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BEFORE THE
CALIFORNIA ENERGY COMMISSION

In the Matter of:)
) Docket No. 18-IEPR-01
2018 Integrated Energy Policy)
Report (2018 IEPR Update))
_____)

EN BANC HEARING
DRAFT GREEN BOOK: AN EVALUATION OF
REGULATORY FRAMEWORK OPTIONS FOR AN
EVOLVING ELECTRICITY MARKET

CALIFORNIA PUBLIC UTILITIES COMMISSION AUDITORIUM
505 VAN NESS AVENUE
SAN FRANCISCO, CALIFORNIA

FRIDAY, JUNE 22, 2018

8:34 A.M.

Reported by:
Julie Link, CER-830

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P R O C E E D I N G S

8:34 A.M.

SAN FRANCISCO, CALIFORNIA, FRIDAY, JUNE 22, 2018

CPUC PRESIDENT PICKER: I'm Michael

Picker. I'm the President here at the PUC, so it falls to me to kind of walk people through and keep everybody on time. So, my apologies.

I'll also mention that we've had some occasional problems with pieces of our new sound system. So, if in fact, we reach the point where we can neither get a video feed or audio feed, then we're going to run Incredibles One for the rest of the universe.

(Laughter)

CPUC PRESIDENT PICKER: So, you can tell people which particular character you are.

So, I'm going to turn this over to Diane Fellman, who's going to remind us of the purpose here today, and actually help people walk through our safety announcement.

MS. FELLMAN: Thank you, President Picker. This mic is working, good. Welcome, Commissioners of the Public Utilities and Energy Commission, the Ad Hoc Advisory Committee, staff, and stakeholders in this process.

1 I'm Diane Fellman from the California
2 Public Utilities Commission and I am the team
3 lead on the California Customer Choice Project.

4 With me today are Raisa Ledesma-Rodriguez
5 and Michael Colvin, my other team members. And
6 we will all be leading panels later today.

7 This En Banc is the next step in the
8 process started a year ago with an En Banc,
9 raising the question what does California want to
10 do about customer choice? This inquiry has been
11 triggered by increase in disaggregation of both
12 electricity suppliers and providers of
13 California.

14 The Draft Green Book, which we had copies
15 in the back, but it's also available online, is a
16 result of that effort and raises questions on how
17 California will continue policies that honor its
18 four principles of affordability, de-
19 carbonization, and reliability, while the
20 California electricity market evolves.

21 We asked a lot of questions in the green
22 book and people said why aren't there answers?
23 We wanted to create a platform for conversation
24 about what would happen next.

25 Today's En Blanc is dedicated to that

1 conversation. So, we will have very short
2 presentations from the presenters. We are not
3 going to have any PowerPoints. And the rest of
4 the time on the path is dedicated, Commissioners,
5 to your questions and your inquiries. So,
6 please, we're looking forward to your engagement
7 and your interest, and we will be taking careful
8 notes to guide our future efforts on the team.

9 We first will have our safety briefing.
10 So, Edward, can you tee it up, please?

11 (Audio evacuation instructions)

12 CPUC PRESIDENT PICKER: Okay, so in the
13 event of an emergency I'll call 911. And our
14 adviser, who is some place in the back, Allison,
15 our Public Advisor, will render first aid. So,
16 thank you.

17 MS. FELLMAN: Thank you. We are working
18 toward developing a meaningful and comprehensive
19 plan to address the issues that are facing our
20 market today.

21 And I will now turn the meeting over to
22 President Picker and the other Commissioners for
23 opening remarks. Thank you.

24 CPUC PRESIDENT PICKER: Great, thank you.
25 I want to especially welcome our fellow

1 Commissioners from the California Energy
2 Commission to our dais. I hope they appreciate
3 the grandeur and the ability to project your
4 strong powers across the audience here. It is a
5 constrained dais, though, so we're all kind of
6 squeezed in here.

7 I also want to recognize my fellow
8 Commissioners. This is our third day of fairly
9 continuous meetings, so I'm going to try to keep
10 us on time so that we get out of here in time for
11 some weekend.

12 I also want to thank everybody else who's
13 joined us here. And particularly point out some
14 of the people who have actually been working with
15 us consistently through this process.

16 Pat Wood, who has had a long history of
17 looking at the markets for electricity, market
18 efficiency, both as the head of the Texas Public
19 Utilities Commission, and then as the Chair of
20 FERC.

21 Ralph Cavanagh, who has a long history
22 here in California. He is the person who is
23 generally credited with decoupling energy
24 efficiency from electricity sales and actually
25 creating a healthy posture for the electric

1 utilities to actually spend money to reduce
2 electricity use.

3 And I mention Melanie Kenderdine, who was
4 most recently a Deputy Secretary in the Obama
5 Department of Energy, and is now working with her
6 former boss, Ernie Moniz, on providing consulting
7 services to national governments and to
8 businesses on energy policy.

9 And also, Sue Tierney, who had been
10 working with us as part of our Advisory Committee
11 and making sure that we were being accurate to
12 the history, and truth-tellers, and advising us
13 on how to actually understand issues that we're
14 seeing in California. Sue is a long-time energy
15 leader and a former regulator and is now with The
16 Analysis Group.

17 So, these folks are very important to us.
18 I also want to recognize that we have the
19 participation today of two elected officials.
20 Mayor Sam Liccardo of San Jose, who is
21 undoubtedly stuck in traffic. And then, Kathrin
22 Sears, who's from the Marin County Board of
23 Supervisors.

24 I think that the reason that we are here
25 is that we're all fairly well-aware that

1 California has taken steps to allow customers to
2 have a lot of choice of how they get their
3 energy, whether it's rooftop solar, or direct
4 access providers, which provide about 13 percent
5 of the energy needs just as electricity
6 providers, pure electricity providers.

7 It's very similar to the kinds of
8 providers who were active in the deregulation of
9 1995 through 2001-2002. And they've continued to
10 do that since the energy crisis.

11 The rooftop solar companies actually have
12 installed about 6.5 gigawatts of generation on
13 people's roofs, very significant. It's only
14 rivaled by the efforts of the traditional
15 regulated utilities who've done about 22 to 23
16 gigawatts of renewable energy here in California.
17 Enough to drive most of them to 33 percent far in
18 advance of our goals.

19 We have other technology choices that
20 people can provide for themselves, battery
21 storage, natural gas fuel cells, all supported by
22 our Small Generator Incentive Programs.

23 We have new providers starting to enter
24 the market. They're the latest, even if they are
25 still not the most consequential, the Clean

1 Community Aggregators.

2 So, we have a lot of different people who
3 are helping customers to actually make choices
4 about where they get their electricity service
5 from.

6 The challenge for us is this reminds us
7 of a pattern that we've already seen here in
8 California, and in the period between 1995, the
9 Public Utilities Commission working with our
10 partners at the Energy Commission, published
11 documents that actually called for full retail
12 choice. The Legislature acted and created that
13 kind of a market.

14 And for a variety of reasons, the failure
15 to fully procure all the resources we need for
16 the hottest days of the year, and market
17 manipulation because we hadn't put in place the
18 right kinds of market protections, we had very
19 catastrophic failures.

20 The Legislature very quickly reacted and
21 they actually determined that the regulated
22 utilities would be the providers of electricity
23 service and that the direct access providers
24 would be limited to a slim portion of the overall
25 commercial and industrial markets here in

1 California.

2 But they still held out hope for a
3 variety of other kinds of providers, whether it's
4 on technology or different kinds of electricity
5 services.

6 Hi, Mayor.

7 So, we're sort of faced at this point
8 with choices in two different ways. You can have
9 different technologies that you can procure as a
10 customer to provide you with your electricity
11 service or you can get it from three different
12 kinds of providers, the regular utilities, the
13 direct access providers, or now the CCAs. And
14 they're all different in different ways.

15 So, our challenge as regulators is how do
16 we make sure that we keep the lights on, that
17 people can afford to pay their bills, that we
18 meet our State's clean energy goals, at the same
19 time that the decision making is splintering and
20 going in different directions.

21 And we know from the past that if you
22 don't have a plan, if you haven't thought it
23 through, if you haven't created the right kinds
24 of protections you can get into trouble very
25 quickly.

1 I'll just point to the fact that these
2 markets can be very brutal. Three years ago,
3 people were predicting that the rooftop solar
4 industry would disrupt the traditional utility
5 model, force us to the utility of the future,
6 creating massive changes in how people got their
7 electricity.

8 Today, two of the largest providers are
9 no longer here in the State of California,
10 despite their market share, despite their fast
11 growth, despite a very robust subsidy they
12 failed. They failed. And that can happen to
13 anybody.

14 Here, at least people are left with the
15 residual generation. In other cases, we know
16 from 2000 to 2001, if an electricity service
17 provider fails, then there's a lot of customers
18 who actually get dumped back into the marketplace
19 and somebody has to be the provider of last
20 resort.

21 So, these are the challenges that we
22 face. I have been the chief of staff to a mayor,
23 and I really value local government and its role.
24 I'm especially fond of mayors.

25 I have been an elected official, myself,

1 and I think that we should all stand before our
2 peers and be accountable for our leadership and
3 recognize the value of that public service. And
4 I also have been a board member for a publicly-
5 owned utility and part of the public power move.
6 And I value all of those different tools.

7 But today, I'm here because I'm an
8 economic regulator and I have to look to both the
9 effectiveness and the sanctity of all these
10 electricity markets. And again, ensure that all
11 these different providers are guaranteeing
12 reliability, the cleanliness of the supply, and
13 affordability.

14 So, with that, I thank you all for
15 joining us and I turn it over to my colleagues.

16 Bob, do you want to kick it off.

17 MS. FELLMAN: Excuse me one minute. We
18 have a technical issue.

19 CPUC PRESIDENT PICKER: Okay, role the
20 Incredibles.

21 (Laughter)

22 MS. FELLMAN: Excuse me, could everyone
23 that's calling in please mute your phone with
24 Star 6. Thank you.

25 CPUC PRESIDENT PICKER: Okay, Bob, do you

1 want to kick it off?

2 CEC CHAIR WEISENMILLER: Yeah. Good
3 morning. Yeah, good morning, I hope everyone can
4 hear me. But at this stage I appreciate the
5 opportunity to have another En Banc on these
6 issues and appreciate the PUC sharing more or
7 less half the dais with us. You know, Energy
8 Commission colleagues.

9 We all -- the PUC and the Energy
10 Commission had an En Banc on this topic a little
11 over a year ago. And it's interesting to step
12 back and think for a minute about how things have
13 progressed in this area, but also keeping an eye
14 on the context, the other big changes going on in
15 California and in the utility industry.

16 And so, certainly, a year's not a long
17 time. I mean, we really need to be thinking
18 through what the future looks like as we go
19 through what's a pretty massive transformation in
20 the nature of our utility industry in California.
21 Our utilities and, obviously, I'm lumping CCAs,
22 and ESP, everyone who is providing services to
23 our residential customers.

24 And, you know, the basic thing which I
25 think we started with was saying change is coming

1 fast, and people had a lot of choices. The
2 choices were not just procurement options, but
3 certainly a lot of technology. And those were
4 forcing really fundamental changes in the nature
5 of our utilities and at the same time, you know,
6 it was certainly time and it is time to look at
7 the resulting changes that are needed in our
8 regulators, and what that means.

