

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

Agenda ID #20722
RESOLUTION E-5008
July 14, 2022

RESOLUTION

Resolution E-5008. Approval, with modifications, of Pacific Gas and Electric, Southern California Edison, and San Diego Gas & Electric's proposal to end cost recovery and implement a bill credit to customers enrolled in Customer Choice Aggregator and Energy Service Provider demand response programs deemed similar to corresponding Investor-Owned Utility demand response programs.

PROPOSED OUTCOME:

- This Resolution adopts, with modifications, the bill credit approaches proposed by Pacific Gas and Electric (PG&E), Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E) (the "Utilities"), to end cost recovery from customers enrolled with competing providers, such as Customer Choice Aggregators (CCAs) and Energy Service Providers (ESPs).
- This Resolution approves Pacific Gas and Electric (PG&E) and San Diego Gas & Electric's (SDG&E) proposals for recording incremental costs associated with implementing the bill credit and directs SCE to file a similar proposal.

SAFETY CONSIDERATIONS:

- There is no direct impact on safety.

ESTIMATED COST:

- The cost impacts of implementing bill credits are not immediately known, but the bill credits are expected to lead to a slight increase in ratepayer costs for the Investor-Owned Utilities' distribution customers.¹

By Advice Letter 5353-E (PG&E), 3844-E (SCE), and 3260-E (SDG&E), filed on August 10, 2018.

¹ A detail on cost tracking can be found under the section, "Tracking of Bill Implementation Costs."

SUMMARY

As directed in Ordering Paragraph (OP) 5 of Decision (D.) 17-10-017 (Decision), the subject Advice Letters collectively describe:

- 1) Changes to the Utilities' tariffs to implement the Commission order on the competitive neutrality cost causation principle (Principle) applicable to the Utilities demand response (DR) programs,
- 2) Implementation of a bill credit mechanism to end recovery of costs of a Utility DR program from customers enrolled in CCA or ESP DR program deemed similar to the Utility DR program,² and
- 3) In the case of PG&E and SDG&E, proposals for recording incremental costs associated with implementing the bill credit mechanism.

This Resolution approves, with modifications, the bill credit mechanism and the implementation tariffs proposed by PG&E, SCE, and SDG&E. Additionally, this Resolution approves PG&E and SDG&E's proposals for recording incremental costs associated with implementing the bill credit mechanism. As SCE did not file a proposal, its plan to record costs is unknown, and this Resolution directs SCE to file a similar proposal via a Tier One advice letter.

BACKGROUND

This section is divided into three parts:

- Definitions
- Procedural History
- Summary of Advice Letters 5353-E (PG&E), 3844-E (SCE), and 3260-E (SDG&E)

Definitions

Consistent with the Decision, when discussing the bill credit mechanism and the Competitive Neutrality Cost Causation Principle (Principle), this Resolution refers to the Investor-Owned Utility as the "Competing Utility" and the Community Choice Aggregator and Direct Access provider (CCA/ESP) as the "Competing Provider."

For the purposes of this Resolution, we refer to "bundled" customers of the Competing Utility as those receiving both distribution and energy (or generation) services from the Utility, and "unbundled" customers as those receiving distribution services from the

² D. 17-10-017, OP 5: "Within 30 days after the workshop to discuss the proposed method and develop a consensus proposal the IOUs shall work with parties to this proceeding to submit a Tier Three Advice Letter that either (1) proposes the consensus approach or (2) proposes one of the proposed approach and describes all alternatives," at 88.

Competing Utility, while receiving energy services from a non-Utility Competing Provider, such as CCA/ESP entities. CCAs are authorized local governments created for procuring wholesale electricity to supply their customers' retail electric load. Direct Access service is retail electric service where customers purchase electricity from a non-Utility Electric Service Provider (ESP), who also procures wholesale electricity for its customers.³

For unbundled customers, the Competing Utility delivers the wholesale electricity procured by the Competing Provider to the customers over the Utility's distribution system. The distribution services provided by the Competing Utility could include metering, meter data collection, billing for energy services on behalf of the Competing Provider, and customer service.

Consistent with past Decisions, we use the term "Competing Utility" and "Utility" interchangeably in referring to the incumbent Utility providing said services; we use the term "Competing Provider" and "CCA/ESP" interchangeably when referring to providers competing with the Utility in providing energy services.

Procedural History

On September 19, 2013 the Commission opened Rulemaking (R.) 13-09-011 to enhance the role of Demand Response (DR) to meet California's electric resource planning needs and operational requirements and implement California's energy policies.⁴ The first major decision in the proceeding, D.14-12-024, adopted a Competitive Neutrality Cost Causation Principle (Principle)⁵, described as follows:

"a. Any demand response program or tariff that is available to all customers shall be paid for by all customers. If a demand response

³ SB 695 requires the Commission to ensure that these other electric service providers are subject to the same procurement-related requirements that apply to investor-owned Utilities, including resource adequacy requirements, renewables portfolio standards, and greenhouse gas emission reductions. PU Codes § 380(e) and (f) require that all load-serving entities (including electrical corporations, electric service providers, and Community Choice Aggregators) be subject to the same requirements for resource adequacy and the renewables portfolio standards that are applicable to electrical corporations, and are required to provide sufficient information to enable the Commission to determine the required compliance.

⁴ OIR at 15.

⁵ D. 14-12-024 at 18.

program or tariff is only available to bundled customers, the costs for that program or tariff can only be borne by bundled customers.”⁶

On December 2, 2016 the Commission issued a Ruling requiring the Competing Utilities to submit a joint proposal recommending a plan by February 1, 2017, to implement the above Principle; it also invited parties to submit proposals to implement the Principle. The Ruling also directed a workshop to be held to discuss all proposals. The workshop took place on April 10, 2017; parties⁷ discussed the Competing Utilities’ proposal to implement the Principle. This was followed by a Ruling on May 22, 2017, which requested responses to questions focused on implementation of the Principle. Parties to the proceeding submitted their responses on June 19, 2017.

On November 1, 2017 the Commission issued D.17-10-017 (Decision), which required Competing Utilities to end cost recovery from the customers of the Competing Provider for any Utility DR program deemed “similar”⁸ to a DR program offered by a Competing Provider through a “bill credit mechanism.”⁹

⁶ D. 14-12-024, OP 8a. at 87.

⁷ Workshop parties included PG&E, SCE, SDG&E, the Joint CCAs, Direct Access Customer Coalition (DACC), Alliance for Retail Energy Markets (AReM), the Office of Ratepayer Advocates (now the Public Advocates Office (Cal Advocates)), and the California Large Energy Consumers Association (CLECA).

⁸ In OP 2 at 87, D.17-10-017 established the process by which a Competing Provider’s DR program can be determined to be “similar” to a DR program provided by a Competing Utility in an overlapping service territory. To meet the determination of “similarity,” the Competing Provider’s DR program must:

- a. Be offered to the same type of customer (e.g., residential customer) and the approximate number of Competing Provider’s customers to which the Utility markets its similar DR program; and
- b. Be classified as and can be demonstrated to be the same resource, either as a load modifying or supply resource, as defined by the Commission; and
- c. Be able to validate that DR program customers are not receiving load shedding incentives for the use of prohibited resources during DR events; and
- d. Allow the participation of third-party DR providers or aggregators, if the Utility’s program also allows such third-party participation.

⁹ D. 17-10-017 at 28, COL 11, OP 1, Attachment 1, Step Four.

The Decision further directed that:

- 1) The Competing Utilities jointly serve a proposed approach for determining the bill credit,¹⁰ along with a draft standardized customer notification letter¹¹ to inform Competing Provider customers about the bill credit;
- 2) The parties serve comments on the Utilities' proposal; and
- 3) The Energy Division facilitate a workshop after the Utilities' joint proposal and parties' comments on the proposal were served.¹²

Subsequent to the workshop, the Decision required that the Utilities work with parties to submit a revised bill credit approach via a Tier Three Advice Letter filing within 30 days of the workshop.¹³

On January 30, 2018 the Competing Utilities served a joint proposal to determine the bill credit for affected customers of a Competing Provider with a DR program deemed similar to the Utility's program, along with draft notification letters. In comments filed March 1, 2018, the Joint CCAs/DAs stated that the Competing Utilities did not provide an approach to determine the bill credit as directed, and requested that the Commission reject the filing for non-compliance.¹⁴ On March 26, 2018, at the Energy Division's request, the Competing Utilities submitted presentations and background materials for the workshop. After further discussions with the Energy Division, PG&E and SCE provided supplemental information to assist the Energy Division and the parties in better understanding Utility-specific elements of the joint proposal.

