

CALIFORNIA COMMUNITY CHOICE ASSOCIATION (CalCCA)

COMMENTS ON THE CALIFORNIA CONSUMER CHOICE PROJECT WORKSHOP

Introduction

CalCCA appreciates the opportunity to provide informal comment following the workshop on consumer choice held in Sacramento on October 31, 2017. CalCCA is a nonprofit organization formed in June 2016 to represent the interests of California’s Community Choice Aggregation (“CCA”) programs in regulatory and legislative matters.¹

As part of the California Customer Choice Project (CCCP), the Commission has identified three principles to guide consideration of other regulatory frameworks:

- Affordability: Design Rates and Charges So That Bills Are Affordable
- Decarbonization: Meet California’s Environmental and Climate Goals
- Reliability: Maintain Safety, Reliability, and Resiliency of Electricity Services

In addition to the three principles identified above, CalCCA believes it is important to add *social equity* as a core principle. The California Legislature has consistently identified equitable access to energy as a consistent policy focus for the Commission.² CCAs support these four principles and CCAs are ideally positioned to advance them. As CCAs continue to form across California, they create customer-oriented energy innovation platforms that address each of these core principles by delivering generation services to all community members and businesses in their service territories while also prioritizing agile, community-driven program design. It is precisely the innovation and granular level of customer engagement CCAs provide that is vital to ensuring the success of California’s efforts to transition to a clean energy economy.

¹ The operational CCA programs in California – Apple Valley Choice Energy (“AVCE”), CleanPowerSF, Lancaster Choice Energy (“LCE”), East Bay Community Energy (“EBCE”), Los Angeles Community Choice Energy (“LACCE”), Marin Clean Energy (“MCE”), Monterey Bay Community Power (“MBCP”), Peninsula Clean Energy Authority (“PCE”), Pioneer Community Energy (“Pioneer”), Pico Rivera Innovative Municipal Energy (“PRIME”), Redwood Coast Energy Authority (“RCEA”), San Jose Clean Energy (“SJCE”), Silicon Valley Clean Energy Authority (“SVCE”), and the Sonoma Clean Power (“SCP”) – comprise CalCCA’s current voting members. In addition, CalCCA’s affiliate members include: Central Coast Power (counties of San Luis Obispo, Santa Barbara and Ventura); the cities of Corona, Hermosa Beach, Industry, San Jacinto, and Solana Beach; Valley Clean Energy (city of Davis and Yolo County); Coachella Valley Association of Governments; and Western Riverside Council of Governments.

² California has long had robust energy assistance programs like the CARE program which build off and supplement federal energy assistance efforts. In addition to direct assistance, the Commission has developed robust low-income energy efficiency programs. Most recently the Legislature has mandated the development of programs designed to expand access to distributed energy resources within low-income and disadvantaged communities.

Discussion of Models Featured in Customer Choice Workshop

The Commission solicited presentations on four different regulatory frameworks at the October 31 workshop. While CalCCA appreciated the perspectives offered during the morning session, none of these other state frameworks are fully capable of producing the results California requires given its unique environmental goals and current regulatory and legislative framework.

