

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 9

To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, City of Davis Sustainability Manager
Shawn Marshall, LEAN Energy US

Subject: Regulatory & Legislative Update

Date: June 13, 2017

RECOMMENDATION: Receive regulatory and legislative updates and provide feedback/direction as desired.

BACKGROUND & DISCUSSION:

Tracking and participating in regulatory proceedings at the CA public Utilities Commission is one of the most important aspects of forming and operating a CCA program. At present, LEAN Energy is providing regulatory monitoring and reporting on key regulatory issues affecting emergent CCAs. Cal-CCA, the newly formed statewide trade association in which VCEA is an affiliate member, also provides legislative support and reports for its members.

Regulatory Proceedings/Priorities: Attached please find LEAN's most recent regulatory memo (dated June 5, 2017) which provides a summary report and several links to supporting documents regarding key regulatory issues currently before the CPUC, including but not limited to:

- 1) Summary of the May 19 En Banc Meeting
- 2) PCIA/Exit Fee Reform (including PAM proposal)
- 3) Integrated Resource Plan - Compliance Requirements
- 4) CCA Bond Requirements
- 5) PG&E's General Rate Case, Phase 2 (proposed CCA fee reduction)
- 6) Time of Use Residential Rulemaking

Legislative Report/Potential Actions

Cal-CCA is a new California trade association representing the interests of California's community choice electricity providers in the legislature and at the relevant regulatory agencies

.....

VCEA is an affiliate member of Cal-CCA which is tracking over 40 bills with direct and indirect impact on current and future CCA programs. Attached please find Cal-CCA's most recent newsletter outlining key bills and recommended positions. These include:

SB 618 (Bradford) Integrated Resource Plan Requirements – Neutral

SB 100 (De Leon) CA Clean Energy Act 2017 - Support in Concept

AB 79 (Levine) Electric Generation GHG Accounting – Oppose

AB 920 (Aguiar/Curry) CA Renewable Portfolio Standard Program – Oppose unless Amended

Attachments

- LEAN Energy US Monthly Regulatory Report
- Cal-CCA June Newsletter



To: **LEAN Energy Clients:**
Central Coast Clean Power (Santa Barbara County as lead)
East Bay Community Energy
Monterey Bay Community Power (Santa Cruz County as lead)
Peninsula Clean Energy
Redwood Coast Energy Authority
Silicon Valley Clean Energy
Valley Clean Energy Alliance

From: Shawn Marshall, Executive Director, LEAN Energy US

Date: June 5, 2017

Subject: Regulatory Update #11, May/June 2017

Each month, LEAN focuses on the key regulatory activities likely to have broad impact on the Community Choice Aggregation (CCA) community.¹ This memo provides an update on key developments at the California Public Utilities Commission (CPUC) over the past month. If you would like a more detailed briefing or more information on any of these items, please contact LEAN staff and we will put you in touch with our regulatory attorneys.

CPUC DEVELOPMENTS

Joint CPUC / CEC En Banc Meeting: May 19th

To Do:

LEAN Energy will monitor any CPUC or California Energy Commission (CEC) developments that result from this *En Banc* hearing. Cal-CCA will be filing joint response comments by the June 16th comment deadline. Operational CCAs and those in formation are invited to sign on. Please let us know if you are interested in signing on and if you need help, we will facilitate that for you.

Issues:

The CPUC and CEC held a well-attended [En Banc hearing on May 19](#) with Commissioners of both agencies attending to discuss the changing state of retail electric choice in California. CPUC Staff issued a [white paper](#) prior to the meeting. The Commissions note that by the end of this year, 40 percent of California’s investor-owned utility (IOU) customers will be receiving some type of electricity service from an alternative source and/or provider, such as CCAs, rooftop solar, or Direct Access (DA) providers, noting further that this number is expected to grow to more than 80 percent by the middle of the next decade. The goal of this joint *En Banc* hearing was to identify and begin to develop an understanding of the

¹ This monthly memo is designed to provide LEAN clients with a current snapshot of key regulatory activities related to CCA in order to help them make informed decisions about how and when to engage in regulatory processes during their program formation and early operations. This monthly report is not a comprehensive inventory of all the regulatory and statutory requirements impacting operational CCAs. Regulatory compliance requires a much more comprehensive inventory than the subset of activities described herein, and must be tailored to the specific circumstances of each CCA program.

challenges and opportunities that the CPUC and the CEC must address as a result of these changes. Notes from the *En Banc* hearing are available [here](#).

