

**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.

Rulemaking 17-06-026
(Filed June 29, 2017)

**COMMENTS OF CALIFORNIA COMMUNITY CHOICE ASSOCIATION ON
CO-LEADS' WORKING GROUP ONE REPORT ON QUESTIONS 8 THROUGH 12**

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The California Community Choice Association (CalCCA)¹ submits the following comments pursuant to the ADMINISTRATIVE LAW JUDGE'S RULING MODIFYING PROCEEDING SCHEDULE dated July 9, 2019. These comments are in response to the Phase 2 Working Group 1 Co-Lead Proposal and Recommendations, Scoping Memo Questions 8- 12 Final Report, filed July 1, 2019 ("Final Report"). The Final Report was timely filed and served pursuant to the Decision (D.) 17-06-026 Phase 2 Scoping Memo and Ruling of Assigned Commissioner, dated February 1, 2019 (Scoping Memo).

I. INTRODUCTION

CalCCA is a co-lead of Working Group 1, along with Pacific Gas & Electric Company (PG&E; collectively with CalCCA, Co-Leads). Pursuant to the Scoping Memo, the Final Report addressed questions 8 through 12. Although the Co-Leads were able to reach consensus on numerous issues, areas of non-consensus remain. Those are the focus of these comments.

¹ California Community Choice Association represents the interests of 18 community choice electricity providers in California: Apple Valley Choice Energy, Clean Power SF, Clean Power Alliance, East Bay Community Energy, Lancaster Choice Energy, Marin Clean Energy, Monterey Bay Community Power, Peninsula Clean Energy, Pioneer Community Energy, Pico Rivera Innovative Municipal Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Jacinto Power, San Jose Clean Energy, Silicon Valley Clean Energy, Solana Energy Alliance, Sonoma Clean Power, and Valley Clean Energy.

In these comments, CalCCA addresses areas of Co-Lead disagreement around forecasting departing load (questions 8-10) and bill presentation (question 12). CalCCA also addresses UCAN's proposal on working group governance.

With respect to forecasting question 8, CalCCA supports further development of a consistent and transparent approach to forecasting departing load across utilities, with buy-in from interested stakeholders.² There remain significant differences of approach and opinion among the Investor-owned Utilities (IOUs) and stakeholders concerning the inputs and assumptions used to create departing load forecasts. Continued working group attention to forecasting approaches will result in more accurate forecasts for use in making procurement decisions. This is the goal underlying this question.

With respect to questions 9 and 10, also regarding forecasting, CalCCA opposes imposition of a mandatory "Binding Notice of Intent" (BNI), or similar mechanism, upon prospective departing load. Imposition of penalties for an entity's failure to depart by a previously specified date, applied regardless of the reason for the delay, are unreasonable, unlikely to materially improve forecast accuracy, and merely punitive. Moreover, this proceeding is not the correct venue for the IOUs' proposal, which would be a radical change in the framework for CCA departure.

On bill presentation (question 12), CalCCA recommends the Commission require a line item showing the Power Charge Indifference Adjustment (PCIA) charge as part of the summary of charges on the first page of all customers' bills. The Phase 1 Decision contemplated such a charge. CalCCA recommends this change be implemented by the end of 2021, and that the

² CalCCA raised its concerns relating to questions 8-12 in the Informal Comments of California Community Choice Association on Co-Leads' Proposal and Recommendations Presented at Working Group One Meeting on June 7, 2019, attached to the Final Report along with other party comments as Exhibit A.

Commission establish an ongoing forum and process for parties to continue to discuss and implement additional bill presentation improvements.

II. QUESTIONS 8-12 IN FULL

For reference, we set forth the full text of questions 8-12:

- Question 8 Which methodologies, probabilistic or scenario-based, should the Commission adopt to forecast departing load? (Section II)
- Question 9 What are the barriers for the IOUs to obtain the information they need to adequately forecast future CCA departing load and mitigate future forecasting inaccuracies, and how can they overcome those barriers? (Section II)
- Question 10 What mechanisms would help minimize future deviations between announced and actual load departure dates, thereby improving the fidelity of departing load forecasts? (Section II)
- Question 11 Should the Commission clarify the definition of billing determinants and their proper usage for calculating the PCIA, and if so, how? (Section III)
- Question 12 Should the Commission require any changes in the presentation of the PCIA in tariffs and on customer bills, and if so, what should those changes be? (Section IV).