9 Again, the PUC historically, for well
10 over 100 years, has done things like audit the
11 utility books. And, you know, we're moving now
12 much more to local control. But at the same time
13 the question is are the local officials prepared
14 for the nature of regulation that the PUC has
15 done? And, what's necessary going forward to
16 really protect customers? I mean, that's one of
17 the fundamental things. But at the same time
18 make sure that we continue to respond to the
19 challenge of climate. Climate change is
20 certainly one of our existential threats. And we
21 need to really move faster than we are to really
22 clean up our systems and, at the same time
23 empower people to make the right choices.

24 So, again, I'm looking -- it's a long day
25 and I think we're all here to really listen to

1 the various stakeholders, but this is important.
2 You know, as President Picker has said, if we
3 screw things up, it can have really fundamental
4 consequences. So, it's important to think out a
5 couple steps forward. Not just what could be,
6 but what could go wrong.

7 And again, it's -- obviously, if you've
8 been in this business long enough, you're aware
9 that eventually there are surprises and things
10 can go wrong. Not that we have a crystal ball on
11 exactly what that is, but we owe it to the
12 citizens of California to think things through.

13 CPUC COMMISSIONER RANDOLPH: Thank you
14 all for coming and thank all of you who submitted
15 comments on the Green Book and provided your
16 thoughts. I think this is -- you know, we're
17 really fortunate to have this opportunity to kind
18 of step back and really try to take a holistic
19 look at, you know, where the markets are going,
20 how the system is being operated, and regulated,
21 and managed. And there are so many new players
22 and there are so many new challenging issues that
23 it's really important for us to be able to seize
24 those opportunities, but also address the
25 challenges and consider the experience of the

1 customer. Understand who is able to access these
2 opportunities to play a part in our clean energy
3 future. How are these policies impacting
4 disadvantaged communities? How are we protecting
5 customers, as President Picker said, to make sure
6 that there is a provider of last resort for them?
7 How do we maintain reliability? And how do we
8 achieve our aggressive climate goals?

9 And so, there's -- you know, I don't
10 think we have a lot of preconceived solutions. I
11 think we're kind of working each problem as it
12 comes. And so, taking the opportunity to really
13 look at how all these puzzle pieces fit together
14 is important. And I appreciate the thought and
15 contribution of everyone who's participating
16 today. Thank you very much.

17 CEC COMMISSIONER HOCHSCHILD: Good
18 morning. And special thanks to President Picker
19 for bringing us all together, Chair Weisenmiller
20 and our colleagues here at the PUC. I think
21 they've done the -seating order in order of
22 intelligence, from low to high.

23 (Laughter)

24 CEC COMMISSIONER HOCHSCHILD: So, look,
25 just to state the obvious, the stakes are very

1 high. There's a lot of eyes on California. As
2 you all know, we have several thousand delegates
3 from all the world descending on San Francisco in
4 September for the Climate Summit, some 500
5 sidebar events with that.

6 And California has essentially emerged as
7 a country, pioneering all these models. And I
8 think writ large, the story is a successful one.
9 And when Governor Brown took office in 2011 we
10 were the 9th largest economy in the world, today
11 we're the 5th largest. At the same time pressing
12 forward with, really, the gold policies in the
13 United States clean on energy, clean
14 transportation, energy efficiency, clean energy
15 innovation investments. And we've not have any
16 statewide rolling blackouts since 2001.

17 The story's a successful one but that can
18 change if we're not careful. And so, just
19 getting the market structures in place that are
20 going to ensure that we continue to deliver
21 affordable, clean electricity, reliably to
22 customers in California is paramount.

23 If we fail, even if the reasons for the
24 failure are not related to our clean energy
25 policies, it will actually undermine the progress

1 of the clean energy policy around the world and
2 in other states. And so, it really matters to
3 get the rules right. And I look forward to this
4 dialogue with all of you today.

5 And I just want to especially thank Diane
6 Fellman for all your work putting this together
7 and welcome you back from your lengthy field trip
8 in the private sector and back to public service.
9 We're lucky to have the benefits of your talents
10 here today.

11 CPUC COMMISSIONER RECHTSCHAFFEN: Well,
12 we're very happy that Diane, when she chose to
13 come back to public service came to the PUC.

14 (Laughter)

15 CPUC COMMISSIONER RECHTSCHAFFEN: Not the
16 Energy Commission where she started her
17 illustrious career.

18 I don't have much to add. I think we
19 should get started. The current situation is one
20 of great change and complexity, but also one of
21 great opportunity. I think we are grappling very
22 seriously and very intelligently, or trying to,
23 with the situation commensurate with what's at
24 stake. And I also appreciate all the stakeholder
25 involvement, the excellent staff work, and I look

1 forward to today's discussion.

2 CPUC COMMISSIONER GUZMAN ACEVES: Good
3 morning, everybody. I think, likewise, some of
4 the things that I'm hoping we get out of today's
5 discussion is really asking the question of those
6 instances where even though we're acting locally,
7 and thinking of our communities as this
8 transition moves forward, when is it still the
9 role of all of us to act collectively?

10 And certainly, we've been talking and
11 having a lot of focus of when we do that for
12 liability purposes, but I think it goes far
13 beyond that.

14 One of the proceedings I'll be working on
15 is disconnections. And that's another issue
16 where I hope all of this audience will be
17 involved in. And those questions do implicate
18 all of us.

19 So, just looking forward when is it that
20 we still have that common role and
21 responsibility, and not just the responsibility
22 of our individual customers but what -- you know,
23 what's the role of collective action moving
24 forward.

25 Thank you all for being here.

1 CEC COMMISSIONER MCALLISTER: Alright
2 well bringing up the rear here. I really
3 appreciate the opportunity, I want to thank
4 President Picker for the opportunity. And I
5 really enjoyed the last En Banc and I have great
6 expectations for this one.

7 Just quickly, you know, I think as we --
8 as demand becomes much more atomized, decision
9 making because much more diffuse, I think that's
10 our challenge to adapt regulatory structures to
11 embrace that and actually harness markets in a
12 way that is coherent and allows collective action
13 in a way that makes sense.

14 And in particular, I'm interested in the
15 demand side, sort of the local decision making of
16 the -- very granular decision making and how do
17 we sort of provide the right signals to the
18 marketplace, harness private sector markets
19 aggregation, that sort of thing, demand side to
20 help with solutions. You know, to actually sort
21 of modulate on both sides of the equation so that
22 we can optimize the distribution grid and we can
23 avoid some of the heavy investments that are
24 going to be forced if we don't do that, and in
25 preparation for much of the electrification that

1 we all know and believe is coming.

2 And so, we have to move fast. I agree
3 with Chair Weisenmiller, we have to move faster
4 than we have and we have to figure out ways to be
5 more inclusive in decision making, but at the
6 same time have that underpinning that ensures
7 reliability.

8 But affordability is paramount and our
9 low-income populations are a big chunk of our
10 State, they're 30 percent of our State. And so,
11 we really -- if we get to 2030, 2050 without
12 having provided solutions to them that includes
13 them in this clean energy economy, I mean we're
14 not going to be able to say we've succeeded.

15 So, a bunch of big lists. And I think
16 we're on the front end of this road, walking this
17 path to try to get there. And I think this En
18 Banc will help us push forward in the right
19 direction. So, thanks again.

20 CPUC PRESIDENT PICKER: Thanks to all of
21 you. I think Nidhi Thakar is going to -- oh,
22 Diane's going to introduce somebody.

23 MS. FELLMAN: Yes, we are going to. We
24 have a packed day, a packed dais. Commissioner
25 Peterman will be joining us shortly.

1 CPUC PRESIDENT PICKER: You have to get
2 real close to it. There we go.

3 MS. FELLMAN: Commissioner Peterman will
4 be joining us shortly. We're going to move
5 forward now. We are going to have our
6 (indiscernible) Ad Hoc Advisory Committee. And
7 Nidhi Thakar, from Chief of Staff for External
8 Affairs and Strategy, from President Picker's
9 Office, will be introducing them. And then we'll
10 just roll through.

11 Nidhi, (indiscernible) Ad Hocs.

12 CPUC PRESIDENT PICKER: Could you take a
13 second and just identify all the different people
14 at the PUC and folks from the CEC who helped us
15 on this report, just so that everybody can see
16 who worked on it?

17 MS. FELLMAN: Do you want to?

18 CPUC PRESIDENT PICKER: Yeah, Nidhi.
19 Either of you.

20 MS. FELLMAN: All right. So, today as I
21 mentioned, we have the California Customer Choice
22 Team, which the staff members are Raisa and
23 Michael, who I introduced earlier, Nidhi. And
24 where is Rohmiah Moly? She's in the back of the
25 room. And here from President Picker's office

1 has been absolutely instrumental.

2 CPUC PRESIDENT PICKER: And Allison
3 LeBonte.

4 MS. FELLMAN: Yes, absolutely
5 instrumental in helping us.

6 Gary Dehlson also helped with
7 communications. And we had terrific support from
8 Terrie Prosper in our Communications Division, as
9 well as our Office of Governmental Affairs, Hazel
10 Miranda and Grant Mack.

11 Allison LeBonte, who is in the room, was
12 our first team leader. And Allison and Raisa
13 joined us from DOE, when President Picker went
14 back in January of 2017 and encouraged folks to
15 come out to California and work on climate
16 change.

17 And Josh Hunneycutt, I don't know if he's
18 in the room. He was also an early team member
19 and he also joined us from the DOE.

20 I wanted to say that Allison was very
21 instrumental in shaping our document and helping
22 us come up with the core principles that you've
23 heard so much about today.

24 I want to thank Kevin Barker, from the
25 Energy Commission, who helped coordinate

1 everything we are doing today.

2 And in our Green Book, at the back
3 there's a sheet of acknowledgements of every
4 staff member who helped contribute.

5 Is there anything, anybody else that --
6 and I feel greatly appreciative of the
7 Commissioners and their offices, their advisors
8 who were involved in this every step of the way
9 from the beginning, through reviewing the draft.

10 And finally, I want to acknowledge our
11 very, very, very important Steering Committee,
12 who shaped the concepts and directed us along the
13 way, let by President Picker. I don't know if
14 Division Director Ed Randolph is in the room,
15 yet. He will be here later this afternoon. And
16 we were also served by Marzia Zafar, who was head
17 of my office, Policy and Planning Division,
18 before she left the Commission.

19 So, thank you everyone. Let's have a
20 round of applause.

21 (Applause)

22 MS. THAKAR: Good morning. My name is
23 Nidhi Thakar. I'm with President Picker's
24 Office. And I have the pleasure of introducing
25 our very distinguished Customer Choice Project Ad

1 Hoc Committee.

2 Here with us today, in the room, from the
3 Committee are Pat Wood and Ralph Cavanagh. Can I
4 ask you to stand for a moment, please? And you
5 will be hearing some remarks from them, shortly.

6 I would also be remiss if I did not
7 mention Melanie Henredine and who is the third
8 member of our Ad Hoc Committee and who,
9 unfortunately, cannot join us here in person
10 today.

11 And as President Picker mentioned, she
12 was a prior Senior Advisor to Secretary Moniz, at
13 the Department of Energy, under the Obama
14 Administration, and was also Director of the
15 Office of Policy.

