

**CALIFORNIA COMMUNITY CHOICE ASSOCIATION (CalCCA)  
COMMENTS ON  
THE CUSTOMER AND RETAIL CHOICE EN BANC AND WHITE PAPER**

The California Community Choice Association (“CalCCA”)<sup>1</sup> appreciates the opportunity to provide informal comment on the Staff White Paper titled “Consumer and Retail Choice, the Role of the Utility, and an Evolving Regulatory Framework,” published May 9, 2017 (“Staff White Paper”), and on the questions posed to the panelists at the En Banc on The Changing Nature of Consumer and Retail Choice in California, held on May 19, 2017 (“En Banc”).

The Staff White Paper and En Banc open a discussion regarding several important trends that are currently driving significant change within California’s electricity sector and the overall clean-energy economy. CalCCA’s responses to the Staff White Paper and the En Banc highlight the many ways in which the changing electricity landscape presents opportunities for furthering the State’s “reliability, affordability, equity and carbon reduction imperatives while recognizing [the] important role that technology and customer preferences will play in shaping this future.”<sup>2</sup>

In particular, CalCCA highlights the many ways in which community choice aggregators (“CCAs”) are crucial partners in achieving the State’s policy goals. For example, CCAs increase participation in energy decisions, design local programs around customer preferences, promote the use of new technologies, enhance affordability, and accelerate achievement of the State’s greenhouse-gas goals. CalCCA elaborates on these CCA efforts in the comments below and explains the ways in which CCAs differ from other types of service providers. CalCCA also proposes several solutions for better incorporating CCAs into the State’s planning and procurement processes.

**I. STAFF WHITE PAPER**

***“California’s Changing Electricity Landscape”<sup>3</sup> presents an opportunity.***

California has an enormous task in front of it in effectuating its laudable energy policy goals. As the Staff White Paper explains:

“California has set itself on the path to reducing statewide greenhouse gas emissions by 40% below 1990 levels by 2030, using tools such as a 50% renewable portfolio standard, doubling of existing energy efficiency savings for both electricity and natural gas usage and putting well over 1.5 million zero emission vehicles on the road.”<sup>4</sup>

There are currently eight operational CCAs in California with several more set to launch in 2017 and another 20 being explored across the state.<sup>5</sup> During the En Banc, Geof Syphers, the Chief Executive

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<sup>1</sup> CalCCA, the California Community Choice Association, is a trade association representing the interests of its members. CalCCA’s operational members are Apple Valley Clean Energy, CleanPowerSF, Lancaster Choice Energy, MCE, Peninsula Clean Energy Authority, Silicon Valley Clean Energy, Redwood Coast Energy Authority, and Sonoma Clean Power.

<sup>2</sup> Staff White Paper p. 5.

<sup>3</sup> *Id.* pp. 3-5.

<sup>4</sup> *Id.* p. 3 (internal citations omitted).

<sup>5</sup> UCLA Luskin Report p. 6.

Officer of Sonoma Clean Power (“SCP”) noted that nearly \$2 billion in new generating facility investment has been facilitated by CCA procurement.<sup>6</sup>

The University of California, Los Angeles Luskin Center for Innovation recently issued a report on “The Promises and Challenges of Community Choice Aggregation in California” (“UCLA Luskin Report” or “Report”). The Report identifies a number of benefits that CCAs provide to Californians and their ratepayers, including significant financial benefits. In fact, the Report finds that “all CCAs provide their customers with more competitive rates (for a comparable service) than do their affiliated [investor-owned utilities (“IOUs”)].<sup>7</sup> The Report also finds that “CCAs offer ratepayers a more accessible decision-making process compared to IOUs’ ratepayers” and that CCAs provide “their ratepayers with enhanced local community participation in governance decisions.”<sup>8</sup>

With respect to environmental benefits, the UCLA Luskin Report concludes:

“Thus far, all CCAs in operation in California generally offer a larger share of renewable energy than do their affiliated IOU, up to 25 percentage points more. We estimate that these efforts resulted in emission reductions of approximately 600,000 metric tons of carbon dioxide (CO<sub>2</sub>) equivalent in the past twelve months. With the statewide carbon market pricing a ton of carbon at \$12.73 in 2016, this translates to \$7.5 million in annual savings for electricity ratepayers. Through our analysis, we found that continued development of CCAs may enable California to surpass its 2020 renewable targets by up to four percentage points.”<sup>9</sup>

The Report also points out that reducing the use of fossil fuels in California’s power mix “may also disproportionately benefit low- and moderate-income households who generally live closer to natural gas power plants than wealthier households.”<sup>10</sup>

The UCLA Luskin Report reconfirms the important opportunities that a changing electricity landscape can provide for advancing State policy goals and the crucial role that CCAs are currently playing in harnessing these opportunities.