III. A LACK OF CONSENSUS REMAINS REGARDING TOOLS USED TO CREATE THE DEPARTING LOAD FORECAST, AND THE WORKING GROUP SHOULD DEVELOP AN AGREED UPON, TRANSPARENT APPROACH TO DEVELOPING FORECASTING METHODOLOGY AND INPUTS

Scoping Memo Questions 8 through 10 ask which methodology the Commission should adopt in forecasting departing load, what barriers exist that prevent IOUs from obtaining the information needed to accurately forecast departing load, and what mechanisms could minimize deviations before announced and actual load departure dates. In the Final Report, the Co-Leads recommend that the Commission adopt a probabilistic approach to forecasting, supplemented by scenario-based analysis in appropriate circumstances. The Co-Leads also recommend that forecasting approaches align across forecasting entities.

The Co-Leads differ on whether simply nominally answering the question in the scoping memo is, in fact, the end of the issue. PG&E contends that it is enough to identify the type of general methodology used. CalCCA, in contrast, would go further.

To fully answer this question requires recommendations regarding modeling details such as inputs, assumptions, and parameters. Failing to provide modeling details leaves a tremendous amount of ambiguity, with consequent variability in forecast results. Not going deeper into modeling details could lead to less accurate forecasts than under the *status quo*. Hence CalCCA's call for continued work on forecasting issues.

Key inputs and assumptions in a departing load forecast include: 1) government action on forming/joining a CCA; 2) government statements/agreements with IOU on timing of launch, and 3) probabilities and parameters around each variable are critical elements in forecasting departing load. Consider, for instance, the potential for a large CCA developing in a metro area currently served by an IOU. The IOU may not include that metro area as a prospective CCA service territory at all, until a certain threshold action occurs (e.g., a local agency formation committee vote, or execution of a joint powers agreement). Alternatively, an IOU may consider the formation of a CCA possible, but discount its formation likelihood until milestones closer to actual departure occur. Differences in assumptions around the probability for launch, and timing for launch, if significant, can result in vastly different departing load forecasts.

The IOUs have yet to provide insight into the specific assumptions and weighting applied to factors underlying their models. The working group has not had sufficient time or materials to discuss the assumptions that form the basis of a probabilistic methodology and the likelihood of particular events. IOU information provided on these points was not "exhaustive," contrary to IOU characterization. The working group has not had enough opportunity to discuss, let alone

agree to, a set of inputs or assumptions that could be used consistently across the state (or to agree on divergences across service territories, where such might be appropriate).

The IOUs contend that further coordination/consultation between LSEs can take place outside of the PCIA proceeding, in a forum such as the California Energy Commission's (CEC's) Demand Analysis Working Group (DAWG). This contention sidesteps the issue. The place to determine IOU forecasting methodologies is here – the DAWG is primarily about folding extant forecasts into other stakeholders' models (e.g., the California Energy Commission's Integrated Energy Policy Report). This proceeding is the logical forum to continue to address issues leading to forecasting inaccuracies. The Commission should keep this working group structure in place, and task it with further refining the departing load forecast methodology for the IOUs, including agreement on the methodology for developing critical inputs and assumptions on an established timeline. As accuracy in forecasting benefits all ratepayers, CalCCA also recommends the Commission establish a timeline for adoption of the methodology and assumptions to be used in departing load forecasting by the IOUs.

IV. THE IMPOSITION OF A BINDING NOTICE OF INTENT WOULD NOT ADDRESS THE TRUE DRIVERS OF INACCURACY IN DEPARTING LOAD FORECASTING, AND WOULD MERELY BE PUNITIVE

The Co-Leads presented consensus recommendations in response to questions 9 and 10, regarding barriers to obtaining information to adequately forecast departing load and mechanisms to minimize future deviations between announced and actual departure dates. The IOUs have additionally proposed requiring a binding notification of departure to improve the accuracy of mid-term (2-3 year) forecasts and reduce deviations between planned and actual launch dates. The IOUs have also proposed the Commission establish a central repository

capturing CCA action taken by local communities as this is likely a key input into any probabilistic forecast.

The IOU proposal lacks specifics on what binding constraints IOUs would have the Commission impose, and on what the process would be for establishing them. Right now, there is a *voluntary* process called the “Binding Notice of Intent” (BNI).³ Departing load can lock in a departure vintage in return for committing to depart on a certain date. CalCCA understands that the requirement contemplated would be substantially like a *mandatory* BNI filing.

CalCCA opposes imposition of a mandatory, binding, departure schedule on departing load. Forecasters do not need the level of certainty the mandatory BNI will allegedly provide. Moreover, the mandatory BNI will not provide the certainty its proponents seek. Imposing it will merely punish departing load that varies from its scheduled departure date

First, wholesale changes to the procedure for departing load cannot be appropriately handled via approval or disapproval of the IOUs’ instant proposal. Such changes require significant stakeholder involvement and consideration, much more than can be achieved in this manner. The BNI issue was last reviewed in detail by the Commission over 10 years ago when the market and circumstances were very different. If the BNI construct is to be made mandatory, all parties deserve an opportunity to confer and discuss in more depth whether and how to implement it.

