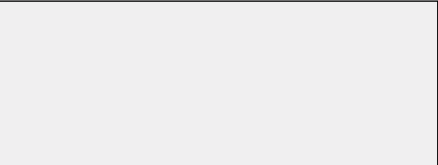
Environmental benefits are based on the microgrid's use of clean energy, and the extent to which the microgrid will be able to help customers or facilities avoid using emergency or backup generation powered by fossil fuels. They are determined by:

- The extent to which the aggregate nameplate generating capacity of the microgrid's clean energy IFOM Project Resources is equal to or greater than 80% of the aggregate nameplate generating capacity of all IFOM Project Resources located within the microgrid's boundary.
 - Interconnection capacity for existing IFOM Project Resources will be that which is set forth in the resources' generator Interconnection Agreements. Interconnection capacity for planned IFOM Project Resources is the amount of interconnection capacity that will be requested in the generator interconnection request application. For IFOM Project Resources that are, or plan to be, interconnected as hybrid resources, the interconnection capacity will be allocated to each individual hybrid resource in proportion to each resource's installed capacity.
 - The portion of the aggregate amount of IFOM storage Project Resources' nameplate generating capacity that is assumed to be "clean" for purposes of the calculation is equal to 100% of the nameplate capacity, as such nameplate capacity may be adjusted pursuant to limitations imposed by inverters and interconnection capacity as described in the preceding bullets.
 - The portion of the nameplate capacity of any non-storage IFOM Project Resources' nameplate generating capacity that is assumed to be "clean" for purposes of the calculation will be equal to the percentage of the input fuel, measured on a British Thermal Unit (BTU) basis, that SDG&E determines is "clean."
 - Any Project Resources within the microgrid boundary that will not operate during Island Mode, either because of regulatory restrictions or other binding commitments precluding such operation, are excluded from this calculation.
- Whether, from the time the microgrid begins commercial operation, at least one critical facility will rely on the microgrid as its primary source for backup power instead of relying on an existing emergency/standby generator powered by fossil fuels.
 - To earn this point, the MIP application should include an attestation from the Critical Facility confirming the microgrid will replace its existing emergency/standby generator as its primary source for backup power.

Once a proposed microgrid's Customer and Community Benefits Points, Resilience Points, and Environmental Points are calculated, they are added together to determine a total Benefit Score.



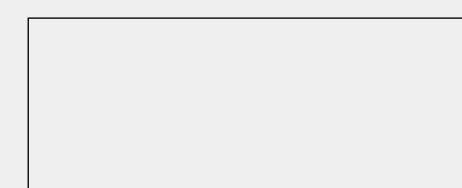
**STAGE 2:
APPLICATION**



Points Breakdown

Benefit Scoring Category	Subcategory	Scoring Parameter / Criteria	Validation	Points	Points Cap	Max Points
Customer & Community Benefits	Low Income Customers	Number of CARE/FERA customers within MIP Project	Utility Records	0.1	8	50
	Vulnerable Customers	Number of AFN/Medical Baseline/Life Support customers within MIP Project	Attestation from authority with jurisdiction	0.2	10	
	Critical Facilities	Number of Critical Facilities within MIP Project Boundary	CPUC Definition	5	30	
		Number of Critical Facilities within MIP Project Boundary Serving DVC	CPUC Definition	10		
	Community Services	Community Resilience Service facilities within MIP Project (min. of 1)	Attestation from authority with jurisdiction	2	2	
Resilience Benefits	Location Outage Risk	HFTD 2	CPUC HFTD Map	3	6	30
		HFTD 3	CPUC HFTD Map	6		
		Prior PSPS Events - 2 points per historical PSPS event (any year) that has not been substantially mitigated at the time of MIP application	Utility Records	2	14	
		1% Worst Performing Circuits (past 2 years)	Appears in either of prior 2 years of Utility Annual Electric Reliability Report	4	4	
	Island Duration	Duration of Islanded Operation provided by MIP Project Beyond 24hr minimum requirements	Each subsequent 6-hour period of operation beyond 24 hours determined by typical load profile of the microgrid electrical boundary.	0.5	6	
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. Points given for MIP Projects where percentage exceed 80%. Installed capacity for resources using inverters will be based on the Alternating Current (AC) output capability	17	17	20
		95-99%		12		
		90-94%		7		
		80-89%		2		
		<79%		0		
	Fossil Fuel Displacement	Fossil Fuel Emergency/Backup Gen Displacement as primary back-up (min. of 1)	Application Attestation	3	3	

**STAGE 2:
APPLICATION**



B Calculating AIR

AIR is the Incentive Award funding requested in the MIP Application. This AIR should reflect (i) all the MIP eligible costs the Applicant has incurred or expects to incur through the anticipated commercial operation date of the microgrid, minus (ii) any anticipated federal, state (including CEC Electric Program Incentive Charge), local government grants, or other sources of funding for development of the microgrid project. These costs and funding sources must be documented and explained in attachments submitted with the application.

C Project Score

SDG&E will calculate the Project Score of each eligible application by dividing its Benefit Score by its AIR. Thus, ancillary funds from outside the MIP that reduce the AIR will improve the Project Score.

Dispute Resolution

The dispute resolution process set forth in the Appendix applies after the submission of an AIR in an open Application Window. Prior to submission, unresolved disputes may be brought to the Commission's attention.

Incentive Award Notifications

The Applicant will be notified of an incentive award decision once all applications have been processed and scored.

The funding of MIP applications is prioritized through a process in which the application with the highest Project Score receives their requested amount of AIR funding. This process repeats, with the next highest scoring application receiving its requested AIR funding until either:

1. There are no eligible applications who have not received funding; or
2. There are insufficient MIP funds to fully meet an eligible application's AIR funding request.

If insufficient funds are available to support a full award, the Applicant may be offered a partial incentive award. The Applicant can elect whether to move forward.

If the Applicant elects to move forward, it becomes an Awardee and is required to identify the Community Microgrid (CMG) Authority which executes a MIP Participation Agreement that sets forth the terms and conditions under which SDG&E will provide (i) Application Development Grant funds, (ii) Interconnection Allowances, (iii) Special Facilities Allowances, and (iv) milestone AIR incentive payments. The MIP Participation Agreement also specifies the terms and conditions governing the security assurance that the CMG Authority must post during the development term and the declining amount of security assurance that must be maintained through the operating term. The MIP Participation Agreement is enforceable by and subject to the oversight jurisdiction of the CPUC. As such, if the Applicant is a tribal government, executing a MIP Participation Agreement may require a limited waiver of sovereign immunity.

If the Applicant elects not to move forward, the funds will be offered to the Applicant receiving the next highest Project Score. This process continues until all funds are exhausted or until all Applicants have been offered an award. Any unused funds will be carried over into the next Application Window, or returned to ratepayers in the event there are no remaining Application Windows.

Nothing precludes an Applicant that does not receive an award from pursuing the development of a Community Microgrid outside of the MIP. However, under existing regulatory rules, SDG&E has no legal or regulatory obligation to fund such microgrids. SDG&E, as program administrator, retains discretion regarding incentive awards and allowances. SDG&E will exercise such discretion only as necessary to protect ratepayer interests.

**STAGE 2:
APPLICATION**

Stage 3: Studies

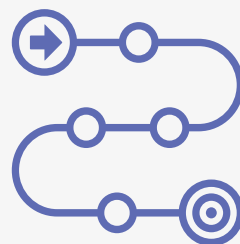
Goals:



Complete the studies required for the Technical Evaluation: Interconnection Study and Microgrid Islanding Study (MIS)



Execute the Interconnection and Microgrid Special Facilities Agreements



Determine whether to move forward with developing the MIP Community Microgrid

Technical Evaluation Studies

Once SDG&E determines who will receive MIP funding, the Applicant officially becomes an Awardee. Awardees who execute a MIP Participation Agreement will move on to the Technical Evaluation Studies Stage, in accordance with the terms and conditions of the MIP Participation Agreement.

It is expected that there will be two separate studies – an Interconnection Study for each planned Project Resource and a Microgrid Islanding Study (MIS). These studies will be used by SDG&E to develop generator Interconnection Agreements and a Microgrid Special Facilities Agreement.

Once these Agreements are executed, the proposed microgrid will proceed to the Development Stage, in which the MOA will be executed.

