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BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Adoption of Electric Revenue Requirements and Rates Associated with its 2015 Energy Resource Recovery Account (ERRA) and Generation Non-Bypassable Charges Forecast (U 39 E)	Application 14-05-024 (Filed May 30, 2014)
Expedited Application of Pacific Gas and Electric Company Pursuant to the Commission's Approved Energy Resource Recovery Account (ERRA) Trigger Mechanism (U 39 E)	Application 14-08-023 (Filed August 29, 2014) **CONSOLIDATED**

PHASE 2 WORKSHOP REPORT

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Dated: March 27, 2015

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PHASE 2 WORKSHOP REPORT

Pursuant to the *Administrative Law Judge's Ruling Establishing Second Phase and Amending Scope of the Proceeding* ("Ruling"), issued February 26, 2015, Pacific Gas and Electric Company ("PG&E") respectfully submits this Phase 2 Workshop Report ("Report") regarding the workshop held on March 12, 2015 ("Workshop").

I. WORKSHOP BACKGROUND

The Ruling was issued on the service list in this proceeding as well as the service lists of the following additional proceedings: Application ("A.") 14-04-015, A.14-06-011, A.14-08-002, A.12-02-013, A.12-02-014, and Rulemaking 03-10-003. The Workshop occurred on March 12, 2015 from 1:00 p.m. to 4:00 p.m. in Commission Hearing Room A and was organized and facilitated by the Commission's Energy Division. Parties were able to participate in-person and telephonically. The following parties participated either in-person or telephonically: PG&E, Southern California Edison Company ("SCE"), San Diego Gas & Electric Company, the City of

Lancaster, Marin Clean Energy ("MCE"), and the Direct Access Parties (through their representative MRW Associates). The purpose of the Workshop was to address two issues identified in the Ruling:

1. Whether departure dates used to establish vintage for departing customers for Community Choice Aggregation ("CCA") service territories should be tied to the individual customer, or the service point address.

2. Should new service points established in a CCA service area after the phase in date be assigned Power Charge Indifference ("PCIA") vintages.

At the workshop, there were two formal presentations, one by Jeremy Waen of MCE and the other by David Rubin of PG&E. These presentations are included as Attachments A and B of this Report.

II. SUMMARY OF WORKSHOP

Following the formal presentations, workshop participants asked questions and sought clarification from presenters. A summary of issues and presenter responses, in the order in which they were discussed at the workshop follows:

Question from Administrative Law Judge ("ALJ") Tsen: Clarify MCE statement that there is a 20% annual move rate within its service territory – is that in and out of territory or just within? How would MCE address tracking if 20% includes movement in and out of MCE's territory?

- MCE: The 20% value represents accounts closing and opening – MCE is not aware of a breakdown of the movement in and out of, or within, MCE territory. MCE's proposal is to tie a customer's vintage to geography, rather than the customer. MCE agrees that tying a customer's vintage to the customer would be a more laborious process. MCE wants to consider customer vintages holistically, from the community perspective. MCE's proposal is that the whole community gets the same vintage date, which is administratively simple.

Questions from ALJ Tsen: Clarify the meaning of the approved load forecast in the 2012 Long Term Procurement Plan ("LTPP"), and how it accounts for CCA load.

- PG&E: As of 2012, PG&E had been procuring on behalf of load in a CCAs territory. When the 2012 forecast was developed, MCE had just formed and there was only a small amount of load, so the 2012 forecast does not reflect load for MCE's region. Even for the 2014 LTPP forecast, there is not separate treatment of CCA by region. PG&E contends that it still has procurement responsibility for regional load growth, and MCE's proposal to apply 2010 vintage to all customers in MCE territory is inconsistent with how the LTPP load forecast reflects CCA load. So long as PG&E has the provider of last resort responsibility, it is appropriate to adjust customer vintages.

- MCE: MCE is open to exploring a middle ground on this issue. There is a need to change planning assumptions in concert with changes to customer vintages. If costs were reasonably procured on MCE customers' behalf, MCE understands that there is an indifference principle that has to be met to insulate bundled customers from the impacts of departures. MCE supports a vintaging approach that balances at a steady state of departed customers.

Question from SCE: Clarification of MCE's position on what happens when a customer opts out of a CCA program at the time of phase-in, but later switches to CCA, leaving PG&E's service.

- MCE: MCE wants all customers to receive a vintage that ties to the community's phase-in date. MCE asked PG&E if it procures on an aggregate basis or net basis.