16 I should also name Sue Tierny who
17 previously served on the committee. And many of
18 you know her, she's an expert in the intersect of
19 energy and economics and is a principal at The
20 Analysis Group.

21 Before I introduce Pat and Ralph, I'd
22 like to say a few words about the Ad Hoc
23 Committee, who was instrumental in the production
24 of the Draft Green Book. The Committee's
25 indispensable guidance was critical to both the

1 framework and the contents of the Green Book.
2 Their insights and experience are reflected
3 throughout the draft. And in perspective, depth,
4 context, and focus on key issues. And I cannot
5 say thank you enough for the numerous drafts they
6 reviewed and for the very instructive guidance
7 they provided.

8 So, in the interest of time I'm not going
9 to read the whole bios for our distinguished
10 Committee, but they are on the table in the back
11 of the room. I will, however, provide a few
12 highlights.

13 Pat Wood has an extensive career in
14 energy. He previously served as past Chairman of
15 the Federal Energy Regulatory Commission. During
16 his tenure at FERC Pat led the responses to the
17 2000 energy crisis and the bankruptcy of Enron,
18 as well as the 2003 Northeast blackout.

19 Under his helm, the organized markets in
20 the United States flourished and FERC promoted
21 the development of renewables and reliability
22 management, which led to the NERC standards.

23 Pat was also appointed by George W. Bush,
24 when he was Governor to head the Public Utilities
25 Commission of Texas with a mandate to break up

1 the monopolies for the telecom and the power
2 industries. This led to the creation of ERCOT.

3 Pat has also served in numerous
4 leadership roles in the private sector and has a
5 been a forceful advocate throughout his career
6 for replacing government-centered regulation with
7 customer focused competition.

8 Ralph Cavanagh is co-director of the
9 Natural Resources Defense Council's energy
10 program and is also an attorney with the NRDC.
11 He's been with NRDC for almost 40 years.

12 Anyone working in energy, in California,
13 has worked with Ralph at some point, I'm very
14 sure.

15 Ralph has been a visiting professor of
16 law at Harvard, Stanford and Berkeley, and
17 currently serves on a number of boards, including
18 previously also serving on the U.S. Secretary of
19 Energy Advisory Board.

20 He has also received countless awards for
21 his dedication to the advancement of clean
22 energy. Throughout his career Ralph has been a
23 tireless advocate for clean energy, removing
24 barriers to cost-effective energy efficiency, and
25 the role that the electric and natural gas

1 utilities can play in leading the transition to
2 clean energy.

3 We are pleased to have both Pat and Ralph
4 with us here today. And with that, I will turn
5 it over to our Ad Hoc Committee to say a few
6 words.

7 MR. CAVANAGH: Commissioners, colleagues,
8 I'm from time to time summoned to the Commission
9 to deliver an environmental blessing on the
10 proceedings. And I think today my role is more
11 in the nature of historical memory.

12 First, a word of reassurance to all of
13 the audience. Pat Wood and I would join in
14 acknowledging we are in no sense co-authors of
15 the Green Book. We were proud to serve in a role
16 that I would describe as the best kind of peer
17 review, where what the authors did was to get a
18 lot of people, not just Pat and me, Melanie, and
19 Sue, and a number of others together to help them
20 ensure that they were getting a full picture of a
21 critical issue both in terms of its history and
22 future.

23 The way I would frame that critical
24 issues is that they were most concerned about how
25 there's a traditional utility responsibility,

1 among the most important the utilities have ever
2 exercised, which involves long-term resource
3 procurement, the creation of diverse resource
4 portfolios in order to assure reliable and
5 affordable service, and deliver environmental
6 performance.

7 That resource procurement role, the whole
8 question of how portfolios will be developed is
9 changing. It was a central question in terms of
10 the Green Book. It was also a central question
11 more than 24 years ago in the creation of -- I
12 take it the Green Book is an obvious historical
13 reference to the Blue Book. I am told that the
14 Commission no longer has a physical copy of the
15 Blue Book. Here's what it looks like for those
16 of you who haven't seen it. It, too, was
17 centrally focused on this question of utilities
18 resource procurement and portfolio management
19 responsibilities.

20 There are some important differences
21 between these two documents. What the Green Book
22 undertakes to do is to provide a full history of
23 the different procurement models to look where
24 we've been, where we are now in California, what
25 challenges we need to overcome in order to ensure

1 that our equity, environmental, reliability and
2 affordability objectives are met.

3 It is an open-minded and rigorous
4 inquiry. And it puts the decisions and the
5 options squarely in front of the Commissioners,
6 opening with a disclaimer that the document in
7 any way prejudices the issues or the views of the
8 Commissioners.

9 The Blue Book was something else
10 altogether. There are no disclaimers at the
11 beginning of the Blue Book. The Blue Book was
12 the beginning of a forced march toward a
13 particular view of resource procurement that
14 essentially repudiated the proposition that it
15 was important or necessary.

16 For the traditional utility role in
17 resource procurement and portfolio diversity, the
18 Blue Book substituted its judgment that the
19 genius in the marketplace was all that we
20 required. Its single-minded objective was to
21 find ways to reduce the commodity cost of
22 electricity in California.

23 And it shows a vehicle, what it called
24 customer choice, what we would today call retail
25 competition, which was pretty much a repudiation,

1 again, of the notion that we even needed to worry
2 about resource procurement in any form of central
3 -- indeed, the form of the resource procurement
4 model of the utilities of that day was repudiated
5 in the Blue Book as central planning. I think
6 the word "Soviet style" was occasionally
7 introduced as a modifier.

8 And we went down a path that none of us
9 wants to return to or at least I think few of us
10 do.

11 Today you'll be hearing from a variety of
12 proponents for different models of resource
13 procurement in portfolio development. But I
14 doubt very much that you will hear anyone suggest
15 that the genius of the market place by itself is
16 enough to get California where it wants to go.

17 Commissioners, as you look at the Green
18 Book, and as you consider your options I want to
19 leave you with the sense of possibility and the
20 sense of optimism that I certainly did not feel
21 as I read the Blue Book, on the eve of Earth Day
22 in 1994, which is how long ago it was.

23 What you're getting here, what I think
24 all of the informal advisors agree on is a sense,
25 first of all that you've got the tools you need

1 to devise the necessary reliability assurance to
2 keep California on track to meeting its
3 environmental objectives.

4 And that the challenge you face is in
5 some ways different from the Blue Book era in
6 that I doubt very much it would take legislative
7 action to re-impose the retail competition model,
8 which is what the California PUC meant by
9 customer choice in 1994.

10 The big change today, and it's clear in
11 the Green Book and it will be clear for much of
12 the testimony up here today, is the emergence of
13 the community choice aggregation. And all I want
14 to say about that, as an advisor, and to
15 introduce my friend Pat Wood, is I don't view
16 that in any sense a reintroduction of the
17 traditional model of retail electricity
18 competition which, again, was repudiating
19 resource portfolio management procurement,
20 substituting something that basically blew up the
21 system that we had.

22 Community choice aggregation is best
23 understood as decentralizing the resource
24 procurement models that we've had in the past.

25 And that doesn't mean that the community

1 choice aggregators that you will be hearing from
2 do not themselves recognize that the need to be
3 held at high standards in environmental
4 performance, affordability, reliability. I think
5 you'll hear that over and over.

6 As someone who spent time, in particular,
7 with the Sonoma, Marin, and Peninsula community
8 choice aggregators in recent months and years,
9 I've been impressed by the sincerity of their
10 commitment.

11 Of course, in the final analysis,
12 everything hinges on actual performance. But I
13 believe and I think you'll hear from them, and on
14 this point I'm in agreement that, again, you've
15 got the tools needed to make sure that everyone
16 meets those high standards.

17 To the extent you need to have, as
18 Commissioner Guzman Aceves asked, collective
19 action. You've got the ability to collect
20 charges on distribution systems from everybody on
21 the system.

22 The Green Book affirms and I agree that
23 no one is proposing to abandon that distribution
24 grid. It remains an essential part of every
25 electricity user's experience in life.

1 You are in a position to make, now, the
2 policy choices that the Green Book has placed in
3 front of you.

4 And now, to give you another perspective
5 on how you should do that, I'm delighted to
6 introduce my friend Pat Wood, and to remind you
7 all that the chapter of the Green Book on Texas
8 begins with the phrase, "Texas is unique."

9 (Laughter and applause)

10 MR. WOOD: I drew the short straw and get
11 to go after that, so thanks. Ralph, it's great
12 to have you on this team and we've enjoyed
13 working together.

14 This is my third interaction with the
15 great California regulatory enterprise and it's a
16 pleasure to be here. And my first was 20 years
17 ago this spring, actually the day after Super
18 Bowl XXXII in San Diego, it was Denver versus
19 Green Bay I think. Ya it was, Elway and Brett,
20 it's good to see these old guys still on TV.

21 That was the day that the delegation from
22 the Texas Legislature and the Texas
23 Commissioners, two of the three of us, came here
24 on a fact-finding visit. This was three years
25 after then Governor Bush appointed me to the PUC

1 with a characteristically blunt that, Pat, the
2 utilities care more about what we, the Governor
3 or Legislature think, than what their customers
4 think. And that's wrong and we're going to
5 change that.

6 So, we set up an ISO in 1996 I think was
7 the nation's first, I think we were a little
8 ahead of PJM. It was a pretty rudimentary,
9 pretty basic, set it up to facilitate wholesale
10 competition. Because the Legislature wasn't
11 ready to go forward with the full-bore retail,
12 told us to go steady and figure it out.

13 So, we came out here. This was the
14 pioneering place where the Blue Book was being
15 implemented. And we spent a grueling two days
16 here at the Cal-ISO, at the Power Exchange,
17 talking to everybody and every -- probably none
18 of you in this room, but the people that came
19 here before you. We found out how does this
20 work? What's the goal? What's the detail? It
21 was already, I think, about two or three years
22 underway. And at that point it was in '98, early
23 '98 working pretty well.

24 We kind of got hung up on the Power
25 Exchange and the inability to do bilateral

1 markets and honestly my Legislators said, I don't
2 think this is going to work.

3 So, it wasn't until Pennsylvania and saw
4 a different twist on your model that we got the
5 green light. And at that point going ahead and
6 the Legislature passed a comprehensive revised
7 version of your Blue Book. And I should add, now
8 20 years later, it's worked out pretty well. Far
9 better than even I expected it would be. So,
10 thank you for all the heavy thinking.

11 As we say out here in the West, pioneers
12 get shot and settlers get the land. I guess,
13 thank you for the land.

14 (Laughter)

15 MR. WOOD: But unfortunately, my boss,
16 about that time you were getting shot, got
17 elected President and pulled me up to DC to
18 "clean up the mess."

19 So, that began my second interaction here
20 with the Cal book and the CEC. We worked very
21 closely with the folks at the Energy Commission
22 as well, and Michael Moore, a good friend of mine
23 that preceded our members here today.

24 I was dedicated to getting the train back
25 on track, but quite frankly had to just settle at

1 the end of my four years at FERC for just
2 triage. Triage came in the form of market price
3 manipulation -- I'm sorry, market price
4 mitigation, which are the words that we used to
5 tell Vice President Cheney we were doing price
6 caps.