Subsequently, the Energy Division scheduled a workshop on June 27, 2018 to discuss the Utilities' bill credit proposal and to try to arrive at a consensus on the proposal elements. At the closing of the workshop, because the issues related to the bill credit were not fully resolved, participants and the Energy Division agreed to extend the workshop with a follow-up conference call, scheduled on July 11, 2018.¹⁵ At the end of the conference call, the workshop closed with parties reaching consensus on several areas and offering alternative proposals (described in the Discussion Section below) for

¹⁰ OP 3, D. 17-10-017 at 88.

¹¹ *Id.*

¹² OP 4, D. 17-10-017 at 88.

¹³ *Ibid.*, OP 5

¹⁴ Joint CCAs/DAs, "Informal Comments... on the Joint Utilities' Proposed Approach to Determine the Bill Credit for the Customers of Competing Demand Response Providers," March 1, 2018.

¹⁵ Energy Division clarified that the Tier Three Advice Letter filing is due within 30 days of July 11, 2018, which is the last day of the workshop.

some areas where there is no consensus. Parties also agreed that there were select areas for which a consensus was not reached.

On August 8, 2018, following the workshop and in accordance with OP 5 of the Decision, the Utilities jointly submitted PG&E AL 5353-E, SCE AL 3844-E, and SDG&E AL 3260-E. (We refer to these advice letters together as “the Utilities’ Joint AL Filings”)

On a separate but related matter, the Parties on the conference call agreed that certain provisions of the Decision related to the notification letter and the bill credit required clarification and correction. SCE subsequently filed a Petition for Modification (PFM) of the Decision on July 18, 2018¹⁶ requesting (on behalf of the Competing Utilities) the following clarifications:

1. A change in Finding of Fact (FOF) 20 and the definition of “affected customers;”
2. Clarifications in Step Four that the bill credit for cost recovery would go to all involved CCA/ESP customers, and not just those “affected customers” as defined in FOF 20 or in Step Three;
3. Confirmation that the Competing Utilities’ obligation under Step Three to send letters by the 60th day to “affected customers” only requires the Utilities to send the notification letter to Competing Utility customers enrolled by a third-party aggregator / provider or directly-enrolled by the Utility;
4. An explicit requirement that third-party aggregators are responsible for communicating with their customers.

Summary of Utilities’ Joint Advice Letter (AL) Filings (Utilities’ Bill Credit Proposals)

The Utilities’ Joint AL Filings state that, because each Utility’s systems and processes are different, an attachment to the AL filing is provided to “represent each Utility’s detailed plan to implement the bill credit.” The Utilities’ Joint AL Filings follow a common format to allow for comparable review between each Utility’s methods and approaches.

We organize the discussion of each Utility’s bill credit proposal by first considering issues where stakeholders reached consensus, followed by issues that remain in dispute.

¹⁶ As of the date of this Resolution , this Petition for Modification is pending review and Decision by the assigned Administrative Law Judge.

I. Areas of Consensus

As presented by the Utilities' Proposals, the parties arrived at consensus in several areas, including how the bill credits should be derived and executed, when the bill credit should be implemented, and how the credit would be explained to Competing Providers' customers. The parties also arrived at an agreement on which of the current seven Utilities' DR program budget categories (listed in Appendix A of this Resolution) would be eligible to be credited to the Competing Provider's customers. In summary, the parties agreed that the bill credit:¹⁷

- A. Includes volumetric (variable) costs and includes budget Category 1, which contains program administration costs and customer incentives for Supply-Side DR Programs for all Competing Utilities.¹⁸
- B. Is not fixed for all customers of a Competing Provider with a similar DR program because the credits can vary according to a customer's rate class;
- C. Excludes budget Categories 3 – 5, which contain the Demand Response Auction Mechanism (DRAM), Direct Participation Electric Rule 24 (for PG&E and SCE) and Rule 32 (for SDG&E); Emerging and Enabling Technology Programs; and Pilots.
- D. Will be rounded off to the fifth decimal place for SCE and SDG&E and up to the sixth decimal place for PG&E.¹⁹ SCE also states that if this value is zero, "the revenues will be recorded in a balancing account with the offset value for the given period remaining at zero."²⁰
- E. Will be implemented according to each Utility's proposed operational timeline, pursuant to Attachment 1 of the Decision. Once a Competing Provider submits a proposed DR program for Commission review, and the Commission finds the Competing Provider's DR Program to be "similar" (defined here as T₀):

¹⁷ In the Utilities' Joint AL Filings, at 4, the Utilities identified Energy Division's recap of the workshop and teleconference sent via e-mail to the workshop participants on July 9, 2018.

¹⁸ All three Competing Utilities offer Air Conditioning (AC) Cycling, Base Interruptible Program (BIP), and Capacity Bidding Program (CBP). Additionally, SCE offers Agricultural Pumping – Interruptible (AP-I). SCE and SDG&E offer Peak Time Rebate (PTR), which is recovered through generation rates and is thus not eligible for a credit.

¹⁹ Utilities' Joint AL Filings, "Proposed Approach for Determining a Bill Credit to End Cost Recovery from a Competing DR Provider's Customers," August 10, 2018, Attachment B: PG&E's Proposal at 5.

²⁰ Utilities' Joint AL Filings, "Proposed Approach for Determining a Bill Credit to End Cost Recovery from a Competing DR Provider's Customers," August 10, 2018, Attachment A: SCE's Proposal at 2.

1. Within 30 days ($T_0 + 30$), SCE and PG&E will a) cease marketing of the Utility's DR program to the Competing Provider's customers, and b) stop enrolling new customers into the Competing Utility's DR program. SDG&E states that it will stop marketing its DR program to the Competing Providers' customers.
 2. Within 60 days ($T_0 + 60$), the Competing Utilities will send a notification letter to the Competing Providers' customers and to the third- party DR aggregators participating in the Utility DR program, notifying them of the change in the DR program administration. Third-party aggregators would be responsible for communications to customers who are enrolled in non-Utility, third-party programs. All three Utilities will send their letter in electronic or hard-copy format.²¹
 3. Within 365 days ($T_0 + 365$), SCE will unenroll the Competing Provider's existing customers from the Competing Utility's "similar" DR program. PG&E and SDG&E will unenroll the Competing Providers' existing customers from the Utility's "similar" DR program within 365 days plus one billing cycle ($T_0 + 365 + 1$ bill cycle).²²
 4. Within 365 days plus one billing cycle ($T_0 + 365 + 1$ bill cycle), the Competing Utilities will issue a bill credit that includes the relevant message, whether on-bill or other communications as coordinated with the Competing Provider. In addition, PG&E and SDG&E will unenroll the Competing Providers' existing customers from the Utility's "similar" DR program.²³
- F. Will be implemented through a new tariff for PG&E and SCE. SDG&E did not indicate how its bill credit is to be implemented.
- G. Will be calculated using each Utility's current DR program cost allocation factors according to customer class and based on the annual sales for the customer class.
- H. Will be provided to customers on special rates and credits, including those on California Alternate Rates for Energy (CARE), Family Electric Rate Assistance (FERA) and Net Energy Metering (NEM).²⁴ PG&E and SDG&E medical baseline customers will receive the same bill credit level. SCE did not indicate whether its medical baseline customers are eligible for the credit.
- I. Will be communicated to Utility customers through a notification letter explaining the customer's eligibility to enroll in the Competing Provider's "similar" DR program, eligibility for a bill credit, reason for the credit, and removal from the

²¹ Utilities' Joint AL Filings, Attachment A: SCE's Proposal at 6.

²² Utilities' Joint AL Filings, Attachment B: PG&E's Proposal at 8.

²³ *Id.*

²⁴ *Id.*

Competing Utility's DR program.²⁵ In addition, PG&E and SCE will provide on-bill messages about the line item being credited. SDG&E will only show a line-item bill credit ("DR Program Credit").²⁶

II. Areas of Non-Consensus²⁷

Four areas of non-consensus were noted in the Utilities' Joint AL Filings.:

- A. Fixed Costs (Budget Categories 6 and 7);
- B. Load Modifying Programs (Budget Category 2);
- C. Communications to Customers About the Bill Credit;
- D. Tracking Bill Credit Implementation Costs

These non-consensus areas are discussed individually below.

A. Fixed Costs (Budget Categories 6 and 7)

The parties did not reach consensus as to whether and how budget category costs *not* directly tied to a specific DR program should be refunded. Specifically, the parties could not agree on two budget categories that contain program-related fixed costs: Category 6 (Marketing, Education, and Outreach) and Category 7 (Portfolio Support including Evaluation, Measurement, and Verification [EM&V], Systems Support and Notifications). Consequently, the Utilities' proposals diverge in determining which fixed costs from these categories are to be included in the bill credit.

PG&E states that, consistent with the Decision,²⁸ only costs "exclusively and directly associated" with an affected DR program would be refunded through the ongoing bill credit. Costs that are "unavoidable" and which benefit both bundled and unbundled customers would not be credited. This includes "Education and Training" activities under Budget Category 6 and all sub-categories under Budget Category 7, because these activities are not tied to specific programs.