Studies:

Click on a section below to learn more.

**STAGE 3:
STUDIES**

Interconnection Study

To initiate an Interconnection Study for planned Project Resources, owners of these resources must first submit an Interconnection Application to SDG&E. Owners must first determine whether the Project Resource(s) will participate in the CAISO's wholesale market. If the Project Resources will participate in the CAISO's wholesale market, the owner must follow the SDG&E's Wholesale Distribution Tariff (WDAT) generator interconnection process. If not, owners will follow SDG&E's Electric Rule 21 generator interconnection request process. Contact SDG&E at MicrogridIncentiveProgram@SDGE.com for further guidance. The Interconnection Study determines what Distribution Upgrades, Transmission Network Reliability upgrades, and Interconnection Facilities are needed to interconnect the Project Resources safely and reliably to the SDG&E's distribution system.

Owners of Project Resources do not have to wait until the MIP Applicant receives an Incentive Award to submit an Interconnection Application; Owners may submit an Interconnection Application at any time, including during the Technical Consultation Stage or Application Stage of the MIP. However, Interconnection Application costs, SDG&E Interconnection Study fees, and other expenses related to the Interconnection Study application and Interconnection Study can only be offset by the Interconnection Allowance if the MIP Applicant receives an Incentive Award, executes a MIP Participation Agreement, and only if the owner executes the interconnection agreement after the close of the AIR Application Window.

After the generator Interconnection application is submitted, SDG&E will review and confirm it is complete. SDG&E will conduct the Interconnection Study in accordance with the study procedures and timelines specified in SDG&E's WDAT or Rule 21, as applicable.

As part of the Interconnection Study, SDG&E will prepare an estimated construction timeline and cost estimate for the Distribution Upgrades and Interconnection Facilities required for the proposed microgrid. This timeline and cost estimate will be reflected in the Interconnection Agreement that will be delivered to the entity submitting the interconnection request when the Interconnection Study is complete. This Interconnection Agreement will need to be executed before or at the same time as MOA.

The Interconnection Allowance may be applied to eligible Interconnection application and study costs, as well as the costs of Distribution Upgrades and Interconnection Facilities described in an eligible Interconnection Agreement. To be eligible, the Interconnection Agreement for IFOM Project Resources must be executed prior to, or at the same time as, execution of the MOA. These Distribution Upgrades and Interconnection Facilities costs may include:

- Switches, wires, and other equipment needed for the Project Resource's Interconnection Facilities
- Substation transformer upgrades, line refurbishments, and other distribution system upgrades

Transmission Network Reliability upgrades are not covered by the Interconnection Allowance. Cost responsibility for these upgrades is specified in the WDAT and Rule 21.

The procedure by which the Interconnection Allowance is granted to entities requesting interconnection of Project Resources is set forth in the MIP Participation Agreement.



The Interconnection Application process proceeds on a separate timeline from the MIP process.

**STAGE 3:
STUDIES**

Microgrid Islanding Study (MIS) and Microgrid Special Facilities Agreement

MIS is a set of evaluations that assess the safety and performance requirements of Community Microgrid Project Resources. The MIS focuses only on Island Mode operation of the microgrid as well as transition to and from Island Mode. The MIS will be performed in parallel with the Interconnection Study (IS) to the extent possible.

To begin the MIS, the Awardee must complete and execute a MIS Agreement. After SDG&E reviews the application and determines that the necessary information has been provided, SDG&E and the Awardee will work together to conduct the MIS.

This MIS will build on the Microgrid Technical Consultation previously conducted for the proposed microgrid. The MIS will cover topics such as power flow and voltage analysis, protection settings, power quality, transitional operation, and transient stability studies. The cost for the MIS is eligible to be paid through the Microgrid Special Facilities Allowance.

Once the Microgrid Islanding Study is complete, SDG&E will meet with the Awardee to:

1. Review the results of the study
2. Discuss potential mitigating solutions for any adverse results
3. Identify the Microgrid Special Facilities which will be required for the safe operation of the microgrid

At the end of this Final Report Meeting, both SDG&E and Awardee should have a common understanding of the requirements and agree on the next steps.

The MIS will establish a list of equipment that will be required to enable Island Mode. This list of equipment and the associated cost estimates will inform the Microgrid Special Facilities Agreement. The MIS also identifies the Balance of System that the CMG Authority will be responsible for implementing and maintaining.

Ultimately, all requirements identified by the MIS must be satisfied prior to proceeding to Stage 4 “Contracting and Development,” and for the CMG Authority to be eligible to sign the Microgrid Operating Agreement (MOA).

The CMG Authority is eligible to receive a Microgrid Special Facilities Allowance capped at \$3 million to offset eligible Microgrid Special Facilities and MIS costs.

Eligible costs that can be offset by this allowance include:

- SDG&E’s MIS study fees
- Microgrid Special Facilities equipment upgrades, such as:
 - Fault interrupting Supervisory Control and Data Acquisition (SCADA) switches, reclosers, line hardening, undergrounding, and other equipment upgrades required to support the microgrid’s islanding function
 - New or upgraded switches, relays, and other communication/infrastructure to connect SCADA switches and microgrid controllers to SDG&E’s control center
 - Upgrades to SDG&E’s:
 - Electric service equipment, including routers, security gateways, firewalls, or other networking equipment
 - Towers, fiber optics, leases, or other communications infrastructure
 - Network project management and equipment installation expenses
 - Upgrades and testing of SDG&E’s Microgrid Controller hardware and software
 - The procedure by which the Special Facilities Allowance is granted is set forth in the MIP Participation Agreement.

**STAGE 3:
STUDIES**

Final Community Microgrid Scope and Cost

The results of the IS and MIS (including the Special Facilities identified by the MIS) will provide the following information and allow the Awardee to evaluate whether to proceed with the proposed microgrid:

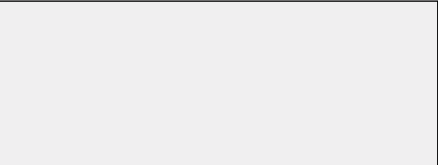
- Project Resource(s) and other microgrid costs that the Awardee will be obligated to pay, and the extent these costs will be offset by the Incentive Award
- Distribution upgrade and Interconnection Facility costs, and the extent these costs can be offset by the Interconnection Allowance
- Microgrid Special Facilities costs, and the extent these costs can be offset by the Microgrid Special Facilities Allowance

If the Awardee decides to move forward with their proposed microgrid, they will execute a Microgrid Special Facilities Agreement with SDG&E and begin the Development Stage. Similarly, the Interconnection Agreement must be signed prior to the proposed microgrid progressing to the Development Stage.

If after this evaluation an Awardee decides not to move forward with the proposed microgrid, the Awardee will notify SDG&E of this decision, and any further incentive obligations will be terminated in accordance with the terms of the MIP Participation Agreement. The incentive award and allowances will be returned to SDG&E's MIP funds and made available to other MIP Applicants in accordance with the process described in the Incentive Award Notifications Section.



**STAGE 3:
STUDIES**



Stage 4: Contracting and Development

Goals:



Prepare and execute an MOA between Awardee and SDG&E detailing how the microgrid will be developed, commissioned, and operated.

Click on a section below to learn more.

STAGE 4:
CONTRACTING &
DEVELOPMENT

Microgrid Operating Agreement (MOA)

The MOA describes the roles and responsibilities of both SDG&E and the CMG Authority during the development, commissioning, and operation of the microgrid. This includes:

- Contractual terms and conditions including microgrid termination provisions
- Microgrid development including milestones
- Microgrid operation

The MOA is enforceable by and subject to the oversight jurisdiction of the CPUC. As such, if the Applicant is a tribal government, executing an MOA may require a limited waiver of sovereign immunity.

