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TO: CPUC's "California Customer Choice project" Steering Committee and staff  
FROM: San Diego Energy District, Directors and Advisors (please see list, page 5)  
DATE: November 28, 2017  
RE: **SDED Comments on "Customer Choice in California"**

The Board and Advisors of the San Diego Energy District (SDED) appreciate the work of the Commission's staff and advisors to evaluate the status of customer choice in California. We participated (virtually) in the October 31 "Informal Public Workshop on California Customer Choice" and found the presentations informative and the stakeholder presentations, questions and answers, instructive.

We welcome this opportunity to submit comments. While these do not respond directly to the Project's questions, we trust you will find our opinion on many of those points woven into our general comments.

- 1.0 Most importantly, the "NorthStar" of this effort is not "Choice" per se.** We object to the framing of this Project, with its assumption that some additional degree of Choice is needed. Rather, in our opinion the central focus should be on identifying the best, fastest most effective way to realize the State's policy objectives: Affordability, Decarbonization and Reliability.<sup>1</sup>
- 2.0 Our central point: Community Choice model is an appropriate and successful model of choice. It should be maintained and encouraged to grow.** California's current Community Choice framework represents a workable balance – with choice and affordability accountable to local electeds, and reliability and integrated planning ensured system-wide by the Commission, CCAs have proven a powerful tool for realizing the decarbonization objectives sought by the State and its communities alike.
  - **The current Community Choice model is a successful and appropriate vehicle for customer choice.** Within CCAs, the customers who want choices have them, yet in a framework that ensures stable, possibly lower rates, transparency, customer service and support, adequate reliability and long-term planning *and* a mechanism to buffer customers against unanticipated price shocks. In jurisdictions that have not yet experienced public interest in choice, the current legislative framework allows a community's elected leaders to pursue that option when public support reaches a threshold level.
  - **Community Choice has already been chosen by over 3 million California customers.** The nine operating CCAs serve 1.2 million; an additional 1.9 million customers will be covered by Choice programs launching in 2018. In each case, the

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<sup>1</sup> We address below the need for three additional principles to guide consideration of any changes in the structure of California's electricity markets.

CCA has been formed because the community, speaking through its elected representatives, has affirmatively chosen to do so.

**3.0 Community Choice programs are superior vehicles for realizing State policy objectives.** Even though most operational CCAs are under 1-2 years old, the majority have already made strategic commitments that testify to their intentions to exceed State targets in many key areas:

- **Community Choice programs are already meeting and exceeding State RPS and greenhouse gas reduction targets.** Virtually all operating CCAs offer default products that exceed the IOUs' offerings in renewable energy content. CCAs have invested over \$1B in the construction of new renewable energy projects, the majority under project labor agreements.<sup>2</sup>
- **Community Choice programs are already moving aggressively to decarbonize the transportation sector.** Sonoma Clean Power and Lancaster Choice Energy have already launched innovative initiatives to incentivize customer participation in electric buses, EV charging and EV purchases.
- **Community Choice programs are already incorporating local resiliency into their short- and long-term planning.** The most recent examples come from MCE and Sonoma Clean Power, where CCA managers are helping rebuild after devastating fires while ensuring resiliency and rapid recovery from future disasters. In Placer County, Pioneer Community Energy expects to launch with a commitment to utilizing local biomass as a means of prospectively addressing the community's fire risks.
- **Community Choice programs are more flexible and responsive to their customers than other LSEs.** In their short history, Choice programs have proven themselves more innovative and nimble than any IOU. CCAs can partner with new entrants to spur product innovation, and already Community Choice customers enjoy greater security via CCAs than the “here today, gone tomorrow” history of LSEs in deregulated markets.

**4.0 Community Choice programs are ready to accept and fulfill obligations to ensure system integrity.**

- **Provider of Last Resort (POLR).** During the 10/31 workshop, Jan Pepper, CEO of Peninsula Clean Energy, and representative of the CCA community, spoke to the willingness of Choice programs to take on POLR obligations. As municipal utilities have long carried this responsibility toward their customers, she said, so too can Choice programs.
- **System-wide Integrated Resource Planning.** CCAs already participate in the current system of integrated resource planning, albeit in a manner consistent with obligations

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<sup>2</sup> Source: Cal-CCA.org



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to their governing boards. If the Commission determines that changes are needed to the IRP process to ensure system-wide efficiency, the CCAs are ready to participate.

- **Paying our “fair share” is a principle.** The IOUs are organizing statewide to claim that “someone is not paying their fair share”, while the CPUC has yet to determine what is “fair”. States with deregulated markets have treated stranded costs as a “one-time” cost, by determining a transparent final accounting of “stranded” value. These costs are then allocated to all market participants. The point: stranded costs must come to an end. It is not fair to force CCA customers to pay for IOU procurement that accumulates once customers have exercised their choice and communities have given their notice to launch.
- **Access for new entrants.** Innovative technology and product developers spoke 10/31 about the data access prerequisite to bringing new product offerings into CA. Data access remains a barrier to the innovation retail market advocates seek. Except, of course, where CCAs have partnered with innovative product companies to bring new technologies and jobs to the CCA's geography – as Lancaster Choice Energy has done with BYD Industries, bringing clean electric buses and a new employer to the City of Lancaster.
- **Burdensome processes.** Some commenters complain that, with more and more players in every proceeding (pointing to the growing numbers of CCAs), the volume, length and complexity of regulatory proceedings is getting even worse. Community choice advocates counter that having more voices and more diverse perspectives at the table is a good thing. Each Choice community has its own complexion of demographics, load, issues and imperatives. Using all of these voices, whether directly or through their collective representation ala Cal-CCA, provides a richer debate, a more fulsome exploration of the options and better, more customer-centric resolutions. Which is, we contend, the point.