SCE states that costs related to activities continuing to benefit all customers should be borne by all ratepayers. SCE's credit will *not* include costs incurred even after

²⁵ Utilities' Joint AL Filings, Attachment D: Notification Letter.

²⁶ Utilities' Joint AL Filings, Attachment C: SDG&E's Proposal at 5.

²⁷ We clarify that "Non-Consensus" refers to areas for which none of the alternatives offered were agreed upon by all parties.

²⁸ Utilities' Joint AL Filings, Attachment B: PG&E's Proposal at 6.

Competing Provider customers no longer participate in SCE's DR program once a Competing Provider introduces a "similar" DR program. These include the following sub-categories under Portfolio Support (Budget Category 7):

- a. Integrate Automation;
- b. Hosting and Licensing;
- c. System Enhancements;
- d. SCE Labor Costs.

Per SCE, costs under the following sub-categories (in Budget Category 7) *are* eligible to be credited:

- a. Meter Programming;
- b. The DR Potential Study; and
- c. The credit amount for the eliminated Permanent Load Shifting (PLS) budget.

SDG&E proposes that costs in Budget Categories 6 and 7 that are directly tied to supporting a specified DR program are to be credited. They are:

- a. Evaluation, measurement, and verification (EM&V), and
- b. The whole of Budget Category 6: Local marketing, education, and outreach (ME&O).

Conversely, costs that are not directly tied to the specified DR program would not be included in a credit. SDG&E states that these "'back bone' costs support the underpinnings" of the SDG&E's program portfolio and "remain constant" even with departing customers and CCA programs being developed."²⁹ Moreover, these costs benefit both bundled and unbundled customers. Crediting them to customers would negatively impact the long-term viability of the Utility's DR portfolio and its ability to support State policy. The following costs under Budget Category 7 are *not* eligible to be credited:

²⁹ Utilities' Joint AL Filings, Attachment C: SDG&E's Proposal at 2-3.

DRAFT

- a. Regulatory Policy and Program Support
- b. Information Technology (IT) Infrastructure and Systems Support
- c. DR Potential Study

B. Load Modifying Programs (Budget Category 2)

The parties did not arrive at a consensus on whether programs and incentives under Budget Category 2 are eligible for a bill credit. This category comprises four programs: Optional Binding Mandatory Curtailment (all Utilities), the eliminated Permanent Load Shifting (all Utilities), Rotating Outages (SCE only), Scheduled Load Reduction Program (PG&E and SCE).

PG&E and SCE propose that costs attributed to programs and efforts in this category should be excluded from the bill credit.³⁰ (SDG&E's funding in this category is zero for the 2018-2022 Demand Response Program Budget.) PG&E states that programs under this category are out of scope because they continue to benefit both customers enrolled with Competing Providers and Competing Utilities.³¹ Although no parties protested this proposal, there was no agreement as to whether it should be excluded or included.

C. Communications to Customers About the Bill Credit

The parties agreed on the contents of the notification letter. The parties also agreed to the recommendation that third-party aggregators be responsible for communication to their own customers. However, that recommendation is inconsistent with the explicit language of the Decision. Parties have filed a pending PFM to allow third-party aggregators to communicate with their own customers.

Pending the outcome of the Commission's response to the PFM, SCE, PG&E, and SDG&E plan to send notification letters to customers directly enrolled in a Utility DR program and only to the third-party aggregator of customers enrolled in DR through a third-party aggregator, and not the third-party customers themselves. According to PG&E and SDG&E, "because the Aggregator owns the demand response relationship with its customers, it would be inappropriate for the Utilities to communicate directly with these participants."³²

³⁰ Utilities' Joint AL Filings, at 5.

³¹ Utilities' Joint AL Filings, Attachment B: PG&E's Proposal at 2.

³² Utilities Joint AL Filings, Attachment B: PG&E's Proposal," at 7-8 and Attachment C: SDG&E's Proposal at 6.

D. Tracking Bill Credit Implementation Costs

PG&E and SDG&E propose a method by which costs to implement the bill credit would be tracked. Although the tracking mechanism is not protested, the Joint CCA/DA parties objected to the Competing Utilities seeking cost recovery for this purpose and propose that the Commission reject their bill credit proposals for the tracking mechanism outright.³³ However, neither PG&E nor SDG&E proposed in their filings to subtract these costs directly from the bill credit.

The Joint CCA/DA parties also protested the claim made by PG&E and SDG&E in their respective proposals that implementation “costs should be recoverable without a reasonableness review.”³⁴ The Joint CCA/DA parties ask that the Commission require “the highest level of transparency” for any bill credit implementation costs it approves to ensure these costs are reasonable and unavoidable.³⁵

NOTICE

Notices of the filed Advice Letters PG&E AL 5353-E, SCE AL 3844-E, and SDG&E AL 3260-E (“Utilities’ Joint AL Filings”) were published in the Commission’s Daily Calendar. PG&E, SCE, and SDG&E, respectively, state that a copy of these of Advice Letters were mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS

The Utilities’ Joint AL Filings were timely protested on August 30, 2018 by the Office of Ratepayer Advocates (now, the Public Advocates Office at the California Public Utilities Commission or “Cal Advocates”).³⁶ The Advice Letters were also timely protested by the “Joint CCA/DA Parties”, which includes the Alliance for Retail Energy Markets (AReM, Direct Access Customer Coalition (“DACC”)), Marin Clean Energy (MCE), Sonoma Clean Power (SCP), and the California Choice Energy Authority (CCEA).³⁷

³³ Joint CCA/DA Parties, “Protest of the Joint CCA/DA Parties on PG&E AL 5353-E et al.,” at 6.

³⁴ Utilities’ Joint AL Filings, Attachment B: PG&E’s Proposal at 9 and Attachment C: SDG&E’s Proposal at 7.

³⁵ Joint CCA/DA Parties, “Protest of the Joint CCA/DA Parties on PG&E AL 5353-E et al.,” at 14.

³⁶ Cal Advocates, “The California Public Advocates Office Response to AL 5353-E (PG&E), 3844-E (SCE), and 3260-E (SDG&E) Regarding Their Proposed Approaches for Determining a Bill Credit to End Cost Recovery from a Competing Demand Response Provider’s Customers,” August 30, 2018.

³⁷ Joint DA/CCA Parties, “Protest of the Joint DA/CCA Parties on PG&E AL 5353-E, SCE AL 3844-E, and SDG&E AL 3260-E on Determining a Bill Credit to End Cost Recovery from the Customers of a Competing Demand Response Provider,” on August 10, 2018.

The Energy Division suspended the Utilities' Joint AL Filings on September 4, 2018.

The Utilities responded to the protests on September 7, 2018.³⁸ Energy Division further extended the suspension of the Utilities' Joint AL Filings on December 24, 2018.

The protests raised objections that are additional to the topics previously listed under the sub-section "II. Areas of Non-Consensus" in the Background section. The protests are categorized as follows and are further described in the subsequent sections below:

1. Fixed Costs (Budget Categories 6 and 7);
2. Tracking and Recovery of Utility Costs to Implement the Bill Credit
3. Tracking Utilities' Bill Credit Amount and Rounding
4. Additional Details on Customer Communications

1. Fixed Costs (Budget Categories 6 and 7)

Cal Advocates agreed with the Utilities' bill credit filings.

Cal Advocates argues that certain fixed costs, as proposed in the Utilities' Joint AL Filings, should be excluded from the bill credit to avoid burdening bundled customers of a Competing Utility from paying for costs that were incurred on behalf of all customers of that Utility.³⁹ As Cal Advocates notes, most of these costs fall under Portfolio Support - Budget Category 7. In particular, Cal Advocates agrees with SCE's proposal to exclude meter reprogramming costs, the DR Potential Study and the credit amount for the Eliminated Permanent Load Shift budget; and PG&E's and SDG&E's proposals to exclude other sub-budget categories under Budget Category 7.

Cal Advocates also states that variable costs that include program incentives, administration, and marketing costs should be included in the bill credits.⁴⁰ Cal Advocates notes that the exclusion of fixed costs and the inclusion of variable costs is aligned with the customer indifference principles established under the California

³⁸ PG&E, "Reply to the Protest of AL 5353-E on the Proposed Approach for Determining a Bill Credit to End Cost Recovery from a Competing Demand Response Provider's Customers," September 7, 2018; SCE, "Reply to Protest Filed to SCE AL 3844-E, Proposed Approach for Determining a Bill Credit to End Cost Recovery from a Competing Demand Response Provider's Customers," September 7, 2018; and SDG&E, "Reply to the Protest of AL 3260-E, et al.," September 7, 2018.

³⁹ Cal Advocates Protest, August 30, 2018 at 2.

