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Decision 16-09-044 September 29, 2016

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 (U39E).

Application 14-05-024
(Filed May 30, 2014)

**DECISION RESOLVING VINTAGING METHODOLOGY FOR POWER
CHARGE INDIFFERENCE ADJUSTMENT FOR COMMUNITY CHOICE
AGGREGATION CUSTOMERS**

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**DECISION RESOLVING VINTAGING METHODOLOGY FOR POWER
CHARGE INDIFFERENCE ADJUSTMENT FOR COMMUNITY CHOICE
AGGREGATION CUSTOMERS**

Summary

Today's Decision resolves the issue on a vintaging methodology for Power Charge Indifference Adjustment (PCIA) for Community Choice Aggregation (CCA) customers.¹ The term "Vintaging" refers to the process of grouping departing customers based on the date they leave utility bundled service so that they are responsible for generation costs incurred on their behalf before their departure to a CCA. If a CCA enters a Binding Notice of Intent (BNI) with the incumbent utility, the PCIA vintage for customers and territories identified by the BNI will be the date of the notice. Absent a BNI, if a CCA initiates service in a territory to all eligible customer classes, we direct PCIA vintages to be fixed based on the initial date of CCA service. Absent a BNI, if a CCA initiates service in a territory in multiple phases, customers will be assigned a PCIA vintage based on their actual phase-in date. Customers that affirmatively opt out of CCA service and then opt back in at a later time will be assigned a PCIA vintage based on their initial CCA service date. This proceeding is closed.

Pursuant to Decision 15-12-022 in Application 15-06-001, a separate proceeding, a workshop was held on March 8, 2016 to review PCIA inputs and methodologies. A workshop report was produced by the Commission's Energy Division staff and Parties at the workshop expressed their views on the need for various PCIA reforms. While those views merit further exploration, they are

¹ Assembly Bill 117 (Chapter 838, September 24, 2002) added Pub. Util. Code §§ 218.3, 331.1, 366.2, 381.1, and 394.25 and permits local governments the opportunity to purchase energy on behalf of the citizens and businesses in their communities.

outside the scope of the current Energy Resource Recovery Account proceeding. Parties are directed to form a working group and submit their recommendations as petitions to modify existing Commission decisions or petitions for a new rulemaking.

1. Background

The Commission issued Decision (D.) 14-12-053 in this proceeding on December 18, 2014, approving Pacific Gas and Electric Company's (PG&E) 2015 electric procurement cost revenue, 2015 electric sales forecast and rate proposals associated with its electric procurement to be effective on January 1, 2015. We postponed review on the limited issue of Power Charge Indifference Adjustment (PCIA) vintaging for departing customers in Community Choice Aggregation territories until the second phase. The PCIA is a charge assessed by a utility on departing load customers to cover generation costs incurred on that customer's behalf before the customer decided to leave bundled service. "Vintages" are assigned to customers based on the date of their departure so that a departing customer is responsible only for generation costs incurred before, and not after their departure from the utility.

On February 26, 2015, the assigned Administrative Law Judge (ALJ) issued a ruling establishing the second phase and amending the scope of Application (A.) 14-05-024 (First Amended Scope). The First Amended Scope was additionally served on Southern California Edison Company (SCE) and San Diego Gas & Electric Company (SDG&E). Pursuant to the First Amended Scope, a workshop was held on March 12, 2015 (2015 Workshop). PG&E filed and served its workshop report on March 27, 2015; Opening Comments to the workshop report were submitted on April 30, 2015 by SCE and jointly by Marin

Clean Energy (MCE) and the City of Lancaster (Lancaster); Reply Comments were submitted on May 15, 2015 by PG&E and SCE.

On August 10, 2015, the assigned Commissioner issued the Second Amended Scoping Memorandum (Second Amended Scope) further amending the scope of the proceeding and setting out a briefing schedule. We asked parties to propose a PCIA vintaging methodology that is consistent with Commission precedents, and describe how it would be implemented in six hypothetical scenarios.²

On September 4, 2015, MCE, the City of Lancaster, and Sonoma Clean Power (the CCAs) jointly filed their opening brief while SCE, PG&E and Direct Access Customer Coalition (DACC) filed separate opening briefs. On September 25, 2015, the CCAs, PG&E, and SCE filed reply briefs.

