

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Review, Revise,  
and Consider Alternatives to the Power Charge  
Indifference Adjustment

R.17-06-026  
(Filed June 29, 2017)

**PHASE 2 PREHEARING CONFERENCE STATEMENT OF  
CALIFORNIA COMMUNITY CHOICE ASSOCIATION**



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December 12, 2018

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Pursuant to the November 29, 2018 Ruling Setting a Prehearing Conference (“Ruling”), the California Community Choice Association (“CalCCA”) hereby submits this Prehearing Conference Statement in advance of the Prehearing Conference (“PHC”) scheduled for December 19, 2018.

**I. INTRODUCTION**

Decision 18-10-019 directed that a second phase of the proceeding be opened to establish a “working group” process to enable parties to further develop proposals for the Commission’s consideration. Specifically, the Decision identified four topics for consideration in working groups, as noted in the Ruling:

- Benchmark True-up, including both Resource Adequacy (RA) and Renewables Portfolio Standard (RPS);
- Prepayment;
- Portfolio Optimization and Cost Reduction; and
- Allocation and Auction

While this list of topics captures the central issues, refinement is required to increase the likelihood of success in addressing all Phase 2 topics mentioned in D.18-10-019. CalCCA provides comments on these topics and other issues identified in the Ruling.

## **II. PREHEARING CONFERENCE ISSUES**

### **A. Working Group Development**

#### **1. Number and Scope of Working Groups**

CalCCA recommends more than four working groups to deal with the range and complexity of issues to be handled in Phase 2. In addition, certain topics can be combined, as they share common points of analysis. An attachment to this prehearing conference statement explains CalCCA's proposed allocation of issues to workshop topics, including a comparison of this proposal with a possible allocation using the topics identified in the Ruling.<sup>1</sup>

CalCCA proposes the following working groups:

##### **a) Benchmarking Issues**

CalCCA proposes that this working group address, through subgroups if necessary, the following topics: 1) annual true-ups of each of RA and RPS; 2) transaction reporting for purposes of deriving the RA and RPS benchmarks; 3) expansion and refinement of the Energy Division's annual RA Report; and 4) defining and forecasting of amounts of unsold RA.

##### **b) Portfolio optimization/cost reduction/allocation/auction**

The portfolio optimization and cost reduction working group should be combined with the allocation and auction working group because the issues are intertwined. First, all of these topics point to a common question: how can the Commission optimize the utility's ongoing portfolio and reduce costs, while making resources from the portfolio available to the market? Auction and/or allocation methods are simply mechanisms to achieve efficient portfolio optimization and cost reduction. In addition, actions taken on portfolio optimization, unless considered in conjunction with auction and/or allocation, could affect the resources ultimately

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<sup>1</sup> CalCCA determined that references to working groups in D.18-10-019 were generally consistent with its recommendations and thus have relied on references to working group activities in D.18-10-019.

available for an auction process. Finally, if the groups remain separate, a portfolio optimization proposal in one group might compete with an auction proposal in another group, complicating resolution of already complex issues. For these reasons, CalCCA suggests the topics be discussed in the same working group.

A subsequent track or working group could be established to design the auction or allocation methodology, if the result of the portfolio optimization working group finds an auction is an appropriate next step. In the alternative, a subgroup on one or more select topics, *e.g.*, an auction mechanism, may also be appropriate to the extent such issues can be isolated from other measures taken to address portfolio scope and scale.

CalCCA notes a lack of clarity with respect to category number 4 listed in the Ruling, the “allocation and auction” category. It is unclear what “allocation” means in the context of this working group. CalCCA requests that the Assigned Commissioner clarify that “allocation” does not invite another rendition of the utilities’ Portfolio Allocation Mechanism, Green Allocation Mechanism or Portfolio Monetization Mechanism in Phase 2. As D.18-10-019 observed: “The second phase’s purpose is to develop structures, processes, and rules governing portfolio optimization going forward. Portfolio optimization proposals should include voluntary auction frameworks.”<sup>2</sup>

### **c) Forecasting- Departing Load and PCIA Amounts**

CalCCA suggests that this working group address departing load, as mentioned in the Decision. It should also address establish a methodology for ongoing forecasting of the PCIA, an issue identified in the Phase 1 Scoping Memo<sup>3</sup> and referenced in by D.18-10-019.<sup>4</sup>

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<sup>2</sup> D.18-10-019 at 111.