⁴⁰ *Ibid.*, at 3.

Public Utilities Code (PUC) §366.2(a)(4),⁴¹ §366.3,⁴² and §366.3⁴³; and the Competitive Neutrality Cost Causation principle adopted by D.14-12-024.⁴⁴

The Joint CCA/DA Parties contend that, while SCE “made good faith effort to include all applicable costs” and provide clear explanations, PG&E and SDG&E’s proposals are insufficient in information.⁴⁵

The Joint CCA/DA Parties oppose SDG&E and PG&E’s proposals⁴⁶ and contend that D.17-10-017 does not support PG&E’s interpretation that “indirect,” “fixed,” “essential,” and “unavoidable” costs benefit all programs and are, therefore, exempt from the bill credit.⁴⁷ The Joint CCA/DA Parties assert that, in fact, D.17-10-017 directed the utilities to include “all applicable” Utility DR costs, including those in Budget Categories 6 and 7 to ensure that: 1) competitive neutrality is maintained among customers of both Competing Utilities and Competing Providers; 2) customers of Competing Providers are not charged twice for the same DR program costs by both their Competing Provider and the Competing Utility; and 3) Competing Provider customers are not charged for a Competing Utility program for which they did not cause or from which they do not benefit.⁴⁸

⁴¹ Public Utilities Code (PUC) § 365.2: The Commission shall ensure that bundled retail customer of an electrical corporation do not experience any cost increases as a result of retail customers of an electrical corporation electing to receive service from other providers. The Commission shall also ensure that departing load does not experience any cost increases as a result of an allocation of costs that were not incurred on behalf of the departing load.

⁴² PUC § 366.2(a)(4): The implementation of a community choice aggregation program shall not result in a shifting of costs between customers of the community choice aggregator and the bundled service customers of an electrical corporation.

⁴³ PUC § 366.3: Bundled retail customers of an electrical corporation shall not experience any cost increase as a result of the implementation of a community choice aggregator program. The Commission shall also ensure that departing load does not experience any cost increases as a result of an allocation of costs that were not incurred on behalf of the departing load.

⁴⁴ D.14-12-024, OP 8b.: “Once a direct access or community choice provider implements its own Demand Response program, the competing utility shall, no later than one year following the implementation of that program: i) end cost recovery from that provider’s customers for any similar program and ii) cease providing the similar program to that provider’s customers.”

⁴⁵ Joint CCA/DA Parties, “Protest to PG&E AL 5353-E et al.,” August 30, 2018 at 2.

⁴⁶ Utilities’ Joint AL Filings, Attachment B: PG&E’s Proposal at 11.

⁴⁷ *Id.*

⁴⁸ Joint CCA/DA Parties, “Protest to PG&E AL 5353-E et al.,” August 30, 2018 at 6.

The Joint CCA/DA Parties request that the Commission take the following actions on PG&E and SDG&E's proposals:

- Reject PG&E and SDG&E's proposals;
- Require PG&E and SDG&E to submit supplemental information; and
- Require PG&E and SDG&E to specify appropriate portions of Categories 6 and 7 to be included in the bill credit.

In its reply, PG&E subsequently agrees that the share of Budget Category 6 (Marketing, Education and Outreach [ME&O]) costs that can be traced to a specific DR program should be included in the bill credit.⁴⁹ SDG&E already stated in its advice letter filing that the ME&O sub-category, which comprises the Utilities' whole Category 6 Budget, will be credited.⁵⁰

On Budget Category 7 (Portfolio Support), SDG&E notes that this budget Category 7 (Portfolio Support) contains fixed costs that cannot be divided based on program.⁵¹ For example, its Evaluation, Measurement, and Verification (EM&V) and policy staff perform studies for all DR programs, not only for programs for which cost recovery has ended. That is, because such staff performs functions supporting multiple programs, ceasing cost recovery for a single program does not translate a reduction in fixed costs.⁵² Moreover, program support needs fluctuate according to actions initiated by the Commission and by third parties. SDG&E cites as an example direct participation/Rule 32 activities that have fluctuated over time, and which require the Utility to support not only its own and third party-programs, but also the Demand Response Auction Mechanism (DRAM) activities.⁵³ SDG&E asserts that crediting EM&V costs to CCA customers would adversely affect third party programs.

SDG&E asserts that its bill credit proposal should be adopted because the Utility followed the guidelines prescribed by the Decision.⁵⁴ SDG&E adds that the Joint CCA/DA Parties' argument is incorrect because D.17-10-017 neither mentions nor explicitly prohibits the utility's proposal to exclude costs "incurred in overall DR program management that are not directly attributable to a particular DR program." That is, per SDG&E, the Decision allows for "some appropriately determined portion"

⁴⁹ PG&E, "Response to Joint CCA/DA Parties' Protest...", September 7, 2018 at 5.

⁵⁰ Utilities' Joint AL Filings, Attachment C: SDG&E's Proposal at 2.

⁵¹ SDG&E, "Response to Joint CCA/DA Parties' Protest....", September 7, 2018 at 3.

⁵² *Id.*

⁵³ SDG&E, "Response to Protest of Joint CCA/DA Parties....", at 4.

⁵⁴ *Id.*

of Utilities' DR budgets to "not be credited back to CCA customers...."⁵⁵ SDG&E states it distinguished the following different cost categories: costs that are attributable to specific DR programs, costs that are not attributable to specific DR programs, and costs that support all DR programs; consequently, because the Utility excludes costs incurred in overall DR program management not directly attributable to a specific DR program, SDG&E claims that its proposal complies with the Decision.⁵⁶

PG&E responds that the consideration on which cost elements are to be included in the bill credit is subject to interpretation by the Commission, as the finding on the "similarity" of CCA/DAs' DR programs unfolds.⁵⁷ Further, the determination on cost elements of the bill credit may need to be dynamic as Utility DR programs change and new programs are created. This means that cost elements of the bill credit could vary based on the specific elements of the CCA/DA's similar program and the Utility's budgetary categories (and sub-categories) at that point in time.⁵⁸

PG&E states that the workshop parties concurred that Budget Categories 3 -5 would be excluded from the bill credit. Costs that are not avoidable and pertain to activities which support other DR programs – besides those deemed similar – should be subject to the bill credit exclusion "if the CCA/DAs' customers are eligible to participate in those other non-similar DR activities or receive benefits."⁵⁹ Over time, a return of all costs to unbundled (CCA/DA) customers increases the burden of unavoidable costs to the remaining bundled (Utility) customers.⁶⁰ This could adversely impact the viability of Utility DR programs to meet the Commission's cost effectiveness requirements, which in turn could have the unintended effect of reducing customer participation in DR.⁶¹ To this end, PG&E seeks the Commission's guidance on how parts of Category 6 (Marketing, Education, and Outreach), and parts of Category 7 (DR Portfolio Support) should be treated. Specifically:

- Budget Category 6 (Marketing, Education, and Outreach): Costs under Education and Training would not be included in the bill credit as they could not be traced to a

⁵⁵ SDG&E, "Reply to Joint CCA/DA Protest...", at 3.

⁵⁶ *Id.*

⁵⁷ PG&E, "Response to Joint CCA/DA Parties' Protest ...," at 5.

⁵⁸ *Id.*

⁵⁹ PG&E, "Response to Joint CCA/DA Parties' Protest ...," at 5.

⁶⁰ *Ibid.*, at 7.

⁶¹ PG&E cites D. 17-10-017 at 30, which states, "... the Commission should also ensure that the implementation of the principle does not create unintended consequences that could undermine the State's ability to meet the DR goals and associated objectives and principles adopted by the Commission."

specific program and because all parties – Utilities, aggregators, third-party DR providers, and Competing Providers -- benefit from the promotion of Demand Response.

- Budget Category 7 (Portfolio Support): These costs should be excluded because they “support the underpinning of all DR programs and DR policy development,” “are not tied to a specific DR program,” and “benefits all DR participants,” regardless of how they are enrolled, whether by the Competing Utilities, aggregators, third-party providers, or Competing Providers.⁶² These sub-categories contain activities undertaken for DR Integration Policy and Planning, DR Measurement and Evaluation Committee (DRMEC), Support for Market Activities, Support for Retail and Customer Facing, and the DR Potential Study.