***CCAs are crucial partners in achieving State policy goals.***

The Staff White Paper acknowledges: “the three IOUs and 34 POUs have been the dominant parties on whom policy makers have relied as enablers of a number of key public policy initiatives, ranging from the procurement of renewable energy to providing low-income Californians with subsidized electricity.”<sup>11</sup> The Commission should also see CCAs as a strong partner in helping the State achieve its environmental policy objectives.

The Commission has effectuated State policy through its oversight of the State’s IOUs. While CCAs are not subject to the Commission’s oversight unless explicitly directed by statutes, CCAs’ goals and objectives are entirely consistent with the Commission’s and the State’s policy objectives. For example, many CCAs offer net energy metering programs with stronger financial incentives for local customers to invest in on-site renewables. CCAs are also aligned with the Commission’s desire to enhance

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<sup>6</sup> Retail Choice En Banc, Recording at approximately 142:10 to 142:30.

<sup>7</sup> UCLA Luskin Report p. 14.

<sup>8</sup> *Id.* p. 21.

<sup>9</sup> *Id.* p. 1.

<sup>10</sup> *Id.* p. 15.

<sup>11</sup> Staff White Paper p. 4.

affordability by offering competitive generation rates. Some CCAs are taking additional measures to ensure even greater affordability. For example, PCE is also developing a rate stabilization fund to protect its customers from potential, future rate shocks.

CCAs are also highly aligned with the Commission’s desire to accelerate achievement of the State’s greenhouse-gas (“GHG”) reduction goals. Many CCAs plan to be 100% GHG free before 2030, and some have set renewable procurement goals much higher than currently mandated by the State. Most CCAs currently offer their customers a default renewable energy offering, and a 100% renewable energy offering. The UCLA Luskin Report concludes that several CCAs’ current power mixes already produce 50% less greenhouse-gas emissions than that of PG&E.<sup>12</sup> In addition, many CCAs are committed to the development of a sustainable workforce, including support for local businesses, union labor, and apprenticeship and pre-apprenticeship programs that create employment opportunities and build and sustain healthy communities.<sup>13 14</sup>

## II. WHAT CUSTOMERS WANT

*Panelists were asked, in protecting consumers from “bad actors:” “Should consumer protections be limited to for-profit entities and not CCAs?” Panelists were also asked: “Should residential customers have access to alternative retail suppliers other than CCAs?”*

California Law already has consumer protections related to CCAs. For example, Public Utilities Code Sections 366.2 requires CCA implementation plans to provide for customer protection procedures, universal access, reliability and equitable treatment of all customer classes (Section 366.2(3) and (4)). For the reasons explained below, consumer protections should be limited to for-profit entities.

CCAs are unique load serving entities (“LSEs”) that are responsive to local consumers, including low-income and hard-to-serve customers. This is due to the local governance structure required of CCAs and the statutory requirement that CCAs must offer service to all residential customers in their territories. CCAs were specifically created to give residential and other customers options for alternative suppliers. Any expansion of retail choice should be carefully considered to ensure that the problems that resulted from extensive retail choice in the early 2000s are avoided. Any discussion of market reform needs to take into account the unique role CCAs play in achieving State policy goals, the alternatives they already provide to customers, and that no harm must be done to those efforts.

### ***CCAs are not like other LSEs.***

CCAs are public agencies that are governed by a public board of directors, a city council, or a commission.<sup>15</sup> Boards of directors are comprised of elected or appointed officials from the member communities, including in almost all cases county chairs and vice chairs, mayors, and city or town council members and supervisors.<sup>16</sup> As such, the elected and appointed officials who control CCAs have an obligation, enforced through the ballot box, to make sure the interests of their customers are represented and protected. This distinguishes CCAs from other LSEs.

