

APPENDIX A

SUMMARY OF THE 9-27-10 WORKSHOP ON  
ENERGY EFFICIENCY AND COMMUNITY CHOICE  
[DRAFT 10-19-10]

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**SUMMARY  
OF THE 9-27-10 WORKSHOP ON  
ENERGY EFFICIENCY AND COMMUNITY CHOICE  
[DRAFT 10-19-10]**

**Introduction**

The September 22, 2010 Assigned Commissioner's Ruling and Scoping Memo, Phase II, directed parties to create a joint report on the Energy Efficiency and Community Choice Aggregation (EE and CCA) Workshop, which was held September 27, 2010:

Following the workshop, attendees shall jointly prepare and file a workshop report that summarizes the outcome of the workshop and includes a response to the question of whether the procedures set forth in D.03-07-034 by which any party, including a Community Choice Aggregator (CCA), may apply to administer cost-effective energy efficiency and conservation programs, are adequate or whether changes need to be made. The Workshop report shall be served on the service list by October 15. 9-22-10 Ruling, p. 7.

Steve Roscow, of Energy Division facilitated the workshop. At the outset, he clarified that this workshop would only be discussing a process for CCAs to apply for EE funding, although it is understood that the statute states that "any party" may apply. At the workshop, parties were urged to find consensus on the issues.<sup>1</sup>

Women's Energy Matters (WEM) provided the first draft of the workshop summary as a step in that process that was then revised per participant input.<sup>2</sup> At the workshop, participants agreed that in addition to the summary, the report would provide several options to address the question posed by the ACR. This document summarizes the issues that were discussed at the workshop.

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<sup>1</sup> WEM was only allowed to video and audiotape the workshop during the first 45 minutes, when the Commissioner's advisor was present. After he left, WEM was required to shut off both devices, per the instructions of ALJ Farrar.

<sup>2</sup> On October 1, 2010, WEM circulated detailed notes taken at the workshop to the list of workshop participants.

### Summary of Discussion:

- **Whether existing procedures are adequate.**

The primary question for the workshop was whether "existing procedures" for CCAs to apply to administer EE programs were adequate. Parties recognized that some elements of the procedures for EE/CCA applications outlined in D.03-07-034 have changed, primarily that the IOUs, instead of the CPUC are responsible for administering the EE programs. Some parties rejected as unacceptable the currently approved process for CCAs to apply for EE funding using current third party solicitation procedures; while other parties feel that the current rules are adequate.

- **EE Funding Sources**

EE Public Goods Charges and EE procurement charges recover the electric portion of total EE funding in electric Public Purpose Program (PPP) rates. Gas PPP surcharges recover the gas portion of total EE funding. The electric and gas charges (for EE and other PPP programs) are shown as separate PPP line items on ratepayers' bills.

Parties noted the somewhat complex origins of the elements of ratepayer funding for EE:

a. **"Public Goods Charges" (PGC)** — is a non-bypassable rate component established by statute to fund energy efficiency, renewables and public interest Research and Development (R&D). The PGC funding level for these programs is a *fixed* amount, subject to an annual inflation factor. The electric portion of Low-Income Energy Efficiency (LIEE) programs funding is also recovered through the PGC rate component.

b. **"Energy Efficiency Procurement" charges** — is a variable portion of the non-bypassable PPP charges. The current process for determining the amount of the electric EE Procurement charges is as follows:

As part of the EE applications process for the next program cycle, each utility determines the amount of revenues it would need to execute its program plans in order to meet the goals set by the Commission per MW, MWh and therms. The amount of electric revenue needed over and above the amounts expected from the EE portion of the Public Goods Charges is the amount of the EE procurement surcharge.

The Commission may adjust the amount of each utility's procurement charges in the order approving portfolios. The authorized amount is recovered through customer PPP rates on an annual basis.

c. **"Gas PPP Surcharges"** — which is a variable portion of non-bypassable PPP charges. The level of gas PPP surcharge are determined through the IOU EE applications based on the amount of total EE funding approved to be allocated to gas customers. The authorized amount is recovered through gas PPP surcharge rates on an annual basis.

Since 2006, there are not separately programs funded through EE PGC and EE Procurement funds. Approximately 80% of the total is recovered through electricity rates and 20% is recovered through gas rates. For gas and electric IOUs, the recovery of EE funds from gas and electric customers is based on the forecast electric and gas net benefit of the portfolio. Energy Division provided a handout that summarized the 2010-2012 EE Portfolio approved budgets by electric and gas funding source (See Appendix C)

- **EE Funding Available to CCAs**

The discussion centered on whether there should be a set aside of EE funds for the CCA to access for the administration EE programs.

CCAs want the CPUC to grant them access to all EE charges collected from their customers by the IOUs. Whether the CCAs' intend to consume it all by themselves is another matter. CCA participants at the workshop expressed an expectation that they would work with many other parties, implementing some programs themselves, contracting out others, and collaborating with other administrators on some elements — in other words, CCAs would utilize a range of administrative options.

- The CCAs seek a simple transfer of the EE charges collected from CCA customers by the IOUs as an immediate solution, for example, for the rest of the current program cycle, but in order to create the most cost-effective EE programs as part of their integrated resource plans, CCAs — like IOUs — should be able to set EE program budgets. Since the EE procurement surcharge is variable CCAs would set their own EE procurement surcharge accordingly, as part of CCA ratemaking authority.