2. Tracking and Recovery of Utility Costs to Implement the Bill Credit

The Joint CCA/DA Parties argue that PG&E and SDG&E’s proposals include a “perverse incentive to inflate implementation costs to reduce the DR bill credit and, in turn, reduce the competitiveness of CCA and ESP DR programs.”⁶³ Consequently, the Joint CCA/DA Parties request that the Commission reject any Utility’s proposals for cost recovery that do not include “mandatory, detailed cost disclosures and Commission reasonableness review.”⁶⁴ The Joint CCA/DA Parties assert that both SDG&E and PG&E failed to “provide any detail regarding specific incremental costs, including the ‘forecast of the activities and costs’ that would be included under their respective implementation cost recovery proposals, as required by D. 17-10-017.”⁶⁵

PG&E responds that the Joint CCA/DA Parties confuse DR program costs with the cost to implement the bill credit. PG&E states that it did not detail the cost estimates for the implementation of the bill credit because these details were not required by the Decision⁶⁶ and providing them would be premature in the absence of:

- Commission approval of similar program(s) offered by a Competing Provider and “unique elements associated with each program determination that could influence implementation”;
- A Decision on the outstanding PFM, which could change the breadth of notification letter recipients and the method of delivery, factors which could affect implementation costs;

⁶² *Id.*

⁶³ Joint CCA/DA Parties, “Protest to PG&E AL 5353-E et al.,” at 13.

⁶⁴ *Ibid.* at 3.

⁶⁵ *Ibid.*, at 10.

⁶⁶ D. 17-10-017 at 29.

- A final Resolution resolving issues presented in the Utilities' Joint AL Filings, which could affect implementation cost outcomes that were not reflected in the initial cost estimates.

Similarly, SDG&E responds that its proposal comports with facts that were known at the time of filing. Once the Commission approves Competing Providers' programs, modifications to the bill credit mechanism may need to be made. In the near term, SDG&E states that its methodology to track costs represents a reasonable approach rooted in the information at hand and should be adopted.⁶⁷

PG&E rebuts that the Joint CCA/DA Parties' perception of Utilities' "perverse incentive to inflate implementation costs to reduce the DR bill credit and, in turn, reduce the competitiveness of CCA and ESP DR programs"⁶⁸ is inaccurate. According to PG&E, due to the increased level of load migration from their (Utilities') bundled service to CCAs, the Utilities' "inherent interest [is in fact] in maintaining competitiveness through cost minimization". PG&E maintains that the Utilities' proposal to track costs is consistent with the Competitive Neutrality Cost Causation Principles of simplicity and cost minimization.⁶⁹

3. Tracking Utilities' Bill Credit Amount and Rounding

In order to ensure transparency and to determine bill credit methodology effectiveness, Cal Advocates asks that the Commission direct Utilities to file semi-annual Tier One Advice Letters. These filings would explain how costs were credited to the affected Competing Provider customers, which fixed costs were included in the bill credits, and how each Utility attributed specific portions of the fixed costs to a particular similar DR program. This information could instruct the Commission on future determinations and refinements on the Bill Credit methodology. This filing would also inform future review of Utilities' demand response budget request.⁷⁰

⁶⁷ SDG&E, "Response to Joint CCA/DA Parties' Protest ...," at 4.

⁶⁸ PG&E, "Response to Joint CCA/DA Parties' Protest ...," at 3, as cited from the Joint CCA/DA Parties, "Protest to PG&E AL 5353-E et al.," at 13.

⁶⁹ R. 13-09-011, "Joint Utilities' Proposal on Competitive Neutrality Cost Causation Principles in Response to ALJ Hymes December 2, 2016 Ruling," February 17, 2017 at 3.

⁷⁰ The Cal Advocates, "Protest to PG&E AL 5353-E et al.," August 30, 2018, at 2.

SDG&E agrees with Cal Advocates' proposal.⁷¹ PG&E and SCE did not provide a response.

The Joint CCA/DA Parties argue that PG&E and SDG&E's billing architecture, which cuts off at the fifth decimal place, would prevent customers from receiving any credit for amounts at the sixth decimal place.

PG&E responds that, in advocating for a modification to expand the bill credits from a five-digit to a six-digit limiting factor, the Joint CCA Parties reject the guiding principles of simplicity and cost minimization. Implementing such a credit would primarily benefit a limited number of customers (*i.e.*, those under the E-20 tariff),⁷² and would result an implementation cost greater than the credit issued.⁷³

4. Additional Details on Customer Communications

The Joint CCA/DA Parties support PG&E's proposal to provide an "on-bill message" about the bill credit, a draft of which will be provided to the relevant Competing Provider in advance.⁷⁴ However, the Joint CCA/DA Parties request that the Commission direct PG&E and SDG&E to provide additional information, some of which was exchanged in the workshop, but is missing from the Utilities' advice letter filings. Specifically, the Joint CCA/DA Parties request that:

- PG&E provide specific details on other non-on-bill communications as indicated in its filing;
- PG&E and SDG&E provide sample bill credits by customer class; and
- SDG&E identify DR programs subject to the bill credit.⁷⁵

PG&E responds that its advice letter filing is comprehensive, as the Utility provided not only details about the "on-bill message," but other communication options in the event the "on-bill message" could not be executed (*e.g.*, letter, e-mail, bill insert).⁷⁶ Further, PG&E states that certain communication elements are still pending the Commission's

⁷¹ SDG&E, "Response to the Cal Advocates Protest of SDG&E AL 3260-E et al.," September 7, 2018 at 4.

⁷² PG&E, "Electric Schedule E-20: Service to Customers with Maximum Demand of 1000 kW or More," January 16, 2019.

⁷³ PG&E, "Response to Joint CCA/DA Parties' Protest ...," at 3.

⁷⁴ Joint CCA/DA Parties, "Protest to PG&E AL 5353-E et al.," August 30, 2018 at 15.

⁷⁵ *Id.*

⁷⁶ PG&E, "Response to Joint CCA/DA Parties' Protest of PG&E AL 5353-E et al.," September 7, 2018 at 4.

Decision on the PFM. PG&E asserts that Appendix C of its proposal provides pro-forma credits based on current sales volume by customer class.

SDG&E did not respond to the Joint CCA/DA's protest requesting a specific example of a bill credit.

DISCUSSION

We approve the bill credit proposals put forth by the Utilities, with certain modifications, and summarize our conclusions here.

With respect to the primary issue involving the inclusion or exclusion of certain budget categories in issuing the bill credit, we approve the following with modifications:

- SCE's bill credit proposal to include all costs under Budget Category 1, Budget Category 6, and Budget Category 7.⁷⁷
- PG&E's proposal to include Budget Category 1 and the portion of Budget Category 6 dedicated to DR Core Marketing and Outreach.
- SDG&E's proposal to include Budget Category 1; and the sub-category portions of Budget Category 6 and 7 as described in the next section below.

Regarding Budget Category 2, we defer resolving the matter to when the Commission makes a finding of "similarity." At that time, the Commission will make the determination on whether the load modifying program's corresponding costs can be credited.

We direct the Utilities to track and report the cumulative bill credits on an annual basis. We also direct the Utilities to report on and call to attention their fixed costs relevant to bill credits for "similar" programs in their DR budget application filings.

We direct the Utilities to file a Tier Two Advice Letter on the expected bill credit to be issued, based on a more updated and accurate understanding of the "similar" program that has been approved by the Commission. This advice letter is to be filed no later than nine months after a Commission finding of that a Competing Provider's DR program is "similar."

We reject the Competing Utilities' customer communications plan, without prejudice. D.17-10-017 requires Competing Utilities to send a letter notifying "affected customers" of all changes associated with a Commission resolution deeming a Competing

⁷⁷ Utilities' Joint AL Filings, Attachment A: SCE's Proposal at 4.

Provider's DR program "similar." The Decision, however, does not differentiate between affected customers directly enrolled in the Competing Utilities' DR programs and those who participate in DR through third-party aggregators. Neither the Competing Utilities nor this Resolution hold the authority to modify a decision. Therefore, the Competing Utilities' shall send notification letters to *all* affected customers, whether they are directly enrolled in a Utility DR program or with an aggregator, unless and until directed otherwise by the Commission.

Regarding whether programs and incentives under Budget Category 2 are eligible for a bill credit, we defer resolving this matter to when the Commission makes a finding of "similarity." At that time, with the availability of the practical information needed, the Commission will be able to determine whether the load modifying program's corresponding costs can be credited.

We discuss and resolve the following protested issues in the sections below:

- I. Fixed Costs and Overlapping Staff and Resource Functions;
- II. Tracking and Recovery of Utility Costs to Implement the Bill
- III. Timeline
- IV. Bill Credit Tracking

I. Fixed Costs and Overlapping Functions

We agree that the variable cost savings associated with the reduced Competing Utility DR program should be credited to Competing Provider customers in order to attain a "level playing field."⁷⁸ These costs fluctuate and can be incrementally reduced according to the number of Competing Provider customers enrolled or their cumulative load impact. Consistent with the Principle, Competing Utility customers should not bear the remaining fixed cost exposure resulting from: 1) the actions taken by customers who have chosen (and have the option) to depart from Competing Utility service, and 2) the actions taken by a Competing Provider.