MOA Terms and Conditions

The MOA defines the contractual terms and conditions of the microgrid. As an umbrella agreement, it incorporates, by reference and addendum, other microgrid-related contracts and agreements, including:

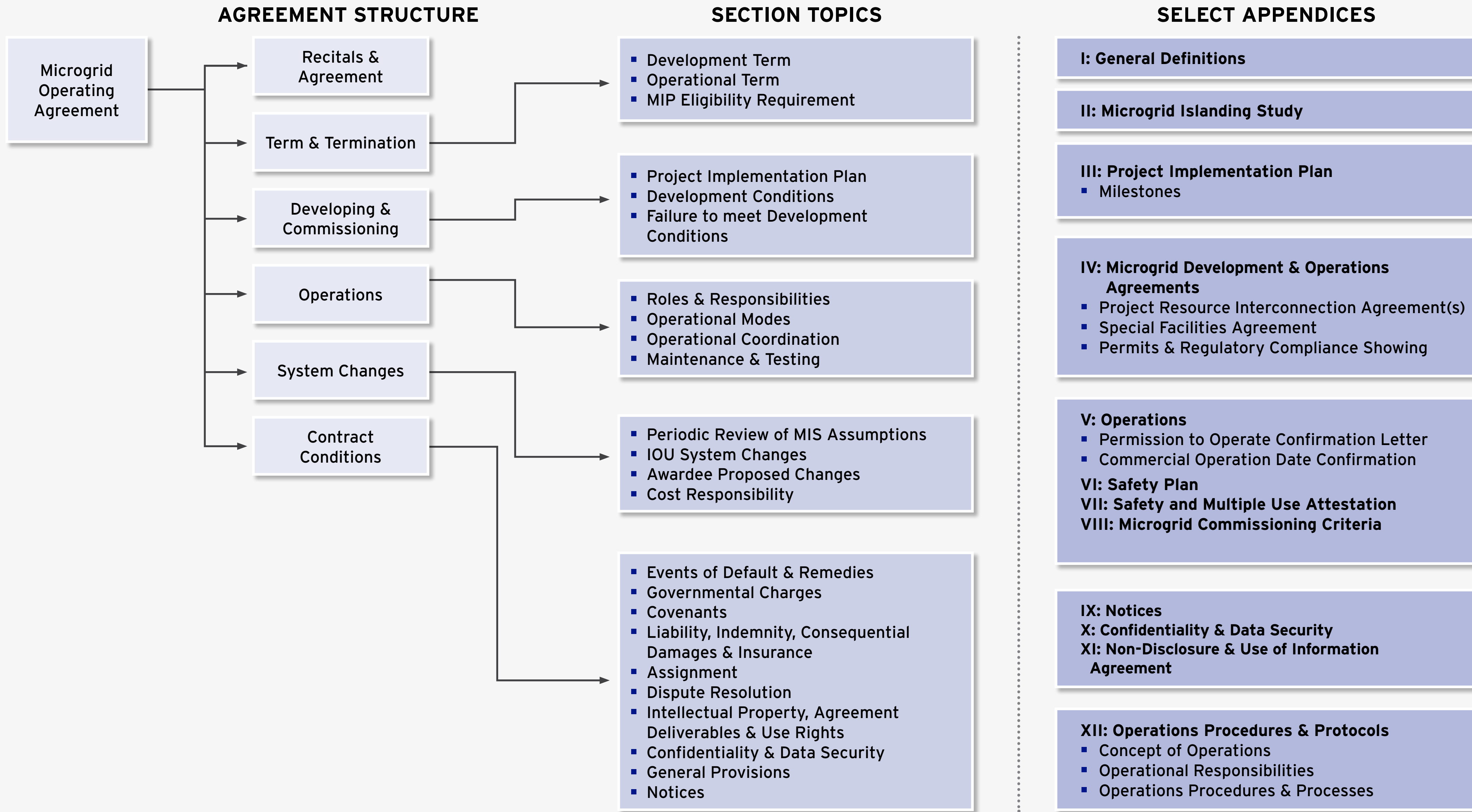
- Interconnection Agreements for Project Resources
- Microgrid Special Facilities Agreement

Importantly, the MOA defines:

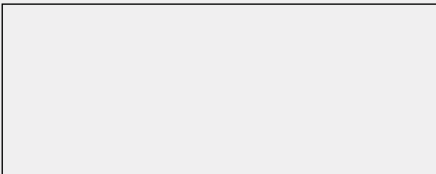
- **Microgrid Development Term:** The 24-month period during which the CMG Authority and SDG&E will construct, test, and commission the microgrid. This term begins on the MOA's effective start date and is complete on the Islanding Operation Date (IOD). Upon mutual agreement between both parties, this 24-month term can be extended up to a maximum of 36 months, per CPUC guidelines.
- **Microgrid Operation Term:** The period during which SDG&E will operate the microgrid and during which the Awardee will be responsible for the operation and maintenance of the Project Resources. The initial 10-year Operating Term commences on the IOD. At the end of 10 years, this Operating Term is automatically renewed annually for one-year terms until the MOA is terminated.

The MOA also defines the terms and conditions for suspension and/or termination.

STAGE 4:
CONTRACTING &
DEVELOPMENT



**STAGE 4:
CONTRACTING &
DEVELOPMENT**



The MOA Project Implementation Plan

The Awardee and SDG&E will collaborate on the completion of a Project Implementation Plan (PIP). The PIP details how the microgrid will be safely developed and operated. This plan includes milestones like key quantifiable project accomplishments, mutually agreed upon by the Awardee and SDG&E.

Though milestones are unique for each microgrid, they generally fall into one of the following categories:

- ✓ **Approvals:** approval of the PIP or final engineering design, or a local government's approval of the permits required for the development of the facilities necessary for operation of the microgrid
- ✓ **Construction Stages:** the completion of the mobilization, equipment delivery, or other construction stages for the facilities necessary for operation of the microgrid
- ✓ **Plans and Procedures:** the completion of documents that detail the safety procedures, operational procedures, or Microgrid Commissioning Test plan
- ✓ **Commissioning:** SDG&E will issue a Permission To Island (PTI) after the Microgrid Commissioning Test has been successfully completed

Some of these milestones will be used to create the milestone payment schedule in the MIP Participation Agreement that describes when the Awardee's Incentive Award funds will be dispersed. Incentive Award payments will be tied to milestones, such as completion of the microgrid equipment delivery stage.

 **Not all milestones will be associated with an Incentive Award payment.**

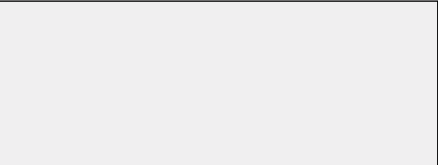
MIP Participation Agreement and Incentive Payments

The Awardee will be offered a MIP Participation Agreement, separate from the MOA, that will govern the disbursement of the Interconnection Allowance, Microgrid Special Facilities Allowance (MGSF) and incentive awards. SDG&E will make incremental incentive payments pending its determination that the critical milestones have been met. The Awardee is expected to cooperate with SDG&E in providing information that will assist SDG&E in determining when each milestone has been achieved.

In creating the MIP Participation Agreement, SDG&E may solicit feedback from the Awardee on the timing of milestones and size of incentive payments. However, SDG&E ultimately has the sole discretion to set the milestones and payments.

Incentive payments will be made to the bank account identified in the MIP Participation Agreement. All tasks identified specifically in the PIP related to the critical milestones must be completed in a timely fashion to trigger the MIP Participation Agreement's scheduled disbursement of funds. The specified dates do not account for unanticipated delays, including but not limited to delays caused by: emergency response due to wildfires or storms, time to complete environmental studies, availability of needed resources (e.g., materials or crews), difficulties securing necessary permits, easements, rights of way, licenses or other approvals, inability to obtain information needed to complete the CMG implementation process, or delays in scheduling clearances of the SDG&E Distribution System to complete construction of necessary facilities.