7 Market redesign from (indiscernible) --
8 you guys wrote the book on these things at the
9 Cal ISO. The investigation of the market
10 manipulation across the market which, quite
11 frankly, broke my heart many times both in the
12 power and gas markets.

13 The Governance crisis at the Cal ISO,
14 which I won't say much about, but I would say I
15 didn't play hardball then. If I didn't play
16 hardball, I don't think the current FERC could
17 play hardball. So, just solved those problems
18 out here.

19 This is a full plate. So, this was
20 wasn't a place of a lot joy and happiness -- but
21 it was a place of a lot of hard work for me.

22 So now, two decades after my first tour
23 as a student, and 17 years after my stint as an
24 EMT, I'm back here as a grizzled, old gray
25 imminent. So, I hope I can provide something

1 useful.

2 I really have to say two words of apology
3 to the parties that wrote the great comments
4 here. It is fun to get back into the mode of a
5 Commissioner again after so long and read a full
6 docket worth of comments. But you all write them
7 as good as you ever did.

8 Customer choice, I want to apologize. As
9 an Ad Hoc Advisor, I could have been better at
10 this. Customer choice is not a problem to be
11 solved. It's an opportunity to make California,
12 and by extension the rest of the nation, yes, a
13 Texan will admit California leads the way often
14 on so many things, to make California a better
15 place.

16 The team working on the Green Book, whom
17 I have great high regard for, they don't feel
18 that it's a problem, either. It's just we were
19 busy doing a lot of things and so I'm sorry that
20 term came over.

21 And secondly, I think the CCAs, who might
22 have seems to me from these comments felt a
23 little picked on. Don't. I think we didn't push
24 the team to flesh out the details and to get the
25 -- get it more cleanly explained to the rest of

1 us. But I think, for me, I find that a
2 fascinating and I think a very constructive force
3 to drive the fulfillment of the big three goals
4 that we have here of affordability,
5 decarbonization, and reliability. So, have to
6 get that out of the way.

7 I do think it's worthwhile to spend time
8 getting an umbrella docket done. I think the
9 vision question is so important in doing your
10 job. And if you have, particularly, the two
11 Commissions which are the power center of this
12 whole state and this economy. If there's a
13 unified vision or relatively unified. I think
14 everybody's got the to bring their own thoughts
15 to the table. But a relatively unified vision
16 about where you're going.

17 And I hope that the four scenarios teed
18 up in the Green Book help crystalize that
19 discussion for you all.

20 That's a powerful and constructive force
21 for the people of California, is having a vision
22 and Commission here and the ability to implement
23 it. And it allows you to speedily address the
24 issues in the dockets that are pending before you
25 to actually implement this vision.

1 Of course, since I've learned it here,
2 and we implemented it there. I do believe in
3 full direct access statewide is the best way to
4 not only fulfill your big three goals of today.
5 But to position this bedrock industry for the
6 decentralized, innovative, interactive power
7 sector that we're evolving to work tomorrow.

8 Quarantining of the monopoly, utility to
9 the task of enabling and supporting customer
10 choices in technologies, rather than continuing a
11 role in the competitive functions, is a core
12 fundamental to get right. And I think with that
13 comes a concomitant oversight of the costs of
14 the regulated system, ensuring that only the
15 things that are absolutely required to provide
16 regulated utility service are paid for, and paid
17 for fairly, by everybody.

18 The rest of things are optional charges.
19 And I do know that your famous in this state for
20 the stacked on charges here -- and I'll say a
21 word about that at the very end.

22 And I would like to think it's a core
23 issue for resource adequacy. I would like to
24 think that you could get away from doing that.
25 We actually never did it. Based on the Blue

1 Book, we did buy into the model and it has worked
2 -- but you all aren't there. There's a history
3 there. It's not worth fighting that. It is an
4 extra charge to pay for it, but it's -one that I
5 think based on the long memories from 2000, even
6 I wouldn't recommend you jump out and not do
7 resource adequacy.

8 But I do think you can aim the future
9 toward bending that curve down to where as you
10 get more robust participation on the demand side,
11 with the implementation of storage and
12 microgrids, and what have you, you can have that
13 be managed by the market. You can have a lot of
14 oversight - I call it the trust but verify, trust
15 that it will happen, but verify that it's
16 actually going on.

17 Based on my experience and I like this
18 idea, I was fascinated. I shouldn't say that I
19 like it but I was fascinated by this idea in the
20 comments of a centralized procurement authority.
21 It reminded me of the old DWR days, for some of
22 you grey eminents out there.

23 But for the legacy power contracts and
24 possibly as a separate role as a central
25 procurement authority for the future,

1 solicitations for renewable, as well as future
2 solicitations for RA. It's kind of got a lot of
3 potential capabilities there I should just say,
4 from personal experience in my own market that I
5 think that you'll get there a lot faster and way
6 cheaper by letting decentralized customer
7 decision making get you to your decarbonization
8 goals.

9 A lot of comments from customer groups,
10 including the CCAS in some regards make that
11 clear. It will require a lot more work by
12 generators and their marketing arms to sell power
13 in smaller units to the Walmarts, the argets, the
14 military bases, the independent school districts,
15 the other commercial and industrial customers,
16 retailers, Stanford and other universities.
17 That's a lot of work. But there is plenty of
18 balance sheet with all those people to get you to
19 9 gigawatts by 2024. Without a mandate, and
20 without a state subsidy system we added 9
21 gigawatts two times over in a slightly longer
22 time frame in Texas.

23 So, and it actually had the great benefit
24 of dropping wholesale power rates because you can
25 have a lot of zero-variable cost power being

1 introduced into the system.

2 So, I don't think that we need to get too
3 twisted up about resource adequacy and where's
4 the power coming from. That was a big issue in
5 2000. I can say, as one who's lived through it,
6 we don't need to be worrying about that today.
7 Make the necessary precautions there are a lot of
8 good advisors in the comments here today, but I
9 would say as one who's lived it, that does not
10 need to be the tail that wags the dog.

11 My old hero and fellow ABBA fan, Robert
12 Hertzberg, has filed a bill to open up -- that's
13 the most valued gift I got as a public official
14 and I fought my ethics officer hard to keep it,
15 was the signed ABBA from Agnetha, Frida, Bjorn,
16 and Benny -- signed from Mr. Hertzberg that hung
17 in my office. And they're coming out with a new
18 tune in December, God Bless them.

19 (Laughter)

20 MR. WOOD: Okay, he -- and I know
21 Hertzberg's happy about that, too. He filed a
22 bill to open up direct access, which I was kind
23 of for, to the nonresidential customers. I think
24 that's a good start. That's out of your hands.
25 You've got to deal with what you've got today.

1 But if that happens, I think that's a good start.

2 The Illinois model of opt-out municipal
3 aggregations, which is kind of a cousin of the
4 CCA, set up here is not a bad place to start on
5 residential, since you're actually going there,
6 anyway.

7 Much as I believe in choice and freedom,
8 our usage for power electricity is greater in
9 Texas and I think a lot more residential
10 customers care about the size of their bills
11 because we due to weather and a lot of other
12 things and use a lot more power.

13 Here, particularly living on the coast, I
14 walked 20 minutes and I didn't break a sweat here
15 today. It's amazing.

16 (Laughter)

17 MR. WOOD: It may not be so important to
18 a small customer. So, these aggregations that,
19 well, there may be some constraints on freedom,
20 maybe all that people really want. So, I'm not
21 going to -- you guys know this better than I do.
22 But certainly, put me down for full freedom, but
23 if you've got to make compromises I think you've
24 got some good structures already here in place.

25 Of course, we didn't really get to delve

1 in our advisory calls was what are we doing to
2 get ready for the power industry of the future?
3 Undoubtedly, it will be much more decentralized,
4 I think. Not just more rooftop solar, but way
5 more two-way use of the distribution grid.

6 New York has done a lot of thinking on
7 that, as the Green Book reflects. We should make
8 sure that the new TandD, stranded costs don't get
9 created in the interim. That we're gold plating
10 a new rate-based that we're going to have to deal
11 with later on transition costs. --

12 A final note, on behalf of the other 49
13 states, I never gotten to say this, so this is my
14 third time here, thank you for the ratepayer-
15 financed R&D in renewable storage and other
16 technology that you have financed for the rest of
17 us and that we are all benefitting from.

18 We recommend that like with the R&A, is
19 probably time to bend that curve downward.
20 Affordability is important to customers it's one
21 of the goals here. And we know that the non-
22 bypassable charges are substantial in California.
23 So, just a thoughtful, friendly remark here.

24 Speaking of thoughtful and friendly, I
25 would say the most heartening comment in this

1 docket was the shortest. And it was from the
2 gentleman whose name is David McCord, he said
3 I've got one suggestion, please add a section in
4 the Green Book on the benefits of increasing
5 customer choice and energy resources of all
6 relevant kinds and the ways we can take advantage
7 of them.

8 I fell this is very important. Customer
9 choice is happening. We need to recognize this
10 and find the ways to work with it in positive
11 ways that benefit everyone, win/win. Amen to
12 that.

13 All right, I look forward to sitting here
14 for the rest of the day and hearing all of these
15 other bright people saying a lot better things
16 than we did so far. Thank you.

17 (Applause)

18 MS. FELLMAN: Thank you very much. We
19 will hear from the Ad Hoc Advisory Committee at
20 the end of the day in a rapid roundup.

21 I'd now like to call up the first panel.

22 And welcome Mayor Sam Liccardo from San
23 Jose, who just arrived.

24 Commissioner Peterman has also arrived.
25 Did you want to make brief opening remarks while

1 the panel comes up?

2 CPUC COMMISSIONER PETERMAN: Good
3 morning, everyone.

4 MS. FELLMAN: I just want to make sure
5 everyone has their microphones.

6 So, now we'll go into our panels. The
7 first panel of the day will address customer
8 choice. How much choice do Californians want and
9 how to provide it? Are we missing choices that
10 should otherwise be offered?

11 As we've discussed already, the Green
12 Book identifies many aspects of customer choice,
13 including services, rates, suppliers and
14 providers. We've talked about the different
15 types already, so I won't go into that.

16 But today I want to say that we are very
17 pleased to have representatives of those
18 different points of view on choice. Thank you to
19 our elected officials, Mayor Sam Liccardo from
20 San Jose, and Supervisor Kate Sears from Marin
21 County, who will talk about what do their
22 citizens want. They are each in a CCA community
23 and we want to know why did they choose to go
24 with a CCA?

25 We also have today Michael Shaw, from the

1 California Manufacturing and Technology
2 Association, who will talk about his large
3 customers and how are they making their selection
4 for different behind-the-meter installations.
5 And what do they want for the future.

6 And then, Sue Mara, who will speak from
7 the energy service providers' view, and tell us a
8 little bit about what's happening in the
9 sometimes sidelined, in our conversation, ESP
10 market, energy service provider -- electricity
11 service provider market.

12 And finally, batting cleanup will be Dan
13 Skopec from San Diego Gas & Electric, who will
14 address the role of the utility in the future,
15 which we've also talked about already this
16 morning. And he will kick off a conversation
17 about who should be the provider of last resort
18 if it isn't the IOU?