When a Competing Provider creates a "similar" DR program and its customers are no longer eligible to participate in the Competing Utility's corresponding DR program, the Utility's fixed costs associated with that program cannot be proportionally reduced in the short term. These costs remain unchanged regardless of number of participants. Hence, if customers departing to a Competing Provider's service do not pay for these

⁷⁸ These costs are allocated under Category 1 for all Utilities and under Category 2 for PG&E and SCE.

Utilities' fixed costs, the customers who remain with the Utility would carry a greater share of the burden and are thus made worse off as a result of the actions of other departing customers.

We also recognize that certain expenditure categories represent activities that support multiple programs. These activities cannot be directly attributed to a specific program because resources and staff assignments can overlap. It then follows that some overlapping Competing Utility personnel roles cannot be isolated according to specific "similar" programs. A reduction of one employee's support assignment for one slightly reduced program would not necessarily result in a reduction of a Full-Time Equivalent (FTE). Some of these overlapping activities are classified under:

- PG&E's expenditures in Budget Categories 6 (which involve the Education and Training sub-category) and 7 (which involves DR Integration Policy and Planning, DR Support for Market Activities, and Support for Retail and Customer-Facing Activities sub-categories); and
- SDG&E's expenditures in some sub-categories under Budget Category 7 (Regulatory Policy and Program Support; Information Technology [IT] Infrastructure and Systems Support).

As we stated, if there are activities directly attributed to a Competing Utility's program that do not also support another non-similar program, their associated costs should be eligible for a bill credit where a Competing Provider's program is deemed "similar". Thus, we modify PG&E and SDG&E proposals and direct these Utilities to make eligible for the bill credit the following budget sub-categories under Budget Categories 6 and 7 (for PG&E and SDG&E) that are directly attributable to a "similar" DR program:

A. Budget Category 6 (Marketing, Education, and Outreach):

- DR Core Marketing and Outreach Sub-Category (PG&E)

B. Budget Category 7 (Portfolio Support):

- DR Support for Market Activities Sub-Category (PG&E)
- Evaluation, Measurement, and Verification Sub-Category (SDG&E)

We acknowledge the obligation to ensure that both sets of customers are neither worse nor better off as a result of actions taken by the other. While in the short run fixed costs cannot be progressively reduced when a Competing Provider creates a "similar" DR program, changes in operational and technical capabilities may improve productivity and reduce fixed costs over the long run. To determine which of these costs can be proportionally reduced in the future, we order Competing Utilities to include in their

next five-year DR budget Applications a report of 1) fixed costs for the first twelve months after the month in which a Competing Provider's program is deemed similar, 2) a projection of these costs for each of the subsequent four years, and, as proposed by Cal Advocates,⁷⁹ 3) a detailed ex-post accounting of all costs that have been credited to the Competing Provider's customers. Utilities shall call attention to any projected reductions in fixed costs as a result of gains in productivity or efficiency.

II. Tracking and Recovery of Utility Costs to Implement the Bill

We approve, with modification, PG&E and SDG&E's requests to *record* incremental costs associated with implementing the bill credit; we do not approve actual costs at this time as it would be premature to do so in the absence of the Commission's finding on "similarity" and accurate incremental cost estimates.

As noted in PG&E and SDG&E's proposals, the request to record incremental costs associated with implementing the bill credit are based on elements "known at the time of filing," which may necessitate future modifications as "unique elements associated with each program determination could influence implementation."

We acknowledge PG&E's argument that the Decision provided for optionality for Competing Utilities to include a "forecast of activities and costs." However, we agree with Joint CCA/DA Parties that any cost recovery request is subject to reasonableness review. Hence, once cost impacts are fully known, we direct the Competing Utilities to file a Tier One Advice Letter containing a detail of the incremental costs they plan to record for subsequent cost recovery. This filing shall be made six months from the issuance of the Commission's resolution finding of Competing Provider's "similar" DR program. Consistent with D. 17-10-017, the filing shall include a detail of incremental costs, a forecast of the activities and costs associated with implementation, and the proposed rate of recovery. As directed by D. 17-10-017, if a Utility intends to recover stranded costs, the request must be made in an application, which allows for evidentiary hearings. The prescribed timeline is consistent with the "one-year implementation clock" defined in D. 17-10-017 and allows for a transparent review of costs based on more current information.

To ensure further transparency, we direct SCE to file a Tier One Advice Letter to propose their methodology for recording incremental costs associated with implementing the bill credit. We acknowledge that the Decision did not require but

⁷⁹ Cal Advocates, "Response to PG&E AL 535E-E et al.," August 30, 2018 at 3.

gave the option for the Competing Utilities to submit such a proposal. Therefore, the lack of SCE's proposed methodology in the Utilities' Joint AL Filings is not a breach in compliance with the Decision. However, we find it is reasonable for SCE to submit its proposal to record bill credit implementation costs to set a level starting point with the other Competing Utilities for these discussions.

III. Timeline

PG&E and SDG&E state that they will have unenrolled impacted customers and begin issuing bill credits no later than the end of 365 days plus one billing cycle after the adoption of the Commission's Resolution on the finding of "similarity." (T_0+365 days+1 billing cycle).⁸⁰ We state that the Decision specifies that all activities such as unenrolling customers, cost recovery, targeted marketing, and when customers cease to be eligible for a program, must be completed no later than 365 days after the adoption of the Commission's Resolution on the finding of "similarity" (T_0+365 days).⁸¹ Because a credit can only be issued once the final full month of unenrollment has expired (T_0+365), the issuance of a bill credit can begin one month thereafter ($T_0+365+1$ billing cycle). We direct PG&E and SDG&E to modify their proposals to have Competing Provider's customers unenrolled within 365 days after the Commission adopts a Resolution on the finding of "similarity."

IV. Bill Credit Tracking

We find reasonable Cal Advocates' proposal to track the bill credits so that the Commission and ratepayers have understanding and transparency on the credits that have been implemented. We direct the Competing Utilities to include information in an annual report to filed each January 31, with the following elements:

- How costs were credited to the affected Competing Provider customers;
- An explanation on certain fixed costs included in the bill credits; and
- How each Utility attributed specific portions of the fixed costs to a similar DR program.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review. Please note that comments are due 20 days from the mailing date of this resolution. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding. The 30-day review and 20-day comment

⁸⁰ Utilities' Joint AL Filings, Attachment B: PG&E's Proposal at 8.

⁸¹ D. 17-10-017, Attachment 1 at 2.

period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

FINDINGS

1. Decision (D.)14-12-024 adopted a Competitive Neutrality Cost Causation Principle to ensure that customers bear the cost of only the demand response (DR) programs or tariffs that are available to them.
2. To implement the Competitive Neutrality Cost Causation Principle as relevant to DR programs, D.17-10-017 required Pacific Gas and Energy (PG&E), Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E) (Competing Utilities) to submit proposals for a bill credit mechanism that would end cost recovery for a Utility DR program, for which a Commission-deemed "similar" DR program is offered by a Community Choice Aggregator (CCA) or Direct Access electric service provider (Competing Providers).
3. D.17-10-017 directed parties to submit comments on the Competing Utilities' bill credit proposals, and directed Energy Division to facilitate a workshop to discuss recommended revisions to the proposals.
4. Pursuant to D.17-10-017, Ordering Paragraph (OP) 5, following the workshop, on August 8, 2018, the Competing Utilities jointly filed Advice Letters (AL) PG&E 5353-E, SCE 3844-E, and SDG&E 3260-E.
5. ALs PG&E 5353-E, SCE 3844-E, and SDG&E 3260-E complies with most requirements in OP 5 of D.17-10-017.
6. The question of whether Budget Category 2 costs should be included in the bill credit mechanism can be revisited and resolved when the Commission makes a finding of "similarity."
7. Variable cost savings resulting from a reduced program should be credited to Competing Provider customers, as these costs can be incrementally reduced according to the number of Competing Provider customers enrolled in a DR program deemed "similar" or their cumulative load impact.
8. When a Competing Provider creates a "similar" DR program, the Competing Utility's fixed costs associated with their DR program cannot be proportionally reduced in the short-term, as fixed costs remain unchanged regardless of the number of participants.
9. Changes in operational and technical capabilities may improve productivity and reduce fixed costs in the long run.