Separately, in A.15-06-001 (2016 Energy Resource Recover Account [ERRA] Forecast), we issued D.15-12-022 approving PG&E's 2016 ERRA forecast. In that proceeding, many parties expressed concerns about the PCIA, the amount it had increased compared to the 2015 forecast, the availability of data used to calculate it, and the inputs and methodologies used. As a result, the Commission ordered "a workshop be held in the first quarter of 2016, in Phase 2 of A.14-05-024, PG&E's 2015 ERRA Forecast proceeding, by the Commission's Energy Division,

² The six scenarios are as follows: (a) Current CCA customer moves into new address where prior customer also has CCA service; (b) Current CCA customer moves to new address where prior customer had opted out of CCA service and remained a bundled customer; (c) New CCA customer moves into an address where the prior customer had CCA service; (d) New CCA customer moves into an address where the prior customer had opted out of CCA service and remained a bundled customer; (e) New CCA customer moves into a new service point established within the CCA territory after the phase-in date; and (f) A customer in a CCA territory that had previously opted out and remained a bundled service customer, but decides later to take CCA service.

to address the methodologies and inputs used for calculating the PCIA.”³ Furthermore, the Commission ordered that the scope of the PCIA workshop shall discuss the methodology for calculating the PCIA; whether the calculation of the PCIA should be different for Direct Access (DA) and Community Choice Aggregation (CCA) entities, and if so, what those different methodologies should be; the inputs to the calculation of the PCIA; and ensuring that all proposals are in compliance with existing Public Utilities Code Sections, including but not limited to, ensuring no bias or harm to DA, CCA, or bundled customers.

The workshop was held by Energy Division staff on March 8, 2016 and a workshop report was issued for comment by the parties on June 7, 2016. Parties have provided their comments and reply comments on the workshop report.

2. PCIA Vintaging Methodology

2.1. Party Positions

PG&E believes that PCIA vintage should be assigned to the address when a service address begins receiving CCA service; SCE believes that PCIA vintage should be assigned to the customer when that customer begins receiving CCA service. The CCAs believe that PCIA vintage should be assigned based on the date a CCA initiates service in a territory.

2.1.1. Pacific Gas and Electric Company and Southern California Edison Company

Both Investor-Owned Utilities (IOUs) cite to D.08-09-012 as requiring that an individual customer pay their “fair share” of the cost the IOU incurred on behalf of the customer of the load associated with them.⁴ While PG&E and SCE

³ D.15-02-022 at Ordering Paragraph (OP) 3.

⁴ See SCE’s Opening Comments to the 2015 workshop report at 7.

have different proposals, both believe that CCA customers, with the option to opt in and out of bundled service, should be treated individually and assigned vintage dates based on that customer's actions.

PG&E proposes that PCIA vintages to be assigned based on when a service point address begins receiving service from a CCA,⁵ while SCE believes that PCIA vintages should be assigned based on when an individual customer begins receiving service from a CCA.⁶

PG&E argues that its address based vintaging method is reasonable, equitable for CCA and bundled load customers, and consistent with Commission precedent.⁷ By tying PCIA vintage to service addresses, PG&E believes it most logically reflects the procurement activities undertaken based on the energy requirements of the particular buildings corresponding to those service addresses.⁸ PG&E argues that PCIA "vintaging is intended to recover stranded costs incurred to provide service until a customer's actual departure, not on the date that a CCA began to offer service in a specific geographic territory."⁹ When a customer opts out of CCA service or opts into CCA service at a different date

5 See PG&E's Opening Brief filed on September 22, 2014 (PG&E's 2014 Opening Brief) at 13-19; PG&E's Reply Brief filed on September 29, 2014 (PG&E's 2014 Reply Brief) at 7-9; PG&E's Phase 2 Workshop Reply Comments filed on May 15, 2015 (PG&E's 2015 Reply Comments) at 2-7; PG&E's Opening Brief in response to Assigned Commissioner's Ruling Amending Scope of Phase 2 (PG&E's 2015 Opening Brief) at 3-4.

6 See SCE's Phase 2 Workshop Comments filed on April 30, 2015 (SCE's 2015 Comments) at 2-3; SCE's Opening Brief in response to Assigned Commissioner's Ruling Amending Scope of Phase 2 filed September 4, 2015 (SCE's 2015 Opening Brief) at 3-4.

7 See PG&E's Opening Brief in response to Assigned Commissioner's Ruling Amending Scope of Phase 2 and Setting Out (2015 Opening Brief).

