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MEMORANDUM

TO: LGSEC Membership

CC: LGSEC Board

FROM: Irene Moosen, Regulatory Consultant

SUBJECT: Community Choice Aggregation En Banc Hearing, California Public Utilities Commission

DATE: February 8, 2017

This memo provides a summary of the California Public Utilities Commission's (CPUC) En Banc Hearing on Community Choice Aggregation (CCA) held in San Francisco on February 1, 2017. All five Commissioners were in attendance for the full day of panels addressing key areas.¹ This En Banc was CPUC's first examination of the need for new rules and regulatory structures given the many implications of current and expected CCA proliferation throughout California. The En Banc was not part of a formal proceeding leading to specific decisions.² It is likely that one or more new proceedings will be initiated in the future to focus on various aspects of the new CCA environment and the profound impact on customers and the investor-owned utilities (IOUs.) The En Banc did not resolve any questions, but rather, served to take stock of the present and foreseeable future issues. Hence, this summary presents an inventory of those issues and debates discussed.

Current Status:

CPUC staff provided a background on the current and expected CCA expansion.³ Currently, 40 local governments are in various stages of CCA exploration, development and operations. The CPUC has recognized the profound consumer and local government movement in favor of decarbonized, greener, community-based, local government-provided, accountable electric service options at lower rates. Staff highlighted the fact that the expected large increase in CCA formation could also usher

¹ The Agenda and CPUC Staff Background paper were distributed by e-mail to LGSEC's members on January 27, 2017.

² The public can submit any written comments by February 23, 2017 in letter form via email to: suzanne.casazza@cpuc.ca.gov and mitchell.shapson@cpuc.ca.gov.

³ CPUC Staff's power point slides are attached.

in significant changes to the role of IOUs in the electricity landscape.

All eligible IOU customers become CCA customers by default when a CCA starts up within an IOU's service territory. That means, only customers that actively opt out of CCA service will remain with the incumbent IOU. Accordingly, CCAs take on the responsibility to procure energy resources to serve CCA customer demand at start up. CCA growth may greatly diminish the IOUs' role in procurement. The IOUs will still maintain responsibility for transmission, distribution and billing. This division of obligations between the CCA and the IOU creates a form of partnership, with responsibilities that are distinct but related, and at times interdependent. A future in which CCAs procure electricity for perhaps the majority of IOU customers would present a number of questions that the CPUC must consider, including whether the current short- and long-term approach to procurement would need to be revisited, who would ensure reliability, cost allocation for reliability procurement and what entity or entities would be the "provider of last resort."

Reliability and Supply Issues:

The IOUs have signed and the CPUC has approved many long term contracts of ten years or more to serve current IOU customers. These contracts have provided financing support for new large renewable and conventional power generation projects. If the estimated 60-80 percent of current IOU load migrates to CCA service, these resources could become uneconomic or stranded. The presence of these new resources, as well as new midsized and small renewables now in development, has created supply such that wholesale energy prices are declining over all. This makes the economics and available supply mix favorable for new CCAs in the short run. But IOUs will insist that departing load pay the costs of "just and reasonable" procurement investments made by the Incumbent IOUs on their customers' behalf. If those costs are high, and they have been projected to be high, CCA rates will be directly affected.

The CPUC will need to examine the impact of decentralized, local CCA procurement occurring along with the IOUs' centralized, "integrated" resource planning and procurement. CCAs also have CPUC-regulated Resource Adequacy procurement, energy efficiency, and Renewables Portfolio Standard obligations. CCAs perform their own integrated resource planning. The CPUC is considering requiring CCAs to participate in the CPUC's process that currently focus only on the IOUs. The CPUC may have to alter or restructure its rules that were designed for IOU resource procurement to fit the decentralized CCA service model now emerging.

Points of tension discussed by panelists:

- 1) CCAs perform independent integrated resource planning v. potential CPUC oversight in order to protect the integrity of the IOUs IRP process from unanticipated loss of load and subsequent need for resources identified in the IRP.
- 2) CCAs receive a share of energy efficiency program funds from the Public Purpose Programs charge paid by all ratepayers v. potential conflict or overlap with IOU energy efficiency given shared geographic service territory.

- 3) CCAs perform cost-effective procurement for their customers v. obligation to pay for past procurement for the same customers prior to switching from IOU to CCA service through the Power Charge Indifferent Adjustment (PCIA). CCAs say that this process lacks transparency, is unpredictable and burdens CCA customers with above-market power purchases by the IOUs while facing no competition to lower prices. The amount of the charge and method of its calculation will be the subject of further proceedings at the CPUC this year. A PCIA working group is preparing proposals to address some of these issues.
- 4) Independent CCA electric vehicle and charging infrastructure development programs v. IOU investment in electrification of transportation programs and electric vehicle and managed charging pilots. Conflict or complement? Competitors or cooperative partners?
- 5) CCAs are perceived to be limited to higher income, highly resourced communities v. IOU obligation to serve all, including low income and be “provider of last resort.”
- 6) CCAs need for transparency in rules, standards and access to data to develop effective distribution energy resources, plans and programs v. IOU-centralized planning, control and investment in transmission, distribution and customer information systems.

Please contact Irene Moosen with any questions or comments.