



**ELECTRIC PRELIMINARY STATEMENT PART II  
MICROGRIDS BALANCING ACCOUNT (MGBA)**

Sheet 1

**IT. MICROGRIDS BALANCING ACCOUNT (MGBA)**

1. **PURPOSE:** The purpose of the Microgrids Balancing Account (MGBA) is to record actual incremental incurred expenses and capital-related revenue requirement related to the actual incremental capital costs incurred associated with the Electrical Isolation Technology Evaluation, the Microgrids Evaluation, and the Clean Substation Microgrid Program to be implemented pursuant to Decision D.21-01-018 and with Make-Ready, Utility-Owned Generation, and Third-Party contracts for Distributed Generation-Enabled Microgrid Services (DGEMS) implemented pursuant to D.22-11-009. The account consists of five one-way subaccounts, which separately track the Electrical Isolation Technology Evaluation, the Microgrids Evaluation, the Clean Substation Microgrid Program, Make-Ready investments, and Utility-Owned Generation; and one two-way subaccount, which tracks Third-Party DGEMS Contracts.
2. **APPLICABILITY:** The MGBA shall apply to all electric customer classes, except for those specifically excluded by the Commission.
3. **REVISION DATE:** Disposition of the balances of the Electrical Isolation Technology Evaluation Subaccount, the Microgrids Evaluation subaccount, Make-Ready subaccount, and Utility-Owned Generation subaccount will be in the distribution component of electric rates through the Distribution Revenue Adjustment Mechanism (DRAM) as part of PG&E's Annual Electric True-up (AET) advice letter filing at the end of the related project work. Disposition of the balance of the Third-Party DGEMS Contracts subaccount will be in the distribution component of electric rates through the DRAM as part of PG&E's AET advice letter filing on an annual basis. Additionally, for the Make-Ready subaccount, Utility-Owned Generation subaccount, and Third-Party DGEMS Contracts subaccount the costs will be recovered based on the allocation of wildfire mitigation costs adopted in D.21-11-016. Disposition of the balances of the Clean Substation Microgrid Program Subaccount for the period of 2021-2026 will be in the distribution component of rates through the DRAM as part of PG&E's AET advice letter filing and for the period beginning 2027 the revenue requirement will be included in the General Rate Case (GRC) application for recovery through distribution rates. Specifically, recovery through distribution rates will utilize the special revenue allocation that was originally approved in Phase II of PG&E's 2020 GRC, D.21-11-016, for costs associated with wildfire efforts.
4. **RATES:** The MGBA does not have a rate component.

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<i>Advice Decision</i>	6808-E	<i>Issued by Meredith Allen Vice President, Regulatory Affairs</i>	<i>Submitted Effective Resolution</i>	December 30, 2022 April 27, 2023 E-5164
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**ELECTRIC PRELIMINARY STATEMENT PART II  
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Sheet 2

5. ACCOUNTING PROCEDURE: The MGBA consists of the following subaccounts:

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The Electrical Isolation Technology Evaluation Subaccount (one-way subaccount) records actual incurred expenses and capital-related revenue requirement related to the actual capital costs incurred for the Electrical Isolation Technology Evaluation as described in D.21-01-018.

The Microgrids Evaluation Subaccount (one-way subaccount) records actual incurred expenses for the Microgrids Evaluation as described in D.21-01-018.

The Clean Substation Microgrid Program Subaccount (one-way subaccount) records actual incurred expenses and capital-related revenue requirement related to the actual capital costs incurred for the Clean Substation Microgrid Program<sup>1</sup> as described in D.21-01-018.

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The Make-Ready Subaccount (one-way subaccount) tracks the difference between actual incurred expenses and capital-related revenue requirement related to the actual capital costs incurred against total adopted revenue requirement for the Make-Ready investments related to multi-season substation microgrids as described in D.22-11-009.

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The Utility-Owned Generation Subaccount (one-way subaccount) tracks the difference between actual incurred expenses and capital-related revenue requirement related to the actual capital costs incurred against the total adopted revenue requirement for the Utility-Owned Generation related to multi-season substation microgrids, net of market revenues for blue-sky products<sup>2</sup>, if any, as described in D.22-11-009.

The Third-Party DGEMS Contracts subaccount (two-way subaccount) records actual incurred expenses for Third-Party DGEMS contracts, net of market revenues for blue-sky products, if any as described in D.22-11-009.

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<sup>1</sup> For the Calistoga Clean Substation Microgrid (CSM) Project, Non-PSPS-related variable costs associated with courtesy dispatches under the Energy Vault resources would not be recorded in the Clean Substation Microgrid Program Subaccount of the MGBA. These costs will be recovered through GRC funding or, if it is for a non-PSPS-related catastrophic event, the Catastrophic Event Memorandum Account (CEMA).

(N)

<sup>2</sup> In this context, PG&E refers to "blue sky products" as those that the distributed energy resources (DER) that power a substation microgrid may be able to provide to the wholesale market during normal ("blue sky") grid operations. They may include, for example, energy, ancillary services, and capacity.