8 *Ibid.*

9 See PG&E's Phase 2 Workshop Report Reply Comments at 3.

than the phase-in date, the IOU serving that territory incurs costs on that customer's behalf. PG&E believes it's unfair for that customer to receive an earlier vintage based on the phase-in date of CCA service.¹⁰

Under PG&E's address based methodology, a new vintage is triggered each time an address under bundled service opts into CCA service. This occurs regardless of whether the customer was a CCA customer before moving to the new service address.

PG&E acknowledges that in some instances, service point based vintaging results in an earlier vintage relative to customer based vintaging methodology while in other instances it may result in a later vintage. It argues that "so long as the methodology is applied consistently, the result is one where bundled customers are generally protected for any generation commitments that PG&E undertakes on behalf of customers that depart for CCA service."¹¹

SCE's proposal assigns PCIA vintage based on the date a customer begins receiving CCA service. The "vintage would be fixed based on a given customer's initial, uninterrupted default onto CCA service."¹² While the two IOUs differ in their proposed methodology, they both believe that either the service address or customer based approach is equitable and consistent with Commission precedent. Since PCIA vintage would be based on when bundled service ended for the customer or service point, the customer or service point would pay its "fair share" of costs incurred on its behalf.

¹⁰ *Ibid.*

¹¹ See PG&E 2015 Opening Brief at 4.

¹² *Ibid.* at 5.

Since IOUs are required to plan for and provide service as the provider of last resort, PG&E argues that new service points established within a CCA territory after the phase-in date should receive an assigned vintage based on the date it begins receiving CCA service.¹³ SCE, by applying the customer based vintaging approach, reaches the same conclusion based on the date that customer initiates CCA service at the new service point.

2.1.2. Marin Clean Energy, City of Lancaster, and Sonoma Clean Power (CCAs)

The CCAs believe that PCIA vintages should be assigned based on the phase-in date of various CCA territories. They believe that the PCIA vintage for a particular CCA program is categorically set when the CCA initiates service to customers within the service territory of that CCA. The CCAs use the term “initiate” to refer to a CCA’s action in either entering into a BNI or simply commencing service to some or all CCA customers in that territory.¹⁴ To the CCAs, initiating service should have the same effect as entering a BNI for purposes of assigning PCIA vintages. They believe that the vintage date within a CCA service territory should remain static and unaffected by customers’ actions.¹⁵ We define the term “service territory” for the purposes of this Decision to mean a distinct geographic area, whether a city, county, voting district, or some other clearly delineated geographic zone. According to the CCAs, new service points (created through development or new construction) within a CCA

¹³ See Southern California Edison Company’s Opening Brief in Pacific Gas & Electric’s 2015 ERRA Proceeding, Phase 2 (SCE’s 2015 Opening Brief) at 4.

¹⁴ See CCA’s Opening Brief filed on September 4, 2015 (CCA’s 2015 Opening Brief) at 5.

¹⁵ *Ibid.*

territory should not be assigned a PCIA vintage at all since those service points never received bundled service, so are not “departing” from utility service.¹⁶

The CCAs believe that setting a static vintage date for all CCA service territories is fair and equitable, consistent with Commission precedent, and would address all permutations of customer action within their territories.

PG&E and SCE argue that the CCAs’ proposed approach is inequitable and against Commission precedents. If PCIA vintage is set based on the phase-in date of CCA service, even if the service address or the customer moving to CCA service had previously received bundled service, they would receive an earlier vintage and shift procurement costs incurred on their behalf onto the remaining bundled customers.¹⁷

PG&E’s primary argument against a phased-in date approach to vintaging focus on a specific customer opting into or out of CCA service separate from the phase-in date.¹⁸ In those scenarios, customers opting out of CCA service and then later opting in would receive a vintage based on the initial CCA service date. SCE concurs with PG&E’s arguments, but states that CCAs may use the notice date to set PCIA vintages for all CCA customers if it provides the IOU with a Binding Notice of Intent (BNI) pursuant to Electric Rule 23.2 for PG&E and SCE.¹⁹ When a CCA elects to submit a BNI, it would specify a date at which the IOU’s planning responsibility for the CCA load terminates. The CCA would

¹⁶ *Ibid.* at 15.

¹⁷ See PG&E 2015 Opening Brief at 5, 6.