Next Steps:

The CPUC and CEC will prepare and publish a report from the hearing, summarizing the range of comments on questions identified in the white paper, and summarizing the insights gleaned from comments. The CPUC intends to open a rulemaking to examine, and coordinate among other open proceedings, an examination of the future role(s), structure(s), fiscal and other functions of the three large California electric IOUs. LEAN will monitor this proceeding.

KEY REGULATORY CASE DEVELOPMENTS

PCIA Working Group / Portfolio Allocation Methodology (PAM)

To Do:

LEAN is monitoring both of these proceedings ([PAM/PCIA](#)).

Issues:

As previously reported, on April 5, SCE filed the final [PCIA working group report](#), which documented a number of issues with the current method of calculating the Power Charge Indifference Adjustment (PCIA), a description of the PCIA calculation process, and a list of ideas to improve transparency and predictability. Also on April 5, the Joint IOUs and CCA Parties filed a [Petition for Modification](#) of D.06-07-030 to direct the IOUs to include a common PCIA calculation workpaper template in their Energy Resource Recovery Account (ERRA) applications.

As reported last month, on April 25, the IOUs filed a [Joint Application](#) with supporting [Testimony](#) for approval of their Portfolio Allocation Methodology (PAM) proposal. Various parties are expected to bring a procedural challenge, asking that the application be dismissed and that issues associated with the PCIA and PAM be considered with other issues as part of a broad rulemaking proceeding at the Commission.

Next Steps:

LEAN will report on next steps once the Commission responds to the PCIA working group report. Protests and responses to the PAM Application were due on May 30th and highlighted the burdensome consequences of the PAM on local procurement autonomy and general concerns with IOU's use of an application process rather than a full Commission rulemaking. In our next report, LEAN will provide a summary of these protests and responses to the PAM.

Integrated Resource Planning (IRP)

To Do:

LEAN is monitoring [this proceeding](#). Consider forming a working group to address CCA IRP issues.

Issues:

This rulemaking is designed to address the new IRP requirements associated with SB 350, as well as continue long-term procurement planning (LTPP) policies.

On May 16, the Energy Division issued [their proposal](#) on the IRP planning process. Also on May 16, a [ruling](#) was issued seeking comments on and responses to questions regarding this proposal. It appears that the Energy Division is proposing an extremely prescriptive approach with respect to the IRP process, with significant requirements on Community Choice Aggregators serving 700 GWh or more per year in electric load. Importantly, Community Choice

Aggregators serving less than 700 GWh per year are subjected to far fewer requirements under the Energy Division proposal.

Next Steps:

- Comments in response to the May 16 ruling are due June 14, 2017.
- Reply comments are due June 26, 2017.
- A Proposed Decision adopting guidance for the 2017 IRP filings is expected in August of this year.

CCA Bond Requirements

To Do:

LEAN will continue to monitor [this proceeding](#). CCA parties are gathering to collectively discuss options and possible proposals.

Issues:

This rulemaking was opened in 2013 to implement AB 117. However, this rulemaking is now addressing the methodology for setting the CCA Bond, which is intended to cover the costs of involuntary re-entry fees of CCA customers to bundled IOU service. On April 5, a workshop was held at the CPUC to address a number of questions previously raised by the ALJ. Post workshop comments were filed on April 24 by [California Community Choice Association \(CalCCA\)](#), [SCE](#) and [Shell Energy](#).

Next Steps:

EVENT	DATE
Opening Testimony/Proposals served	July 7, 2017
Rebuttal Testimony served	August 4, 2017
Evidentiary Hearings	September 12-13, 2017
Closing Briefs	October 4, 2017
Reply Briefs	October 25, 2017
Any Requests for Final Oral Argument	Concurrent with Closing Briefs

Renewable Portfolio Standard (RPS)-Procurement Plans

To Do:

LEAN will continue to monitor [this proceeding](#). Consider commenting on the recent ruling.