<sup>3</sup> *Scoping Memo and Ruling of Assigned Commissioner* (Sept. 25, 2018), Issue 8 at 21.

<sup>4</sup> D.18-10-019 at 97.

**d) Bill Presentation**

This working group will address the presentation of the PCIA as a separate line item on bundled customers' bills.

**e) Prepayment Mechanisms**

This working group will establish a methodology for forecasting the PCIA obligation of the customers of an Energy Service Provider (ESP) or Community Choice Aggregator (CCA), determining a formula and variables for calculating a prepayment charge and establishing a procedure for prepayment by an ESP or CCA on behalf of its customers.

**2. Governance of Working Groups**

CalCCA recommends that each working group be co-chaired by a representative from a utility and a representative from a non-utility load-serving entity. A report should be required from each working group, specifying the scope of the working group's efforts, the range of proposals presented, areas of agreement and areas of disagreement. CalCCA suggests that all other governance issues be delegated to each respective working group, as the size and composition of each working group may vary.

**3. Schedules and Timelines**

Participation in multiple working groups will place a strain on members' resources, and prioritization will be required. CalCCA's ordering of the proposed groups above represents a reasonable prioritization. While "benchmarking" must be completed in time for integration in the next Forecast ERRAs, portfolio optimization is not subject to this limitation. However, portfolio optimization is likely to require lengthy consideration and its working group should therefore begin work as soon as possible.

For these reasons, CalCCA generally supports the proposed schedule proposed by the Joint Utilities, as adjusted to incorporate CalCCA's proposed working group assignments noted below:

**Benchmarking Working Group Proposed Schedule:**

- Initial workshop - No later than week of January 21, 2019
- Parties' written comments/proposals - 3/1/19
- Second workshop - 3/15/19 or 3/18/19
- Parties' rebuttal comments/proposals - 4/15/19
- Third workshop - No later than week of May 13, 2019
- Working group report to Commission if consensus reached - 6/14/19
- Working group report to Commission setting forth adjudication proposals if consensus not reached - 7/1/19
- PHC (if necessary) - No later than week of July 8, 2019
- Hearings (if necessary) - 7/15-7/19
- Concurrent Opening Briefs (if necessary) - 8/5/19
- Concurrent Reply Briefs (if necessary) - 8/19/19
- Proposed Decision Issued - 9/10/19
- Final Decision Voting Meeting - 10/10/19

**Working Groups on Portfolio Optimization and Cost Reduction/Allocation/Auction, Forecasting, Bill Presentation and Prepayment:**

- Initial workshop - On or about 3/15/19
- Parties' written comments/proposals - 4/15/19
- Second workshop - On or about 6/1/19
- Parties' supplemental comments/proposals - 7/1/19
- Third workshop - On or about 8/15/19
- Working group report to Commission on consensus and non-consensus items and setting forth adjudication proposals for non-consensus items - 9/30/19
- PHC (if necessary) to set subsequent proceedings for resolving remaining issues - 11/1/19
- Proposed Decision - late 2019 or early 2020

**B. Other Procedural Matters**

The Ruling also requested input on the following procedural matters:

**1. Evidentiary Hearings**

CalCCA believes it will be impossible to determine whether evidentiary hearings will be required or appropriate until the working groups have met and begun deliberations.

**2. Appropriate Category for Phase 2 Proceeding**

Phase 2 will have significant impacts on the PCIA rate and thus should be categorized as ratesetting.

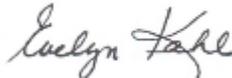
**3. Anticipated discovery issues**

CalCCA shares the utilities' aims of maximizing the use of portfolio data already provided in Phase 1 of this proceeding, updated to reflect any changes since the data were provided. Parties should be permitted, however, to propound discovery as issues arise during the course of working group deliberations. The Phase 1 non-disclosure agreement should be used for discovery in Phase 2.

**III. CONCLUSION**

CalCCA appreciates the opportunity to provide input on these issues and looks forward to further discussion at the Prehearing Conference scheduled for December 19, 2018.