**STAGE 4:
CONTRACTING &
DEVELOPMENT**

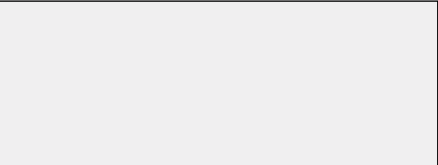


Illustrative Example of Critical Milestones and Incentive Payment Schedule

Item	Critical Milestone	Target Date	Responsible Party	Incentive Payment (portion of accepted incentive award)	Incentive Payment (amount)
1	Microgrid Islanding Study complete		Utility	0%	\$0
2	Generator Interconnection Study complete		Utility	0%	\$0
3	MG Special Facilities Agreement executed		Utility	0%	\$0
4	PIP developed to SDG&E's satisfaction		CMG Authority	0%	\$0
5	Develop Safety Plan		CMG Authority	0%	\$0
6	Safety Attestation delivered to SDG&E		CMG Authority	0%	\$0
7	Later of (a) PIP developed to SDG&E satisfaction, and (b) Safety Attestation delivered to SDG&E		CMG Authority	0%	\$
8a	CMG Authority and SDG&E sign Generator Interconnection Agreement		CMG Authority, SDG&E	0%	\$0
8b	CMG Authority and SDG&E sign Special Facilities Agreement		CMG Authority, SDG&E	0%	\$0
8c	CMG Authority and SDG&E sign Microgrid Operating Agreement		CMG Authority, SDG&E	0%	\$0
9	CMG Authority and developer sign contract for construction of IFOM Resource		CMG Authority	0%	\$0
10	CMG Authority and developer sign contract for construction of Balance of System		CMG Authority	0%	\$0
11	CMG Resource site preparation start (e.g., grading for planned generator)		CMG Authority	15%	\$
12	All foundations at generator site complete		CMG Authority	0%	\$0
13	Generator delivered to site		CMG Authority	20%	\$
14	Generator installed		CMG Authority	0%	\$0
15	Balance of System installed		CMG Authority	0%	\$0
16	Later of (a) Generator installed, and (b) Balance of System installed		CMG Authority	25%	\$
17	Utility-owned distribution upgrades to interconnect CMG Authority's generators installed		Utility	0%	\$0
18	Generator Commissioning Tests complete		CMG Authority	0%	\$0
19	Utility-owned Special Facilities installed		Utility	0%	\$0
20	Balance of System Commissioning Tests complete		CMG Authority	0%	\$0
21	Later of (a) Generator Commissioning Tests complete, and (b) Balance of System Commissioning Tests complete		CMG Authority	25%	\$
22	Permission to Operate CMG Resources issued		Utility	N/A	N/A
23	Permission to Operate CMG Confirmation Letter issued		Utility	15%	\$
TOTAL				100%	

**STAGE 4:
CONTRACTING &
DEVELOPMENT**

Critical Milestones and Incentive Payments shown for illustration. Specific Critical Milestones to be developed by Parties



Interconnection Allowance Payments

The MIP provides up to a \$1 million Interconnection Allowance for the cost of SDG&E-owned Interconnection Facilities and Distribution Upgrades necessary for the CMG Authority to interconnect new IFOM generation within the boundary of the microgrid for the purpose of supporting microgrid operations in Island Mode. Only new IFOM generation identified within, and developed pursuant to, the PIP is eligible for this Interconnection Allowance. The PIP is provided in the Appendix to the MOA.

Any new generation interconnecting outside the boundaries of the Community Microgrid, any new BTM generation, and any generation not identified by the CMG Authority as a CMG Project Resource, is not eligible for the Interconnection Allowance. Only those generator interconnection study costs and the actual costs of generator interconnection-related Interconnection Facilities and Distribution Upgrades identified by SDG&E, are eligible for the Allowance.¹³

The costs that may be included in the Interconnection Allowance include:

- Utility's Interconnection Study costs for eligible IFOM CMG Resources
- Utility's Interconnection Facilities (e.g., switches and wires needed to connect the generating facility to the grid) identified in the Interconnection Study
- Distribution System Upgrades (e.g., substation transformer, required reconductoring, etc.) identified in the Interconnection Study

The Interconnection Allowance does not include Network Reliability Upgrades as that term is defined in the CAISO's generator interconnection procedures.

SDG&E will provide the CMG Authority with the applicable Interconnection Allowance by reimbursing CMG Authority for the payments CMG Resource owners make to SDG&E for the costs SDG&E incurs to perform Interconnection Studies and to construct Interconnection Facilities and Distribution Upgrades. These costs will be determined in accordance with SDG&E's WDAT or Rule 21. SDG&E has no responsibility for CMG Authority's use of the Interconnection Allowance. Presumably, CMG Authority and CMG Resource owners will enter into an arrangement whereby CMG Authority will reimburse CMG Resource owners for the payments CMG Resource owners make to SDG&E for the costs SDG&E incurs to perform Interconnection Studies and to construct Interconnection Facilities and Distribution Upgrades.

The allowance will be provided as one or more payments by SDG&E to CMG Authority beginning no later than (i) 45 days after the CMG IOD, or (ii) 45 days after a CMG Resource owner's first payment of interconnection costs to SDG&E, whichever event is last. This timing of allowance payments protects SDG&E ratepayers by ensuring that the Interconnection Allowance is only provided in the event the CMG is successfully developed and only to the extent CMG Resource owners have made payments to SDG&E for interconnection costs.

The CMG Resource owner will determine which of the two generator interconnection processes it wishes to use to interconnect the new IFOM generation. The CMG Resource owner will submit a generator Interconnection Request in accordance with the applicable request process. Following submission of an Interconnection Request that SDG&E determines is complete, SDG&E will conduct an Interconnection Study to identify the Interconnection Facilities and Distribution upgrades, and the estimated costs of those upgrades, necessary to safely and reliably interconnect the generation. Following completion of the Interconnection Study, SDG&E and the CMG Resource owner will enter into an Interconnection Agreement that sets forth the CMG Resource owner's responsibility for making payments to SDG&E for the costs SDG&E incurs to construct Interconnection Facilities and Distribution Upgrades. Payments made by the CMG Resource owners to SDG&E determine the amount of Interconnection Allowance that SDG&E will provide to the CMG Authority.

The MIP Applicant may not include an estimate of any amount above the maximum Interconnection Allowance in its AIR.



Note: CMG Resource owners may submit generator Interconnection Requests to SDG&E at any time, including prior to when the CMG Authority receives an incentive offer from SDG&E. However, CMG Authority's eligibility for the Interconnection Allowance is subject to the requirement that the CMG Authority executes the Participation Agreement. Additionally, any Interconnection Study costs, Interconnection Facility costs or Distribution Upgrade costs that SDG&E has billed to CMG Resource owners prior to CMG Authority's execution of the Participation Agreement, are not eligible for the Interconnection Allowance; i.e., the Interconnection Allowance will not be retroactively applied.

STAGE 4:
CONTRACTING &
DEVELOPMENT

Special Facilities Payments

The MIP provides up to a \$3 million Microgrid Special Facilities Allowance for the cost of utility-owned Special Facilities that:

- Are determined by SDG&E to be necessary to operationalize the Community Microgrid
- Are the cost responsibility of the CMG Authority, as identified in an executed Special Facilities Agreement

SDG&E and the CMG Authority will enter into a Special Facilities Agreement that, based on the results of the Microgrid Islanding Study, identifies the SDG&E-owned upgrades necessary to operationalize the Community Microgrid and an estimate of the associated costs. The executed Special Facilities Agreement obligates CMG Authority to pay SDG&E for the estimated costs of the identified upgrades. The upgrades may include devices necessary to isolate the Community Microgrid from the larger distribution system, a microgrid controller that SDG&E will use to dispatch the CMG Resource owners' plant controllers in order to maintain acceptable frequency and voltage during Island Mode operation, or the undergrounding of Distribution Facilities within the microgrid boundary that are determined to be necessary for safe and reliable Island Mode operation.

Only those estimated costs of Special Facilities included in a Special Facilities Agreement executed prior to the IOD of the microgrid, are eligible for the Special Facilities Allowance.

SDG&E will provide the CMG Authority with the applicable Special Facilities Allowance by reimbursing CMG Authority for the payments CMG Authority makes to SDG&E for the estimated costs specified in section 7.(a) of the executed Special Facilities Agreement, subject to the condition that the allowance payment by SDG&E to CMG Authority may not exceed the maximum Microgrid Special Facilities Allowance. SDG&E will make one payment to CMG Authority within (i) forty-five (45) days of the CMG Commercial Operation Date, or (ii) forty-five days following the date on which CMG Authority provides the final payment to SDG&E of the amount specified in section 7.(a) of the executed Special Facilities Agreement, whichever date is later. This timing of the allowance payment protects SDG&E ratepayers by ensuring that the Special Facilities Allowance is only provided in the event the CMG is successfully developed and only if the CMG Authority has made all payments to SDG&E for the estimated costs identified in section 7.(a) of the executed Special Facilities Agreement.