- PG&E: PG&E procures on an aggregate basis, but operationally must allocate cost responsibility at a customer level.

Question from City of Lancaster: Clarification requested from ALJ on whether MCE's proposal to set customer vintages at the initial phase-in date is within the Phase 2 scope.

- ALJ Tsen: The scope of the Energy Resource Recovery Account ("ERRA") Forecast is to implement existing decisions, not to revise past decisions. Prior decision framed this issue as service point or customer. Existing decisions do not indicate applying a static vintage to all load; that is a point that is not within the scope of the proceeding.

Discussion: Comparison of CCA to Direct Access ("DA"), on issue of tying vintage to customer vs. service point.

- PG&E: For DA, the vintage is attached to the customer rather than the service point. The key differences between DA and CCA that warrant different treatment are that there is a much smaller pool of individual customers under DA, and DA programs are not tied to a geographic area, whereas CCA programs are. When a new DA customer fills an open spot they receive a new vintage to ensure fair cost allocation to customers. The common element is that PG&E is the provider of last resort for DA and CCA customers.

- City of Lancaster: Agrees that CCA and DA are different because DA is opt-in and not opt-out and is tied to individual rather than group.

- MCE: Another distinction between CCA and DA is that DA is constrained to PG&E's entire service territory while CCA is constrained to geography.

Question from City of Lancaster: Clarification requested on how PG&E distinguishes itself as the provider of last resort when the CCA program is the default provider.

- PG&E: PG&E distinguishes between the two based on the notion of "obligation to serve." While a CCA program may be the default provider, if a customer opts out of a CCA program, the law states that the investor-owned utility ("IOU") serving that region must serve the customer. CCAs are voluntary.

Question from Energy Division: Response requested from PG&E and MCE on assigning customer vintages given the flaws identified in the examples that each provided.

- PG&E: PG&E uses the service point approach because the CCA programs are geographic. PG&E views the service point approach as the simplest way to match load to the boundaries of a CCA program. PG&E is open to considering the customer approach instead, but believes it may introduce tracking complexities and result in higher levels of vintage re-setting. MCE's phase-in date proposal violates the bundled indifference principle.

- MCE: Believes there are three options, recognizing the scoping discussion earlier: (1) service point; (2) customer; and (3) phase-in date. The service point approach creates a disconnect between customer and CCA participation; if a customer has chosen CCA service, that customer could lose his or her vintage by moving. Attaching the vintage to the customer resolves that issues, but MCE's preferred approach is to tie the community/geographic region to phase-in dates. MCE's approach is the most simple because vintages would just be tied to phase-in date for a particular area. MCE is concerned that continually re-setting vintages creates stranded cost issues and improvements need to be made here and in the LTPP.

Question from ALJ Wilson: Is there any analysis showing what costs bundled customers would absorb under MCE's proposal? What amounts would shift from CCA to bundled customers?

- MCE: MCE has not done that analysis. Such analysis would require many assumptions, such as load growth assumptions, opt-out rates, and frequency of customer moves.

- PG&E: PG&E has not done that analysis and would have to set up a construct, involving numerous assumptions, to develop a hypothetical example. As long as PG&E is a provider of last resort, PG&E believes that there would be a cost shift of some amount under MCE's proposal.

Question from City of Lancaster: Are other IOUs planning to implement the customer vintaging issues in the same way?

- ED: Cannot answer on behalf of IOUs.

Comment from Representative of DA customers: PG&E accurately described the current DA process, but notes that this issue hasn't been addressed and they would raise it given the opportunity.

Question from MCE to PG&E: How will PG&E treat these issues when the green option tariff is implemented?

- PG&E: The same approach will be used as is currently applied for DA and CCA customers.

Respectfully submitted,

By: */s/ Charles R. Middlekauff*
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Dated: March 27, 2015

ATTACHMENT A

MCE Clean Energy
My community. My choice.

Refinements to PCIA Customer Vintages for CCA Departing Load

Jeremy Waen
Senior Regulatory Analyst | Marin Clean Energy

March 2015

Scope of Discussion

Per Phase 2 Scoping Memo:

"In particular, the second phase of this proceeding will examine:

1. Whether departure dates used to establish vintage for departing customers in CCA service territories should be tied to the individual customer, or the service point address.

2. Should new service points established in a CCA service area after the phase in date be assigned PCIA vintages."

1. Existing Customer PCIA Vintages

<u>How PCIA Customer Vintages are presently handled for CCA customers in PG&E's territory:</u>

1. PCIA Customer Vintages are tied to the property (i.e. Service Point)
2. Once a customer at a designated Service Point departs from bundled service to join a CCA, that particular Service Point is attributed a Customer Vintage based upon the date of the customer's departure
3. If that customer moves from the Service Point, the Customer Vintage stay tied to that Service Point, not to the customer.

