

Richard M. Rollins, P.E.

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May 22, 2018

President Michael Picker  
Commissioner Carla J. Peterman  
Commissioner Liane M. Randolph  
Commissioner Clifford Rechtschaffen  
Commissioner Martha Guzman-Aceves

Via U.S. Postal Service to:  
Public Advisor's Office –CPUC  
505 Van Ness Ave  
San Francisco, CA 94102

RE: *California Customer Choice: An Evaluation of Regulatory Framework Options for an Evolving Electricity Market* (May 3, 2018 Draft “Green Book”)

President Picker and Commissioners:

I respectfully submit this response to the Commission’s solicitation of public comments on the May 3, 2018 Draft “Green Book”. I urge the Commission to request that the Policy and Planning Division revise the Green Book to respond to the comments below:

**General Comments**

1. The stated mission of the Green Book is to “aid the CPUC in making strategic, timely and informed decisions regarding California’s current electricity market transformation”. This mission is identified in the context of California’s policy objectives of “affordability, decarbonization, and reliability”. However, this draft ignores the most important contextual question of all: **If the CPUC’s relationship with IOUs and ratepayers is currently addressing the objectives of affordability, decarbonization, and reliability, why are ratepayers abandoning the IOUs in favor of alternatives?** This draft document was created to advance the discussion of a new policy/regulatory framework for California and never once asks or answers the question: **What do ratepayers want?**

**Specific Comments**

1. **Page 5, California Customer Choice Project, last paragraph, ...research on other markets...:** What is missing in the draft is a detailed analysis of the California market and of other ESPs, especially CCAs, which are the largest and fastest growing destination for ratepayers leaving the

IOUs in California. This is a glaring omission since much of the Commission’s concern appears to stem from migration from IOUs to CCAs. **In the context of shaping a new policy/regulatory model in California the Green Book must review the capabilities of the CCAs; the degree to which CCAs are supporting the principles of affordability, decarbonization, and reliability; and the ratepayer issues that are fueling the migration from IOUs to CCAs. With estimates that 85% of the load will be served by non-IOU ESPs and CCAs by 2025, any plan to revise the policy/regulatory model in California without carefully considering CCA capabilities is unforgivably flawed.**

2. **Page 5, Fundamental Questions for Policy Makers and Stakeholders to Inform Future Action:** The draft Green Book is structured to focus policy maker attention on several questions. Missing from this framing for are four related and important questions that must be asked and answered for the Green Book to fully serve its purpose as an aid to the CPUC:
  - a. **What is motivating local governments to form as CCAs in order to gain control of power procurement and rates?**
  - b. **What can CCAs do better, more effectively, and at less cost than the IOUs?**
  - c. **What can the IOUs do better, more effectively, and at less cost than CCAs?**
  - d. **How can a new policy/regulatory model optimize the differing strengths of IOUs and CCAs?**
  
3. **Page 6, Fundamental Questions for Policy Makers and Stakeholders to Inform Future Action, ...investment and operational certainty to address reliability and resiliency:** During the California Energy Crisis, the state stepped in and used its credit rating to purchase power and prevent the bankruptcy of PG&E. **The Green Book and subsequent discussion should consider similar emergency funding by the state in the context of the trend toward disaggregation of power purchase responsibilities. Similarly, as IOUs struggle to maintain a credit rating that provides them with affordable access to capital for catastrophic emergency repairs, the financial “backstop” could be the State of California. These possible solutions should be presented in the Green Book.**
  
4. **Page 16 and 17, Guaranteeing Grid Reliability:** This concern was addressed in the Nov. 28, 2017 California Alliance for Community Energy comment letter: “CCAs already participate in the current system of integrated resource planning, albeit in a manner consistent with obligations to their governing boards. If the Commission determines that changes are needed to the IRP process to ensure system-wide efficiency, the Community Choice programs are ready to participate.”

CalCCA also spoke at length to the issue of reliability in their written comment on the Oct 31, 2017 workshop.