¹⁸ See PG&E’s 2014 Opening Brief at 17; PG&E’s 2015 Opening Brief at 4-9; PG&E’s 2015 Reply Brief at 5.

¹⁹ See SCE’s 2015 Workshop Comments at 3-5.

then be responsible for this function, relieving the CCA's customers from the stranded costs responsibility for utility procurements entered into after the CCA specified (BNI) date.²⁰

2.1.3. Direct Access Customer Coalition

The DACC believes that many of the same PCIA related issues apply to Direct Access (DA) customers. They believe that actions taken in this proceeding on PCIA vintaging for CCA customers will be applicable to the DA community in the future. It submits that while the PCIA was created to maintain bundled customer indifference, bundled customers are actually treated far better than departing load customers.²¹ DACC point to bundled customers who leave the state or move from one IOU service territory to another, these customers do not have to pay indifference charges for leaving IOU territory but departing load customers must pay PCIA charges for choosing a competitive service provider. DACC proposes that the PCIA be modified and that a workshop or a rulemaking proceeding be opened by the Commission to fully address all issues related to the PCIA.²²

2.2. Legislative History and Commission Precedents

Assembly Bill 117 (Chapter 838, September 24, 2002) added Pub. Util. Code §§ 218.3, 331.1, 366.2, 381.1, and 394.25 and permits local governments the opportunity to purchase energy on behalf of the citizens and businesses in their

²⁰ Electric Rule 23.2 § A.1.

²¹ See DACC's Opening Brief on Power Charge Indifference Adjustment Issues (DACC's 2015 Opening Brief) filed on September 4, 2015 at 3.

²² *Ibid.* at 4-5.

communities. When the legislature established CCAs, it conditioned the opportunity to create CCAs on “bundled customer indifference” - the concept that CCA implementation “shall not result in shifting of costs between the customers of the community choice aggregator and the bundled service customers of an electrical corporation.”²³

In order to preserve bundled customer indifference, the concept of vintaging was created to differentiate between customers that leave bundled service at different times. The Commission has issued a series of decisions related to PCIA vintaging. Specifically, parties cite to D.04-12-046, D.05-12-041, D.08-09-012, and Commission’s Resolution E-4256 in support of their vintaging proposals.

Rulemaking (R.) 03-10-003 was opened to implement portions of AB 117 and the Commission issued D.04-12-046 and D.05-12-041 resolving different issues in two phases. In D.04-12-046, we addressed a number of preliminary issues regarding the implementation of AB 117. We stated a predisposition toward the concept of cost responsibility surcharge (CRS) vintaging to provide equity between CCAs implemented at different times, but deferred adopting a way of allocating CRS liabilities until phase 2. We also stated a preference for a method that resulted in “administrative simplicity and certainly for the CCAs and the Utilities.”²⁴ In D.05-12-041, we defined “vintaging” as a “policy under which the CRS is calculated separately for each generation of CCA thereby

²³ Pub. Util. Code § 366.2(a)(4).

²⁴ See D.14-12-046 at 27.

reflecting the specific liabilities associated with the customers of each CCA according to the date the utility ceases to procure power for CCA customers.”²⁵

In D.08-09-012, the Commission implemented new generation non-bypassable charges and further defined vintaging as “the process of assigning a departure date to departing customers in order to determine those customers’ generation resource obligations.”²⁶ In that Decision, we recognized the difficulty in tracking customers by the day, the week or the month of departure, and determined that it was “necessary to have some simplifying methodology so that the IOU does not have to figure out and administer the actual vintage for every customer.”²⁷ We adopted SCE’s proposal to vintage departing customers by the calendar year in which they depart and whether they depart in the first or second half of the calendar year. Customers departing in the first half of the year would have a departure date for vintaging purposes of December 31 of the prior year, while customers departing in the second half of the year would have a departure date for vintaging purposes of December 31 of the year in which they depart.²⁸

We further addressed issues related to PCIA vintages in Resolution E-4256 by directing all three IOUs in California to adopt the same CRS tariff language:

A CCA CRS vintage is determined based on when the CCA commits to begin providing CCA service to customers. CCAs may formally commit to begin providing generation service to a group of customers by:

²⁵ See D.05-12-041 at 23.

²⁶ See D.08-09-012 at 56-57.

²⁷ *Ibid.* at 62.

²⁸ *Ibid.* at 58.