Respectfully submitted,



Evelyn Kahl  
Counsel to the  
California Community Choice Association

December 12, 2018

## ATTACHMENT

### **Working Groups Identified in D. 18-10-019:**

1. Benchmark true-up
  - a. Resource Adequacy (RA)
  - b. Renewables Portfolio Standard (RPS)
2. Prepayment
3. Portfolio Optimization and Cost Reduction
4. Allocation and Auction

### **Proposed Working Groups:**

1. Benchmark
  - a. True up
    - i. RA
    - ii. RPS
  - b. Reporting
    - i. RA (including formulation of the Energy Division RA Report)
    - ii. RPS
  - c. Forecasting unsold RA
2. Portfolio Optimization and Cost Reduction/Allocation/Auction
3. Forecasting
4. Bill Presentation
5. Prepayment

| <b>Issue - D. 18-10-019 text</b>  | <b>D.18-10-019<br/>Page Number</b> | <b>Working<br/>Group<br/>Assignment</b> | <b>Proposed<br/>Working<br/>Group<br/>Assignment</b> |
|---|------------------------------------|---|--|
| We also open a second phase of this proceeding to consider the development and implementation of a comprehensive solution to the issue of excess resources in utility portfolios.   | 3                                  | 3                                       | 2  |
| Recognizing that parts of the IOU portfolio are in excess of bundled customers' needs, Phase 2 of this proceeding will work toward portfolio optimization and cost reduction.   | 59                                 | 3                                       | 2  |
| Portfolio optimization and cost reduction will be the focus of Phase 2 of this proceeding.  | 61                                 | 3                                       | 2  |
| We conclude that the best course of action . . . , while opening a second phase of this proceeding to consider the development and implementation of a comprehensive solution to the issue of excess resources in utility portfolios, one that is based on voluntary, market-based resource redistribution.               | 72                                 | 3, 4?                                   | 2  |
| The second phase's purpose is to develop structures, processes, and rules governing portfolio optimization going forward. Portfolio optimization proposals should include voluntary auction frameworks.   | 111                                | 3, 4?                                   | 2  |
| The second focus of Phase 2 will be to minimize further accumulation of uneconomic costs. The Commission will consider further guidance and standards for more active management of the utilities' portfolios in response to departing load in the future, and improvements in forecasting of departing load by all LSEs. | 112                                | 3                                       | 2  |
| Phase 2 will also consider shareholder responsibility for future portfolio mismanagement, if any, so that neither bundled nor departing customers bear full cost responsibility if utilities do not meet established portfolio management standards.  | 112                                | 3                                       | 2  |

| Issue - D. 18-10-019 text   | D.18-10-019<br>Page Number | Working<br>Group<br>Assignment | Proposed<br>Working<br>Group<br>Assignment |
|---|----------------------------|--------------------------------|--|
| While these forecasts may not become perfect, we hope through Phase 2 to improve upon existing forecast practices, where possible, even if a degree of uncertainty remains.   | 113                        | 3?                             | 3  |
| Phase 2 will also use a working group-based process to develop a record-based true-up for RA and RECs, and to provide further detail surrounding the prepayment option.   | 114                        | 1, 2                           | 1, 5                                       |
| RPS and RA true up should be included in the scope of Phase 2 of this proceeding. The true-up does not need to be fully resolved immediately, and we anticipate that a working group process will facilitate the development of a record-based true-up process for RA and RPS, with the goal of developing a true-up process for RA and RPS by the end of 2019.   | 126 - 127                  | 1                              | 1  |
| COL 26. A second phase of this proceeding should be opened in order to consider proposals for a “working group” process to enable parties to continue working together to develop proposals regarding portfolio optimization and cost reduction for future consideration by the Commission.   | 159                        | 3                              | 2  |
| We have also determined that a second phase of this proceeding should be opened in order to pursue solutions to the challenges of portfolio optimization and cost reductions, which will provide an ongoing opportunity to propose additional means of fulfilling this guiding principal [flexible enough to maintain its accuracy and stability if the number of departing customers changes significantly]. | 128                        | 3                              | 2  |