- Texas – Retail rates are comparatively low in the Texas energy market.³ However, this could be due to a number of factors aside from full retail choice, primarily the extremely high utilization of natural gas, coal and nuclear power, which make up 87.7% of Texas’ energy portfolio. This strategy not only exposes Texas to rising gas prices but also clashes with California’s aggressive decarbonization goals. Texas’ RPS requirement is 5880 MW by 2015, which is 5.4% of the state’s summer capacity.⁴ The state’s future goal is 10,000 MW by 2025, which has already been reached by generating 11.7% of Texas’ energy from wind. Accordingly, while Texas may meet the principles of affordability and reliability, it fails with regards to decarbonization. Moreover, Texas appears to lack California’s focus on social equity within energy markets.
- United Kingdom – Although many suppliers initially entered the UK market, the current market appears to be dominated by six retailers. The presenter noted that after 15 years of competition, 21% of customers are unaware they have a choice and 36% did not think it was possible to make a change in their supplier. The United Kingdom also appears to lack clear customer options for self-generation, energy efficiency and other demand-side management opportunities. Each of these features is a core component of California efforts to decarbonize and provide customer choice beyond retail choice for generation services. While it appears that the United Kingdom is moving to encourage greater competition and take action to protect consumers, this market does not appear to provide support for the principles of affordability, decarbonization or social equity.
- Illinois – The key messages from the presenter were 1) there are no customer savings, but merely cost shifting – namely shifting costs from energy charges to wires charges; 2) generators are most interested in shifting risks to consumers; and 3) the utilities use the state legislature to advance their own issues and interests. It appears that Illinois’ market structure does not facilitate meaningful customer choice, does not result in clear cost savings to end consumers, and does not promote long-term planning to protect consumers from poor planning by competitive generators. California is also significantly ahead of Illinois in efforts to decarbonize its energy supply and requires long-term contracts for renewable energy through SB350. Based on these points, it does not appear that the Illinois market meets any of the four principles identified by CCAs as key features of California’s energy system.
- New York – The most applicable model for California to study, New York is moving aggressively towards a Distribution System Implementation Plan with its REV (Reforming the Energy Vision) program. This program is characterized by deploying private capital to increase renewables on the grid, enabling customer choice in energy and

³ Slide 9 of October 31 presentation on Texas.

⁴ <http://programs.dsireusa.org/system/program/detail/182>

DER providers, and providing opportunities for non-wires alternatives to compete with utility deployment of grid resources. Consumer protection is an important part of the REV program to stop the bait and switch pricing that energy providers were using to target vulnerable communities. Regulated companies can also earn up to an additional 100 basis points (1%) based on certain behaviors. Further, the State recently enacted a more consistent and robust program to assist low-income ratepayers that is similar to California's CARE program.⁵ Each of these features of New York's REV process are in harmony with California policies.

Retail Choice

CalCCA supports efforts to expand customer choice in energy service offerings. As CCAs continue to expand, they will offer customers choice in generation providers while other third parties offer various competitive energy services such as rooftop solar and storage. As discussed in CalCCA's May comments following the Retail Choice En Banc, to support further development of customer energy options, reforming the utility business model to focus more clearly on "poles and wires" service is necessary. However, assuming compliance with the CCA Code of Conduct and robust Commission oversight of utility operations, there is no need to exclude the Investor Owned Utilities ("IOUs") from the procurement function. Under this framework, CCAs would take over the responsibility to provide retail service to customers in the communities they serve based on community preferences. This evolution could include CCAs serving as provider of last resort. However, customers in those communities would still retain the option to opt-out of CCA service. Communities without CCAs would continue to receive generation services from IOUs. Moving away from the vertically integrated, privately-owned monopoly will allow customer choice to flourish across a spectrum of services while also allowing the utilities and the Commission to focus their efforts on lowering the cost and increasing the safety and reliability of California's transmission and distribution systems.

Equally important to this transition is that the distribution utilities face competition on the remaining services they do provide both to discipline their pricing and to provide expanding opportunities for customer choice. Current California law already requires IOUs to offer solicitations for non-wires alternatives to distribution system investments.⁶ However, this requirement has not been vigorously enforced and only recently has there been robust efforts towards its implementation in the distribution resource planning docket, R.14-08-013.⁷ Enforcement of this obligation should serve as the foundation for ongoing Commission efforts to better characterize locational benefits and the ability of DERs to provide nonwires alternatives. These efforts will accelerate opportunities to deploy private capital in ways that lower overall customer costs which directly supports the principle of affordability.