(1) Entering into a Binding Notice of Intent (BNI) with a utility during each utility's Open Season process, as described in Rule 23.2 for PG&E and SCE; and Rule 27.2 for SDG&E.

(2) Through a mutually agreed upon binding commitment date, set outside of the Open Season process.

(3) Initiating service to CCA customers (i.e. "cut-over" customers to CCA service).²⁹

2.3. Discussion

PG&E and SCE cite to many Commission precedents to support their argument that PCIA vintages should be assigned on an individual basis. The CCAs cite to different portions of those same precedents for the proposition that PCIA vintages should be assigned to a service territory as a whole. While the positions of the parties seem to be in opposition, they are not actually that far apart. Most CCA customers default to a PCIA vintage based on the date a CCA initiates service. The variation in vintage represents a relatively minor portion of the total CCA departing load. According to MCE, approximately 1.6 percent of its CCA customer accounts turnover monthly due to move-ins and move-outs of customers.³⁰ The PCIA vintage is reset due to variations, including but not limited to, customers opting out of CCA service then back in; customers being assigned new vintages upon a move; new customers being assigned new vintages when moving from outside a CCA territory; and new service points within CCA territory being assigned a new vintage.

The concept of bundled customer indifference is central to the creation and promulgation of CCAs in California; state law compels that departing customers

²⁹ See Resolution E-4256 at 15-16.

³⁰ See MCE Response filed on July 2, 2014 at 5.

pay their fair share of generation costs which were incurred on their behalf before their departure from bundled service. At the time we issued the series of decisions and resolutions related to PCIA vintage, we had not anticipated the permutations in which PCIA vintages can be reset. The current methodology is also administratively cumbersome and still unable to perfectly track individual customers' vintages. It was not our intent for the PCIA to be reset each time a CCA customer moves to a new address; nor does it make sense for vintages to be tied to an address when our decisions have always referred to departing customers, not departing addresses. We also see no reason why new vintages would need to be assigned to new service points in a CCA territory after initiation of CCA service. The PCIA vintage should be reset only when a customer affirmatively opts out of CCA service, and then opts back in at a later time. We agree with PG&E and SCE that utilities incur generation liabilities on behalf of those customers, and a new PCIA vintage should be assigned when they elect to leave bundled service at a later date.

SCE argues that CCAs may only lock in a single vintage in its territory by entering into a BNI with the incumbent utility. This is incorrect. We clearly stated in Resolution E-4256 that a CCA may formally commit to begin providing generation service to a group of customers by entering a BNI, a separate agreement, or initiating service. Throughout this proceeding the CCA parties have argued for a vintaging methodology that is tied to the date a service territory begins receiving CCA service. We agree with this concept, so long as on the date of initial service the CCA enrolls all customers who had not opted out of CCA service, whether the territory is defined as a city, county, supervisor voting district, or some other clearly defined geographic zone. Under this scenario, we direct PCIA vintages to be assigned to CCA customers based on the date that

CCA service is initiated in a service territory whether it is through initiating service, or the BNI process.

Rather than identifying how vintages should be assigned to the permutations of customer movement, we direct IOUs to track only customers that affirmatively opt out of CCA service and then opt back in at a later time. For those customers, their PCIA vintage should be set on the date they depart from bundled service and start receiving CCA service. Since vintages are assigned based on initial service in a territory, the PCIA vintage should be locked to the service territory. If a CCA customer with one vintage moves to a CCA territory with a different vintage, that customer would adopt the vintage of his new location.

In comments and reply comments to the Proposed Decision, the IOUs and the CCAs requested clarification in circumstances where CCAs phase-in service in a single service territory over an extended period of time. Historically, CCAs in California have initiated service to partial loads in a territory during the launching phase, but have enrolled entire territories in later phases.³¹

The CCAs interpreted our July 19, 2016 Proposed Decision to mean that a single PCIA vintage should be set even when a CCA chooses to roll out service over different periods of time.³² It is against the principle of bundled customer indifference if PCIA vintages are fixed when service is provided to only a portion of the load in a service territory. To avoid multiple PCIA vintages within a

³¹ MCE and Sonoma phased in different customer classes during its initial launching phase, but enrolled cities in its later phases; Lancaster submitted a BNI to SCE and secured one vintage date for its different phases.

³² See Opening Comments of CCA parties at 5.

service territory, the CCA may participate in the BNI process as set out in Electric Rule 23.2.