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<sup>12</sup> UCLA Luskin Report p. 16.

<sup>13</sup> <http://www.peninsulacleanenergy.com/wp-content/uploads/2017/01/PCE-Policy-10-final-1.pdf>

<sup>14</sup> MCE’s Community Power Coalition was formed to cultivate a relationship with ratepayer advocates and community-based organizations to focus on the interests of underrepresented and historically marginalized constituencies. <https://www.mcecleanenergy.org/community-power-coalition/>

<sup>15</sup> UCLA Luskin Report p. 12.

<sup>16</sup> *Id.*

Transparency is another benefit of CCAs. CCAs are local non-profit public entities overseen by elected officials responsive to the clean energy needs of the communities they serve. As local government agencies, all CCA board meetings are open to the public and must be properly noticed. Board meetings are subject to the Brown Act and any local sunshine ordinances that may apply. Additionally, CCA records are subject to the Public Records Act. CCA customers are CCA constituents, and thus have a direct line to their locally elected board member to engage in CCA issues. This transparency is in stark contrast to the operations of the IOUs, which require a complex regulatory system in order to provide input into their operations.

The local governance structure required of CCAs also allows them to tailor procurement and adopt local programs to reflect local ratepayer preferences. The UCLA Luskin Report observes that a “CCA’s knowledge of its community can help the effectiveness of investments by targeting programs that support community preferences.”<sup>17</sup> For example, Peninsula Clean Energy’s (PCE’s) strategic goals include stimulating development of new renewable energy projects and clean-tech innovation in San Mateo County, in part by procuring 20 megawatts (“MW”) of new local power by 2025.<sup>18</sup> MCE Clean Energy has several local renewable projects in operation and underway, including some targeted at reducing local pollution.<sup>19</sup> These examples demonstrate the ways in which CCAs are not like other LSEs.

***CCAs are fully committed to serving low-income customers.***

Unlike some other LSEs, CCAs are not able to selectively serve the most profitable customers and must offer service to all residential customers within their territories, including low-income and hard-to-reach customers. The best and most direct way to serve low-income customers is to ensure rates are as low as possible. Many CCAs offer lower rates than their incumbent IOUs. When tallied up across CCAs, these rate discounts produce substantial savings for families and businesses across the State. The Center for Climate Protection projects that California ratepayers will save \$188 million annually by the end of 2020 assuming CCAs offer at least a 1% rate discount compared to the incumbent IOU.<sup>20</sup>

***Expansion of retail choice should not harm CCA efforts that advance State policy goals.***

Any discussion around expansion of caps on direct access providers and their responsibilities must first recognize the value CCAs have in advancing state policy goals and any proposed changes in state policy must not harm CCAs.

In addition, CCAs were specifically created in the wake of the electricity crisis of the early 2000s to give residential and other customers an option for an alternative supplier without the problems that resulted from broader retail competition. Any expansion of retail choice should be carefully considered to ensure that the problems that resulted from extensive retail choice in the early 2000 are avoided.

***Consumer protection is of critical importance to CCAs.***

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<sup>17</sup> *Id.* p. 10.

<sup>18</sup> <https://www.peninsulacleanenergy.com/learn-more/goals-and-policies>

<sup>19</sup> <https://www.mcecleanenergy.org/local-projects/>

<sup>20</sup> Center for Climate Protection, “Community Choice Energy Programs in California: Greenhouse Gas and Customer Cost Savings,” p. 6. <https://climateprotection.org/wp-content/uploads/2017/06/Forecast-of-CCA-Impacts-in-CA-2016-2020-June-2-2017.pdf>

CCAs are required by statute to develop an implementation plan that addresses the rights and responsibilities of program participants, including, but not limited to, consumer protection.<sup>21</sup> CalCCA is not aware of any deficiencies related to consumer protection procedures established by CCAs in California that merit State mandated consumer protection requirements. CCAs are focused on serving their local customers fairly and in a high-quality, professional manner. As such, CCAs strongly support consumer protection and providing superior customer experiences.<sup>22</sup>

CCAs are very sensitive to customers' understanding of their rates. CCAs conduct broad customer education campaigns and develop rate structures that often mirror IOUs' own rate structures in order to minimize customer confusion. In addition, CCAs, which are governed by a public board of directors, a city council or a commission, are easily accessible to their customers. CCA customers also may opt out of CCA programs, which provides further assurance that CCA customers are fully protected with regard to rates. For these reasons, CalCCA believes the Commission should continue to focus its resources on the oversight of IOUs rather than CCAs.