⁵ New York Public Service Commission, Docket No. 14-M-0565, Order Adopting Low Income Program Modifications and Directing Utility Filings (May 20, 2016); New York Public Service Commission, Docket No. 14-M-0565, Order Granting in Part and Denying in Part Requests for Reconsideration and Petitions for Rehearing (February 16, 2017).

⁶ Cal. Pub. Util. Code § 353.5 (Deering's 2017).

⁷ Order Instituting Rulemaking 14-08-013, pp. 2-3, n. 2 (Aug. 20, 2014).

CCAs are in an ideal position to administer programs that support retail choice because they are not-for-profit government agencies governed by local, publicly elected boards which are fully transparent and accountable to their constituents and to the law. CCA board meetings are subject to the Brown Act, publicly noticed and accessible, and held within the communities they serve. Each of these aspects of CCA governance allow local customers to directly observe and participate in decision-making.

In contrast to the market examples presented at the workshop, the California-focused model described herein will further all three of the core principles espoused by the Commission with the additional principle of social equity, as explained below.

Affordability

CCAs strongly believe in the right of all communities to have access to affordable power. With the benefit of competition, CCAs receive strong market signals to supply affordable generation services to their customers. Should CCAs fail in this regard, customers are free to return to bundled service. Fortunately, the CCA model is by nature extremely well-suited to providing affordable energy.

First and most importantly, CCAs are not “-for-profit” entities. In contrast to IOUs, CCAs have no profit motive or obligation to external shareholders. Rather, CCA customers, ratepayers, and “shareholders” are one and the same, just like municipal utilities. Thus, CCAs lack the inherent conflict of interest of a for-profit company providing an essential service needed by all communities. Any value CCAs create from their efforts is reinvested in the communities they serve.

Second, CCAs are far smaller, nimbler organizations than investor-owned utilities. This is attributable to fewer layers of bureaucracy and lower overhead costs. Moreover, CCAs’ constant dialogue with their communities enables them to rapidly reallocate resources as necessary to best serve their customers. Given that these customers are constituents of their CCAs’ governing bodies, they can – and do – provide on-going feedback. If a program is not achieving its goal, a CCA can shift staff and resources away from it in a matter of weeks rather than months. CCAs’ agile organizational structures keep overhead costs low and provide opportunities to pass those savings on to customers.

It is important to note that while the CCA model offers inherent advantages for affordability, this does not mean that all CCAs will have lower rates than their corresponding IOUs. A CCA’s purpose is to provide electricity generation services to meet its communities’ values. For some communities, this may mean paying a premium for lower carbon content energy. Other communities may prefer the lowest rates possible while still meeting state policy obligations, with any savings allocated back to the community. How to prioritize low rates compared to

other characteristics is a choice each CCA board determines through an open decision-making process.⁸

CCAs create value and contribute to affordability for their customers in a variety of ways beyond electricity rates. California's CCAs offer, or are in the process of developing, a diverse portfolio of programs that help consumers manage and decarbonize their electricity use. From transportation electrification to home energy efficiency and behind the meter solar, CCA programs help customers take charge of their energy use and manage their energy-related expenses. For example:

- SCP Drive Evergreen is a partnership with local auto dealers who agreed to provide discounts on electric vehicles in return for SCP generating increased demand through targeted marketing, outreach, and additional dealer and SCP-funded incentives. After launching a pilot program last year, SCP incorporated lessons learned and brought a larger range of dealers onboard this year. To date, over 600 electric vehicles have been sold through the program with 30% of incentives allocated to low-income customers. An independent evaluation found that 88% of participants would not have made the purchase in absence of the Drive Evergreen program.
- MCE offers robust energy efficiency programs that serve every sector, including single family units, multi-family buildings, and small commercial, industrial, and agricultural customers. MCE recently received \$2.5 million in Energy Savings Assistance Program funding from the Commission for its programs on low-income families and tenants in its service area and has allocated low-income solar rebates to more than 150 CARE customers, saving them over \$1M.
- Many CCAs, including RCEA, SCP, MCE, PCE, CPSF, and SVCE offer net energy metering programs with strong financial incentives for local customers to invest in on-site renewables.