When a CCA chooses to initiate service through phases within the same territory, a BNI which commits to provide electric service in phases has the advantage of setting a single PCIA vintage date for CCA customers in that area. A CCA may submit a BNI which specifies and binds the CCA to a service date for the first and each subsequent phase or separate BNIs for each phase. The PCIA vintage would be based on the BNI notice date that transferred the legal responsibility of electric procurement to the CCA.

Conversely, if a CCA chooses not to submit a BNI, then customers in different phases are assigned different vintage dates based on their service initiation date.

Electric Rule No. 23.2 for California IOUs was created for the purpose of mitigating CRS charges and transfers the legal responsibility for electrical power procurement from the IOU to the CCA. By submitting the BNI, the CCA commits to providing electrical power for its customers and the IOU can stop procuring power for those customers. The commission created the BNI process with input from parties and stakeholders to transfer the legal responsibility of customer power procurement, this process cannot be replaced by the filing of an implementation plan. If the CCA chooses not to participate in the BNI process, its customers must then assume the risk for all IOU power purchased up to the CCA's initiation of service.

If a CCA chooses to not submit a BNI and to phase in customers within a single territory, then the PCIA vintage will necessarily be assigned to departing customers based on the date they begin receiving CCA service. Those customers shall carry their PCIA vintage with them until they move to a CCA territory with

a different vintage. Since CCAs are public entities not under Commission jurisdiction, we cannot prescribe how they choose to implement service. However, if a CCA is interested in a uniform PCIA vintage for its customers in a set territory, we urge it to consider utilizing the BNI process or today's vintaging methodology in rolling out service to their customers. SCE and PG&E argue that new load within a CCA territory should receive a new vintage based on its date of initial service while the CCAs believe no PCIA vintages should be assigned for those accounts. Since we task each CCA with forecasting its load once it initiates service, any additional load within CCA territory should be assigned the same vintage based on the CCA phase-in date.

In D.08-09-012, we directed utilities to assign PCIA vintages annually because the Commission and the parties recognized the difficulty in tracking customer departures based on the day, week, or even month of that departure. Utilities make procurement decisions on an aggregate basis and then allocate cost responsibility to individual customers.³³ PG&E concedes in its briefs that the current methodology still results in some customers receiving earlier or later vintages than their actual departure date, in effect shifting some of the "fair share" costs to or from bundled customers. PG&E reconciles this departure from their general argument by stating that "bundled customers are generally protected for any generation commitments that PG&E undertakes on behalf of customers that depart for CCA service." The method we adopt today seeks to achieve the same goal by generally assessing a vintage based on phase-in date, and tracking only those customers that affirmatively opt out of CCA service. We

³³ See 2014 Workshop Report at 3.

believe this method is consistent with commission precedent, is administratively simpler than the current system, and conforms to the bundled customer indifference principle.

The PCIA vintaging methodology we adopt today differs from PG&E's existing methodology. As such, PG&E will need to adjust PCIA vintages for CCA customers who have been reset due to a change in address. PG&E should re-set PCIA vintages for CCA customers where appropriate and collect future PCIA charges according to the method we adopt today. The re-setting of vintages should be completed within 60 days of the effective date of today's Decision. In order to avoid retroactive ratemaking, we do not re-adjust PCIA charges that have already been assessed.

3. The 2016 PCIA Workshop

In Application 15-06-001, PG&E's 2016 ERRRA forecast application, many parties expressed concerns over the increase in the PCIA compared to past years and raised issues related to the availability of data used to calculate the PCIA and its inputs and methodologies. We issued D.15-12-022 directing Energy Division to host a workshop in 2016 addressing those issues.

The workshop took place on March 8, 2016 and a number of issues and proposals related to PCIA were discussed. The three IOUs jointly presented on the mechanics of the PCIA calculation, Energy Division staff presented the mechanics of calculating the Market Price Benchmark, and groups representing departing load customers presented their PCIA reform proposals.

During the 2016 workshop, the CCA and Direct Access (DA) representatives expressed frustration with their lack of access to confidential

terms and pricing information related to IOUs' power purchase contracts so as to verify the PCIA calculations.³⁴ The DA and CCA parties indicated that they find it difficult to meet the conditions of non-disclosure agreements under Commission rules since they are market participants, and to find consultants who meet the non-market participant condition. CCA and DA representatives proposed changes to the commission's non-disclosure rules so they can better forecast long term PCIA trends and to check the utilities' PCIA calculations.³⁵

In addition to concerns regarding transparency, the DA and CCAs proposed a number of PCIA reforms including a 10 year cost recovery period, requiring the utility to provide a forecast of PCIA charges, providing a menu of options in paying off the PCIA, and changes to the Market Price Benchmark to reduce year to year volatility. Most parties at the workshop seemed amenable to working together whether as a working group or through settlement negotiations to propose changes to the PCIA. While there were a number of issues raised at the workshop, transparency and certainty related to PCIA were the main concerns.