Note: SDG&E will not provide an allowance for O&M payments that the CMG Authority makes to SDG&E pursuant to section 7.e of the executed Special Facilities Agreement. This is consistent with the underlying intent of the MIP; i.e., the MIP is intended to support the development of community microgrids, not their ongoing operation. Also, the MIP Applicant may not include an estimate of any amounts above the cap in its AIR.

MIP Funding Limitations

Note that pursuant to the CPUC order, the sum of the requested Application Development Grant and accepted Incentive Award may not exceed \$14 million.¹⁵ Also, the Interconnection Allowance for Interconnection Facility and Distribution Upgrade costs associated with the interconnection of new IFOM generation is limited to \$1 million, and the allowance for Special Facilities costs is limited to \$3 million. Costs incurred by SDG&E to accommodate unanticipated changes to the microgrid after its commercial operation date will be the responsibility of the CMG Authority. If no party agrees to pay for these costs, SDG&E has the right under the MOA to suspend operation of the microgrid.

STAGE 4:
CONTRACTING &
DEVELOPMENT

Commissioning

For the microgrid to be commissioned, SDG&E must verify that it can safely deliver the islanding performance outlined in the MOA. This is referred to as the Microgrid Commissioning Test.

Before the Microgrid Commissioning Test can take place, all the microgrid's construction and subsystem testing must be complete. In addition, SDG&E needs to have granted all the microgrid's IFOM and BTM CMG Resources Permission to Operate (PTO). PTO is governed by the relevant tariff for these CMG Resources (Rule 21 or WDAT).

To begin, the Awardee and SDG&E will create a plan, as described in the MOA, to test the microgrid's operation and performance. This plan should include:

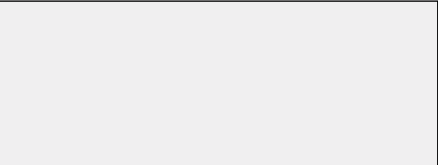
- Criteria used in the test (developed by SDG&E)
- Procedures by which to test whether the microgrid meets these criteria (developed by the CMG Authority)

When the Microgrid Commissioning Test plan is complete and approved by SDG&E, it will be appended to the MOA. Approval of the Microgrid Commissioning Test plan is a required milestone in the PIP and should occur at least 60 business days before the project's scheduled Permission to Island (PTI) date.

After the Microgrid Commissioning Test plan has been approved, the Awardee and SDG&E will work together to perform the Microgrid Commissioning Test. During the test, SDG&E employees can be present at any of the locations where CMG Resources are located.



STAGE 4:
CONTRACTING &
DEVELOPMENT



Islanding Operation Date (IOD)

After the Microgrid Commissioning Test is complete and approved, the CMG Authority is responsible for preparing a Commissioning Test Report that documents test results.

SDG&E will review the report and, if acceptable, issue a PTI. After a PTI is received, the CMG Authority will submit a IOD confirmation notice to SDG&E. The IOD confirmation notice signifies SDG&E has reviewed and approved the Microgrid Commissioning Test results. It also confirms that the project meets all MOA development terms and conditions and prompts the final Incentive Award payment.

The microgrid is considered fully operational after the submission of the IOD confirmation notice to SDG&E. Note that “fully operational” means that the microgrid is available to be operated in Island Mode, not that the microgrid is actually isolated from the larger system and being operated in Island Mode. Most of the time, the microgrid will be in Blue Sky Mode where it is connected to and operated as part of the larger electric system.

Reporting Requirements

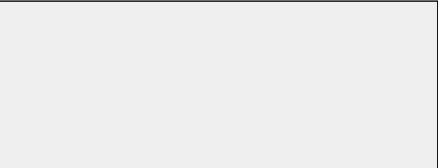
SDG&E is required to report the following information to the CPUC on a quarterly basis after a MIP incentive is awarded. CMG Authority must support SDG&E in compiling reporting information as requested.

Description of efforts by status stage

- Number of projects by status
- Number of customers served by the Community Microgrids developed under the MIP
- Number of DVCs served by Community Microgrids
- Number of Critical Facilities served by Community Microgrids



STAGE 4:
CONTRACTING &
DEVELOPMENT



Stage 5: Operations

Goals:



Safely operate and maintain the microgrid through the end of its Operating Term



Provide reliable energy to DVCs

At this stage the Awardee, will have:

- Completed development of the microgrid pursuant to the MOA
- Received confirmation that the microgrid can operate safely and reliably while in Island Mode
- Established procedures and protocols that the CMG Authority and SDG&E will use to coordinate the operation of the microgrid

Once the microgrid is approved to safely operate, the 10-year Operational Term begins.

Click on a section below to learn more.

**STAGE 5:
OPERATIONS**

Operational Coordination

During the Operational Term of the MOA,

- SDG&E is responsible for:
 - Providing Distribution Service to customers within the microgrid boundary
 - Operating and maintaining the SDG&E-owned Distribution Facilities within the microgrid boundary, including all SDG&E-owned Distribution Upgrades, Interconnection Facilities, and Microgrid Special Facilities
- The CMG Authority is responsible for:
 - Operating the microgrid and demand-side management resources, following the provisions of Electric Rule 2, the WDAT, Electric Rule 21, and any other applicable rules and standards
 - As detailed in the MOA, these rules and standards specify the frequency, voltage, and other power quality requirements required for the microgrid to safely operate
 - Costs related to the ownership, operation, scheduling, and maintenance of the CMG Resources and Balance of System to ensure the microgrid continues to be safe to island
 - Biennial Project Islanding & Safety Test

In addition to the responsibilities described in the Operational Coordination section, during the microgrid Operational Term, SDG&E will test the microgrid at least once every two years to confirm it can safely operate in Island Mode. Other tests might need to be scheduled at SDG&E's discretion.

After a test is conducted, the CMG Authority will need to deliver SDG&E a test report. This report should demonstrate the test confirmed the microgrid complies with the operating performance requirements found in the MOA.

If the microgrid fails the test, SDG&E may require the CMG Authority develop a plan to address the issues that caused failure. Once improvements have been implemented, SDG&E will retest the microgrid to determine compliance with the MOA's operating performance requirements.

If the microgrid continues to be out of compliance with the operating performance terms found in the MOA, the MOA may be suspended or terminated.

**STAGE 5:
OPERATIONS**

System Change

During the microgrid's Operational Term, the CMG Authority and SDG&E are required to notify each other if the CMG Authority or SDG&E becomes aware of a system change not anticipated at the time of the most recently performed Microgrid Islanding Study. After this notification, both parties will work together to review the system change and determine how it might impact the operation of the microgrid. If SDG&E determines that the system change has the potential to adversely affect Island Mode operation, SDG&E may update the previous MIS to determine whether additional Special Facilities are required to maintain safe and reliable operations. Responsibility for the associated costs are summarized on the following table.

System Change Category	System Change Scenario	MIS Update Cost	Cost of Utility-Owned Upgrades that MIS Indicates are Required
Load	Retail customer within Microgrid Boundary submits service request to SDG&E seeking to expand panel sizing to accommodate planned load increase ¹⁶	CMG Authority	CMG Authority
	Prospective retail customer within Microgrid Boundary submits service request to SDG&E seeking to interconnect new load (infill) ¹⁶	CMG Authority	CMG Authority
	Retail customer outside current Microgrid Boundary requests to be included within the Microgrid Boundary	CMG Authority	CMG Authority
	Retail customer within Microgrid Boundary currently receiving Distribution Services during Island Mode requests not to receive Distribution Services.	CMG Authority	CMG Authority
Generation/ Load	Non-CMG Authority Resource owner submits interconnection request for a planned resource (BTM or IFOM) ¹⁷	CMG Authority	CMG Authority
Management Technology	Modification of CMG Authority Resource ¹⁸	CMG Authority	CMG Authority
	CMG Authority proposed load management solutions (e.g., demand response)	CMG Authority	CMG Authority
Operational Changes	Changes at SDG&E's discretion to support SDG&E's Distribution System Operator responsibilities	Utility	Utility

**STAGE 5:
OPERATIONS**

Microgrid Termination

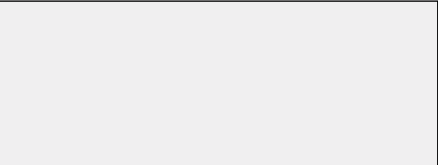
The length of the microgrid's initial Operating Term is 10 years from the date of the Microgrid's IOD. After this 10-year term ends, the Operating Term is automatically renewed annually for one-year terms until the MOA is terminated.