19 I will now turn it over to Mayor
20 Liccardo. Thank you.

21 MAYOR LICCARDO: Thank you. I don't
22 believe the microphone's on. Can you hear me?

23 CPUC PRESIDENT PICKER: It's probably
24 very directional.

25 MAYOR LICCARDO: Okay.

1 MS. FELLMAN: Or bring it closer to you.

2 MAYOR LICCARDO: There we go, perfect.

3 Thank you.

4 Commissioners, thank you for your
5 willingness to have me here today. It's a great
6 honor to be here.

7 My name's Sam Liccardo and I serve as the
8 Mayor of the 10th largest city in the United
9 States, San Jose. And we have just launched our
10 Climate Smart San Jose Plan. We just focused on
11 reducing greenhouse gas emissions to meet our
12 Paris climate goals through a combination of
13 several important initiatives.

14 But launching our Community Choice
15 Aggregation Program is central to all of that and
16 that is what's happening this very year.

17 We're also investing in rapid
18 electrification in our transportation
19 infrastructure. And we think integration of
20 those two will be very potent in reaching those
21 goals.

22 I represent a very diverse city. Almost
23 40 percent of us were born in the country, more
24 than half of us live in a home where the language
25 other than English is spoken. And that's an

1 important context as we think about issues of
2 affordability and what really matters to my
3 residents.

4 We will be the largest United States city
5 to launch community choice aggregation this year.
6 And we didn't take this decision lightly. And
7 I'm grateful that we had folks like Supervisor
8 Sears, who are leading the way and helping us to
9 understand the opportunities, as well as the
10 pitfalls.

11 But we had our first public hearings on
12 this matter in 2011. We had dozens of meetings
13 in the more than 6 years since. And I can tell
14 you I was far from embracing the concept at the
15 start. I was very publicly outspoken about my
16 own concerns about the hard lessons learned from
17 the California energy crisis. Concerned about
18 resource availability and reliability.

19 And I only agreed to move forward, along
20 with the unanimous City Council, when those
21 questions were fully answered.

22 We did vote to move forward in 2017. And
23 we stole some bright people here from San
24 Francisco, including Lori Mitchell, who's leading
25 our program.

1 And our municipal use will launch in
2 September, with residential and business use in
3 March of 2019.

4 What I know my residents are concerned
5 about are precisely those issues you're concerned
6 about, affordability, decarbonization, and
7 reliability.

8 In addition, my residents are
9 particularly concerned about transparency and
10 local control. They recognize that revenues of
11 utility-owned, investor-owned utilities certainly
12 flow, as they always should, to shareholders, but
13 they want to see those dollars invested locally.
14 And particularly in improving our greenhouse gas
15 emission challenge, addressing those challenges
16 and improving affordability.

17 So, we know that we've seen statewide
18 CCAs are able to offer affordability. That is,
19 rates that are on average 3 percent below the
20 incumbent IOUs.

21 Particular emphasis in San Jose is really
22 ensuring that everyone can benefit from the green
23 dividend. That you don't have to drive a Tesla
24 to be a part of it and to benefit from what we're
25 trying to accomplish.

1 And so, it's not just about reducing
2 rates and ensuring we have rates that are lower
3 than PG&E's but investing in energy-efficient
4 retrofits and investments that actually improve
5 outcomes for low-income communities.

6 And we've already procured long-term
7 contracts that will enable us to operate our
8 first year at rates lower than the incumbent IOU.
9 We are rapidly building reserves. And we will
10 ensure that reserves will take priority over any
11 investments we make. And so, we will ensure,
12 getting to the reliability issue which I'll
13 address in a moment, that we will be ready.

14 On the issue of decarbonization our base
15 offering in Phase One, with municipal users, will
16 be 100 percent GHG free, with 40 percent
17 renewables. We will be 100 percent GHG free to
18 residents and businesses by no later than 2021.
19 We think we can do it even sooner.

20 And our base target will exceed PG&E's
21 renewable share by at least 10 percent, we
22 believe, resulting in a reduction of GHG
23 emissions throughout the city by more than 14
24 percent.

25 And we are exploring a lot of

1 reinvestments when we're able to get our reserves
2 to a place where we're all comfortable. We will
3 be focusing on investing on everything from
4 electric vehicle charging infrastructure, to low-
5 income solar programs, incentivizing energy
6 efficiency retrofits in multifamily apartments,
7 and energy storage.

8 And all that brings me to this issue of
9 reliability. I appreciate the concerns of this
10 board about resource adequacy and reliability.
11 And particularly with the expansion of CCAs
12 statewide, we know that is a growing concern. We
13 applaud that CCAs have been a force for growing
14 the use of renewables and we recognize the
15 intermittency of that power supply does create
16 challenges in planning.

17 Nonetheless, resource availability
18 remains an issue for IOUs and CCAs, alike. And
19 we share identical obligations and we certainly
20 share identical regulatory challenges as well.
21 And we expect and embrace continued regulation by
22 the CEC, by CAISO, by FERC, the WECC to ensure
23 reliability, and resource availability.

24 San Jose Clean Energy has met and will
25 continue to meet our RA obligations, including

1 the CPUC's February 2018 ruling to meet annual
2 forecast filing.

3 We've prioritized building reserves
4 rapidly over net revenues, as I mentioned before.
5 We'll put our investments on the back burner
6 until our reserves are truly ready to go.

7 And we embrace many of the solutions
8 needed in the future to ensure resource
9 availability, including the creation of regional
10 grids to balance resources over larger geographic
11 areas, and increasing energy storage. And we
12 think they're great logical solutions, including
13 a few in our own Silicon Valley, that are rolling
14 out rapidly.

15 Offering consumers time-of-use rates to
16 incentivize shifts, used for peak supply periods,
17 and integration of electrification to provide
18 distributed battery storage for the grid. We're
19 actually engaged in several pilot projects right
20 now, both with our local transit agency and the
21 city in that effort.

22 And we look forward to collaborating with
23 the CPUC and with all of our stakeholders to
24 expand customer choice and build a cleaner, more
25 reliable grid. And we're also committed to

1 becoming the world's first gigawatt solar city.
2 We believe that CCAs will enable us to get there.
3 Thank you.

4 MS. FELLMAN: Kate Sears.

5 SUPERVISOR SEARS: Good morning, Kate
6 Sears. Can you hear me? There we go. It works
7 just like our microphones.

8 Kate Sears, Marin County Supervisor and
9 Chair of MCE. It's a pleasure to be here and a
10 pleasure to be here with my colleague, Mayor
11 Liccardo.

12 CCAs help advance policy and on-the-
13 ground solutions related to social equity and
14 environmental justice. The CCA model complements
15 the regulated utility model by introducing a
16 diversity of approaches that incorporate local
17 priorities and accountability.

18 This diversity should be embraced in an
19 expanded dialogue to solve issues facing the
20 state's electricity market.

21 MCE was created in December 2008 because
22 Marin residents and elected officials wanted the
23 power to choose. They wanted an option that was
24 not an IOU. They also wanted an option for
25 cleaner power at competitive rates. And they

1 wanted transparency and the opportunity to engage
2 directly with decisions makers through the MCE
3 Board of Directors, all of whom are elected
4 officials.

5 And they also wanted customer programs to
6 serve the local community and create local
7 opportunities.

8 All of these goals have continued to
9 resonate as MCE's territory has grown to four
10 counties and its customer base has become ever
11 more diverse.

12 When MCE first expanded to Richmond, in
13 2012, I frankly wondered how a CCA that was
14 launched in Marin County would be received. We
15 were delighted when Richmond customers opted up
16 to MCE's 100 percent renewable option at higher
17 rates than any other community at that time.
18 Today the record is held by El Cerrito.

19 MCE today serves a wide range of
20 Californians, from agriculture customers, to
21 single family homes, to low-income, multi-family
22 residential units.

23 We have an obligation to serve all of
24 these customers, which means we can't take a one-
25 size-fits-all approach. We need to tailor our

1 programs to provide solutions for the challenges
2 our diverse customers face.

3 MCE administers its own programs, focused
4 on workforce development, demand response,
5 electric vehicles, and customer generation. MCE
6 also administers energy-efficiency programs on
7 the same footing as utility program
8 administrators, authorized by the CPUC and funded
9 by ratepayers. MCE has tested new approaches and
10 introduced new policy perspectives in these
11 areas.

12 MCE's strong local relationships help
13 inform our priorities, and our program design,
14 and help define our local opportunities. This is
15 why MCE is so focused on multi-family housing
16 with our energy-efficiency programs. It is why
17 we build a solar farm on a brownfield site, at an
18 oil refinery in Richmond that created 340 jobs.
19 And it is why we invest in local workforce
20 development by setting up a call center in
21 Pittsburgh, a part of our service area with a
22 significant local, low-income population.

23 MCE is proud to be and to have been the
24 first CCA formed in California and we're really
25 excited about the creation of other CCAs around

1 the state. CCAs are an integral part of the
2 California Legislature's plan to prevent a major
3 breakdown in our energy market and meet the
4 state's climate change goals.

5 Governed by robust legislation and
6 regulatory requirements, CCAs are performing as
7 intended, providing reliable, affordable and
8 clean energy to local customers, and delivering
9 innovative programs that address both local needs
10 and state goals.

11 We believe the best solutions to issues
12 facing our electricity market arise out of
13 collaboration and communication. We're pleased
14 to be part of the conversation here today. And I
15 hope that all of you will come and join me for a
16 board meeting or two, so you can see what it's
17 like to run a CCA in a public environment. Thank
18 you.

19 MS. FELLMAN: Thank you. Michael.

20 MR. SHAW: Yes, thank you, Commissioners.
21 I'm happy to have the opportunity to be here
22 today to see some familiar faces.

23 I wanted to share a little bit of the
24 customer perspective on where things are and
25 where we're going. But before I do that, I want

1 to give a really quick context.

2 Obviously, the issue of affordability is
3 critically important to manufacturers, in
4 particular. Many of these are in an energy-
5 intensive industry. So, energy in and of itself
6 is certainly one of their largest costs, in many
7 cases eclipsing the labor or any of the other
8 input materials.

9 So, it's really counted on a per-unit
10 basis and for many manufacturers. And that means
11 that when they look at rising rates, for whatever
12 reason that may be happening, it does impact
13 their decision making for where they put
14 investments.

15 Currently, California industrial rates on
16 average, across the state, are 86 percent above
17 the national average. That is not really an
18 acceptable situation.

19 We are 113 percent above our fellow
20 Western States. That puts us at a significant
21 competitive disadvantage because it is easy to
22 transport those goods across the border into
23 California, in many cases.

24 One thing I was reminded of when I worked
25 for the Trucking Association several years ago,

1 was that two-thirds of the population lives east
2 of the Mississippi. So, when it comes to -- in
3 the United States. So, when it comes to
4 production of goods, the further east you go,
5 certainly there's lots of opportunity.

6 However, California has a lot of, you
7 know, a lot of access to the Pacific market, et
8 cetera, that create lots of opportunity, make us
9 an attractive place to be. But it does not
10 eclipse all the other costs, in many cases, that
11 we impose on California manufacturers.

