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Center for Climate Protection

Responses to Key Questions in Considering Customer Choice

November 28, 2017

Notes:

- Our responses are limited to the “key questions” posed in the CPUC “California Customer Choice Project” handout from the 10/31/17 workshop.
- For all of the following responses, we are addressing the attributes of Community Choice Aggregation

Introduction

The energy sector is evolving toward a decentralized system regardless of the status of the 100 year-old linear, centralized, fossil fuel based system, or the several customer choice models currently in play. Of all the existing customer choice models, the one best suited to providing regulators with appropriate control and authority as the sector evolves is the Community Choice Aggregation model, where local governmental entities remain in control of most decision-making and accountability.

Question 1: How does this choice model ensure consumer protections?

By virtue of the fact that Community Choice agencies (CCAs) are public, not-for-profit agencies governed by local governmental elected officials, they inherently have the same characteristics of consumer protection that any city or county provides with respect to its other constituent products and services such as water service, waste management, policing, and emergency response.

CCAs are closely connected to the communities they serve, and therefore tend to be more accountable, accessible, and transparent.

Question 2: How does this choice model support development and incorporation of innovations driven by customer demand?

CCAs are platforms for innovation. Give that CCAs are by definition smaller than their incumbent utilities, they tend to be more responsive and accountable to community stakeholder input. As public agencies under the Ralph M. Brown open meetings law, members of the public are able to participate in decision-making meetings of the agency.

Many CCAs have formed community advisory committees that feature as members resident customers within their service territories that provide an opportunity to introduce ideas, vet program plans, review proposals, and more.

There are two key elements of CCA law, both of which offer many powerful opportunities for consumer demand-driven innovation. One is that CCAs have decision-making authority over the sources of energy for electricity generation within the requirements of the State's Renewable Portfolio Standard and general law. The other is that CCAs have the authority to set and/or design their own rates and rate structures.

In the case of decision-making about energy sources, a CCA can rapidly increase the percentage of renewables in the power mix beyond the state mandate. CCAs' relatively brief operational track record demonstrates that they are doing this. Utilizing this role, CCAs can also spur development of renewable resources, generate economic stimulus and jobs.

In principle, rate-setting authority in a not-for-profit public agency setting allows for a significant competitive advantage relative to the incumbent, profit-driven utility enabling the lowering of rates to CCA customers.¹ It also allows for the accrual of net revenue that in reserve that can be used to keep rates stable and can be borrowed against as well as expended to enhance the CCA program.

CCAs are also well-positioned to:

1. Develop innovative programs that make use of having access to load data
2. Aggregating customers and/or projects and/or purchasing to achieve scale that enables projects, programs, or purchases that might otherwise not be feasible
3. Be responsive to customer input through a public process where decision-making is done by local government accountable to its constituents
4. Elect to manage public benefit funds collected by the incumbent grid owner via all electricity bills for use in administering energy efficiency programs
5. Apply for grant funding available to governmental agencies
6. Issue revenue bonds to help meet the broad spectrum of CCA goals and mandates, including the finance of renewable energy program development²

But that is not the end of the story. CCAs can also:

1. Develop innovative Integrated Distributed Energy Resource (IDER) programs to advance energy efficiency in the home and workplace, discontinue the use of non-renewable fuel sources through fuel-switching, and spur the use of electric vehicles.
2. Help ensure that all segments of society meet GHG reduction goals by providing special assistance to historically disadvantaged communities above and beyond the basic programs available via the incumbent utility
3. Offer incentives to encourage energy conservation or to buy down the cost of a clean energy technology

¹ It is important to note that rules for determination of "exit fees" charged by the for-profit utility are not settled and carry the risk of canceling the advantage CCAs have of inherently lower operating costs.

² Technical feasibility of this capacity depends on the financial stability and credit-worthiness of the CCA, which can take differing amounts of time to achieve depending on rate-setting contingencies.

4. Build and own local energy assets of any kind, including generation, storage, etc.
5. Undertake or participate with other agencies in testing of promising energy related technologies that serve the goal of GHG reduction such as biogas electricity generation from agricultural and foodstuff waste products
6. Support integration of energy services with relevant water, transportation, waste management, or other local sector activity that involves energy/community benefit
7. Lead and coordinate a widespread public education campaign around the issues of climate change and its threat to the biosphere

One open question is whether current statutory authority needs to be reviewed and expanded in light of the critical and expanding role CCAs will need to take if state policy goals are to be achieved.

Question 3: Does this choice model ensure universal electric service?