1. Existing Customer PCIA Vintages

From a Single Service Point Perspective:

Service Account	Service Point	Customer Name	SA Start Date	LSE	CCA Effective Date	Customer Vintage
1	A	Smith, Mike	12/10/03	PG&E	12/10/03	N/A
1	A	Smith, Mike	7/26/12	MCE	7/26/12	2012
2	A	Doe, John	7/12/14	MCE	7/12/14	2012
2	A	Doe, John	8/14/14	PG&E	8/14/14	N/A
3	A	Brown, Jane	2/10/15	MCE	2/10/15	2014

1. Existing Customer PCIA Vintages

From a Single Customer's Perspective:

Service Account	Service Point	Customer Name	SA Start Date	LSE	CCA Effective Date	Customer Vintage
1	A	Smith, Mike	1/10/03	PG&E	1/10/03	N/A
1	A	Smith, Mike	7/26/13	MCE	7/26/13	2013
2	B	Doe, John	5/12/12	MCE	5/12/12	2011
1	B	Smith, Mike	8/14/13	MCE	8/14/13	2011
3	C	Brown, Jane	1/10/10	PG&E	1/10/10	N/A
1	C	Smith, Mike	9/14/16	MCE	9/14/16	2016

1. Existing Customer PCIA Vintages

Why is the Service Point-based PCIA Vintage Problematic from the CCA customers' view?

1. From the customers' perspective their 'choice' to take CCA service is reset every time they move
2. Each time an unbundled customer is assigned a new PCIA Vintage, they on the hook for new stranded costs incurred after their initial choice to leave bundled service
3. Loyal CCA customers are effectively penalized by PCIA Vintages if they move

1. Existing Customer PCIA Vintages

Why is the Service Point-based PCIA Vintage Problematic from the CCAs' view? (Part 1)

1. MCE observes within its residential and small commercial customers that 20% move to a new address each year

2. MCE's customer base is 88% residential and 10% small commercial by accounts (98% combined)

3. MCE also presently observes an 80% participation rate in eligible accounts (i.e. 20% opt-out rate)

1. Existing Customer PCIA Vintages

Why is the Service Point-based PCIA Vintage Problematic from the CCAs' view? (Part 2)

1. Therefore, 19.6% of MCE customers move each year (20% of 98%)
2. Because of the 20% opt-out, when a current MCE customer moves, they have a 1 in 5 chance of having their PCIA Vintage reset to a new vintage
3. It's a matter of probability until all of MCE's customers have PCIA Vintages reset subjecting them to unending stranded cost recovery

1. Existing Customer PCIA Vintages

What about PCIA Customer Vintages should be changed:

1. CCA customers' PCIA Vintages should not reset when they move to new locations
2. PCIA Customer Vintages should reflect the initial offering of CCA service for a given community because that is the instant when the Utility should adjust procurement in anticipation of load departures within the community due to CCA
3. CCA load departures should be forecast in Utilities' Bundled Procurement Plans

1. Existing Customer PCIA Vintages

Recommended Solution:

1. CCA Customers' PCIA Vintages should be tied to their Account, not Service Point
2. CCA Customers' PCIA Vintage dates should reflect the date of initial launch of CCA service within the customers' specific community
3. Departing Load estimations should be based upon a percentage of net load within the community, not by summing all individually unbundled loads (LTPP BPP)

1. Existing Customer PCIA Vintages

Implementing this Solution: (Part 1 within ERRA)

MCE serves customers within Marin County, the City of Richmond, and Napa County

1. Service to Marin began in the first half of 2010, therefore all existing CCA customers in Marin should receive the 2009 PCIA Vintage
2. Service to Richmond began in the second half of 2013, therefore all existing customers in Richmond should receive the 2013 PCIA Vintage
3. Service to Napa County in the first half of 2015, therefore all existing customers in Napa should receive the 2014 PCIA Vintage

1. Existing Customer PCIA Vintages

Implementing this Solution: (Part 2 within LTPP)

1. If MCE observes approximate 80% participation rate
2. Then, PG&E in its Bundled Procurement Plan would plan on only procuring to meet 20% of net load in Marin County, Richmond and Napa

2. New Customer PCIA Vintages

<u>How PCIA Customer Vintages are presently handled for New Service Points in PG&E's territory:</u>

1. When a new service point is initiated within a CCA's service territory, it is assigned a customer vintage that corresponds with start of service date for that service point

2. PG&E assumes it will be the default load provider for all new load growth within communities served by CCAs

2. New Customer PCIA Vintages

<u>Why is this approach of assigning PCIA Vintages to new Service Points problematic?</u>

1. CCAs are the default load providers for the communities that they serve - per Public Utilities Code Section 366.2(a)(2)

<u>How should this matter be solved?</u>

1. New service points within a communities served by a CCA should not be assigned a PCIA Customer Vintage and subjected to stranded cost recovery

Thank You

Questions?