12 The effect of a lot of these things, and
13 not just energy rates, certainly, by any measure,
14 but an effect of a lot of this issue and a lot of
15 other issues has resulted in California receiving
16 about 4.5 percent of new manufacturing
17 investments in California since 2010. That's a
18 significantly lower amount than the percentage of
19 our economy that manufacturing represents at 12
20 percent. That is not a sustainable number.

21 It also means that we are not growing
22 manufacturing jobs, which are the jobs that fill
23 in that middle space. We have lots of growth
24 happening on the higher-end sector, we have lots
25 of growth happening on the lower end, in the

1 service sector, et cetera, lower-wage jobs. But
2 those jobs in the middle, the manufacturing jobs
3 that provide an opportunity for someone without a
4 degree to move into a higher standard of living
5 to provide for their families and take care of
6 their communities that is where we are seeing a
7 gap.

8 So, it is with that that we keep in mind,
9 you know, the three principles that I think we
10 have been asked to address here, which is
11 affordability, decarbonization and reliability.

12 Affordability, I have talked about.
13 Decarbonization in California being the one state
14 in the nation that's currently seeking to
15 aggressively reduce GHG emissions and carbon in
16 our economy through a variety of programs,
17 including the Cap and Trade Program, which many
18 manufacturers participate in is something that is
19 a unique thing. That we do need to keep in mind
20 it adds to the -- it creates an additional
21 challenge on the affordability side, but it is
22 something that we are working to pursue.

23 In addition to that, you talk about
24 reliability. Well, certainly for manufacturers
25 the reliable supply of electricity is critically

1 important. Can you imagine losing power in the
2 middle of a production line? In many cases that
3 product would be entirely lost.

4 So, how do we solve these? We believe
5 that choice is a big part of that. It addresses
6 the issues of affordability, decarbonization and
7 reliability, as well.

8 And we believe the issues like direct --
9 or opportunities like direct access, distributed
10 generation and energy efficiency represent
11 opportunities where manufacturers, through
12 investment and taking advantage of choice, can
13 help to control their energy costs and make
14 further investments to the State of California
15 and our economy. thank you.

16 MS. FELLMAN: Sue.

17 MS. MARA: Thank you, Commissioners,
18 happy to be here. Direct access began in
19 California 20 years ago, April 1st, 1998, and it
20 still remains the significant market segment in
21 the state.

22 Electric service providers, ESPs serve
23 about 42,000 customers in the state, and more
24 than 24,000 gigawatt hours of load, which is
25 about 63 percent industrial and 36 percent medium

1 to large commercial.

2 Customers have clamored for direct access
3 since it reopened in 2010. Initially, there was
4 a four-year phase-in and there was a quota to be
5 filled every year. Every year it filled within
6 seconds for each of the utilities.

7 Since then there's a waiting list. And
8 as of the end of December 2016, there were 1,600
9 customers on the waiting list, waiting for direct
10 access that never came. The waiting list is used
11 if any cap space becomes available, and usually
12 very little does.

13 In fact, the number of customers on the
14 waiting list have nearly doubled since 2012, when
15 it began. Clearly, customers want more choice.

16 ESPs are in the business of serving their
17 customers. And this means that customers have
18 contracts tailored to meet their specific needs.
19 So, customers can meet their own goals,
20 sustainability, price risk management, budget
21 certainty, certain kinds of products like
22 renewables they want to purchase.

23 In fact, the ESPs offer innovative
24 products and services to their customers across
25 the country. For CNI customers this means that

1 they can have fixed rate -- fixed rate contracts.
2 They can buy carbon-free products. They can buy
3 renewable products, demand response programs.
4 Market-based rates. Power devices with enhanced
5 energy management. Block chain technology that
6 provides peer transactions and on, and on.

7 These all meet the three objectives in
8 the Green Book. They make electricity more
9 affordable for the customers, they improve
10 reliability, and they help decarbonize.

11 Significantly, these innovations begin in
12 states with more competitive retail markets.
13 What should be the role of the utilities with
14 expanded retail choice?

15 Utilities should transition to wires
16 companies that are -- and giving incentives. If
17 they do that job well and if they facilitate
18 retail choice, provided by others. If they want
19 to provide competitive services, it should be
20 done through affiliates only, with very strong
21 rules and enforcement.

22 And regarding the three objectives in the
23 Green Book, ESPs have met and will continue to
24 meet all the state's requirements for
25 decarbonization and improved, and ensuring

1 reliability.

2 The lengthy waiting list for direct
3 access is indication that its customers believe
4 its affordable.

5 In summary, competition benefits all
6 customers. The direct access cap limits
7 competition and hinders -new entry -- it should
8 be lifted. Thank you.

9 MS. FELLMAN: Dan.

10 MR. SKOPEC: Dan. Thank you,
11 Commissioners, for the opportunity to address
12 you. Last year I participated in a similar En
13 Banc on this topic, prior to the publication of
14 the Green Book. So, I appreciate an opportunity
15 to continue this conversation.

16 We were very encouraged by the
17 publication of the Green Book. I think one of
18 the most important elements to it was the
19 acknowledgement that significant changes are
20 happening to energy markets. In some cases,
21 they're beyond the recognition and control of
22 policymakers.

23 So, we're eager to have this conversation
24 and assist as we may be able to.

25 Let me be very clear up front, SDG&E is

1 open to retail choice. We support a customer's
2 right to choose.

3 We recognize and do not necessarily
4 object to the notion that we may be a wires
5 company in the future. That we may be managing
6 transmission-distribution system. So, we're here
7 to have that conversation.

8 But before we move there, we have to
9 address -four things --

10 MS. FELLMAN: Can you speak more into the
11 microphone, please?

12 MR. SKOPEC: Sure. Before we move to
13 retail choice, we need to address four key items.
14 Number one, great architecture. Two, stranded
15 costs. Number three, resource adequacy, and
16 number four, provider of last resort.

17 So, on the first topic, great
18 architecture. The transition to retail choice by
19 definition requires unbundling of rates. Retail
20 providers need to be able to isolate
21 (indiscernible) for customers based on the
22 commodity product, while distribution utilities
23 need to be able to continue to charge customers
24 for the use of the grid.

25 Today's bundled rates result in

1 significant distortions depending on a customer's
2 overall usage or their adoption of technology.
3 The IOUs have been advocating for an unbundling
4 rates for over five years, now.

5 And the good news is the Commission has
6 the authority it needs to address these issues.

7 As you'll recall, in 2013 the Legislature
8 passed AB 327 that gives the Commission the
9 authority, to rectify this distortion in rates,
10 and address unfair cost shifts right now.

11 Now, let me just put a finer point on
12 this. Today, in San Diego Gas & Electric service
13 territory the NEM cost shift amounts to \$400
14 million a year. So, on average, when you
15 calculate the number of NEM customers we have
16 just in the residential sector, that's a \$2,800-
17 a-year benefit to a NEM customer. These are the
18 type of distortions that need to be addressed
19 when we unbundle rates.

20 Second, stranded costs. Over a dozen
21 states and several nations have gone through the
22 process of deregulating the electricity markets.
23 One issue that they all had to contend with is
24 stranded costs. As customers leave the regulated
25 utility service who pays the costs left behind?

1 While, each state and jurisdiction has a
2 different set of stranded costs to deal with, in
3 every case the regulators had a portion of those
4 legacy costs.

5 As the Green Book states, in California's
6 original deregulation there was a plan for
7 stranded cost recovery. It was laid out in the
8 Legislature and implemented by the PUC. And
9 despite all the chaos that happened in the
10 California energy crisis, the PUC managed the
11 stranded cost recovery fairly well.

12 But as President Picker has noted, this
13 time we don't have a concrete plan for customer
14 departure. What we have is an outdated
15 mechanism, PCIA. PG&E has stated that the
16 current mechanism is only about two-thirds
17 effective in allocating costs of departing
18 customers.

19 And I know the PUC is well-aware of this
20 challenge and you're intending to address it in
21 PCIA OIR. Departing load customers should not be
22 surprised by this action. It's a process that's
23 been dealt with in every single deregulatory
24 movement across the country. By addressing the
25 flaws in the PCIA, the PUC is simply complying

1 with the law, SB 350.

2 Third, resource adequacy. Whether the
3 state moves forward with retail competition or
4 not, the rise of CCAs has forced the PUC to
5 address the issue of resource adequacy anew.

6 The Commission took an important step
7 yesterday in adopting the proposed decision on
8 resource adequacy. And I know Commissioner
9 Randolph noted that there's going to be additional
10 important measures that are considered in track 2
11 of that proceeding.

12 We applaud the Commission for addressing
13 resource adequacy in an expedited manner.

14 In the future, if disaggregated, load
15 serving entities, SDG&E believes the state should
16 form a centralized procurement entity. Not
17 necessarily for all procurement. LSEs can still
18 procure the majority of their needs for their
19 customers. But there needs to be a backstop for
20 such special circumstances like system
21 reliability, local reliability, or to achieve
22 maybe certain clean energy goals.

23 A centralized procurement entity can
24 assure that resources are procured cost
25 effectively and that all customers pay an equal

1 proportion of those costs.

2 SDG&E believes that the CALISO can serve
3 as this function.

4 Last, I'd like to address POLR, the
5 provider of last resort. States certainly need
6 to address the issues around POLR because POLR is
7 an important consumer protection mechanism in the
8 context of retail competition. It also has the
9 potential to blunt the efficiency of markets, if
10 not handled properly. An I think a lot of
11 jurisdictions saw that.

12 Under a scenario in which the regulated
13 utility serves a small share of the load in its
14 service territory, we don't believe the utility
15 should play the role of POLR. If not us, who?

16 One option is to make that the
17 responsibility of the centralized procurement
18 entity that I mentioned previously, like resource
19 adequacy.

20 Another option is to auction off that
21 responsibility to willing third parties.

22 Whatever the choice, the state needs to
23 recognize that the responsibility comes with
24 burdens and risks. And whoever provides that
25 responsibility needs to be compensated as such.

1 Thank you very much and I look forward to
2 the conversation.

3 MS. FELLMAN: Let's let it begin. Who
4 would like to ask the first question? President
5 Picker.

6 CPUC PRESIDENT PICKER: So, we're in a
7 very turbulent time and there are a lot of new
8 players, and I think probably the question that
9 Senator Hertzberg is asking with SB 327 which
10 would lift the cap on direct access, sort of
11 states the challenge to all the different parties
12 here, in different ways.

13 So I'm going to ask a couple of questions
14 to go around that. If this bill doesn't succeed,
15 then I expect that something will come forward.

16 This is really going to allow the
17 commercial and industrial sectors to have full
18 retail choice, while residential customers will
19 still be in a variety of different kinds of
20 vehicles.

21 And so, I want to start by just asking a
22 couple of questions of the Clean Community
23 Aggregators. And it's probably something that's
24 going to have more impact in San Jose, than in
25 Marin Clean Energy's territory.

1 But what happens to you and the long-term
2 contracts you're signing if a large portion of
3 your commercial and industrial base now has
4 access to services from electricity services
5 providers? How do you manage to keep your
6 commitments in your long-term contracts? What
7 does it mean in terms of your ability to keep
8 your rates low?

9 I'm just curious, do you do risk
10 management that looks at these kinds of potential
11 challenges and changes in the market that you're
12 trying to structure?