The Operating Term can be terminated if the CMG Authority and SDG&E mutually agree to terminate. It can also be terminated by either party if one of the following occurs:

- A new MIS concludes a system change requires upgrades to the microgrid in order to continue operating safely²¹ and no party is willing to construct and pay for those upgrades
- No entity is willing to pay for the costs of conducting a new MIS upon SDG&E's determination that such a restudy is needed
- The Interconnection Agreement for one or more CMG Resources is terminated such that, in SDG&E's judgement, the ability to safely and reliably operate the microgrid in Island Mode is jeopardized
- If the microgrid fails to satisfy any of the operating performance requirements in its MOA



**STAGE 5:
OPERATIONS**



Glossary

Affected System An electric system other than the Distribution Provider's Distribution System or Transmission System that may be affected by a System Change.

Application The Application is the formal documentation package submitted to SDG&E under the MIP, including an Application Development Grant request, an Application Incentive Request and a microgrid proposal along with other required information.

Application Incentive Request (AIR) The amount of reimbursement, excluding the MIP Application Development Grant, requested by the MIP Applicant.

Application Intake Window A time period with a specific starting date and ending date in which potential MIP Applicants may apply for the MIP. SDG&E will determine the timing of the Application Intake Window.

Balance of System All of the microgrid components owned or controlled by the MIP Awardee, other than the CMG Resources and Non-CMG Resources, necessary to meet the requirements of the Community Microgrid as identified in the Microgrid Islanding Study.

Behind the Meter (BTM) Electrical infrastructure, including resources, on the end-use customer side of the customer's utility billing meter. A Generating Facility may be connected BTM.

Blue Sky Mode The mode of operation when the Community Microgrid is connected to and operating in parallel with the Distribution System.

California Independent System Operator Corporation (CAISO) The entity that provides open access to the majority of the state's bulk electric power system through short-term wholesale energy and ancillary service market mechanisms.

California Public Utilities Commission (CPUC) A regulatory agency that oversees privately owned electric, natural gas, telecommunications, water, railroad, rail transit, and passenger transportation companies.

Commissioning Criteria Requirements outlined in MOA that must be satisfied by the MIP Awardee prior to Islanding Operation Date.

Commissioning Test A test that demonstrates the Community Microgrid can meet the Commissioning Criteria.

Community-Based Organization (CBO) A public or private non-profit organization having demonstrated efficacy that is representative of a community or significant segments of a community; and engaged in meeting that community's needs in the areas of social, human, or health services.

Community Microgrid A microgrid with Distribution System-connected using CMG Resources that supply energy to at least two customers or two customer premises connected by SDG&E's Distribution System within a Microgrid Boundary capable of Island Mode operation.

Community Microgrid Proposal A detailed description of the proposed Microgrid submitted as part of the application. The proposal identifies the proposed Microgrid Boundary, CMG Resources, and known Balance of System elements, supporting engineering analysis and cost estimates as well as a proposed implementation schedule and status of all required permits.

Community Microgrid Technical Evaluation Set of studies comprised of the Interconnection Study and the Microgrid Islanding Study; used to develop Project Resource Interconnection Agreements and the Microgrid Special Facilities Agreement.

Community Resiliency Service(s) Services, in addition to those provided by a Critical Facility, which strengthen a community's ability to prepare for anticipated hazards, adapt to changing conditions, withstand and recover rapidly from disruptions, or otherwise maintain social continuity.

Consulting Engineer A licensed engineering firm, EPC Contractor or other consulting organization with relevant engineering and economic qualifications that is contracted by the MIP Applicant.

Critical Facility A facility that provides critical services to the surrounding community pursuant to the CPUC's current definition of Critical Facilities in [Rulemaking R.18-12-005](#).*

*OIR to examine electric utility de-energization of powerlines in dangerous conditions.

Development Term The period commencing on the Effective Date of the Microgrid Operating Agreement (MOA) and ending upon the Community Microgrid Island Operation Date (IOD). Community Microgrid IOD will occur no later than 24 months from the effective date, unless extended by mutual agreement with a total term not to exceed 36 months from the MOA effective date.

Distribution Customer An end-use customer taking Distribution Service from a Distribution Provider.

Distribution Provider A Utility, which owns, controls, and operates the facilities and systems that provide Distribution Service to the end-use customers within and outside the Microgrid Boundary.

Distribution Service The transporting of electric power over and through various facilities owned by the Distribution Provider for delivery to a Distribution Customer. Distribution Service includes all of the associated systems necessary to effect such delivery including meter reading, billing, and customer service.

Distribution System A Distribution Provider's system broadly consisting of the stepdown substations, the primary distribution circuits, and the secondary distribution system. The secondary distribution system consists of the line transformers that step the primary voltage down to a secondary voltage, and the secondary conductors including service drops and meters.

Distribution System Operator Distribution Provider acting in its role as distribution owner and operator to fulfill responsibilities associated with Distribution Service under both Blue Sky and Island Modes.

Distribution Upgrades The additions, modifications, and upgrades to Distribution Provider's Distribution System at or beyond the Point of Interconnection to facilitate interconnection of the Generating Facility and render the Distribution Service. Distribution Upgrades do not include Interconnection Facilities.

Effective Date The date specified in the Microgrid Operating Agreement (MOA) upon which both parties have agreed the provisions of the MOA are in effect.

Electric Rule 21 Electric Rule 21 is a tariff that describes the interconnection, operating and metering requirements for generation facilities to be connected to a Utility's Distribution system. The tariff provides customers wishing to install generating or storage facilities on their premises with access to the electric grid while protecting the safety and reliability of the distribution and transmission systems at the local and system levels.

Engineering, Procurement, and Construction (EPC) Contractor Contractor or such person providing engineering services, purchasing equipment, and installing equipment during the Development Phase of the microgrid proposal.

Generating Facility All generators, electrical wires, equipment, and other facilities, excluding Interconnection Facilities, owned or provided by the Producer for the purpose of producing electric power, including storage.

High Fire-Threat District (HFTD) An area where there is an elevated risk of powerline-induced fires with the potential to spread rapidly. HFTDs are identified by the California Public Utilities Commission (CPUC). (See the CPUC's [Fire-Threat Map, Tiers 2 and 3, as may be amended](#).)

Incentive Award The portion of a MIP Applicant's Application Incentive Request (AIR) that is authorized for payment to the MIP Applicant and which the MIP Applicant agrees to accept in the MIP Participation Agreement.

In Front of the Meter (IFOM) Generating resources that are directly connected to the Distribution System, and associated electrical infrastructure that is on the generating resource owner's side of the utility revenue meter. A Generating Facility may be connected IFOM.

Interconnection Agreement The agreement and associated documents or any successor agreement and associated documentation governing the terms and conditions of the interconnection of the Project Resource(s) with SDG&E's grid under the Wholesale Distribution Access Tariff (WDAT or WDT or Rule 21 for applicable CMG Resources, including any description of the plan for interconnecting the CMG Resource(s) to the grid.

Interconnection Allowance An amount funded by utility ratepayers in addition to the MIP Incentive Award, the MIP Application Development Grant, and the Microgrid Special Facilities Allowance, that covers all or a portion of the costs of Interconnection Studies, Interconnection Facility Upgrades, and Distribution Upgrades identified per the applicable interconnection tariff for eligible CMG Resources.

Interconnection Facilities The required electrical wires, switches and related equipment in addition to the facilities required to provide electric Distribution Service to a customer – that allow interconnection of a Generating Facility. Interconnection Facilities may be located on either side of the Microgrid Islanding Point as appropriate to their purpose and design. Interconnection Facilities may be owned by either Producer or Distribution Provider.

Interconnection Facility Upgrades Interconnection Facilities owned by the Distribution Provider.

Interconnection Study A study to establish the requirements for interconnection of a Generating Facility to Distribution Provider's Distribution System or Transmission System, pursuant to WDAT or Rule 21, as applicable.