CCAs also focus on affordability for their low-income and at-risk customers. Many CCAs have rate stabilization funds that can be used to buffer rates in the event of a sudden spike in wholesale energy markets. While rate stability is something all customers benefit from, CCAs recognize that it is particularly important for households operating on a thin financial margin for whom unpredictable cost increases can mean a choice between electricity and other essential products and services. Additionally, many CCAs are working to overcome obstacles that have historically prevented low-income customers from accessing behind-the-meter energy technologies that could help them lower their total energy costs. For example, customers that do not own their homes or who have low credits score have historically had difficulty reaping the

⁸ A recent report by The University of California, Los Angeles Luskin Center for Innovation “The Promises and Challenges of Community Choice Aggregation in California” reinforces this point finding 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.” Report at pgs. 6 and 21. Available at: <http://innovation.luskin.ucla.edu/content/promises-and-challenges-community-choice-aggregation-california-0>

benefits of behind the meter solar and the net energy metering tariffs provided by both IOUs and CCAs. Peninsula Clean Energy is exploring program opportunities designed to make solar more accessible to these customers through innovative programs that address access to capital.

In summary, CCAs are highly qualified to uphold the principle of affordability through reductions to electricity rates, programs that help consumers manage and reduce their energy spending, and targeted innovative initiatives serving low and moderate income communities. Regardless of whether a CCA chooses to offer lower rates than its incumbent IOU, its customers benefit from being served by a locally controlled entity that is governed by their own elected leaders. CCAs devote their entire resource budget to serving and reinvesting in their communities with very low overhead costs, making them uniquely qualified to deliver maximum customer value at minimum cost.

Decarbonization

Many CCAs were formed to expedite achievement of greenhouse gas reduction goals identified in their communities' local Climate Action Plans. Local governments saw the potential for CCAs to provide a rapid, flexible, and low-cost solution to reducing a local jurisdiction's GHG emissions by providing cleaner electricity to their residents and businesses. Today, CCAs across the state are leading the way on decarbonizing portfolios and developing innovative mitigation measures.

CCAs are required to fulfill the state's climate laws and are exceeding statewide standards. SVCE, a CCA serving approximately 248,000 accounts in Santa Clara, was created with the express purpose of providing carbon-free electricity from day one. Almost all of the state's operating CCAs currently offer a 100% renewable energy product option, and the average percentage of renewable resources in their portfolios through 2016 was 47% compared to 35% for the IOUs.⁹ Moreover, each CCA that forms increases the percentage of renewables in the IOUs' portfolio, because the IOUs' existing renewable contracts constitute a larger percentage of the remaining demand after CCA load departures. Thus, CCA customers contribute to both IOU portfolios (through the PCIA) and CCA portfolios (through their generation rates).

But this is only part of the story of why CCAs are valuable to California's decarbonization efforts. Once the entire California grid is decarbonized, additional carbon-free resources are no longer a distinguishing feature for any load serving entity. In this scenario, CCAs still add value to California's energy market because they can address issues beyond offering clean energy at low rates. In the most recent California greenhouse gas emissions inventory, emissions from electricity generation made up only 20% of the state's total emissions portfolio. Much of the other 80%, including transportation, residential, and commercial emissions, is under less centralized control than electricity and is governed to a greater extent by consumer behavior and

⁹ California's Renewables Portfolio Standard Annual Report, Nov. 2017. Tables 2 and 4.

Available online at:

http://www.cpuc.ca.gov/uploadedFiles/CPUC_Website/Content/Utilities_and_Industries/Energy/Reports_and_White_Papers/Nov%202017%20-%20RPS%20Annual%20Report.pdf

purchasing choices. In order to reduce emissions in these areas, consumers must be aware of both the change that is necessary and the options at their disposal for creating that change. Furthermore, these options must be affordable and relevant to consumers' lifestyles and needs.