### III. STATE OF CUSTOMER CHOICE IN CALIFORNIA

*Panelists were asked: "What are important authorities that the CPUC should maintain or gain in the future to regulate the supply and resource adequacy portfolios as heavily for the non-IOU suppliers as it does for IOUs?" Panelists were also asked: "Who should be the provider of last resort in any particular area?"*

CalCCA believes the necessary framework for regulating supply and resource adequacy is already in place, but it needs to be adjusted, as explained below.

***CCA expansion is fully compatible with current planning and procurement processes.***

CalCCA believes much of the necessary framework is already in place to address the Commission's concerns with regard to aligning the expansion of CCAs with the planning and procurement processes at different California agencies, but work remains to improve that alignment. There are two critical issues the Commission has identified, both in the Staff White Paper and its En Banc questions. The first is how to ensure remaining customers are indifferent to the departure of CCA customers, and the second is how to ensure reliability and appropriate resource planning as "non-IOU LSEs serve an ever-greater percentage of load."<sup>23</sup>

Geof Syphers with SCP squarely addressed the first issue at the En Banc when he said *solving the exit fee is the key*. Ensuring ratepayer indifference for all customers is the right goal, the equitable goal, and one that CalCCA supports. However, equitable treatment should extend to both departed and remaining customers. The existing mechanisms to ensure indifference, such as the Power Charge Indifference Adjustment ("PCIA"), are opaque, unfair and create significant, short-term pricing risks for departed customers. This unfairness and lack of certainty needs to be fixed as discussed further below.

On ensuring reliability and appropriate resource planning, the Staff White Paper raises concerns regarding planning and procurement, but it appears to stop short of identifying clear gaps in the State's oversight. Rather, it notes CCAs "might be less willing" to assist with reliability concerns, and the emergence of

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<sup>21</sup> Cal. Pub. Util. Code § 366.2(c)(3)(E).

<sup>22</sup> <https://www.peninsulacleanenergy.com/learn-more/goals-and-policies>

<sup>23</sup> Staff White Paper at 7.

CCAs “could diminish the long-term effectiveness” of integrated resource planning (“IRP”), and that CCAs may need to provide new types of data to the CEC.

It has not been demonstrated that the regulatory framework the Legislature has constructed fails to provide the oversight necessary to minimize the risks listed in the Staff White Paper. For example, CCAs contract with, or employ, scheduling coordinators to ensure a balanced supply of energy in their service territory. CCAs are subject to the same resource adequacy (RA) obligations as the IOUs, meet the same environmental mandates (e.g., renewable portfolio standard) and the same energy storage requirements applicable to CPUC-jurisdictional LSEs.<sup>24</sup> On planning, while a CCA board appropriately determines *how* to meet SB 350’s integrated resource planning mandate, the CPUC still has the authority to determine *if* CCAs meet the mandate.<sup>25</sup> Finally, as the Staff White Paper notes, CCAs are already required to “support CEC demand forecasting” because they are LSEs “currently subject to data and forecast reporting requirements.”<sup>26</sup> These examples demonstrate how a framework to ensure reliability and appropriate planning on a statewide basis already exists. If individual agencies or stakeholders identify clear gaps in this framework, CalCCA is certainly open to discussing the best way to fill them.

***CalCCA welcomes a discussion of what entity is appropriate to be the POLR.***

The incumbent IOU serves as the POLR for CCAs under current rules. POLR is operative (1) when a CCA customer opts-out, (2) if a CCA elects to cease operations, or (3) when a CCA customer fails to pay for CCA service. The CPUC has already developed rules for customers who voluntarily return to IOU service and recently, R.03-10-003 was reopened to consider CCA bonding to cover CCA customers in the unlikely event that CCA customers are *involuntarily* returned to IOU service.<sup>27</sup> Collectively, these safeguards should meet the goals of ensuring reliable service and ratepayer indifference. Longer-term, CalCCA is open to a broader discussion of who should provide POLR services, including the possibility of CCAs assuming this role in their jurisdictions.