ATTACHMENT B

VPCIA Assignment to CCA Customers

2015 ERRA Forecast, Phase 2 (A.14-05-024)

March 12, 2015

PG&E

Procedural Background

Marin Clean Energy (MCE) raised two limited vintage issues in PG&E’s 2015 Energy Resource Recovery Account (ERRA) Forecast proceeding in 2014 related to assigning customer vintages. The issues are:

1. How vintages are assigned to a particular service point, and
2. How vintages are assigned to new service points established within a Community Choice Aggregation (CCA) territory after the phase-in date.

These issues were deferred to a second phase in 2015 so that other stakeholders could participate in the discussions.

Background and Guiding Principles

The Vintaged Power Charge Indifference Adjustment (VPCIA) is one of the non-bypassable charges approved by the Commission to recover stranded costs from departing customers.

VPCIA rates are calculated annually by vintage date to ensure that departing customers pay only their fair share of procurement costs incurred on their behalf. PCIA vintaging was addressed generally in D.08-09-012.

One of the guiding principles of the VPCIA is that "<u>each</u> customer [should] pay its fair share of the costs the IOU incurred on behalf of this customer or the load associated with this customer . . . " (D.08-09-012 at p. 10, emphasis added)

Issue #1 – Assignment of Customer Vintage

Issue: Whether departure dates used to establish vintage for departing customers in CCA service territories should be tied to the individual customer, or the service point address.

Existing PG&E Approach: Customer vintage is based on service point address and only changes if the current owner or a new purchaser opts into or out of CCA service.

MCE Proposal: Customer vintage would be based on when CCA service was made available to a geographic area, regardless of whether a customer opts into or out of CCA service.

Hypothetical Examples for Issue #1 – Assignment of Customer Vintage

Hypothetical #1

- CCA service becomes available in 2010 in specific area
- Customer remains a bundled customer in 2010; the investor-owned utility (IOU) retains the obligation to serve the customer
- This customer later becomes a CCA customer in 2020
- Existing PG&E Policy: Customer would receive 2020 vintage
- MCE Proposal: Customer would receive 2010 vintage

Hypothetical #2

- CCA service becomes available in 2010 in specific area
- Customer becomes a CCA customer in 2010
- The customer returns to PG&E's bundled service in 2012; the IOU now has the obligation to serve the customer
- The customer returns to CCA service in 2020
- Existing PG&E Policy: Customer would receive 2020 vintage
- MCE Proposal: Customer would receive 2010 vintage

Issue #1 – Assignment of Customer Vintage

PG&E's Existing Approach is Consistent with Commission Precedent

- Departing Customers pay for stranded procurement costs incurred on their behalf
- If a customer initially chooses bundled service and later decides to be served by the CCA, the departing customer should pay the stranded costs incurred on its behalf while receiving bundled service

PG&E's Existing Approach Is Not Inconsistent with Commission Decisions

- D.05-12-041 was solely intended to avoid vintaging all CCA customers with the very last date a group of CCA customers departed where CCA services was implemented in phases; did not address issues raised by MCE
- D.04-12-046 addresses the issue of non-bypassable charges not continuing indefinitely, which is not at issue here.

Issue #2 – Customer Vintage for New Service Points

Issue: Should new service points established in a CCA service area after the phase-in date be assigned PCIA vintages.

Existing PG&E Approach: Customer vintages for new service points in CCA area are based on the year service begins.

MCE Proposal: New service points in a CCA area should not be assigned a vintage.

Issue #2 – Customer Vintage for New Service Points

PG&E's Existing Approach is Consistent with Commission Precedent

- PG&E has the obligation to serve load in its service territory which requires PG&E to plan for and procure resources to meet load projections.
- PG&E enters into procurement contracts with expectation of customer growth throughout its service area
- To the extent costs are incurred on behalf of departing load, even if it is new load, these customers should pay costs incurred on their behalf