## 5.0 Customers are not clamoring for “retail choice” in California.

- **Residential customers don't care that much.** The results presented 10/31 from Texas and the United Kingdom showed low levels of residential customer engagement. In both markets, presenters acknowledged that true rates of “shopping” are lower than anticipated.
- **C&I customers appear neutral.** During the 10/31 workshop, Wal-Mart and Whole Foods shared their views. Both national companies, both with many commercial locations in California, both companies take service from both CCAs and IOUs, and both have considerable self-generation. Both said essentially the same thing – we're happy with the system as it is. Both seemed happy with the degree of flexibility they have, to self-procure, self-generate, and to realize via their current market participation the price signals they need to appropriately value prospective decisions.

- **Many stakeholders urged great caution.** Many harkened back to CA's previous experiment with “retail choice” and recalled the dangers of running too quickly toward a panacea of “open markets”. Others expressed skepticism about whether any change is needed at all. Still others urged thoughtful deliberation, caution and long transition periods, with phase-in and grandfathering – *if* additional customer choice is deemed necessary at all.
- **California's emphasis on decarbonization is unique.** California policy has set decarbonization as a goal; no other Choice models have done so. California's Community Choice programs have already demonstrated more capacity to decarbonize electricity, transportation and buildings than any other electric market participant. CCAs are practicing a “clean, thoughtful disruption” of the current electricity system, all driven by and accountable to their communities.

**6.0 Guiding Principles for Customer Choice** – We agree with the creation of Guiding Principles, against which to evaluate decisions regarding “customer choice”. Even if, as we argue, the final decision is to tweak the current structure, not implement any dramatic change.

- We agree that “**Affordability, Decarbonization and Reliability**” are three essential core policy objectives for electric sector regulation. We submit that three additional principles need to be equally enshrined in all elements of this process.
- “**Equity**” –
  - Equity of consideration – The CPUC's regulatory role was designed around the model of three regulated utilities. That “default” must be set aside to provide all emerging market players with equal process and consideration.
  - Equity of access – For example, all market participants must have equal access to the same information, including that which underpins the costs shifted to other parties.
  - Equity of impact – For example, the bonding requirements imposed on Choice programs should be applied proportionally to all LSEs.
- “**Transparency**” – Participation in a public process requires public disclosure of critical information, including accurate details of prices, costs and other competitive information.
  - As public entities, CCAs already demonstrate transparency in both governance and operations. Procurement and other contracts, for example, are subject to public review during the CCA governance process.
  - As regulated entities, IOUs disclose as required in proceedings but stop short of transparency in contracting. Transparency and disclosure by all players is essential in rate-making processes like the PCIA.



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- **“Accountability”** –
  - Playing by fair rules – The CPUC's role over the electricity market includes ensuring a level playing field among all players and that all players play by the rules governing them.
  - Standard disclosures – For markets to be fair, customers must be able to understand their options. Clear, comparable disclosures of pricing, portfolio sources and emissions, and other critical customer terms are essential.

**Bottom line:** In our view, the current system is not broken. The transition to a more innovative and flexible market, responsive to customer needs and system requirements, is well underway and should be supported and continued. The “California Model” is evolving as customers vote through their community leaders to launch Community Choice programs. Any perceived issues should be fixed through present and future proceedings, with the expanding pool of providers fully participating.

Respectfully submitted,

Erika Morgan, Executive Director, San Diego Energy District

Lane Sharman, Chair

Susan Davison, Director

Jamie Edmonds, Director

Jay Klopfenstein, Director

Rick Brown, Advisor

Michael Hetz, Advisor

Copies to:

“CA Customer Choice Project” [customerchoice@cpuc.ca.gov](mailto:customerchoice@cpuc.ca.gov)

Commission President Michael Picker [MP6@cpuc.ca.gov](mailto:MP6@cpuc.ca.gov) ; [michael.picker@cpuc.ca.gov](mailto:michael.picker@cpuc.ca.gov)

Commissioner Carla J. Peterman [cap@cpuc.ca.gov](mailto:cap@cpuc.ca.gov); [carla.peterman@cpuc.ca.gov](mailto:carla.peterman@cpuc.ca.gov)

Commissioner Liane M. Randolph [lr1@cpuc.ca.gov](mailto:lr1@cpuc.ca.gov); [liane.randolph@cpuc.ca.gov](mailto:liane.randolph@cpuc.ca.gov)

Commissioner Martha Guzman Aceves [martha.guzman-aceves@cpuc.ca.gov](mailto:martha.guzman-aceves@cpuc.ca.gov)

Commissioner Clifford Rechtschaffen [clifford.rechtschaffen@cpuc.ca.gov](mailto:clifford.rechtschaffen@cpuc.ca.gov)

Timothy Sullivan, Executive Director, CPUC [timothy.sullivan@cpuc.ca.gov](mailto:timothy.sullivan@cpuc.ca.gov)

Edward Randolph, Energy Division Director, CPUC [edward.randolph@cpuc.ca.gov](mailto:edward.randolph@cpuc.ca.gov)



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Energy Division, [edtariffunit@cpuc.ca.gov](mailto:edtariffunit@cpuc.ca.gov)

Will Maguire, Energy Division, CPUC [wm4@cpuc.ca.gov](mailto:wm4@cpuc.ca.gov)

Jonathan Tom, Energy Division, CPUC, [jpt@cpuc.ca.gov](mailto:jpt@cpuc.ca.gov)

Public Advisor, CPUC [public.advisor@cpuc.ca.gov](mailto:public.advisor@cpuc.ca.gov)