The IOUs explained that the only mandated amount of EE program funding is the EE PGC portion established by statute that is approximately 25% of the total EE funding per year (based on data shown in Appendix C). Rather than trying to make their funding request match a certain level (i.e. “to get a certain amount of a pre-determined size of a pie”), the IOUs request funding through their EE portfolio applications filed at the Commission based on a bottoms-up development of cost effective EE program plans that meet the energy savings goals, strategic plan goals and other policy directions. The Commission ultimately approves the IOU EE portfolio applications.

- **How should CCAs apply to administer EE programs?**

D.03-07-034 laid out a process whereby CCAs could apply for their funds through the existing third party program, but changes that occurred since then require reconsideration. The primary change is that the CPUC is no longer administering EE programs and the primary concern voiced by the CCAs was that the CPUC rather than the IOUs should approve the CCA request for EE funding.

- **Timing of CCA applications**

CCAs present expressed a desire to apply for EE funding as soon as the Commission clarifies the process.<sup>3</sup>

The CPUC approved funding for the current 2010-2012 EE Portfolio cycle in September 2009 in D.09-09-047. IOUs have completed the process of contracting with its Local Government Partners and Third Parties, and began implementing their programs effective January 1, 2010.<sup>4</sup>

Workshop participants did not come to any agreement on whether or not CCAs should be able apply for EE program funding sooner than the next portfolio cycle.

- **At what point should a CCA apply for EE funds?**

A separate issue was raised but not resolved about what point in its CCA formation process would a CCA be able to apply for its funds; for example would it be sufficient to be a “certified” CCA, or would it need to be “registered?”

- **What EE programs might CCAs want (or not want) to administer?**

CCAs at the workshop had different ideas about what programs they would want to administer, and how they would relate to programs they might not choose to administer, which might include upstream programs or certain “statewide” programs. It is likely that each CCA’s EE portfolio would be different, based on their unique needs, capabilities, and customer demographics.

- **What should be included in a CCA's application?**

Parties felt that this question would need further exploration. There was a brief discussion of what is currently involved in submitting an EE application: how the process works, what needs to be included, and an overview of the Third Party Program solicitation.

- **Review and approval of CCA requests for EE program funding**

The parties agreed that the CPUC has the final authority to approve request for public funding of EE programs. The CCAs stated that the CPUC, not utilities, should be responsible for reviewing and approving CCAs’ EE applications — in a

<sup>3</sup> The first full CCA program in California launched in May 2010: the Marin Energy Authority. Clean Power San Francisco hopes to launch within a year. San Joaquin Valley Power Authority suspended its efforts in 2008 when its initial ESP was unable to provide the 5% rate reduction required by its JPA agreement. SJVPA hopes to restart its CCA efforts pending improvements in the economy. A program similar to CCA, called “Community Aggregation” (as opposed to Community Choice Aggregation) began earlier in the city of Cerritos: “Cerritos has provided retail electric services to the local community since mid-2005 as a publicly-owned utility. Public Utilities Code Section 366.1 provides Cerritos, as owner of the Magnolia Power Project, with a right to act as a ‘community aggregator’ and provide electric services to customers.” D.07-04-007 in R.03-01-033.

<sup>4</sup> Utility applications for the current cycle were initially filed in June 2008; LGP and TPP applications were submitted to utilities in May 2008. Utilities’ portfolios needed to be revised twice to improve compliance with existing policies; therefore the Commission required an extra year to review the applications. It authorized a year of bridge funding during which the utilities extended programs from 2006-08 that they considered “successful.”

manner similar to their review of CCAs' Implementation Plans. However, the IOUs should have an opportunity to comment on such requests. The IOUs pointed out that if the CCA were to apply for funding through its portfolios, the Energy Division plays an active role in the review and approval of the IOUs' request.

- **What is the extent of CPUC authority over CCAs?**  
In general, the Commission has very limited authority over CCAs, for example, it does not approve CCA procurement plans. The Local Government(s) or the Joint Powers Authority that created the CCA provide regulatory oversight, including reviewing and approving plans for procurement, and energy efficiency.
- **What is the extent of CPUC authority over CCA EE plans?**  
Opinions at the workshop differed regarding the extent of CPUC authority over CCAs EE programs. The statute states that an application process, auditing, and reporting requirements shall apply to all applicants.
- **Applicability of goals set by CPUC**  
CCAs stated that they would still have a responsibility to provide robust savings; state law requires publically owned utilities (POUs) to meet EE goals set by the California Energy Commission (CEC), and these goals would likely be applied to CCAs. IOUs suggested that the CPUC might assign a portion of the EE goals directly to a CCA applicant.  
  
If a CCA was the administrator of its own EE portfolio, there remains unanswered questions as to how the IOUs energy savings goals might be impacted. The Commission would have to determine what that amount would be, since the utilities do not allocate any part of EE funds or goals to any particular part of their territories.
- **EM&V**  
CCAs commented that changes were needed in EM&V to accommodate CCAs, especially if CPUC goals do not apply — for example, developing EM&V standards and processes based on ensuring grid reliability. The applicability of EM&V requirements may depend in part on how the goals question is resolved. If CPUC goals are found to apply to them, CCA want to receive shareholders incentives, like the utilities.
- **Relation between Local Government Partnerships and CCAs**  
CCAs were asked how they intended to coordinate with existing IOU local government partnership efforts. The CCA explained that they envisioned a seamless process in CCA territories where the same staff administers both programs; they plan to go to every door, providing one set of offers or the other, depending on whether the customer is served by the CCA customers or the utility. Currently, local governments are already working with multiple accounts because

stimulus funds and other local financing are being rolled in with ratepayer funding.

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