13 MAYOR LICCARDO: Thank you, President.
14 Certainly, you know, we're agnostic to the issue
15 about raising the cap. We recognize its value to
16 direct access. We obviously would like any
17 lifting to be done collaboratively with local
18 jurisdictions, so that we can ensure that we are
19 making our long-term purchases in a way that
20 enables us to provide appropriate level of
21 resources.

22 So, I'm confident, you know, however this
23 is done, as long as it is not a sudden shock to
24 the system, we'll be prepared. And, you know,
25 we've already procured our first set of contracts

1 so far. We're ready to go, certainly for
2 municipal contracts and residential contracts in
3 2018 and 2019.

4 CPUC PRESIDENT PICKER: So, you're going
5 to have to do the hand-held mic. I'm afraid
6 we've had this problem before. So.

7 MAYOR LICCARDO: But we'll be in
8 communication with those industrial users, as we
9 are today. The benefit of local engagement is
10 we're talking to these companies every day and
11 we're understanding what they want. And by
12 enabling that communication, we'll be able to
13 anticipate those needs and scale back our
14 purchases, if they choose to go the direct access
15 route.

16 CPUC PRESIDENT PICKER: So, that sort of
17 leads me to the provider of last resort. Because
18 not all jurisdictions can survive that kind of
19 sudden departure of load and/or migrate their
20 contracts.

21 Do you have thoughts about what the
22 structure of the provider of last resort should
23 be? Do you have -- again, this all goes to this
24 question of the disaggregation of risk
25 management, which many people here represent.

1 How do we deal with that? What is your
2 preference? Or, how do we actually get to that
3 conversation with all these different players
4 that are emerging?

5 MAYOR LICCARDO: Yeah, we appreciate
6 there's reason to reexamine the role of utilities
7 as provider of last resort. I don't pretend to
8 have the answer here. I know this is going to
9 take a very substantial public process.

10 We recognize IOUs may or may not want to
11 be not to be in that position.

12 What I do believe is that as there's
13 lifting of the cap, I would venture to guess that
14 this body would not simply lift it without
15 constraint, that there would be some gradual
16 process that would enable both the IOUs and CCAs
17 to --

18 CPUC PRESIDENT PICKER: I don't know that
19 it's going to be up to us anymore than the
20 creation of CCAs. I think we're going to be
21 handed a legislative fiat.

22 So, I mean, these are the kind of things
23 that worry us. And just while I applaud your
24 ambition, I'm still a little concerned that we
25 don't have the kinds of consensus or even clear

1 options as to how we manage these things. So,
2 I'm appealing to you to help us think beyond the
3 kind of simple ambitions that you articulated to
4 these challenges that we face, making sure that
5 there is a provider, that we have that
6 reliability of service.

7 MAYOR LICCARDO: Yeah, I think it might
8 be better for us to provide some comments in
9 writing. Frankly, I'm not prepared to answer
10 that question today. But what I would suggest
11 is, well, we're in constant conversation with the
12 Legislature, just as we are with our customers.
13 And I'm confident this can be done
14 collaboratively in a public process.

15 CPUC PRESIDENT PICKER: This does sort of
16 flip your model on its head. You are pretty much
17 an opt-out system. People are automatically
18 migrated into your system. Now, there's a choice
19 for some of your customers. Would you favor
20 giving that same choice to all of your customers?

21 MAYOR LICCARDO: We don't object to the
22 notion of choice.

23 CPUC PRESIDENT PICKER: So, I'm
24 suggesting should you be opt-in across the board?

25 MAYOR LICCARDO: Well, no, we believe

1 that the opt-out is the appropriate approach.

2 CPUC PRESIDENT PICKER: Okay. So, at the
3 far end, as I kind of have a sense of where you
4 guys are on this --

5 SUPERVISOR SEARS: President Picker, I
6 wonder if I could jump in on a couple of these
7 issues before we leave the CCA --

8 CPUC PRESIDENT PICKER: Sure.

9 SUPERVISOR SEARS: -- unless you want to
10 go back and come back to me later.

11 CPUC PRESIDENT PICKER: Well, you know,
12 I'm looking at your service area and your
13 territory, because that's what I do, I don't that
14 it's going to have as much impact on you as a
15 much more industrialized and large commercial
16 serving --

17 SUPERVISOR SEARS: And that could be
18 true. But there's a couple of things that I'd
19 like to flag that I think are true for all of our
20 CCAs.

21 CPUC PRESIDENT PICKER: Okay.

22 SUPERVISOR SEARS: You know, as Mayor
23 Liccardo says, the CCAs have not taken a position
24 regarding the cap on direct access. I think it's
25 an important conversation that, obviously, you're

1 deeply engaged in, and making sure that any
2 expansion furthers the goals that we're all
3 looking at here of affordability, reliability,
4 decarbonization, and social equity.

5 For us, of course, in addition to that,
6 as local governments accountability and
7 transparency is tremendously important and so we
8 want to make sure that those factors are in the
9 mix.

10 But, you know, one, a big part of my job
11 as a Board Member of MCE is making prudent
12 decisions that keep us successful in the long
13 run. And I'm sure that the other CCAs are
14 governing themselves in the same way.

15 And so, we have a portfolio approach of
16 short- and long-term contracts to give us price
17 stability, also allowing us to capitalize on new
18 opportunities.

19 And another important part of our
20 management of our agency is maintaining, and
21 managing, and increasing our reserves. So, to
22 allow us to procure power at competitive rates.

23 And so, I think these are sensible
24 management principles that I think you'd find in
25 many organizations. We've worked very hard in

1 all of these regards, particularly on the reserve
2 side of our financial management. And we're very
3 pleased that we just received an investor grade
4 rating from Moody's. And it took some education
5 because CCAs are a new animal.

6 So, I wanted to come back and touch on
7 some of those long-term planning and stability
8 issues for CCAs.

9 But on the provider of last resort issue,
10 I think -- I'm really glad that both the CPUC and
11 the Customer Choice Project is looking at this
12 issue. CCAs are serving 80 percent or more of
13 the customers in our service area, yet the
14 utilities hold onto resources and the state
15 requires a bond posting in case all those
16 customers return.

17 This distorts the energy market and adds
18 unnecessary costs to CCA operations. We should
19 seriously explore CCAs serving as the POLR to
20 eliminate some of these distortions and reflect
21 the reality that CCAs are the default provider in
22 our service areas.

23 Perhaps the IOUs should serve as the POLR
24 in areas without a CCA, which could be done
25 through a contracting model as is in the case in

1 Texas.

2 But all of these are issues that I think
3 needs to be explored through a CPUC public
4 process and just ideas for us all to consider.
5 Thank you.

6 CPUC PRESIDENT PICKER: Okay, I just --
7 I'm still a little nervous because both of you
8 said you haven't really thought about this and
9 that -- it just worries me that maybe there's not
10 the kind of risk management contingency planning
11 that we expect and require at the regulated
12 level. So, I'm a little anxious about it and
13 I'll continue to be anxious about it.

14 SUPERVISOR SEARS: And fair point. And I
15 hear that from some of our board members who are
16 focused on risk management and we do think about
17 it. I think that us, like you, are as struggling
18 with complex questions and there's a lot of
19 factors to be considered. We want to be part of
20 the conversation.

21 MAYOR LICCARDO: So, and President
22 Picker, we would be prepared to be the provider
23 of last resort that's ultimately the direction of
24 regulation. And, obviously -customers could opt
25 out.

1 CPUC PRESIDENT PICKER: Yeah, I'm just --
2 I'm still concerned about that concept because
3 already I hear that you haven't thought about
4 these kinds of rapid changes that sometimes take
5 place in the markets that might put some of your
6 investments at risk. So, I'm anxious about that.
7 We probably will have to actually set some
8 standards for the provider of last resort, beyond
9 just simple energy supply so that we can
10 guarantee that they'll be there for the
11 customers.

12 Again, if you have a portfolio of long
13 and short, and all of the sudden lose a large
14 part of your base, you are at financial risk
15 because of those long-term contracts. That means
16 that your ability to function in the short-term
17 markets is going to be additionally constrained
18 so --

19 SUPERVISOR SEARS: And let me --

20 CPUC PRESIDENT PICKER: These are the
21 kind of contingency plans that we would expect to
22 see.

23 SUPERVISOR SEARS: They are. And that is
24 why we think reserve, our reserves are very
25 important and we do have credit contingency

1 plans, also.

2 CPUC PRESIDENT PICKER: Okay. At the
3 other end you raised the issue of whether or not
4 we can move to a more complete compensation for
5 your T&D, your transmission and distribution
6 services. But the Legislature has constrained
7 the rate at which we can actually make you whole
8 under those costs separately from the conduit
9 rates. So, are you seeking to have them
10 addressed in the Hertzberg Bill? Or, where will
11 we get the ability to fully consider both the
12 costs of transmission and distribution services
13 and decouple that from the volumetric sales of
14 electricity. That's the big rub there.

15 As long as the volumetric sales of the
16 electricity departs, you have to kind of deal
17 with the remaining customers and load it into
18 their bundled costs. That's always problematic.

19 MR. SKOPEC: Yeah but, you know, we
20 believe that AB 327 does give the PUC much of the
21 authority it needs. You're right that it does
22 cap fixed charges at \$10, if that's what you're
23 referring to.

24 CPUC PRESIDENT PICKER: Yeah.

25 MR. SKOPEC: But it doesn't mean that

1 there can't be a significant amount of unbundling
2 of rates. And if you're going to move to retail
3 choice, you have to do that anyway.

4 Today we have cross-shifts between
5 commodity and transmission and distribution.
6 Both of those would have to go away by
7 definition. So, you know, I haven't read all of
8 Senator Hertzberg's Bill, yet, but if all it does
9 is raise the cap on direct access, then he's
10 missing a number of pieces that have to be
11 addressed.

12 And, you know, I'm sure this is an effort
13 at stimulating the conversation. But, you know,
14 deregulatory movements are complicated and, you
15 know even AB 1890 for as flawed as it was, tried
16 to address all of these things. So, if there's
17 going to be a piece of legislation that it does
18 that, we want to make sure that great
19 architecture is addressed. And we would be happy
20 to have that conversation about, you know, the
21 cap on fixed charges at that time. But we also
22 need to address stranded costs. We also need to
23 address, you know, for resource adequacy provider
24 and then POLR.

25 CPUC PRESIDENT PICKER: Okay, thanks I'm

1 saving up all of my questions for future forums
2 but I'm going to pass it over to other
3 Commissioners?

4 CEC CHAIR WEISENMILLER: Yeah, I've got a
5 couple -I was going to start with Sue Mara.
6 What's the spilton ESP procurement between long-
7 term and short-term contracts, if you know?

8 MS. MARA: I'm sorry, I don't know.
9 Sorry, I don't really know the answer to that
10 question.

11 CEC CHAIR WEISENMILLER: Do you know if
12 ESPs, what's their balance sheet -they're putting
13 behind their procurement?

14 MS. MARA: If they do what? Say that
15 again?

16 CEC CHAIR WEISENMILLER: Do they put
17 their balance sheet behind their performance,
18 behind the procurement?

19 MS. MARA: I don't have a personal
20 knowledge of that, I'm sorry.

21 CEC CHAIR WEISENMILLER: Okay, that's
22 fine. Going to CMTA, what's been the experience
23 of your customers located in CCAs relative to the
24 IOUs?