As we stated in our Scoping Memorandum, the First Amended Scope and the Second Amended Scope, the second phase of this proceeding is limited to reviewing PCIA vintaging for CCA customers only. The workshop was ordered to be held in this proceeding simply because PG&E's 2016 ERRR Forecast proceeding was closed. While parties expressed legitimate concerns and proposals in the workshop, these issues are not in scope and cannot be resolved

³⁴ See 2016 Workshop report at 7-8.

³⁵ *Ibid.* at 13.

in this proceeding. However, we recognize DA and CCA parties' legitimate interest in increased transparency and the ability to forecast long term PCIA trends. We therefore direct the formation of a working group to be led by Sonoma Clean Power and SCE, with participation from other interested groups, on the issues of improved transparency and certainty related to PCIA. We would particularly like the working group to consider the transparency proposal offered by Sonoma Clean Power at the workshop, and as described in the workshop report. The working group should meet and confer, and may agree to examine additional issues related to the PCIA. However, we ask parties to limit the scope of their petitions to issues raised in the 2016 workshop and discussed in the workshop report. The working group shall present their recommendations to the commission either as petitions to modify existing decisions or a petition for a rulemaking proceeding within six months of this Decision. Any petitions should be filed in R.02-01-011, R.03-10-003, R.06-02-013, or R.07-05-025.

4. Comments on Proposed Decision

The Proposed Decision of ALJ Tsen in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on August 8, 2016, by PG&E, SCE, Shell Energy, LEAN Energy, and jointly by MCE, SCP and the City of Lancaster, and reply comments were filed on August 15, 2016, by PG&E, SCE, LEAN Energy, the City and County of San Francisco and jointly by MCE, SCP and the City of Lancaster. Our decision has been modified where appropriate to address the parties' comments and reply comments.

5. Assignment of Proceeding

Michael P. Florio is the assigned Commissioner and S. Pat Tsen is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. PG&E filed A.14-05-024 on May 30, 2014 requesting approval of its forecasted 2015 ERRRA and generation non-bypassable charges.

2. The Commission issued D.14-12-053 approving PG&E's forecasted procurement costs, sales forecast, and rate proposals and postponed review on the limited issue of PCIA vintaging methodology.

3. The PCIA is intended to preserve bundled customer indifference and prevent the shifting of costs from departing customers to bundled customers of an electric corporation.

4. The Commission has issued a series of decisions and resolutions on PCIA's but parties differ in their interpretation of Commission precedent on the issue of vintaging methodology.

5. D.04-12-046, D.05-12-041, D.08-09-012 and Resolution E-4256 all point to "vintaging" as the method through which departing customers are held responsible for generation costs incurred on their **behalf** based on the time they leave bundled service.

6. To comply with Commission precedents, a vintaging method for the PCIA should be administratively simple and provide certainty to the CCAs and the utilities. The method should also hold customers opting out of CCA service, but later opting back in, responsible for generation costs incurred on their behalf during the period they choose to remain with the utility.

7. Historically, most CCA customers default to a PCIA vintage based on initial date of service by a CCA and the remaining variations represent a relatively minor portion of the CCA departing Load.

8. While the utilities argue for tracking departing customers on an individual basis, PG&E concedes its current methodology still results in earlier or later vintages being assigned to departing customers when they move.

9. When a customer in a CCA territory opts out of CCA service and remains a bundled customer, the utility incurs generation costs on that customer's behalf.

10. Pursuant to Resolution E-4256 and for the purpose of assigning PCIA vintage, a CCA may formally commit to begin providing generation service to a group of customers by entering a BNI, a separate agreement, or initiating service.

11. As the provider of last resort, incumbent utilities are tasked with procuring power on behalf of customers in their territory until that legal responsibility is transferred.

12. When a CCA enters into a BNI with the incumbent utility which covers all eligible customers in a territory, the legal responsibility of procuring power for all customers identified in that notice is transferred from the utility to the CCA.