CCAs are ideally positioned to develop programs and policies that meet these twin needs, because CCAs maintain close ties to the community members they serve. Accordingly, CCAs develop a unique understanding of what types of decarbonization technologies will be relevant to their customers and the obstacles that may be preventing these technologies from being adopted. Sometimes the obstacles are financial in nature, in which case a CCA can provide and publicize incentives. Others may be more location specific, in which case CCAs can develop programs uniquely appropriate for their communities. CCAs also enable customer access to accurate information about these technologies from a community institution that customers trust.

These dynamics are already driving results in the territories of many CCAs. For example:

- As discussed above, SCP's Drive Evergreen program resulted in a significant boost in EV sales by "solarizing" EVs. CCAs are reviewing SCP's program results as they prepare their own EV programs.
- Lancaster Choice Energy supported a 450,000 square foot electric vehicle factory to build hundreds of electric busses and convert the Antelope Valley Transit Authority to an all-electric bus fleet in three years while working closely with the City of Lancaster to enable the city to become the first zero-net energy city in California.
- CCAs, including RCEA who is investing in, and Pioneer who is planning to invest in local biomass power projects to maintain or create local, high-paying jobs, and transform the forest industry's waste products into sustainable energy.
- CalCCA is developing processes to share best practices related to CCA programs so emerging CCAs can institute impactful programs quickly and efficiently based on their community preferences.

These advantages are already recognized as an important component of achieving California's aggressive carbon reduction goals. AB 32 originally envisioned a wave of voluntary mitigation action across the state, and CCAs bear out that vision by connecting decarbonization resources with those who can use and benefit from them. In fact, climate change scoping plans developed by the Air Resources Board have repeatedly highlighted the essential role of local governments and communities in reducing GHG emissions beyond state requirements.¹⁰ The latest update to the scoping plan specifically recognizes that that local efforts can deliver substantial "additional GHG and criteria emissions reductions beyond what State policy can alone."¹¹ CCAs serve as a conduit between their communities and state-level resources for decarbonization, ultimately expanding and streamlining the entire state decarbonization effort.

¹⁰ For example, the 2008 Scoping Plan noted: "Local governments are essential partners in achieving California's goals to reduce GHG emissions." Scoping Plan at pg. 26.

¹¹ 2017 Revised Scoping Plan. October 27, 2017. p. 145. Available at: <https://www.arb.ca.gov/cc/scopingplan/revised2017spu.pdf>

In summary, in addition to aggressively decarbonizing their own procurement portfolios, CCAs are reducing emissions in other sectors in ways that other retail service providers are not well positioned to undertake.

Reliability

Reliability is arguably the single most important requirement for any energy provider. Near-perfect reliability at the customer level has been the norm and expectation in California for many decades, and CCAs both uphold and strengthen that tradition.

CCAs participate fully in the resource adequacy (RA) program and meet all its current obligations. CCAs are also assigned CAISO RA allocations and participate robustly in the market. Additionally, CCAs continue to demonstrate creditworthiness and ability to secure large, long-term power purchase agreements (PPAs), even at a very young age. For example, MCE has committed to PPAs which support 813 MW of new California renewable energy projects under long-term contracts, while PCE has recently signed PPAs for 300 MW of new solar resources in Merced and Kings County.

Beyond these baseline expectations, CCAs are developing ways to leverage their unique business models in support of statewide reliability efforts. For example, through the IDER and other policy mechanisms, CCAs could be of great help in identifying opportunities for local grid support projects like microgrids and working within their communities to support resiliency efforts. Microgrids, resiliency projects and other innovations in the energy sector can be accelerated once a mechanism is in place for CCAs and other stakeholders to receive the economic value they provide to distribution and transmission systems. Thus, it is critical that the Commission enforce current state law regarding development of nonwires alternatives and also complete the distribution resources planning as quickly as possible.