Issues:

This proceeding addresses ongoing oversight of the Renewables Portfolio Standard (RPS) program, including review of procurement plans, tools for analysis of and reporting on progress of retail sellers, assessment of compliance, legislative mandates and administrative requirements. On May 26, a [ruling](#) that details the requirements for CCA 2017 RPS Procurement Plans was issued. Though the CCA responses requested are fairly similar to those requested last year, there are some notable changes from last years' requirements, including:

- (1) All current CCAs and any CCAs that intend to procure for 2017 and 2018 must now file plans.
 - a. This departs from the approach the Commission took last year and the CCAs intend to clarify the ruling's requirement on June 19th. Emergent CCAs should stay tuned but we will be pushing back on this for emergent CCAs that do not yet have CPUC registration or a certified Implementation Plan.

(2) The ruling now requests that CCAs include additional cost quantification information in their plans and includes [a table with the additional information requested](#). The ruling is unclear as to whether this additional information is mandatory, since the ruling later states that CCAs are “invited” to provide this information. It may be helpful to, at a minimum, comment on the ruling or offer in proposals a position that this information is not required.

(3) The Ruling seeks comment on a Renewable Auction Mechanism (RAM) proposal that directs each IOU to identify at least two specific locations where renewable resources can be interconnected to increase renewable utilization, and also solicit at least 20 MW of one or more resource types.

Next Steps:

- Comments on the RAM proposal from the Ruling are due June 19; reply comments are due June 30.
- Procurement Plans are due Friday, June 30; comments on Plans are due July 28.
- Here is the [Full Procedural Schedule](#) for 2017 RPS Procurement Plans.

PG&E’s Diablo Canyon Power Plant Closure

To Do:

LEAN will continue to monitor [this proceeding](#).

Issues:

On May 12, PG&E and several parties (TURN, ORA and Alliance for Nuclear Responsibility) filed a notice of settlement conference on (1) license renewal costs and (2) cancelled projects at Diablo Canyon. TURN requested a ruling deferring these issues from opening briefs. On May 23, the Settling Parties filed a [Joint Motion](#) to approve a settlement agreement regarding the license renewal project and future cancelled project cost recovery; other issues remain open. Evidentiary hearings took place April 19-29 and opening briefs were submitted on May 26.

Next Steps:

- Reply Briefs: June 16, 2017

SDG&E Request to Establish a Marketing Affiliate (Advice Letter 2822-E)

To Do:

LEAN will continue to monitor activity related to this matter.

Issue:

On January 27th, SDG&E filed a revised compliance plan [Advice Letter 3035](#) for its Independent Marketing Division (IMD). On February 16th, LEAN joined with other parties in [protesting](#) this latest advice letter. On April 6, the Energy Division issued a [Disposition Letter](#) approving AL 3035. On April 17, the CalCCA sent a [letter](#) to the Commission requesting full Commission review of the Disposition Letter, and reiterating an earlier request for an Order to Show Cause regarding lobbying activity that SDG&E/Sempra conducted before the Advice Letter was approved. CalCCA’s request, however, does not suspend the effectiveness of the Energy Division’s approval.

Next Steps: The CPUC’s Energy Division will prepare a draft resolution addressing CalCCA’s request for full Commission review of disposition letter. Separately, the CPUC’s Legal Division is preparing a decision responding to SDG&E’s application for rehearing of Resolution E-4874, which determined that SDG&E’s IMD is also subject to the CPUC’s affiliate transaction rules.

Tree Mortality Nonbypassable Charge

To Do:

LEAN is monitoring [this proceeding](#).

Issues:

The IOUs filed their proposal to establish a Tree Mortality Nonbypassable Charge in A.16-11-005. There is no change from last month.

Next Steps:

We are still awaiting a ruling establishing the scope of issues and possibly a hearings schedule. LEAN will continue to monitor developments and advise accordingly.

Proposed CCA Fee Reduction - PG&E General Rate Case (GRC) Phase 2

To Do:

LEAN is monitoring [this proceeding](#). Consider intervening in this case.

Issues:

PG&E's Phase 2 Application is used to determine where the revenue requirement will be allocated among all customer classes and where new rate designs will be considered. On April 17, PG&E filed an initial [Settlement Status Report](#). On May 8, PG&E filed a [Second Settlement Status Report](#).