With respect to whether a binding notice should be required at all, the IOUs’ position implicitly assumes a need for absolute certainty in the input variables it uses to forecast departing load. Such a level of certainty is unnecessary for *probabilistic* forecasting, which attempts to forecast a series of potential outcomes under *uncertain* conditions.

³ See, e.g. PG&E Electric Rule 23.2, https://www.pge.com/tariffs/tm2/pdf/ELEC_RULES_23_2.pdf

Even PG&E agrees it is virtually impossible to bring certainty to departing load forecasts.⁴ The Co-Leads agreed the transition to CCA or other direct access/ESP depends largely on the activities of local and/or state government. These activities are inherently difficult to predict, especially in light of changes in leadership and potentially policy, affecting government actions. Governmental action regarding the establishment of a CCA are also influenced by a wide variety of factors other than the mere economic. In addition, departure dates change over time for a wide variety of reasons – including accommodating IOUs, as discussed more in the next paragraph.⁵ Thus, imposing a financial penalty for failure to meet a stated departure date or not depart at all will not achieve the desired certainty. It merely punishes a (possibly completely new) local government for the actions of prior decisionmakers, or IOUs, or events entirely outside their control. Requiring a new CCA, whose departure date is dependent on the actions of a local government and the relevant IOU, to select and then maintain an announced departure date *to the day* one or more years in advance is impractical and unrealistic.

In addition, imposing a BNI requirement will fail to achieve the certainty its advocates are hoping for. There are a plethora of factors influencing local and state governments and IOUs in decisions regarding the timing of load departure. For example, a Clean Power Alliance recently delayed its implementation date - at Southern California Edison's request. In addition, San Jose CCA recently moved an implementation date forward, something the BNI structure currently permits without penalty.⁶ Thus, whether or not a BNI has been filed, planned

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⁵ See letter dated July 2, 2019 from Clean Power Alliance to Edward Randolph re: "Clean Power Alliance of Southern California's Notification of a Voluntary Delay of the Commencement of Its Phase 5 Enrollment Period at the Request of Southern California Edison Company."

⁶ See PG&E Electric Rule 23.2(B) ("A CCA can change its BNI date, at any time, to an earlier date.").

implementation dates can be overtaken by events, including events caused by others. The likelihood of intervening events or circumstances increases exponentially if the notice requirement is two or more years in advance. Any attempt to bind departing load entities by penalizing disparities between the announced and actual departure date or penalizing those departing load entities that end up not departing will be ineffectual and merely punitive.

Finally, we note further that a mandatory BNI is not necessary to ensure resource adequacy for departing load. The requirements under Resolution E-4907 already require CCAs to procure enough resource adequacy prior to launch or for any new load.

V. THE FIRST PAGE OF IOU CUSTOMER BILLS SHOULD BE CHANGED EFFECTIVE IN 2021 TO INCLUDE A PCIA LINE ITEM, AND THE PARTIES SHOULD BE REQUIRED TO MEET TO DISCUSS IMPLEMENTATION OF FURTHER CLARIFICATIONS

As presented at the June 7, 2019 working group meeting, CalCCA recommends the Commission require that IOUs add a PCIA line item to the summary table on each customer's utility bill, as contemplated by the PCIA Phase I Decision. This change informs bundled and unbundled customers alike that they are paying the PCIA and is expressly contemplated in the PCIA Phase 1 Decision. In Phase 1, CalCCA proposed "that the Commission require the Joint Utilities to present uneconomic portfolio costs as a separate line item on bundled customer bills to better align customer understanding of the rates they pay."⁷ The Commission concluded:

We find merit in the tariff revision and bill presentation proposals put forth by AReM/DACC and CalCCA. We agree that bundled customers should be made aware of the fact that all customers are paying their share of the utility's uneconomic costs. Clearly, changes to bills are necessary....⁸

⁷ See D.18-10-019 at 118 (citing CalCCA Opening Brief at 144).

⁸ *Id.* at 118-119.

Today, the PCIA appears as a line item on a CCA customer's bill, but not on a bundled customer's bill. Customers could easily believe that if they take service from CCAs they pay a charge – the PCIA – that they would not pay in their IOU rate. In Phase 1 the Commission contemplated that the “workshop process proposed by the Joint Utilities and endorsed by CalCCA is a reasonable means of working out the details regarding how and when to introduce the changes to the bills, and to the tariffs....”⁹

CalCCA reiterates that the requested change would be simple to calculate. IOUs *already* calculate customer-specific PCIA charges for CCA customers. The IOUs already perform this computation for CCA customers; surely they can perform the same calculation for bundled customers. On the bill, the IOU would only have to calculate a PCIA charge for all customers, and add the charge to the summary table on the first page of all customers' bills (with a concurrent reduction in generation charges).