It appears that perceptions of grid reliability are influenced by the lack of comprehensive models that demonstrate that RA is being addressed. The goals for folding RA into IRP, required by PUC Code 454.52(a)(1), will address this combined issue of RA and IRP. **CAISO, CEC, and CPUC are**

creating models that largely address this issue; an update on such modeling progress and its ability to address grid reliability must be included in the Green Book. See, for example, the following two links: (1) [Integrated Resource Planning: Addressing Grid Operational Issues \(5/12/17 Power Point presentation\)](#) (2) [Unified Resource Adequacy and Integrated Resource Plan Inputs and Assumptions \(Feb 20, 2018\)](#)

5. **Page 19, Role of IOUs:** The anticipated (and required) changing role of IOUs must respond to an evaluation of what they are doing well and what they are not. There are reasons that ratepayers are migrating from IOUs to other power providers and these reasons must form part of the basis by which new responsibilities can be assigned to the IOUs. **This Green Book must include such an evaluation of IOU past performance and capability related to Provider of Last Resort, IOU financing of CPUC assigned programs (DER procurement, electric vehicles, energy efficiency, rooftop solar, storage mandates,) Public Programs Administration, Operation/Maintenance of Transmission and Distribution Grid, etc.**

6. **Page 24, Key Questions and Attributes #8, impact and benefit to local communities:** An unregulated or poorly regulated for-profit corporation will often value shareholder profit above benefit to community. This results because many impacts and benefits are difficult to translate to purely financial metrics. Similarly, when corporation profit is distributed, much of the profit ends up outside of the communities most impacted by the very means that profit is generated. **The Green Book and resulting discussion should recognize and consider non-monetary impacts and benefits to California communities. Such consideration should ask: What delivery model maximizes local benefit?**

A control/delivery model that allows ratepayer funds to be sent out of state to buy power and similarly allows for-profit IOUs to extract profit from local communities must be recognized as less valuable to California communities than a local provider that provides in-state jobs, returns profits (or surplus) to communities via Public Programs, and supports local economic development. Cost of power and resultant rates are not the only determinants of “affordability”. **How can the new California policy/regulatory model promote and ensure that impacts to California communities are minimized and benefits maximized?**

7. **Page 25, What is Customer Choice? The Green Book must include discussion of transparency in presentation of choice options to ratepayers.** Intermingled within the three bullet points of this section are unstated but very important aspects of choice that might be summarized as: Where does ratepayer money go? Many ratepayers feel significant resentment toward the CPUC and IOUs as they watch their money leave their communities and land in deep corporate pockets or distant shareholder bank accounts. **How will the new policy/regulatory model assist ratepayers in learning where their ratepayer money goes and what benefits are retained locally?** Without this valuable information, Customer Choice is diminished.

8. **Page 26, Customer Segmentation:** This section suggests that understanding ratepayer motivations for exercising their choice is “gaining momentum”. This acknowledgement is wholly

inadequate. **The Green Book must include a thorough and vigorous effort to not only segment the ratepayer motivations but rank the motivations by CCA and ESP community. This Green Book, subsequent discussions, and development of a new policy/regulatory model must be informed by well-developed understanding of why ratepayers are migrating from IOUs to other alternatives. Only by understanding what ratepayers want can the public be well served by the final CPUC decision regarding the issues addressed in the Green Book.**

9. **Page 59, Observations & Future Considerations, Question 7, customer level of participation and available information:** It is disappointing that the authors of the draft Green Book only suggest the Power Content Label as sufficient information to inform ratepayers. **Truly informed decisions can only be made with a full spectrum of related information such as metrics indicating degree of local control, local development, DER procurement, local generation procurement, storage procurement, etc.**

10. **Page 59 and 60, Observations & Future Considerations, Question 8, benefit to local communities:** The draft Green Book is lacking distinction between choices that result in wholesale purchases of power by a local municipal or non-profit agency (who serve as non-profit retailers of electrical power) and those choices that result in procurement from for-profit retail entities that may or may not be local to the customer. This omission obscures and minimizes the non-monetary benefits afforded by local control, local development, and local responsiveness to customer needs and preferences. **The Green Book must present a transparent pro and con discussion regarding the monetary and non-monetary benefits afforded by CCAs, IOUs , and other LSEs.**

Thank you for considering my comments.

Sincerely,

Richard M. Rollins. P.E.

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