#### **IV. CURRENT STATE OF RETAIL ELECTRICITY MARKET AND COMING CHANGES**

*Panelists were asked: “In this ‘future’ retail electric system, how do you see the role for the regulated utility evolving and what, if any, functions should be preserved for the regulated utility [to] support achieving State policy goals?”*

CalCCA believes the current utility business model needs fundamental reform. In particular, data access and fair access to the distribution system are important problems that need to be resolved.

***The utility business model needs fundamental reform.***

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<sup>24</sup> See, e.g., Cal. Pub. Util. Code § 380(c) (“Each load-serving entity shall maintain physical generating capacity and electrical demand response adequate to meet its load requirements, including, but not limited to, peak demand and planning and operating reserves. The generating capacity or electrical demand response shall be deliverable to locations and at times as may be necessary to maintain electric service system reliability and local area reliability”); Cal. Pub. Util. Code § 380(k) (CCAs are LSEs for the purpose of RA requirements).

<sup>25</sup> See Joint CCA Letter to Paul Douglas, R.16-02-007, *Clarification of the Joint Community Choice Aggregators’ Views On Key Integrated Resource Plan Matters* (March 15, 2017).

<sup>26</sup> Staff White paper at 8.

<sup>27</sup> “Administrative Law Judge’s Ruling Setting Prehearing Conference and Requesting Prehearing Conference Statements.” January 30, 2017. <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M173/K118/173118975.PDF>

A 2015 Commission report, titled *Electric Utility Business and Regulatory Models*, identifies four major issues that present both challenges and opportunities regarding the application of the current business and regulatory model to the future grid.<sup>28</sup> They are: (1) a general consensus that the cost-of-service model is outdated because its fundamental operating principles are sales growth and large asset acquisition, both of which contradict energy conservation; (2) a blurring of the boundaries of the natural monopoly utility because energy and financial innovations are expanding market competition; (3) the transition of a centralized, one-way distribution grid toward an open, flexible network; and (4) challenges to IOUs' financial stability and credit ratings, due to diminishing profit potential.<sup>29</sup> According to the report, the rate of change experienced by California's IOUs could be outpacing the cost-of-service model that underpins the industry.<sup>30</sup>

If the Commission pursues such reforms, CalCCA supports pursuing new models that will expand customer energy choice and open doors to additional energy innovation, while also preserving distribution system reliability and integrity. Numerous other U.S. states, including New York, Maryland, Illinois and Rhode Island, are actively pursuing new business models for electric IOUs.

***Data access is a foundational problem that needs to be resolved.***

It is difficult to overstate the importance of useful energy data – and the need for access to such data. A report published in 2015 by the UCLA School of Law describes how energy data can be “immensely useful to a variety of audiences, including customers, policy makers, and public interest organizations, to realize both economic and environmental benefits.”<sup>31</sup> Expanding access to energy data could bring cleaner, more efficient energy and savings to California consumers, boosting emerging clean technologies, which would help the State achieve its environmental and energy goals in a more cost-effective manner, and further benefit ratepayers by reducing the need for new investments in power plants through improved energy efficiency.<sup>32</sup> The report identifies the most useful types of customer- and utility-centered data, as well as key barriers to accessing energy data and solutions for overcoming those barriers.<sup>33</sup>

Currently, IOUs have a significant strategic advantage in California's marketplace, because they collect, harbor and largely control customer- and utility-centered data. While the Commission has for several years explored the possibility of making available to third parties certain customer-centered data,<sup>34</sup> significant obstacles remain in place that prevent third parties from accessing useful data. While customer privacy needs to be respected and appropriate safeguards established, CCAs must be allowed to

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<sup>28</sup> *Electric Utility Business and Regulatory Models*; California Public Utilities Commission Policy & Planning Division; published June 8, 2015 (pp. 3-4).

<sup>29</sup> Ibid.