The CCA community is also looking into joint procurement for especially large projects, and there are already instances of joint CCA RFOs. For example, in September 2017 Silicon Valley Clean Energy (SVCE) and Monterey Bay Community Power (MBCP) issued a joint RFO for up to 700 GWh annually of carbon free generation. Like municipal utilities, CCAs also have the ability to offer tax-exempt bonds for the financing of particularly large projects.

In short, CCAs are dedicated to supporting California's high reliability standards and have the ability to both fulfill their existing obligations and push statewide efforts forward. CCAs bring unique tools to the reliability landscape at all scales, and are putting these to use for the benefit of all Californians.

Social Equity

In addition to sharing the Commission's focus on the three principles discussed above, CCAs are deeply committed to serving all of their customers, including low-income and hard-to-reach customers. As noted above, many CCAs are developing policies such as rate stabilization funds so customers do not experience drastic changes in their energy costs. CCAs are also collectively working to ensure rates are as low as possible as this is the most direct way to address energy

burdens within CCA communities. As noted above, many CCAs offer lower rates than their incumbent IOUs. Collectively, these lower rates produce substantial savings for families, schools, hospitals 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.¹² PCE estimates its 5% reduction from PG&E rates results in over \$17 million in savings per year for the residents and businesses of San Mateo County.

CCAs are also working to develop innovative programs to serve low-income and hard to reach communities. For example:

- MCE offers a targeted energy efficiency program called Low-Income Tenants & Families (LIFT) for hard to reach low-income customers at or below 200% Federal Poverty Guidelines with \$1,200 per unit rebate and electric heat pumps at no cost. MCE also allocates significant funds for targeted solar rebates for low-income customers, resulting in \$1M combined savings in energy costs for MCE CARE customers.
- SCP's DriveEvergreen program also offers an additional incentive of \$1500 for CARE/FERA program participants to support their purchase of a new or used EV with 30% of incentives allocated to low-income customers.
- CleanPowerSF has allocated over \$2 million in solar rebates to underserved residential customers and offers larger incentives for low-income customers, including 20-40% higher incentives for residents of environmental justice neighborhoods and 500% higher incentives for CARE program enrollees.
- PCE is working to develop energy programs that focus squarely on deeper issues related to access to credit for low and moderate income energy consumers seeking rooftop solar. Each of these programs, and others at CCAs, are designed to address continuing inequities within the energy system in targeted ways that build upon state efforts.

Many CCAs have also developed workforce development and training programs designed to increase opportunities for disadvantaged community members to enter the energy industry. For example:

- MCE has allocated substantial funding and resources to Rising Sun Energy Center, RichmondBuild and FutureBuild to increase training opportunities for youth and unemployed adults in San Pablo, El Cerrito, Richmond, Pittsburg and Oakley for green collar jobs in energy efficiency, renewable installations, and call center services.
- CleanPowerSF partners with Grid Alternatives for local job training that is focused on underserved communities.
- Lancaster Choice Energy serves 46% CARE customers, offers Property Assessed Clean Energy (PACE) financing for efficiency measures, and provides free local transit to seniors with community partners.

¹² 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>

- More generally, CCAs have utilized project labor agreements to support the creation of high-quality, well-paying jobs as a result of CCA procurement. CCAs, like PCE, utilize strong board approved polices to support local business development, union labor and workforce development and training.¹³

Conclusion

CalCCA appreciates the opportunity to provide comment on the role CCAs play in advancing the principles of affordability, decarbonization, reliability and social equity. As mission-driven government agencies, CCAs focus daily on advancing each of these principles at the regional and community levels through transparent decision-making processes. The innovative programs and policies discussed in these comments are already demonstrating value to California's energy consumers. CCAs intend to build on and expand these programs going forward. Most importantly, CCAs intend to continue to work collaborative together through CalCCA, with the Commission and other state agencies, and with other market actors to move California forward towards our collective goals.

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