The earliest that rates are expected to change from this proceeding is in the fourth quarter of 2018. However, several parties are pursuing early implementation of CCA service fee reductions. PG&E has proposed significant reductions in the Meter Data Management Fee (going from \$7.67 to \$0.14 per meter/month charge) and the Billing Service Fee (going from either \$0.44 or \$1.14, depending on whether it is bill-ready or rate-ready, to \$0.21 per service agreement/billing cycle). SCE is also considering significant reductions in its CCA service fees as part of a pending request in SCE's GRC1 to approve a [settlement agreement](#) with the city of Lancaster.

Next Steps:

LEAN will continue to monitor this proceeding.

Default TOU and ME&O-Residential Rate Rulemaking

To Do:

LEAN will monitor developments in [this proceeding](#) and advise accordingly.

Issues:

On April 14, SCE filed an [Application and Testimony](#) to approve its Default TOU rates for residential customers. Under SCE's proposal, a limited number of customers would be put on TOU rates starting in the fourth quarter of 2018.

Also on April 14, a ruling was issued accelerating consideration of implementing the statewide marketing education and outreach (ME&O) for the TOU rollout and inviting comments regarding an ME&O consultant. CCA parties filed [comments](#) emphasizing the need to apply certain ME&O costs through generation rates, instead of solely through

distribution rates. PG&E filed [reply comments](#) objecting to inclusion of ME&O costs in generation rates and stating that this issue should only be addressed in the context of General Rate Cases.

On May 8, PG&E filed supplemental [AL 4979-E-C](#), which modifies one of its proposed Default Pilot rates by extending the peak period to weekends and holidays.

Next Steps:

The CPUC will be issuing a draft resolution in the coming weeks that addresses PG&E's proposed Default Pilot program. CCA parties have expressed concern about PG&E's lack of progress in providing a comparable bill-calculator for CCA customers, and CCA parties are hoping to have this issue addressed in the final resolution.

From the Board President, Barbara Hale:

It's official – CalCCA's annual member meeting will be held Wednesday, October 4th in Lancaster or Ontario, California. CalCCA plans to deliver an information-packed day covering CCA formation and best operating practices, updates on current regulatory and legislative matters, and reinvestment locally with programs that address economic, social and environmental justice goals, to name a few. Further details will be released this summer. Please plan to join us.

CalCCA has been rapidly developing as a statewide association and is soon to celebrate our first official year of operation. We now consist of eight Operational Members who also serve as the Board of Directors; eight Affiliate Members including seven counties, and numerous cities, and special districts; and seventeen business Partners. As our membership continues to grow and diversify, so does our collective strength and influence. Thank you for your support and collaboration as we speak to the State with a unified voice, transforming our individual communities.

Our partnership is our strength.

Sincerely,

Barbara Hale, CalCCA Board President, CleanPowerSF



CalCCA Board at Business of Local Energy Symposium on May 5, 2017. L to R: Cathy DeFalco (LCE), Joseph Moon (AVCE), Matthew Marshall (RCEA), Dawn Weisz (MCE), Geof Syphers (SCP), Jan Pepper (PCE), Tom Habashi (SVCE), and Barbara Hale (CPSF).

CalCCA Regulatory Update

Power Charge Indifference Adjustment (PCIA) and Portfolio Allocation Mechanism (PAM)

The PCIA working group came to a close, resulting in a joint Petition for Modification to provide data relevant to PCIA forecasting in a standardized format. CalCCA is also submitting a second Petition for Modification to request expanded access to confidential IOU contract data for CCA employees not engaged in market activities. Access to this information is expected to shed light on how the PCIA value is calculated and make it easier to forecast future PCIA fluctuations.

On April 25th, Southern California Edison Company, Pacific Gas and Electric Company, and San Diego Gas & Electric Company submitted a joint Application (A. 17-04-018) to the CPUC to establish the Portfolio Allocation Mechanism (PAM) to calculate the unavoidable above market costs of utility procurement commitments, and the Portfolio Allocation Charge (PAC) to recover those costs. The PAM and PAC are a proposed alternative to the PCIA, and would result in significant cost increases to CCA customers. The proposal would allocate

(Continues on next page)

Upcoming Events

CalCCA Annual Member Meeting:
October 4, 2017 – Lancaster or Ontario, CA

Energy Storage North America:
August 8-10, 2017 – San Diego, CA

<https://goo.gl/R2YHBn>

Discount code: ESNANOW

CalCCA Featured Partner

THE
BAYSHORE
CONSULTING GROUP, INC.