<sup>30</sup> Ibid. p. 4

<sup>31</sup> “Knowledge is Power: How Improved Energy Data Access Can Bolster Clean Energy Technologies & Save Money;” UCLA School of Law, et al.; published January 2015 (p. 1)

<sup>32</sup> Ibid.

<sup>33</sup> Ibid. pp. 2-3.

<sup>34</sup> See, for example, A.12-03-002 (“In the Matter of the Application of Pacific Gas and Electric Company for Adoption of its Customer Data Access Project (U39E).”); A.12-03-003 (“In the Matter of the Application of San Diego Gas & Electric Company (U902E) For Authority To Implement A Backhaul Program To Provide Authorized Third Parties Access To A Customer's Usage Data Based Upon Consent Of The Customer.”); A.12-03-004 (“Application of Southern California Edison Company (U338E) For Approval of Proposal To Enable Automated Access of Customer Usage Data to Authorized Third Parties and Approval of Cost Recovery Mechanism.”); and R.14-08-013 (“Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769”).

access customer-centered data in a simple, streamlined manner and format that enables them to offer customers new products and services that expand clean energy options and customer choice, and which may benefit the broader distribution system and other ratepayers.

***Access to the Distribution System should be fair and nondiscriminatory.***

The Commission must also continue progress towards ensuring that access to the distribution is fair and nondiscriminatory. The Commission has begun exploration of this issue in its proceeding on distributed energy resources.

## **V. FUTURE OF RETAIL ELECTRICITY SERVICE**

*Panelists were asked: “Are there any urgent steps that the CPUC, the CEC and/or CAISO need to take over the next 12-18 months to begin changing the role of the utility and the structure of regulation?” Panelists were also asked: “what considerations must California account for related to technological change in its regulatory framework and how is technological change impacted by the structure of the investor-owned utility.”*

The methodology for calculating the PCIA must be improved, as many stakeholders (including IOUs) already recognize,<sup>35</sup> in order to ensure costs are equitably allocated, ratepayer indifference is maintained, and to maximize transparency and minimize volatility. CalCCA offers suggestions below for goals that a PCIA replacement should accomplish, and explains why a recent IOU-proposed portfolio allocation methodology (“PAM”) fails to satisfy those goals. CalCCA also explains why CCAs are well positioned to drive innovation and technology deployment and offers examples of how states are successfully incorporating a diversity of participants into their electricity markets in an effort to achieve policy goals that are similar to those in California.

***Urgent steps are needed to fix the PCIA.***

The PCIA is an unfair mechanism for allocating costs between IOU and non-IOU customers.

The following reforms are needed to ensure that the PCIA, or any successor fees for departing load met the following criteria:

- Transparent: CCAs, ESPs, and all interested parties need greater access to all data used to calculate exit fees to fully understand its calculation;
- Minimizing Costs/Ensuring Costs are unavoidable: A major emphasis should be on minimizing the amount of any exit fees by ensuring utility costs are reasonable, utilities are actively managing/terminating or transferring contracts as needed, utility-owned generation resources are managed efficiently, and that the utilities stop “digging the hole deeper” by continuing to procure unneeded resources;
- Reflect all value streams: Any market-based or administrative benchmarks used to calculate exit fees must identify all of the additional benefits received and costs avoided by the utilities’ energy portfolios; and
- Increase Certainty/Reduce Volatility: Departing load customers should be protected from rate shock while a durable market framework is being developed. This could include use of a longer-

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<sup>35</sup> Staff White Paper p. 9.

term forecast period (e.g. 3 years); setting a cap on the level of the PCIA; spreading under-collections over a longer-time period.

Departing load customers should have certainty regarding *both* the level of departing load changes *and* the duration of those charges. These ends can be achieved by either allowing for an upfront, lump-sum payment for each vintage of departing load, or a crystal-clear window into how departing load charges are calculated, ideally with a definitive end point for such charges. The ideal approach couples this certainty with optionality by giving CCAs a choice between (a) an upfront payment for a departing load charge and (b) a transparent calculation of such a charge, with a finite term for the charge. This optionality allows each CCA to choose the best path forward for its customers while ensuring both new and existing CCAs can finance around their obligations to remaining customers without putting obligations to departing customers at risk.