10. Costs that directly support a program and do not overlap with other functions should qualify for a bill credit. It is reasonable that the following Budget Categories be included in the credit:
 - a. Budget Category 6: Marketing, Education, and Outreach (ME&O)
 - 1.) DR Core Marketing and Outreach Sub-Category (PG&E)
 - b. Budget Category 7: Portfolio Support
 - 1.) DR Support for Market Activities Sub-Category (PG&E)
 - 2.) Evaluation, Measurement, and Verification (EM&V) (SDG&E)
11. PG&E's and SDG&E's requests to record incremental costs associated with implementing the bill credit are reasonable.
12. As it was not required by D.17-10-017, SCE did not submit a request to record incremental implementation costs or its plan for doing so.
13. Requiring SCE to submit a similar proposal to those of PG&E and SDG&E to outline its plan for recording incremental costs associated with implementing the bill credit is beneficial. Such a proposal would provide further transparency to SCE's eventual methodology for recording incremental costs.
14. In the absence of the Commission's finding on "similarity" and accurate incremental cost estimates, it would be premature to approve the estimated actual costs of implementing the bill credit included in ALs PG&E 5353-E, SCE 3844-E, and SDG&E 3260-E.
15. Any cost recovery request resulting from tracking and recording of the bill credit implementation is subject to reasonableness review.
16. D.17-10-017 states that Competing Utilities shall complete all activities related to the Competitive Neutrality Cost Causation Principle, such as unenrolling customers, ceasing cost recovery and targeted marketing, and elimination of customer eligibility, no later than 365 days following the adoption of a Commission Resolution on the finding of "similarity."
17. Neither the Competing Utilities nor this Resolution hold the authority to modify the order in D.17-10-017 that Completing Utilities shall send notification letters to all affected customers once a Commission resolution deems a Competing Provider's DR program as "similar."
18. The request submitted by the Public Advocates Office (Cal Advocates) to require the Competing Utilities to track bill credits so that the Commission and

ratepayers have transparency on the credits that have been implemented is reasonable.

THEREFORE IT IS ORDERED that:

1. Advice Letters Pacific Gas and Electric Company (PG&E) 5353-E, Southern California Edison (SCE) 3844-E, and San Diego Gas & Electric Company (SDG&E) AL 3260-E (the Competing Utilities), filed on August 10, 2018, are approved as modified herein.
2. Within 45 days of the effective date of this Resolution, SCE shall file a Tier One Advice Letter detailing its plan for recording incremental implementation costs associated with the bill credit.
3. The Competing Utilities shall file a Tier Two Advice Letter on the expected bill credit to be issued, based on a more updated and accurate understanding of the “similar” program that has been approved by the Commission, within nine months of the Commission’s issuance of a finding that a competing program is “similar.”
4. Once cost impacts of the bill credit implementation are known, Utilities shall submit a Tier One Advice Letter containing a detail of the incremental costs they plan on recording for subsequent cost recovery requests. The letter:
 - a. Shall be filed within six months of the issuance of the Commission’s resolution finding the Competing Provider’s Demand Response program to be “similar.”
 - b. Shall include a detail of incremental costs, a forecast of the activities and costs associated with implementation, and the proposed rate of recovery.
5. The Competing Utilities shall submit an annual report, filed each January 31 with the Energy Division and served on the demand response rulemaking Service List (R.13-09-011 or its successor), with the following elements:
 - a. How costs were credited to the affected Competing Provider customers,
 - b. An explanation on certain fixed costs included in the bill credits,
 - c. How each Utility attributed specific portions of the fixed costs to a similar DR program.
6. After a finding of “similarity,” the Competing Utilities shall include in their next five-year Demand Response budget Applications a report of:
 - a. Fixed costs for the first twelve months after the month in which a Competing Provider’s Program is deemed “similar”,

- b. A projection of these costs for each of the subsequent four year,
- c. A detailed ex-post accounting of all costs that have been credited to the Competing Provider's customers. Utilities shall highlight any projected reductions in fixed costs as a result of gains in productivity or efficiency.

The Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on July 14, 2022, following the Commissioners voting favorably thereon:

Rachel Peterson
Executive Director

APPENDIX A⁸²

Demand Response Budget Categories and Sub-Categories		
Category 1 – Supply-Side Demand Response (DR) Program		
Sub-Categories Per Utility		
PG&E	SCE	SDG&E
Air Conditioning (AC) Cycling Program Administration (PG&E Term: “Smart AC”)	Agricultural Pumping Interruptible (AP-I) Program Administration	Air Conditioning (AC) Cycling Day-Ahead Program Administration (SDG&E Term: “AC Saver Day-Ahead” [AC Saver DA])
• AC Cycling Incentives	• AP-I Incentives	• AC Saver DA Incentives
Base Interruptible Program (BIP) Program Administration	Air Conditioning (AC) Cycling Program Administration (SCE Term: “Summer Discount Plan” [SDP])	Air Conditioning (AC) Cycling Day-Of Program Administration (SDG&E Term: “AC Saver Day-Of” [AC Saver DO])
• BIP Incentives	• AC Cycling Incentives	• AC Saver Day-Of Incentives
Capacity Bidding Program (CBP) Program Administration	Base Interruptible Program (BIP) Program Administration	Base Interruptible Program (BIP) Program Administration
• CBP Incentives	• BIP Incentives	• BIP Incentives
	Capacity Bidding Program (CBP) Program Administration	Capacity Bidding Program (CBP) Program Administration
	• CBP Incentives	• CBP Incentives
	Peak Time Rebate (SCE Term: “Save Energy Program” [SEP])	Peak Time Rebate (PTR)
	• SPD Incentives	

⁸² Source: D. 17-12-003, “Decision Adopting Demand Response Activities and Budgets for 2018 Through 2022,” December 14, 2017,” Attachment 3 at 1-8.

Category 2 – Load Modifying Demand Response Program		
Sub-Categories Per Utility		
PG&E	SCE	SDG&E
Optional Binding Mandatory Curtailment (OBMC) and Scheduled Load Reduction Program (SLRP)	Optional Binding Mandatory Curtailment (OBMC)	Optional Binding Mandatory Curtailment (OBMC) and Scheduled Load Reduction Program (SLRP)
Permanent Load Shifting (PLS) -- Eliminated	Permanent Load Shifting (PLS) -- Eliminated	Permanent Load Shifting (PLS) -- Eliminated
	Rotating Outages	
	Scheduled Load Reduction Program (SLRP)	
Category 3 – Demand Response Auction Mechanism (DRAM) and Direct Participation Electric Rule 24 (for PG&E and SCE) and Rule 32 (for SDG&E)		
Sub-Categories Per Utility		
PG&E	SCE	SDG&E
DRAM	DRAM	DRAM, including Information Technology (IT)
Direct Participation Electric Rule 24 (for PG&E and SCE) Operation and Maintenance (O&M)	Direct Participation Electric Rule 24 (for PG&E and SCE) Operation and Maintenance (O&M)	Direct Participation Electric Rule 32 (for SDG&E only) Operation and Maintenance (O&M), including IT
Category 4 – Emerging and Enabling Technology Programs		
Sub-Categories Per Utility		
PG&E	SCE	SDG&E
Auto DR	Emerging Markets and Technology	DR Emerging Technology
DR Emerging Technology	Technology Incentives	Technology Deployment Technology Incentives

Category 5 -- Pilots		
Sub-Categories Per Utility		
PG&E	SCE	SDG&E
Supply-Side Pilot	Charge Ready Pilot	Armed Forces Pilot (AFP)
Excess Supply Side Pilot	Constrained Local Capacity Planning Areas and Disadvantaged Communities Pilot	Over-Generation Pilot
Local Capacity Planning Areas and Disadvantaged Communities Pilot		Constrained Local Capacity Planning Areas and Disadvantaged Communities Pilot
		Capacity Bidding Program (CBP) Residential Pilot
Category 6 -- Marketing, Education, and Outreach (ME&O)		
Sub-Categories Per Utility		
PG&E	SCE	SDG&E
DR Core Marketing and Outreach	Other Local Marketing	Local Marketing, Education and Outreach
Education and Training	• Permanent Load Shifting (PLS) Marketing -- Eliminated	
Permanent Load Shifting (PLS) Marketing – Eliminated		

Category 7 – Portfolio Support (includes Evaluation, Measurement, and Validation [EM&V]; Systems Support; and Notifications)		
Sub-Categories:		
PG&E	SCE	SDG&E
DR Measurement and Evaluation Committee (DRMEC)	DR Systems and Technology Support (Total), Including:	Regulatory Policy and Program Support
Permanent Load Shifting (PLS) EM&V -- Eliminated	a. Meter Reprogramming	Information Technology (IT) Infrastructure and Systems Support
DR Integration Policy and Planning	b. Integrate Automation	Evaluation, Measurement, and Verification (EM&V)
DR Support for Market Activities	c. Hosting and Licensing	DR Potential Study
Support for Retail and Customer-Facing Activities	d. System Enhancements	
DR Potential Study	e. SCE Labor Costs	
	Evaluation, Measurement and Evaluation (EM&V) for Peak Load Shifting (PLS) – Eliminated	
	DR Potential Study	

APPENDIX B
PACIFIC GAS AND ELECTRIC COMPANY
Demand Response OIR 2013
Rulemaking 13-09-011
Data Response

PG&E Data Request No.:	ED_099-Q02		
PG&E File Name:	DemandResponseOIR-2013_DR_ED_099-Q02		
Request Date:	March 6, 2019	Requester DR No.:	3/6/19 (E-Mail)
Date Sent:	March 18, 2019	Requesting Party:	Energy Division
PG&E Witness:	Sebastien Csapo	Requester:	Natalie Guishar

Question 2

On page 6 of its Bill Credit Proposal, PG&E states that there are two methods by which the explicit credit could be displayed: "Inclusion of an explicit line-item on the bill."