Bayshore Consulting Group, Inc. was the first entity to join CalCCA as a Partner in early 2017! Located in Southern California, Bayshore provides CCA implementation and operational support and municipal administration and financial management services to local governments.

You can learn more about their work

at www.bayshorecgi.com.

energy capacity benefits and costs, based on actual market results, in proportion to a CCA's load. CalCCA filed a Protest and Motion to Dismiss to the Application on May 30th and will be taking an active role in the proceeding going forward.

CCA Bond Rulemaking (R.03-10-003)

On April 5th, the CPUC held a workshop to discuss the methodology for calculating the bond amount that must be posted by new CCAs. Comments were filed by the joint CCA parties afterwards, and CalCCA expects to submit testimony on the subject before the July 7th deadline.

Integrated Resource Planning (R. 16-02-007)

On May 17th, the CPUC Energy Division staff released their Proposal for Implementing Integrated Resource Planning at the CPUC. This staff proposal outlines a vision for how the IRP requirements set by SB 350 could be implemented. The proposal covers reporting requirements for the Integrated Resource Plans that CCAs and other LSEs must file at the CPUC, and how the CPUC staff would blend these individual plans into a final planning product ("Preferred System Plan"). IRP reporting requirements would differ by CCA size, with CCAs having less than 700 GWh of annual demand subject to less stringent requirements. CalCCA is evaluating this proposal and preparing its approach to the comments that are due June 14th.

Diablo Canyon Closure (A.16-08-006)

PG&E's proposal for procuring replacement capacity for the Diablo Canyon nuclear facility drew formal opposition from customers, CCAs, and others for its failure to acknowledge increasing load departure and its potential violation of least-cost principles. Earlier this spring, PG&E withdrew its testimony proposing replacement capacity through procurement of more renewable energy and storage. On April 19-28th, evidentiary hearings were held on PG&E's remaining proposal to increase its energy efficiency activities. Joint opposition parties, including several CalCCA members, participated in the hearings and are filing an opening brief asking the CPUC to reject tranche 1 on similar grounds.

Retail Choice En Banc

On May 19th, the CPUC and CEC held a joint En Banc Hearing to discuss the future of retail choice and retail energy market structure in California. The hearing was a robust discussion that contextualized CCA issues within the broader shifts and questions confronting California energy regulators and industry practitioners. See more by clicking [here](#). ■

CalCCA Legislative Update

SB 618 (Bradford – Load-serving entities: integrated resource plans)

CalCCA Position: Neutral (previously oppose)

SB 618 would have restricted local control over CCA's Integrated Resource Planning (IRP) by giving the CPUC authority to approve those plans instead of certify them, as is currently required by law. CalCCA heavily opposed and successfully lobbied against the bill by having its major provisions removed in the Senate Energy, Utilities, and Communications Committee.

SB 100 (De Leon – California Clean Energy Act 2017)

CalCCA Position: Support in concept

SB 100 is President Pro Tempore Kevin De León's Energy bill which, among other things, establishes an aspirational goal of 100 percent renewable energy by 2045 and expands the existing Renewable Portfolio Standard to 60% renewable energy by 2030. CalCCA took a support in concept position and is engaging with the Pro Tem's office to voice concerns.

AB 79 (Levine – Electrical generation: greenhouse gas accounting)

CalCCA Position: Oppose

The bill would require new reporting for all unspecified sources of power consumed within the state – from sources inside and outside California. CalCCA is working with the author's office to modify potential hourly reporting requirements.

AB 920 (Aguiar-Curry – California Renewables Portfolio Standard Program)

CalCCA Position: Oppose Unless Amended

AB 920 currently requires that the California Public Utilities Commission ensure that each entity that submits an IRP must have a diverse mix of energy resource and a well-balanced portfolio. This requirement raises local governance issues and CalCCA is working with the authors in order to ensure local governance is protected. ■