



To: LEAN Energy Clients:
Central Coast Clean Power (Santa Barbara County as lead)
Contra Costa County
East Bay Community Energy
Monterey Bay Community Power (Santa Cruz County as lead)
Redwood Coast Energy Authority
Peninsula Clean Energy
Silicon Valley Clean Energy
Valley Clean Energy Alliance

From: Steve McCarty, Regulatory Consultant, LEAN Energy US
Cc: Shawn Marshall, Executive Director
Date: May 2, 2017
Subject: Regulatory Update #10, March-April, 2017

Each month, LEAN focuses on the key regulatory activities likely to have broad impact on the CCA community. This memo provides an update on key CPUC proceeding developments in the past month and covers priority topics including, but not limited to PCIA reform, General Rate Case, Residential Rate Rulemaking, Integrated Resource Planning, and CCA Bond requirements.¹

CPUC DEVELOPMENTS

Joint CPUC CEC En Banc Meeting: Friday, May 19th at Cal-EPA in Sacramento, CA

To Do:

LEAN Energy will distribute a copy of the staff white paper on retail electric choice when it becomes available, and will send out a summary of this meeting and will monitor any CPUC or CEC developments that result from this En Banc.

Issues:

As reported last month, the CPUC held a well-attended En Banc on February 1st. On April 11, the CPUC and the California Energy Commission (CEC) announced that they will hold a joint *En Banc* hearing on May 19 at the Cal EPA building in Sacramento with Commissioners of both agencies attending to discuss the changing state of retail electric choice in California.

¹This monthly memo is designed to provide LEAN's clients with a current snapshot of key regulatory activities related to CCA to help them make informed decisions about whether and how to engage in the regulatory and legislative process during their program formation and early operations. It is not a comprehensive inventory of all the regulatory and statutory requirements impacting operational CCAs. Regulatory and statutory compliance requires a much more comprehensive inventory than the subset of activities described herein and must be tailored to the specific circumstances of each CCA.

The Commission notes that by the end of this year, 40 percent of California's investor-owned electric utility customers will be receiving some type of electricity service from an alternative source and/or provider, such as CCAs, rooftop solar, or Direct Access providers and that this number is expected to grow to more than 80 percent by the middle of the next decade.

The goal of this joint En Banc is to identify and begin to develop an understanding of the challenges and opportunities that the CPUC and the CEC must address as a result of these changes. Staff will be issuing a white paper prior to the meeting.

The preliminary agenda includes:

- Staff Presentation on Retail Choice White Paper
- State of Customer Choice in California
- Panel Discussion: IOU Perspective on Current State of Retail Electricity Market and Coming Changes
- Panel Discussion: What Customers Want
- Thought Leaders and the Future of Retail Electricity Service
- Impressions and Reflections from CPUC, California Energy Commission and Legislature

It is our understanding that seats for this event are fully subscribed. However, an overflow room will be available. Visit <http://www.cpuc.ca.gov/retailchoiceenbanc> to pre-register. To watch the live stream from your computer, log on at <http://video.calepa.ca.gov>

No official CPUC or California Energy Commission action will be taken at this meeting.

KEY REGULATORY CASE DEVELOPMENTS

PCIA Working Group

To Do:

LEAN will report on next steps as the Commission responds to the working group report, utility joint proposal, and consolidation of the ERRA proceedings to the current PCIA methodology.

Issues:

On April 5, SCE filed the final working group report on behalf of the entire working group. A copy of that report was attached to last month's memo. The working group documented a number of issues with the current method of calculating the PCIA, a description of the PCIA calculation process, and a list of ideas to improve transparency and predictability. Participants identified several alternatives to the current PCIA: (1) the Portfolio Allocation Method (PAM), which we have reported on before, supported by the IOUs, (2) a lump sum buy out for CCAs and ESPs, and (3) assignment of individual IOU contracts to Load Serving Entities (LSEs). On April 5, Joint IOUs and CCA Parties also filed a Petition for Modification of D.06-07-030 to direct the IOUs to include a common PCIA calculation workpaper template in their ERRA applications. Responses to Petitions for Modification are due May 5th.

On April 25, the IOUs filed a [Joint Application](#) with [Testimony](#) for approval of SCE's Portfolio Allocation Methodology (PAM). A copy of the application is attached. Responses to PAM Application are due May 30th.

Also, in each of the IOU's 2017 ERRA proceedings, parties disputed the termination of the PCIA and retirement of the negative indifference amount for pre-2009 DA customers following the expiration of DWR contracts. The Commission

deferred the issues to a consolidated second phase for 2017, in an effort to treat the associated indifference amounts consistently. We are awaiting consolidation for the 2017 ERRA proceedings.

Status:

LEAN is monitoring this proceeding.