Q: How does this differ from an explicit message in a periodic billing adjustment (Option 1)?


Answer 2

Please note the method by which the credit is presented on the customer's bill (*i.e.*, blue bill), as discussed on page 6 [part a) Line item on bill credit] is not necessarily directly connected to any separate messaging, as discussed on page 6 [part b) Bill messaging].¹ However, parts a) and b) could have overlap. Additional messaging, separate from the bill credit itself can be on-bill (*i.e.*, blue bill) or off-bill (*e.g.*, letter, email, etc.), as discussed on page 6, part b. PG&E interprets the intent of this question limited to page 6, part a [Line item on bill credit]. PG&E's scoping of billing system options identified the following two approaches: Approach 1: Bill Credit Treatment: This option is similar to the method by which the biannual (twice yearly) climate credit is administered. This process essentially forces a credit onto the bill. This approach is also utilized when rebilling customers (*e.g.*, corrected charges, etc.). In the case of a credit associated with Cost Causation, the credit would only apply to the electric service.

The pro-forma illustration provides a visual of the billing adjustment line item and potential messaging that could be provided. Since these are pro-forma illustrations (*i.e.*, mock-ups) they are not necessarily representative of what the final display would or can look like. Messaging prioritization mandates when and how often certain messaging can be provided.


¹ Advice Letter 5353-E, dated August 10, 2018, Attachment B (PG&E's Proposal).

Approach 1: Illustration for Bill Credit Treatment

 ENERGY STATEMENT www.pge.com/MyEnergy		Account No: [REDACTED] Statement Date: 04/13/2018 Due Date: 05/04/2018				
Details of PG&E Electric Delivery Charges (continued) Service For: [REDACTED] Service Agreement ID: [REDACTED]						
Adjustments <table border="0"> <tr> <td>Demand Response Credit</td> <td>-XX.XX</td> </tr> <tr> <td>Total Adjustments</td> <td>-\$39.42</td> </tr> </table>			Demand Response Credit	-XX.XX	Total Adjustments	-\$39.42
Demand Response Credit	-XX.XX					
Total Adjustments	-\$39.42					
Additional Messages Demand Response Program Credit. You are receiving a credit for Demand Response program funding that is no longer offered by PG&E because your energy provider (CCA or ESP) offers a similar Demand Response program as determined by the California Public Utilities Commission.						

Approach 2: Explicit Line Item on Bill: This methodology inserts a new line item into the itemized listing of charges as indicated in the illustration below. Similar to Approach 1, separate bill messaging could be provided with a sample in the right-hand side highlighted in yellow. As indicated for Approach 1, since these are pro-forma illustrations (i.e., mock-ups) they are not necessarily representative of what the final display would look like or can look like. Furthermore, messaging prioritization mandates when and how often certain messaging can be provided.

Approach 2: Illustration of Explicit Line Item on Bill:

 ENERGY STATEMENT www.pge.com/MyEnergy		Account No: [REDACTED] Statement Date: 04/13/2018 Due Date: 05/04/2018																																
Details of PG&E Electric Delivery Charges 03/09/2018 - 04/09/2018 (32 billing days) Service For: [REDACTED] Service Agreement ID: [REDACTED] Rate Schedule: E1 T Residential Service																																		
<table border="0"> <tr> <td>03/09/2018 – 04/09/2018</td> <td>Your Tier Usage</td> <td>1</td> <td>2</td> </tr> </table>			03/09/2018 – 04/09/2018	Your Tier Usage	1	2																												
03/09/2018 – 04/09/2018	Your Tier Usage	1	2																															
<table border="0"> <tr> <td>Tier 1 Allowance</td> <td>272.00 kWh</td> <td>(32 days x 8.5 kWh/day)</td> <td></td> </tr> <tr> <td>Tier 1 Usage</td> <td>272.000000 kWh</td> <td>@ \$0.21169</td> <td>\$57.58</td> </tr> <tr> <td>Tier 2 Usage</td> <td>783.000000 kWh</td> <td>@ \$0.27993</td> <td>219.19</td> </tr> <tr> <td>Generation Credit</td> <td></td> <td></td> <td>-113.73</td> </tr> <tr> <td>Power Charge Indifference Adjustment</td> <td></td> <td></td> <td>29.38</td> </tr> <tr> <td>Franchise Fee Surcharge</td> <td></td> <td></td> <td>0.63</td> </tr> <tr> <td>Demand Response Credit</td> <td></td> <td></td> <td>-XX.XX</td> </tr> <tr> <td colspan="3">Total PG&E Electric Delivery Charges</td> <td>\$193.05</td> </tr> </table>			Tier 1 Allowance	272.00 kWh	(32 days x 8.5 kWh/day)		Tier 1 Usage	272.000000 kWh	@ \$0.21169	\$57.58	Tier 2 Usage	783.000000 kWh	@ \$0.27993	219.19	Generation Credit			-113.73	Power Charge Indifference Adjustment			29.38	Franchise Fee Surcharge			0.63	Demand Response Credit			-XX.XX	Total PG&E Electric Delivery Charges			\$193.05
Tier 1 Allowance	272.00 kWh	(32 days x 8.5 kWh/day)																																
Tier 1 Usage	272.000000 kWh	@ \$0.21169	\$57.58																															
Tier 2 Usage	783.000000 kWh	@ \$0.27993	219.19																															
Generation Credit			-113.73																															
Power Charge Indifference Adjustment			29.38																															
Franchise Fee Surcharge			0.63																															
Demand Response Credit			-XX.XX																															
Total PG&E Electric Delivery Charges			\$193.05																															
2009 Vintaged Power Charge Indifference Adjustment																																		
Service Information Meter # [REDACTED] Current Meter Reading 39,594 Prior Meter Reading 38,539 Total Usage 1,055.000000 kWh Baseline Territory T Heat Source B - Not Electric Serial N Rotating Outage Block 50																																		
Additional Messages You received a California Climate Credit on your electric bill. Households receive the electric credit twice a year, and small businesses receive it monthly. Learn how you can use these savings to further reduce your energy costs and help fight climate change at EnergyUpgradeCA.org/credit .																																		
Demand Response Program Credit. You are receiving a credit for Demand Response program funding that is no longer offered by PG&E because your energy provider (CCA or ESP) offers a similar Demand Response program as determined by the California Public Utilities Commission.																																		

APPENDIX B (Continued)

PACIFIC GAS AND ELECTRIC COMPANY
Demand Response OIR 2013
Rulemaking 13-09-011
Data Response

PG&E Data Request No.:	ED_099-Q03		
PG&E File Name:	DemandResponseOIR-2013_DR_ED_099-Q02		
Request Date:	March 6, 2019	Requester DR No.:	3/6/19 (E-Mail)
Date Sent:	March 18, 2019	Requesting Party:	Energy Division
PG&E Witness:	Sebastien Csapo	Requester:	Natalie Guishar

Question 3

On page 6 of its Bill Credit Proposal, PG&E states that there are two methods by which the explicit credit could be displayed: What are the pros and cons of each option? What are the "other Cost Causation issues that may be inter-related," which may affect the choice of line item communication?

Answer 3

In response to Question 2, PG&E explained the difference between the two bill credit options, which includes either the "Bill Credit Treatment" or the "Explicit Line Item on Bill" approach. The below table provides a high-level pros and cons assessment.

	Pros	Cons
Bill Credit Treatment	<ul style="list-style-type: none">• Less costly to implement as it has fewer complexities	<ul style="list-style-type: none">• Not as efficient from a back-end billing perspective, as it forces an adjustment on the bill.• Bill presentment to the customer is not as clean compared to the Explicit Line Item approach.
Explicit Line Item	<ul style="list-style-type: none">• Cleaner from a bill presentment perspective• Minimizes back-end complexities from a billing standpoint	<ul style="list-style-type: none">• More costly and complex.

Since the final Cost Causation framework hasn't been adopted, there could be back-end billing system challenges, such as how certain charges are applied, that could drive the

selection of one option over the other. These challenges could over-shadow any front-end bill presentment preferences that may exist by stakeholders. As a point of emphasis, the initial scoping conducted by PG&E's IT group was preliminary in nature and not based on final specifications that would be required for an actual go live project. Consequently, PG&E would like to preserve optionality to determine the best course of action once the final elements are determined. Lastly, PG&E believes that either option would fulfill the regulatory responsibility to identify the credit on the customer's bill.