Island Mode Operation of the microgrid by the Distribution Provider when the microgrid that normally operates in Blue Sky Mode is disconnected from the remainder of the Distribution System at the Microgrid Islanding Point(s). The Distribution Provider will operate the microgrid in Island Mode by:

- Direct dispatch of CMG Resources within the Microgrid Boundary and/or
- By directing CMG Resources to operate within parameters specified by the Distribution Provider for voltage, frequency, and power quality.

Islanding Operation Date (IOD) The date upon which the Community Microgrid has successfully demonstrated through the testing and commissioning process, that it can successfully transition from Blue Sky Mode to Island Mode, safely operate in Island Mode, and successfully transition from Island Mode to Blue Sky Mode pursuant to the MOA's Operational Requirements.

Microgrid Islanding Point The point(s) on a Distribution System that allows the microgrid to separate from and reconnect to the rest of the Distribution System.

Load Management Technology All equipment and other facilities used for the purpose of controlling the consumption of electric power, including storage.

Local Government City and county governments and the governing bodies of Tribes.

Matching Funds One-time funds authorized by the CPUC to offset some portion of the utility infrastructure upgrade costs associated with implementing the islanding function of the microgrid. These Matching Funds are the funding source for the Microgrid Special Facilities Allowance and are in addition to the total MIP budget for eligible costs.

Microgrid As defined in Public Utilities Code (PUC) Section 8370 (d), a microgrid is an interconnected system of loads and energy resources, including, but not limited to, distributed energy resources, energy storage, demand response tools, or other management, forecasting and analytical tools, appropriately sized to meet customer needs, within a clearly defined electrical boundary that can act as a single, controllable entity, and can connect to, disconnect from, or run in parallel with, larger portions of the electrical grid, or can be managed and isolated to withstand larger disturbances and maintain electrical supply to connected critical infrastructure.

Microgrid Boundary An electrically contiguous area which can be separated from the larger Distribution System at the Microgrid Islanding Point that defines a microgrid as a single, controllable entity.

Microgrid Controller The Distribution Provider's system that monitors and controls the Distribution System and CMG Resources within the Microgrid Boundary when islanded, and which may coordinate with Non-CMG Resources that support the microgrid.

Microgrid Incentive Program (MIP) A program to enable community-proposed Microgrids that provide enhanced resilience for vulnerable customer groups and/or critical facilities pursuant to the CPUC's Track 2 Decision.

Microgrid Islanding Study (MIS) An engineering study conducted by the Distribution Provider or its agents to determine the required modifications to and specifications for the Distribution Provider's Distribution Facilities to support Island Mode operation, including the cost and scheduled completion date for such modifications. The MIS also identifies the required Balance of System.

Microgrid Islanding Study Agreement (MIS Agreement) A contractual agreement between SDG&E and the MIP Awardee to conduct a Microgrid Islanding Study (MIS).

Microgrid Operating Agreement (MOA) An agreement between the Distribution Provider and the MIP Awardee that governs the Community Microgrid development and testing, and commercial operations to ensure safety and service quality in compliance with applicable Distribution Provider rules.

Microgrid Special Facilities Modifications to the Distribution Provider's Distribution Facilities required to operationalize the Microgrid Boundary and Island Mode such that the microgrid can maintain voltage, frequency, and power quality in accordance with the Distribution Provider's requirements and Rule 2.

Microgrid Special Facilities Agreement (Microgrid SFA) The agreement that describes the upgrades on the Distribution System to be installed under the terms and conditions regarding Special Facilities on file with the California Public Utilities Commission (CPUC), pursuant to Electric Rule 2, and incorporated in the Microgrid Operating Agreement (MOA).

Microgrid Special Facilities Allowance An amount funded by utility ratepayers in addition to the MIP Incentive Award, the MIP Application Development Grant, and the Interconnection Allowance to cover all or a portion of the costs of the Microgrid Special Facilities.

Milestones Key development activities and the agreed upon completion dates required for the development and operation of the Community Microgrid as set forth in the MOA.

MIP Applicant The person or entity who submits an Application to SDG&E for the MIP. Upon receiving a MIP Incentive Award, the MIP Applicant will be referred to as a MIP Awardee.

MIP Application Development Grant Reimbursement up to \$25,000 for the costs incurred in the development of an eligible MIP application; available subsequent to acceptance of Applicant's AIR whether an Applicant is awarded a MIP incentive grant or not.

MIP Awardee An Applicant to whom a partial or full MIP incentive award is offered.

MIP Participation Agreement The agreement, executed by the MIP Awardee upon its acceptance of a Development Grant Award or a partial or full MIP incentive award, which provides the terms and conditions governing the Development Grant Award, the Interconnection Allowance, the Special Facilities Allowance and MIP incentive payments. The MIP Participation Agreement also specifies the financial security assurance that the MIP Awardee must post and maintain during the Development Term and Operating Term of the MOA.

Performance Test A biennial (every other year) test to demonstrate that the Community Microgrid and Community Microgrid personnel can successfully meet the operating performance requirements set forth in the MOA.

Operating Term The 10-year initial period commencing on the Community Microgrid IOD as set forth in MOA; automatically renewed annually for one-year terms until termination of the MOA or expiration of a Project Resource Interconnection Agreement.

Permission to Island Distribution Provider's express written permission before a Community Microgrid may operate in Island Mode.

Permission to Operate Distribution Provider's express written permission required before a Project Resource or Non-Project Resource may parallel with the Distribution System, pursuant to applicable tariffs (Rule 21 or WDAT).

Producer The entity that executes a Generator Interconnection Agreement with Distribution Provider per Rule 21. Producer may or may not own or operate the Generating Facility, but is responsible for the rights and obligations related to the Generator Interconnection Agreement.

Project Implementation Plan Document mutually agreed upon by utility and applicant that details how the Community Microgrid will be safely developed and operated. Includes detailed description of milestones including tasks, schedule, and dependencies for design, construction, and testing for the Community Microgrid.

CMG Resource Generating Facility, storage technology, or load management technology that the Community Microgrid Authority has control over and which are used to support a Community Microgrid. At least one Project Resource must have a plant controller and grid-forming capability sufficient to allow acceptable frequency and voltage during Island Mode operation. CMG Resources are interconnected to the Distribution System within the Microgrid Boundary either directly as IFOM CMG Resources or indirectly as BTM CMG Resources pursuant to the WDAT or Electric Rule 21. CMG Resources may or may not be owned by the MIP Awardee but are subject to the operating provisions specified in the MOA.

Resource Controller (also known as a Plant Controller) A system, distinct from the utility's Microgrid Controller, that controls the operation of the CMG Resources.

Rural Area Locations defined by U.S. Health and Human Services Administration as Rural.

System Change A change in CMG Resources, Non-CMG Resources, or customer loads within the Microgrid Boundary that was not anticipated at the time the MIS was performed, or other Affected Systems outside the Microgrid Boundary and which SDG&E determines may have a material impact on the ability of a Community Microgrid to safely and reliably function in Island Mode.

Track 2 Decision [CPUC Decision D.21.01.018 in Track 2 of Rulemaking 19-09-009](#).

Wholesale Distribution Access Tariff (WDAT) The Wholesale Distribution Access Tariff (WDAT) describes the terms under which the utility provides open access to its Distribution System to wholesale customers seeking to:

- Interconnect generation facilities to the utility's Distribution System and deliver energy and capacity services to the California Independent System Operator (CAISO) controlled grid (using the utility's Distribution System), or
- Deliver energy or capacity services from the CAISO controlled grid (using the utility's Distribution System) to their customers.