The only counters to these arguments put forward by the IOUs are that there are several outstanding Commission-required changes to bills that are currently in process. In addition, PG&E has expressed concern that this change should be made through a rate design proceeding. These concerns are misplaced. First, the fact that other bill changes are also under way does not exempt the utilities from making Commission-required changes here. Second, the proposed bill change is: (a) applicable to all IOUs equally, and (b) does not require a change in rates. Thus, IOU-specific rate-design proceedings are unsuited to ensuring that the same bill change is applied statewide. Finally, there would be significant delay in implementation should the change be relegated to three separate rate design proceedings, each on its own staggered schedule.

⁹ *Id.* at 119.

CalCCA also reiterates that the Phase 1 Decision contemplates this revision. Current billing practices place CCAs at a competitive disadvantage, contrary to the Legislature’s intent.¹⁰ Accordingly, CalCCA proposes the Commission: (a) mandate that the change be implemented by the end of 2021, and (b) adopt a process for additional working group meetings among the IOUs and stakeholders to further develop the bill design described above and assist in timely implementation of this change.

VI. THE ELIMINATION OF THE LINE LOSS FACTOR CALCULATION IN THE PCIA IS A MAJOR STEP AND REQUIRES FURTHER COMMISSION PROCESS PRIOR TO ADOPTION OR REJECTION

In addition to the specific questions raised in the Scoping Memo, in mid-June the Joint IOUs raised with CalCCA problems with the line loss factor in the PCIA Common Workpaper Template and proposed this issue be addressed as part of Working Group 1. In the Commission’s June 10, 2019 approval of PG&E’s Advice 5527-E and 5527 E-B implementing PG&E’s 2019 ERRA Forecast revenue requirement in compliance with D.19-02-023, the Energy Division encouraged PG&E and CCA parties to address the issue related to the PCIA Common Template. PG&E identified this issue to CalCCA on June 14, 2019 and the Joint IOUs presented their proposals regarding line loss factor calculations shortly before comments were due on June 21, 2019. Those proposals were further detailed in informal party comments.

CalCCA would support making a change to the approved template to eliminate the “arithmetic error” Commission Staff called out in its approval of PG&E’s Advice 5527-E and 5527 E-B. However, the IOUs propose eliminating the line loss calculation from the PCIA altogether. This is not just a simple fix to an erroneous template, and CalCCA opposes the adoption of this proposal at this time. All stakeholders should have an opportunity to consider

¹⁰ See, Senate Bill 790 (Stats. 2011, ch. 599, § 2(h)).

the IOUs' proposal more fully, and Commission action with respect to the IOUs' broader proposal would be premature.

CalCCA proposes that the Commission either: (a) open a separate phase of this proceeding to address the line loss questions the Joint IOUs raise, or, (b) that the Commission invite PG&E to file a petition for modification of any relevant decisions bearing on the inclusion of line losses in the PCIA calculation.

VII. UCAN'S WORKING GROUP GOVERNANCE PROPOSAL

UCAN's governance proposal would impose considerable formality upon a structure that has benefited largely from its informality. With respect to Working Group 1, our experience has been that it is attended by experienced professionals representing longstanding players in Commission proceedings. The process worked well enough that imposing more formality is neither necessary nor desirable. Absent a clearer need for greater governance rules, we suggest that the Commission defer action on UCAN's proposal.

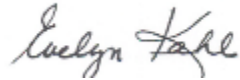
VIII. CONCLUSION

The Final Report indicates areas of non-consensus between the Co-Leads. With respect to these areas of non-consensus, and UCAN's working group governance proposal, the Commission should find as follows:

1. The IOUs should be required to share more information regarding the inputs and assumptions that are applied in each IOU's departing load forecast methodology, and the Commission will adopt an accepted list of inputs and assumptions, which will be applied statewide. Working Group 1 should continue to act as the forum for developing additional modeling parameters, on a schedule to be set by the assigned Commissioner.
2. The IOUs' proposal to impose a mandatory BNI or similar mechanism upon departing load is denied.

3. The IOUs must include a line item on the first page of all customers' bills showing the PCIA charge, and this change must be implemented before the end of 2021. An ongoing forum and process for parties to continue to discuss and implement additional bill presentation improvements will be established.
4. The IOUs' proposal regarding the elimination of the line loss factor from the PCIA calculation is denied without prejudice.
5. UCAN's governance proposal is denied without prejudice.

Respectfully submitted,



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