Yes, by statute. See:

https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=366.2&lawCode=PUC

366.2(a)(5)(b) If a public agency seeks to serve as a community choice aggregator, it shall offer the opportunity to purchase electricity to all residential customers within its jurisdiction.

Question 4: How does the choice model leverage investment necessary to finance the evolution of the electric grid?

The evolution of the electric grid is toward a decentralized model. CCAs are inherently more focused on decentralized or localized system at the distribution level. First and foremost CCAs leverage investment in a decentralized grid by accruing funds (net revenue) that would otherwise go toward shareholder dividends in the regulated monopoly model. These billions of dollars over time can and are being be invested in IDER infrastructure within their service territories. Secondly, projects and programs are emerging in more than one CCA service territory where state and federal funds are being leveraged for projects that advance IDER. Additionally, CCAs are collaborating with other agencies to leverage expertise and resources that advance local energy resource development. Other examples may exist.

Question 5: How does this choice model consider the transition of utility obligations?

Much of this is specified in the California Public Utilities Code. As CCAs serve a greater percentage of the load, changes may be needed to ensure that obligations historically met by regulated monopoly utilities are met by the new local not-for-profit CCA service providers.

Two pieces of legislation make CCA possible in California and address obligations that must be met in order to serve customers: [AB 117](#) (Migden, 2002) and [SB 790](#) (Leno, 2011). AB 117 established CCA and SB 790 strengthened it by creating a “code of conduct” that the incumbent

utilities must adhere to in their activities relative to CCA. CCA law, [Assembly Bill 117](#) (Migden), enacted in 2002, can be found in the California Public Utilities Code sections [331.1](#), [381.1](#), [707](#) and [Code Sections 360 through 380.5](#).

Question 6: Does this choice model have competitively neutral rules among market participants?

CCAs operate under the rules delineated in statute. Recognizing the enormous power of incumbency, the longstanding public presence and “name recognition” in the marketplace, and deep financial and legal resources on the part of the regulated monopoly utilities, the legislature acted in 2011 to provide some balance when it enacted SB 790 to help ensure a more level playing field in the marketplace for CCAs and emerging CCAs vis a vis their incumbent utilities.

Question 7: Can customers determine their level of participation and are they informed to participate at their desired level?

Yes. All nine currently operational (serving customers) CCAs provide their customers with ample access to information about their options via the respective CCA websites, legally mandated communications via U.S. postal service, bill inserts, constituent letters, public facing events, public meetings, and more.

Question 8: How does this choice model impact and benefit local communities?

CCA stands alone in this regard. CCAs are formed by and for local communities themselves, with their own values and interests at the core of everything they do.

Customer Choice: First and foremost, CCAs by definition and name necessarily offer communities enhanced consumer choice. The first choice is between the CCA and the IOU, and beyond that, most CCAs offer further options among their own products and services, such as optional 100% renewable power mix or a share in a community solar deployment.

Rates: In all cases, CCAs have endeavored to keep rates as low as possible, at least competitive, and in many cases, lower than the incumbent utility. Over time, as legacy renewables are paid of via the PCIA or mechanism TBD, the delta between IOU and CCA rates should increase in favor of CCA customers.

Local Economy: CCAs redirect an existing revenue stream in the millions or tens of millions annually to the control and decision-making of the local agency. This aspect of CCA is a powerful boost to local economies. Although most of those dollars are spent to procure electricity for customers and maintain operations, revenues rapidly accrue and can be spent on local public benefit programs. This is what is indeed happening with the nine operational CCAs.

Jobs: There are many opportunities for CCAs to create jobs beyond those necessary to staff their operation. CCAs can prioritize local IDER development, energy efficiency, renewable generation, electric vehicle deployment, and other projects and programs that generate employment.

Local Air Quality: CCAs are actively supporting the electrification of transportation. This fact offers near term air quality improvement benefits to local communities, in addition to helping the state achieve its policy goals by reducing greenhouse gas emissions.

Local private sector opportunities: There are many products and services that CCAs require both energy related and non-energy related. The private sector in the local communities served by CCAs have been benefitting from this fact.

There are many more ways that CCAs are benefiting their local communities. By virtue of the fact that they are smaller, more nimble, quicker to respond to needs, CCAs serve their communities in ways that the IOUs have never been able to. In addition, given their close relationship to, or being one and the same as (in the case of single-jurisdiction CCAs) local governments, CCAs have the unique ability to collaborate on code design and enforcement, permitting, local transportation planning, and other local governmental activities.

Additional information about all of the above can be found at www.cleanpowerexchange.org

For questions regarding these comments please contact:

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