AC Alternative Current

AFN Access and Functional Needs

AIR Application Incentive Request

BTM Behind-the-Meter

CAISO California Independent System Operator

CARE California Alternative Rates for Energy Program

CBO Community-Based Organization

CPUC California Public Utilities Commission

CMEP Community Microgrid Enablement Program

CMG Community Microgrid

DA Direct Access

DER Distributed Energy Resource

DSO Distribution System Operator

DVC Disadvantaged Vulnerable Community

FERA Family Electric Rate Assistance Program

GHG Greenhouse Gas

HFTD High Fire-Threat District

IFOM In Front-of-the-Meter

IOD Islanding Operation Date

IOU Investor-Owned Utility

IS Interconnection Study

MBL Medical Baseline

MIP Microgrid Incentive Program

MIPIP Microgrid Incentive Program Implementation Plan

MIS Microgrid Islanding Study

MOA Microgrid Operating Agreement

NDA Non-Disclosure Agreement

PIP Project Implementation Plan

PTI Permission to Island

SCADA Supervisory Control and Data Acquisition

SFA Rule 2 Special Facilities Agreement

PSPS Public Safety Power Shutoff

R21 Rule 21

WDAT Wholesale Distribution Access Tariff

GLOSSARY

Footnotes

Footnotes are listed in the order they appear in the document

1. Under certain design configurations, a brief break in service may be experienced. [BACK](#)
2. SDG&E will determine the typical load profile by determining the average hourly metered energy load within the microgrid boundary for the peak day up to the last three years of recorded data. The metered load for hour-ending 0100 will be averaged for each of these three days. The same process will be used for the other 23 hours. [BACK](#)
3. The April 6, 2023 Administrative Law Judge's (ALJ's) Decision Adopting Implementation Rules for the Microgrid Incentive Program notes that Commission Decision (D.) 21-01-018 orders the states large Investor Owned Utilities (IOUs) "to jointly develop a statewide microgrid incentive program...with a \$200 million budget to fund clean energy microgrids..." (ALJ's Decision, p. 5) The Joint IOUs proposed in their December 3, 2021 MIP Implementation Plan (MIPIP), that any new MIP-funded CMG Resource must be clean, as defined by "the emissions standards adopted by the State Air Resources Board pursuant to the distributed generation certification program requirements of Section 94203 of Title 17 of the California Code of Regulations, or any successor regulation, consistent with the requirements for community microgrids in SB 1339." (Joint IOUs' Implementation Plan, p. 19.) The ALJ's Decision approved the Joint IOUs' proposal. ("We adopt the Joint IOUs' MIPIP...", ALJ's Decision, p. 17) [BACK](#)
4. The CPUC has determined that incentive funds may be used to pay for the cost of In-Front-of-the-Meter (IFOM) resources and reconfiguring certain BTM facilities. ("Eligible technology costs should include generation technology and/or storage technology, microgrid controllers, customer outreach, community costs, reconfiguration of electric service equipment on customer side of meters (for example to isolate and serve certain loads) and/or on utility side of meter." Commission-approved staff proposal, p. 19.) [BACK](#)
5. The CPUC has determined that incentive funds may not be used to pay for BTM resources or load management devices. ("Any new incentives provided to generation or storage resources that are included in a clean energy microgrid incentive program should be limited to resources in front of customers' meters to avoid redundancy with existing behind-the-meter generation programs." D.21-01-018, Finding of Fact 27.) [BACK](#)
6. "Single customer projects are excluded from this incentive program." (D.21-01-018, p. 66). [BACK](#)
7. A final determination on eligibility will be made during the application phase. [BACK](#)
8. Note that depending on the characteristics of the proposed microgrid, SDG&E may need to share sensitive customer data and SDG&E electric system information with the MIP Applicant. Contact SDG&E at MicrogridIncentiveProgram@sdge.com to determine the confidentiality steps that will need to be undertaken in order for SDG&E to provide this data and information. [BACK](#)
9. Individual customers eligible for both programs are counted only once. [BACK](#)
10. Customers available for multiple programs are only counted once. [BACK](#)
11. As outlined in Public Safety Power Shutoff Phase 1 Decision (D.) 19-05-042, Phase 2 D.20-05-051 and Phase 3 D.18-12-005. [BACK](#)
12. The Commission-approved Microgrid Incentive Program Implementation Plan (MIPIP) caps the Island Duration Resilience Benefit points at 4 consecutive days. MIPIP, p. 31. [BACK](#)
13. The MIP is intended to support the community's development of a microgrid, not to support the community's ongoing costs of maintaining microgrid capability once the microgrid has entered commercial operation. Accordingly, SDG&E is not extending the generator Interconnection Upgrade Allowance to any generator interconnection-related upgrade costs that are identified in generator Interconnection Agreements which are executed after the MOA is executed. [BACK](#)
14. The MIP is intended to support the community's development of a microgrid, not to support the community's ongoing costs of maintaining microgrid capability once the microgrid has entered commercial operation. Accordingly, SDG&E is not extending the Special Facilities Allowance to any special facility costs that are identified in Special Facilities agreements which are executed after the MOA is executed. [BACK](#)
15. The MIP provides an Awardee up to a \$1,000,000 "allowance" for distribution upgrades required to interconnect new IFOM generation developed by the Awardee on behalf of the community and its CMG. The sum of (i) the \$1,000,000 "allowance," and (ii) the \$14,000,000 for the combined Development Grant and AIR, is the \$15,000,000 per Community Microgrid cap referenced in the CPUC decision, D.23-04-034. [BACK](#)

- 16.** As the Distribution Provider, SDG&E is obligated to interconnect new load. Cost responsibility for the costs of SDG&E-owned Distribution Upgrades necessary to accommodate new load is set forth in Rules 15 and 16. If SDG&E determines that as a result of the new load an updated Microgrid Islanding Study is necessary, the CMG Authority will be responsible for the costs of the study as well as any SDG&E-owned distribution upgrades identified by the updated Microgrid Islanding Study that are in addition to those required by Rules 15 and 16. [BACK](#)
- 17.** Pursuant to SDG&E's WDAT and Rule 21, SDG&E is obligated to interconnect new resources. Cost responsibility for the costs of SDG&E-owned Distribution Upgrades necessary to interconnect new resources is set forth in SDG&E's WDAT and Rule 21. If SDG&E determines that as a result of the non-CMG Authority Resource interconnection, an updated Microgrid Islanding Study is necessary, the CMG Authority will be responsible for the costs of the study as well as any SDG&E-owned distribution upgrades identified by the updated Microgrid Islanding Study that are in addition to those required by SDG&E's WDAT or Rule 21. [BACK](#)
- 18.** Modifications of existing generation are subject to the material modification provisions of SDG&E's WDAT and Rule 21. Cost responsibility for the costs of SDG&E-owned Distribution Upgrades necessary to accommodate such modifications is set forth in SDG&E's WDAT and Rule 21. If SDG&E determines that as a result of the CMG Authority Resource modification, an updated Microgrid Islanding Study is necessary, the CMG Authority will be responsible for the costs of the study as well as any SDG&E-owned distribution upgrades identified by the updated Microgrid Islanding Study that are in addition to those required by the material modification provisions. [BACK](#)

Appendix

Dispute Resolution

The dispute resolution process set forth below applies after the submission of an AIR in an open Application Window.

SDG&E and the MIP Applicant shall attempt in good faith to resolve any dispute arising out of, or relating to, the development of MIP applications and the related MIP eligibility and award decisions made by SDG&E promptly by negotiations between SDG&E or its designated representative and the MIP Applicant or its designee. The aggrieved party must give the other party written notice of any dispute; if such notice is to SDG&E it should be by email to MicrogridIncentiveProgram@sdge.com and include a description of the matters in dispute.

Within thirty calendar days after delivery of the notice, the parties shall meet, and attempt to resolve the dispute. If the matter has not been resolved within thirty calendar days of the first meeting, any party may pursue other remedies including mediation.

All negotiations and any mediation conducted pursuant to this dispute resolution provision are confidential and shall be treated as compromise and settlement negotiations, to which Section 1152.5 of the California Evidence Code shall apply; provided, that either party may disclose information related to these negotiations to the extent required by law or regulation.

Notwithstanding the foregoing provisions, a party may seek a preliminary injunction or other provisional judicial remedy if in its judgment such action is necessary to avoid irreparable damage or to preserve the status quo. In the event of any conflict between the provisions of this dispute resolution provision, any applicable dispute resolution terms in a related tariff, and any applicable dispute resolution terms in any bilateral agreement in effect between the parties, the tariffed dispute resolution terms shall govern first, and contractual dispute resolution terms shall be applied second.

In the event of any conflict between the provisions of this dispute resolution provision, any applicable dispute resolution terms in a related tariff, and any applicable dispute resolution terms in any bilateral agreement in effect between the parties, the tariffed dispute resolution terms shall govern first, and contractual dispute resolution terms shall be applied second.