PG&E’s Diablo Canyon Power Plant Closure

To Do:

LEAN will continue to monitor this proceeding.

https://apps.cpuc.ca.gov/apex/f?p=401:56:0::NO:RP,57,RIR:P5_PROCEEDING_SELECT:A1608006

Issues:

As we reported last month, on February 27, PG&E announced that after reviewing opening testimony by intervenors on the Diablo Canyon replacement proposal, PG&E withdrew the Diablo Canyon Tranches #2 and #3 replacement proposals, as well as the proposal to implement the “Clean Energy Charge” to recover the costs associated with Tranches #2 and #3. PG&E’s withdrawal of its Tranch 2 and Tranch 3 proposal left as major issues in the case: its Tranch 1 proposal that additional energy efficiency investments (\$1.3 billion through 2025, and additional costs for employee retention, community impact payments, and plant relicensing costs.

Next Steps:

- Evidentiary Hearings: April 19-29, 2017
- Briefs: May 26, 2017
- Reply Briefs/Record submitted: June 9, 2017

CCA Bond Requirements

To Do:

LEAN will monitor this proceeding.

Issues:

As reported last month, on January 30th, ALJ Anne Simon issued a ruling in A.03-10-003 that addresses issues related to the bond required of CCAs pursuant to Pub. Util. Code Section 394.25 that requires the CCA to post bonds to cover the costs of involuntary re-entry fees of CCA customers to bundled IOU service. On April 5, a workshop was held at the CPUC to address a number of questions raised by the ALJ in her ruling.

Next Steps:

EVENT	DATE
Post-workshop comments filed and served	April 24, 2017
Opening Testimony/Proposals served	July 7, 2017
Rebuttal Testimony served	August 4, 2017
Evidentiary Hearings	September 12-13, 2017 Commission Courtroom 505 Van Ness Avenue San Francisco, California

Closing Briefs	October 4, 2017
Reply Briefs	October 25, 2017
Any Requests for Final Oral Argument	Concurrent with Closing Briefs

Status:

LEAN is monitoring this proceeding.

SDG&E request to establish a Marketing Affiliate (Advice Letter 2822-E)

To Do:

Join with other parties in supporting CalCCA's letter to the Commission asking for full Commission review of the Advice Letter and an Order to Show Cause.

Issue:

On January 27th, SDG&E filed compliance plan Advice Letter 3053 to enable its Independent Marketing Division (IMD). On February 16th, LEAN joined with other parties in protesting this latest advice letter on grounds similar to our earlier objections. On April 6, the Energy Division issued a Disposition Letter approving AL 3035. On April 17, CalCCA sent a letter to the Commission requesting full Commission review of the Disposition Letter, and reiterating an earlier request for an Order to Show Cause regarding lobbying activity by SDG&E/Sempra before the Advice Letter was approved.

Status:

LEAN is monitoring this proceeding.

CPUC Resolution E-4805

To Do:

LEAN will monitor developments of new Tree Mortality Nonbypassable Charge and advise accordingly.

Issues:

There is no change from last month. We are still awaiting a ruling establishing the scope of issues and possibly a hearing scheduled.

Status:

LEAN is monitoring this proceeding.

PG&E General Rate Case (GRC) Phase 2 (A.16-06-013)

PG&E's Phase 2 Application is used to determine where the revenue requirement will be allocated among all customer classes and where new rate designs will be considered.

To Do:

LEAN is monitoring this proceeding. Consider intervening in this case.

Issues:

ORA filed testimony last week. Other parties filed testimony on March 15th. Hearings are scheduled for late May and early June. The earliest that rates are expected to change from this proceeding is in the fourth quarter of 2018.

Status:

LEAN is monitoring this proceeding and will send out a summary of issues in our next report.

Residential Rate Rulemaking (R.12-06-013)

To Do:

LEAN will monitor developments in this proceeding and advise accordingly. Consider joining CCA Parties in asking that TOU Marketing, Education and Outreach (ME&O) costs be allocated to generation rates.

Issues:

On April 5, Draft Resolutions for SCE and SDG&E's Default TOU Pilots were issued. Under the resolutions, 400,000 SCE customers and 120,000 SDG&E customers would be defaulted to TOU rates in March of 2018. A draft resolution on PG&E's pilot is expected soon. On April 14, SCE filed an Application and Testimony to approve its Default TOU rates for residential customers. Starting in the fourth quarter of 2018, a limited number of customers would be put on TOU rates.

Also on April 14, a ruling was issued accelerating consideration of implementing the statewide ME&O for the TOU rollout and inviting comments regarding an ME&O consultant. CCA parties are considering a joint response, emphasizing the need to apply TOU-related ME&O costs through generation rates. Opening comments are due April 24 and Reply Comments May 5.

Integrated Resource Planning (IRP) R.16-02-007):

To Do:

Consider forming a working group to address CCA IRP issues. Review the following link for background on the proceeding and access the staff whitepaper: <http://www.cpuc.ca.gov/LTPP>

Issues:

The CPUC is expected to issue their proposal on the IRP planning process this week. This will be followed by a workshop, and parties will have an opportunity for formal comments. Then, the Commission will formally adopt a planning process. As of now, a Proposed Decision adopting guidance for the 2017 IRP filings is expected in August of this year.

Status:

LEAN is monitoring this proceeding.