TO: SCCBC Government Affairs and Infrastructure Committees

FROM: SCCBC Staff; Joe Foster, Representative for Board Member PG&E

RE: Joining the 'Californians for Equitable Energy Choice' Coalition

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Background:

In 2002 California passed Assembly Bill 117 which enabled the creation of Community Choice Aggregation programs (CCAs) throughout the state. Community Choice Aggregation is when a public entity creates a special utility district that can compete in distributing power to a specific area.

Currently power is distributed throughout California by both public and private utilities, like Pacific Gas and Electric, but the utilities generally don't compete with one another. Private companies were given a "natural" monopoly over a defined area in exchange for fronting the capital necessary to build out and maintain the power grid. However, as part of California's pursuit of more renewable energy sources, including the adoption of Assembly Bill 32: the Global Warming Solutions Act – which mandated that a certain percentage of the State's energy come from renewable sources by specific dates (2020, 2030, 2050) – the legislature allowed for the creation of CCAs.

CCAs are created by local governments through forming a utility district that can then purchase electricity. Consumers in that area can then choose to either remain with the private utility, or opt in to joining the CCA, which may offer a higher percentage of renewable energy. The prices for different blends of energy (natural gas, nuclear, coal, solar, etc.) purchased by CCA are then subject to a public process, allowing input of what types of power the CCA should be purchasing.

Currently Marin, Sonoma, and Napa Counties have adopted CCAs, with more cities like San Francisco and Berkeley pursuing the idea. Santa Cruz County and all of its incorporated Cities have voted to join the newly created Monterey Bay Clean Power CCA, which is spread across Monterey, San Benito and Santa Cruz Counties.

The problem that has arisen, which has drawn in the private utilities, is that many of these companies have purchased power far in advance with the understanding that they would have a certain number of customers to distribute to. CCAs may take some of these customers away from these private utilities, forcing them to raise prices on their other ratepayers. Additionally, CCAs can purchase energy at a cheaper rate because they are not wholly responsible for the infrastructure that distributes said energy, again forcing private utilities to cover costs elsewhere. Now the private utilities can and do charge a usage fee for use of the infrastructure (Power

Charge Indifference Adjustment - PCIA), but they are highly regulated as to what is “fair,” and are subject to formulas that may not be as responsive to the market price of certain energy sources.

The coalition called “Californians for Equitable Energy Choice” seeks to find a fair way to deal with these cost differences, so that non-CCA customers are not unfairly burdened with rate increases to make up for the difference in purchasing ability.

Discussion:

Shall the Business Council join the “Californians for Equitable Energy Choice” Coalition?

The CEEC is made up of Pacific Gas and Electric, Southern California Edison, and San Diego Gas and Electric. Together they issued a release talking about why they decided to create this coalition, which you can read here.[1]

In the release the group advocates to switch to a “Portfolio Allocation Methodology” instead of the PCIA model for cost sharing, but doesn’t get into specifics. This methodology is summarized as:

The Portfolio Allocation Methodology will replace the PCIA with a system that supports continued CCA growth without burdening other customers. The new PAM proposal:

- Prepares for even more CCAs in the future by allocating resource adequacy and renewable energy credits to the CCAs to start or enhance their portfolios
- Improves upon the current system by eliminating cost estimates, replacing it with actual costs of energy resources
- Enables true-up forecasts so customer costs reflect actual energy prices
- Ensures that low-income customers are treated fairly and aren't disproportionately impacted by the evolving energy landscape over the next decade or longer
- Protects customers who choose to remain with their energy company from paying much more than their fair share

You can read the full release here.[2]

Additional resources:
PG&E presentation to CPUC:
http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M183/K956/183956621.PDF

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[1] https://www.pge.com/en/about/newsroom/newsdetails/index.page?title=20170425_pge_and_other_california_energy_companies_propose_reforms_to_support_the_states_clean_energy_goals_protect_customer_choice_and_ensure_customer_equality_

[2] http://pgera.azurewebsites.net/Regulation/ValidateDocAccess?docID=408985

GovTech Article on Power Charge Indifference Adjustments:
http://www.govtech.com/fs/California-PC-Allows-States-Largest-Utility-to-Charge-Customers-More-for-Joining-CCAs.html

Recommendation:

The Santa Cruz County Business Council Government Affairs and Infrastructure Committees provide feedback and a recommendation to the Board of Directors to join or not join the Californians for Equitable Energy Choice Coalition