13. When a CCA enters into a BNI which only covers a portion of the eligible customers in a territory, the legal responsibility of procuring power for those customers are transferred, while the remaining customers remain bundled customers with the incumbent utility.

14. An implementation plan does not transfer the legal responsibility of procuring power, and therefore has no significance for purposes of assigning a PCIA vintage.

15. When a CCA initiates service to a territory by enrolling all customers who had not opted out, the legal responsibility of procuring power for that territory is transferred from the utility to the CCA.

16. When a CCA initiates service to a territory in phases without a BNI, the legal responsibility of procuring power for that territory is transferred from the utility to the CCA in phases as determined by the CCA.

17. A workshop was held in this proceeding on March 8, 2016 pursuant to D.15-12-022. The workshop report and comments by the parties identify reform measures to the PCIA not within scope of the current ERRA proceeding.

18. The departing load community has legitimate interests in improving transparency and certainty for PCIA, but any proposed changes must occur within the appropriate forum.

Conclusions of Law

1. When a CCA enters into a BNI which specifies and binds the CCA for the first and each subsequent phase, the PCIA vintage should be set based on the date of the notice.

2. When a CCA enters a BNI which binds the CCA for a phase within a service territory, only the phase as identified and bound by the BNI should receive a PCIA vintage based on the date of the notice.

3. When a CCA does not enter into a BNI with the incumbent utility, but instead initiates service to a entire territory, the PCIA vintage should be set based on the date of initial CCA service.

4. When a CCA does not enter a BNI and initiates service to a territory in phases, the PCIA vintage should be set for that territory based on the date of CCA service for each phase.

5. Resetting a CCA customer's vintage each time that customer moves is inconsistent with Commission precedents.
6. Customers opting out of CCA service should be assigned a new vintage if and when they opt into CCA service at a later date.
7. New loads within a CCA territory should not be assigned a new vintage date.
8. PG&E should adjust its current vintaging methodology to comply with the methodology adopted today and begin assessing revised PCIA within 60 days of today's decision.
9. Groups that participated in the March 8, 2016 workshop should meet and confer to form a working group. The PCIA working group should identify and make recommendations on issues identified during the workshop within six months of this decision.

O R D E R

IT IS ORDERED that:

1. When a Community Choice Aggregation (CCA) enters into a Binding Notice of Intent which specifies and binds the CCA for the first phase and each subsequent phase in a territory, the Investor-Owned Utility shall assign a Power Charge Indifference Adjustment vintage based on the date of the notice.
2. When a Community Choice Aggregation (CCA) enters into a Binding Notice of Intent which specifies and binds the CCA for a phase within a territory, the Investor-Owned Utility shall assign a Power Charge Indifference Adjustment vintage to the identified phase based on the date of the notice.
3. When a Community Choice Aggregation (CCA) initiates service to the entirety of a defined territory without a Binding Notice of Intent, the

Investor-Owned Utility shall assign a Power Charge Indifference Adjustment vintage based on the date of initial service.

4. When a Community Choice Aggregation (CCA) initiates service to a territory in phases without a Binding Notice of Intent, the Investor-Owned Utility shall assign a Power Charge Indifference Adjustment vintage to each phase based on the date of initial CCA service.

5. If Customers opt out of Community Choice Aggregation (CCA) service and opt back into CCA service at a later date, the Investor-Owned Utilities shall assign a Power Charge Indifference Adjustment vintage based on the customers' date of departure from bundled service.

6. Within 60 days of today's decision, Pacific Gas and Electric Company shall change Power Charge Indifference Adjustment vintages for existing Community Choice Aggregation customers to comply with the vintaging method we adopt today.

7. Southern California Edison Company and Sonoma Clean Power will co-lead a working group with participation from other interested parties on improving transparency and access to Power Charge Indifference Adjustment related information.

8. The working group shall present its recommendation as Petitions to Modify or a Petition for a Rulemaking within six months of this decision. The Petitions to Modify should be filed in Rulemaking (R.) 02-01-011, R.03-10-003, R.06-02-013, or R.07-05-025.

9. Application 14-05-024 is closed.

This order is effective today.

Dated September 29, 2016, at San Francisco, California.

MICHAEL PICKER

President

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

LIANE M. RANDOLPH

Commissioners

Carla J. Peterman, being necessarily
absent, did not participate.