The IOU PAM proposal in A.17-04-018 is not the solution to the PCIA dilemma. CalCCA and over a dozen parties have filed protests in response to the PAM proposal, and CalCCA has moved for its dismissal.<sup>36</sup> The PAM proposal fails to address the problems CCAs have with the PCIA including lack of transparency, little incentive to minimize costs, failure to reflect all value streams and a lack of cost certainty. The PAM provides no “buy-out” mechanism or ability for CCAs to pay once for departing load costs associated with each vintage of departing load customer. There is no certainty on when an amendment to a power purchase agreement will constitute a new contract, and there is no certain end date for a particular vintage’s need to pay the PAM. This lack of certainty, and the lack of any tools for CCAs to proactively manage departing load costs, creates significant concerns that the PAM could actually increase the volatility of the departing load charges that are passed through to departing customers via yearly adjustments and true-ups. This is untenable for CCAs that are committed to providing rate stability and rate savings to their customers.

The PAM proposal is also fundamentally flawed in its treatment of avoidable costs. It does not specify which contracts and utility plant should be included in departing load charges, and it does not contain any mechanisms to align IOU interests in minimizing unavoidable costs. The PAM proposal is not the right way to begin addressing the topic of how to allocate the cost of IOU above-market cost resources between departing and remaining customers. To the contrary, we need to clearly identify what resources are at risk of being stranded assets and discuss how to minimize cost exposure to those resources over time. The first order of business is to stop the digging. The IOUs are already over procured, and no additional procurement should be ordered until there is greater certainty on who will pay the associated costs.

***CCAs are well positioned to drive innovation and technology deployment.***

California should continue to lead in the development of renewable energy.<sup>37</sup> While operational challenges remain to its continued development, CCAs are well positioned to assist the state in working through them. In particular, the CAISO noted that periodic negative prices are a huge incentive for demand response and storage.<sup>38</sup> That incentive can drive innovation and technology deployment, and the most nimble organizations to test different advancements and their effectiveness likely will be CCAs, since incumbent IOUs, unlike CCAs, require CPUC approval of pilots and programs in order for the cost

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<sup>36</sup> California Community Choice Association, R.17-04-018, Motion to Dismiss Application Without Prejudice (May 30, 2017).

<sup>37</sup> See, e.g., M. Rothleder, CAISO, *Renewable Integration Presentation at the IEPR Workshop at the CEC* (May 12, 2017).

<sup>38</sup> See *id.* at slides 9-15, 23-27 (identifying opportunities and solutions for technical challenges as the penetration of renewable energy on California’s system increases).

of those programs to be included in rates. The need for such approval can delay implementation and even foreclose the IOUs' willingness to explore different technologies and advancements. Leveraging CCAs as laboratories of innovation can result in timely solutions to planning and procurement issues the State would not otherwise be able to capture.

***Other states are successfully incorporating diverse participants into their markets; California can too.***

Looking beyond California illustrates that electricity markets can successfully be restructured to engage a diverse array of participants. For example, both New Jersey and Massachusetts, states with operating CCAs, provide retail electric choice; participate in competitive regional wholesale markets; have fostered vibrant, top-ten-ranked solar markets<sup>39</sup>; and implemented portfolios of strong clean energy policies. These examples demonstrate that engaging a diverse array of participants, through mechanisms like locally controlled CCAs, is both doable and fully compatible with achieving State policy goals. CalCCA looks forward to discussing ideas for reforming California's energy markets in the rulemaking anticipated within the Staff White Paper.

## **CONCLUSIONS**

CalCCA appreciates the opportunity to provide informal comments on the Staff White Paper and En Banc questions. CalCCA's comments highlight the unique role that CCAs play in increasing participation in energy decisions, designing local programs around customer preferences, promoting the use of new technologies, enhancing affordability, and accelerating achievement of the State's policy goals. CalCCA looks forward to working with the Commission to solve critical challenges, like fixing the PCIA and improving data access, so the opportunities presented by a "Changing Electricity Landscape" can be fully realized.

Respectfully submitted,

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<sup>39</sup> Solar Energy Industries Association, "Top 10 Solar States", <http://www.seia.org/research-resources/top-10-solar-states>.