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**ELECTRIC PRELIMINARY STATEMENT PART II  
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Sheet 3

5. ACCOUNTING PROCEDURE (Cont'd)

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A. The Electrical Isolation Technology Evaluation Subaccount

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The following entries will be made each month, or as applicable, net of Revenue Fees and uncollectibles (RF&U):

1. A debit equal to the actual incremental incurred expenses;
2. A debit or credit entry equal to the capital-related revenue requirement related to the actual incremental capital costs incurred. Capital-related revenue requirements include depreciation expense, return on investment, federal and state income taxes, and property taxes associated with the costs of installed equipment;
3. A credit to transfer the balance or amounts to the DRAM for true-up in rates; and
4. A debit or credit entry equal to the interest on the average of the balance in this subaccount at the beginning of the month and the balance in this subaccount after the above entries, at a rate equal to one-twelfth the interest rate on three month commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.

B. The Microgrids Evaluation Subaccount

The following entries will be made each month, or as applicable, net of RF&U:

1. A debit equal to the actual incremental incurred expenses;
2. A credit to transfer the balance or amounts to the DRAM for true-up in rates; and
3. A debit or credit entry equal to the interest on the average of the balance in this subaccount at the beginning of the month and the balance in this subaccount after the above entries, at a rate equal to one-twelfth the interest rate on three month commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.
4. A debit or credit entry equal to the interest on the average of the balance in this subaccount at the beginning of the month and the balance in this subaccount after the above entries, at a rate equal to one-twelfth the interest rate on three month commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.

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**ELECTRIC PRELIMINARY STATEMENT PART II  
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Sheet 4

5. ACCOUNTING PROCEDURE (Cont'd)

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C. The Clean Substation Microgrid Program

The following entries will be made each month, or as applicable, net of RF&U:

1. A debit equal to the actual incremental incurred expenses;
2. A debit or credit entry equal to the capital-related revenue requirement related to the actual incremental capital costs incurred. Capital-related revenue requirements include depreciation expense, return on investment, federal and state income taxes, and property taxes associated with the costs of installed equipment;
3. A credit to transfer the balance or amounts in this subaccount, to the DRAM for future rate recovery; and
4. A debit or credit entry equal to the interest on the average of the balance in this subaccount at the beginning of the month and the balance in this subaccount after the above entries, at a rate equal to one-twelfth the interest rate on three month commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.

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D. Make-Ready

The following entries will be made each month, or as applicable, net of RF&U:

1. A credit equal to one-twelfth the adopted annual revenue requirement. A corresponding entry is included in DRAM, inclusive of RF&U;
2. A debit equal to the actual incremental incurred expenses;
3. A debit or credit entry equal to the capital-related revenue requirement related to the actual incremental capital costs incurred. Capital-related revenue requirements include depreciation expense, return on investment, federal and state income taxes, and property taxes associated with the costs of installed equipment;
4. A debit or credit to transfer the balance or amounts to the DRAM for true-up in rates; and

A debit or credit entry equal to the interest on the average of the balance in this subaccount at the beginning of the month and the balance in this subaccount after the above entries, at a rate equal to one-twelfth the interest rate on three month commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.

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**ELECTRIC PRELIMINARY STATEMENT PART II  
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Sheet 5

5. ACCOUNTING PROCEDURE (Cont'd)

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E. Utility-Owned Generation

The following entries will be made each month, or as applicable, net of RF&U:

1. A credit equal to one-twelfth the adopted annual revenue requirement. A corresponding entry is included in DRAM, inclusive of RF&U;
2. A debit equal to the actual incremental incurred expenses;
3. A debit or credit entry equal to the capital-related revenue requirement related to the actual incremental capital costs incurred. Capital-related revenue requirements include depreciation expense, return on investment, federal and state income taxes, and property taxes associated with the costs of installed equipment;
4. A credit equal to any value received from Resource Adequacy credits, energy or ancillary services wholesale market transactions, and Renewable Energy Credits;
5. A debit or credit to transfer the balance or amounts to the DRAM for true-up in rates; and
6. A debit or credit entry equal to the interest on the average of the balance in this subaccount at the beginning of the month and the balance in this subaccount after the above entries, at a rate equal to one-twelfth the interest rate on three month commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.

F. Third-Party DGEMS Contracts

The following entries will be made each month, or as applicable, net of RF&U:

1. A debit equal to the actual incremental incurred expenses;
2. A credit equal to any value received from Resource Adequacy credits, energy or ancillary services wholesale market transactions, and Renewable Energy Credits;
3. A debit or credit to transfer the balance or amounts to the DRAM for true-up in rates; and
4. A debit or credit entry equal to the interest on the average of the balance in this subaccount at the beginning of the month and the balance in this subaccount after the above entries, at a rate equal to one-twelfth the interest rate on three month commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.

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