25 MR. SHAW: I have not heard from our

1 customers in CCA territories in terms of their
2 satisfaction, or dissatisfaction of performance.
3 And at least I take that as things are operating
4 well, because I haven't heard any complaints.

5 CEC CHAIR WEISENMILLER: Okay. Starting
6 with Marin, what happens in Marin if people don't
7 pay their bills right now?

8 SUPERVISOR SEARS: We go after them and
9 try and get them to pay their bill.

10 (Laughter)

11 CEC CHAIR WEISENMILLER: That's good but
12 you don't send them back to PG&E or something?

13 CPUC PRESIDENT PICKER: Code enforcement
14 or --

15 SUPERVISOR SEARS: Pardon me?

16 CPUC PRESIDENT PICKER: Code enforcement
17 or do you have staff who do that?

18 SUPERVISOR SEARS: We have staff that
19 does try. I mean, I think, ultimately, they do
20 return to PG&E. But we always try to get money
21 out of our customers if we can, like any good
22 organization.

23

24 CEC CHAIR WEISENMILLER: Exactly. Yeah,
25 I'm just trying to figure out, and do you have

1 any sense --

2 SUPERVISOR SEARS: We're customer
3 friendly, but not that friendly.

4 CEC CHAIR WEISENMILLER: Right. Yeah,
5 there's limits. Do you have a sense of what your
6 -per se POLR function is now?

7 SUPERVISOR SEARS: What are our --

8 CEC CHAIR WEISENMILLER: Well, right now,
9 to the extent that, if you're serving the people
10 who aren't paying their bills, do you have a
11 sense of what that would be -- before you send
12 them back, what the percentage is?

13 SUPERVISOR SEARS: I don't. I think it's
14 relatively small. And apologies for my bad
15 memory because we had been briefed on the board
16 about this. It's a relatively small proportion,
17 but I don't remember the percent.

18 CEC CHAIR WEISENMILLER: That's fine.
19 You can submit written comments later.

20 SUPERVISOR SEARS: Okay.

21 CEC CHAIR WEISENMILLER: The question for
22 both of you is when CCA first started as a
23 concept back, you know, when P&E was in
24 bankruptcy, and as Edison was on the edge, the
25 normal argument of the proponents for the cities

1 that create balance sheets, that if they could
2 put those balance sheets behind procurement.

3 Obviously, you're not doing that now.
4 What would it take for you to actually put some
5 skin in the game?

6 SUPERVISOR SEARS: That's a good
7 question. You know, and that's a very perceptive
8 question based on the history, certainly our
9 history in the creation of Marin Clean Energy,
10 before it became MCE. Because there was a lot --
11 I think, as Mayor Liccardo highlighted, not
12 everyone was an immediate fan, let me put it that
13 way, right.

14 CEC CHAIR WEISENMILLER: Yeah.

15 SUPERVISOR SEARS: And many of our
16 jurisdictions, being prudent, elected local
17 officials who were very concerned about any
18 potential impact on their budgets. And they were
19 just concerned about what would be -- would this
20 be a successful new model that no one had
21 experience before.

22 And so, I think it's a very perceptive
23 question. You now, it could well be, and
24 certainly with the growth of MCE we have, you
25 know, a four-county territory now. We have board

1 members who have been on the board for a long
2 time. We have a trajectory of success. We have
3 growing reserves. We have, you know, a Moody's
4 investment rating.

5 We have, I think, a lot of confidence in
6 the quality of our agency and our ability to
7 manage. And I'm knocking on wood because you
8 never want to be over confident. You do want to
9 do the risk assessment.

10 I think going forward that's something
11 for us to think about with our board members, and
12 whether there is an openness to our member
13 jurisdictions. It's not something that we've
14 talked about because the model as we have it is
15 working extremely well. And so, there hasn't
16 been a need to get into the fiscal pocket,
17 directly, of our member agencies.

18 So, I don't have an answer for you to
19 that question because the model's working for us
20 well, now.

21 Perhaps I'm not really addressing what
22 your concern is.

23 CEC CHAIR WEISENMILLER: I think, again,
24 as you've pointed out, the rating agencies have
25 more confidence now, presumably you have more

1 confidence in the business model.

2 SUPERVISOR SEARS: Uh-hum.

3 CEC CHAIR WEISENMILLER: So, the question
4 is at some point, you know, would you put skin in
5 the game, obviously there's always the tradeoff
6 between risk and return. But at this point the
7 proposition might look like the cities, is
8 basically money for nothing, and you know that's
9 a good slogan, but I think going to the power
10 business you also have to be prepared to take
11 some of the risk, particularly looking at long-
12 term procurement.

13 SUPERVISOR SEARS: You know, I think it's
14 an interesting question and something we could,
15 you know, think about. We'd obviously have to
16 look at the benefit of doing that.

17 Of course, as an elected we all are in
18 jeopardy. We all run the risk of what our
19 constituents think about our performance. And,
20 certainly, there's been a lot of attention on MCE
21 over the years, every step of the way from our
22 residents.

23 And with our expansion, you know, since
24 2012 there's been a lot of focus on how we run
25 our business and the quality of our organization

1 each time we go into a new community.

2 So, I feel like we've been sort of
3 constantly vetted by different groups of
4 constituents and different groups of electeds
5 who've have taken a hard look at our
6 organizational model, what we have to offer in
7 terms of local benefits, and job creation, and
8 local ability to impact and frame our programs,
9 and our fiscal solvency.

10 So, I guess that's making me say that I
11 think we've got a model that's working really
12 well at this point.

13 MAYOR LICCARDO: Commissioner, if I could
14 just add, we are putting our general fund at
15 risk, and obtaining a \$50 million credit facility
16 during the period until we're able to build the
17 necessary reserves, our general fund is at risk.

18 SUPERVISOR SEARS: And, of course, Marin
19 County did put some money in right at the
20 beginning, too.

21 CEC CHAIR WEISENMILLER: Okay, thank you.
22 I have a question, Mr. Skopec. Do you have a
23 sense of what magnitude of your potential
24 stranded costs are?

25 MR. SKOPEC: I don't have that number off

1 the top of my head. It largely includes the
2 long-term contracts that we signed to meet the
3 renewable portfolio standard. We have a small
4 amount of generation, still, so it would be those
5 two components. But I can't speak to that off
6 the top of my head, that number.

7 CEC COMMISSIONER MCALLISTER: I just had
8 a very quick question, so for the CCA
9 representatives. So, I'm very happy to hear you
10 talk about all the multi-family and efficiency
11 equity and environmental justice, you know, work
12 that you're doing.

13 I guess, fundamentally, you know, the
14 CCAs are not decoupled. And I wonder if you can
15 speak to the -- you know, when push comes to
16 shove - sort of what your priorities are going to
17 be in terms of your resource planning without
18 that indifference?

19 SUPERVISOR SEARS: So, serving our local
20 communities is a tremendous priority for MCE and
21 I think for all CCAs. I mean this is -- as I
22 said at the beginning it was an important reason
23 for our creation. It was important to our
24 constituents and it's been important every step
25 of the way is that local connection and how we

1 frame our local programs.

2 One of the things that we heard about, a
3 constant drum roll, when we were only in Marin
4 County was people wanting us to create local
5 generation of renewable energy. That was a goal
6 from the very beginning and, obviously, it takes
7 resources to do that. And it's only been very
8 recently that we've been able to have -- we
9 opened our Solar One project in Richmond, which
10 is the largest renewable energy generation
11 project in all of the Bay Area. And we're
12 pleased to have gotten to this point. We also
13 have some local renewable generation located in
14 Marin County.

15 So, really tailoring programs, making
16 sure that we have affordability, making sure that
17 our energy-efficiency programs are really
18 tailored to the specific needs of our
19 communities, making sure that we're enhancing
20 local renewable energy generation. One of our
21 goals, when we first got started was to try to
22 push the development of renewable energy in the
23 market as a whole, but really focusing on our
24 locality.

25 So, the importance of our local workforce

1 development is something that will always be a
2 priority to us. I mean, I think it is really a
3 strength of a CCA is our local impact and the
4 importance to the community of having that local
5 impact.

6 So, perhaps I'm misinterpreting your
7 question. But that's not something that we would
8 ever say we've been there, done that with the
9 local impact, and we're going to move on and do
10 something else.

11 CEC COMMISSIONER MCALLISTER: No, just
12 wanted to speed -- sorry to stop you talking, but
13 just wanted to speed things up because I know
14 there are questions coming up.

15 Like but decoupling, decoupled sales from
16 revenues. So, it's not really a generation
17 issue, it's more of a demand side issue. And so,
18 I think if you don't have that incentive to
19 really push for efficiency and you're impartial
20 to the actual revenue impact of that, then that
21 is a potential concern for me.

22 SUPERVISOR SEARS: Well, do have
23 incentive. So, we do have an incentive to push
24 for efficiency. We want to be offering the
25 products at competitive rates.

1 CEC COMMISSIONER MCALLISTER: Absolutely.

2 MAYOR LICCARDO: Well, and as I stated
3 earlier, our only priority right now is building
4 reserves so the dollars aren't going to be
5 invested until so we're ready and we know that
6 we're in a secure position.

7 Our priority is not much different from
8 Marin's, we were primarily focused on local
9 generation of renewables, distributed energy
10 storage because we know that's going to be
11 critical as our portfolio's shift increasingly
12 towards renewables. And toward equity and that
13 is enabling affordability for the low-income
14 residents.

15 CEC COMMISSIONER MCALLISTER: Thanks.

16 CPUC PRESIDENT PICKER: But I think
17 Commissioner McAllister was asking a pretty
18 reasonable question. I mean if you're building
19 your reserves off of some portion of your sales
20 of electricity, but what energy efficiency
21 investments do is reduce your sales of
22 electricity, how does this perpetual motion
23 machine work? So, I think that's what we're
24 talking about.

25 What we've seen is that Marin Clean

1 Energy is -- I mean, I haven't seen any -- and
2 Sonoma's Clean Energy they really promoted the
3 (indiscernible) -- which doesn't come out of
4 their sales budget. It's a good useful thing for
5 a local agency to do --

6 SUPERVISOR SEARS: And we have that
7 program as well.

8 CPUC PRESIDENT PICKER: But again, it
9 doesn't have the same kind of financing
10 opportunity and investment that the utilities do
11 because of their scale and their ability to
12 actually role that back into their grid charts.

13 Is that going to be something that
14 continues to be financed by transmission and
15 distribution? How does this begin to work? I
16 think that's what I'm your trying to get at.

17 CPUC COMMISSIONER PETERMAN: And I'll
18 note that we do have a panel later on where we'll
19 have representatives from the energy-efficiency
20 community and renewable community, because I do
21 think this will be an important issue.

22 As you noted, Marine has an energy-
23 efficiency program, but that program and
24 allocation of funding is still designed on a
25 model where the majority of the programs are

1 provided by the investor-owned utilities. So, if
2 we do move to a different regime, it could be a
3 very different funding scheme.

4 And we are seeing, perhaps, some seams
5 issues with aligning these programs. But I do
6 appreciate that we're still early on in those
7 periods.

8 SUPERVISOR SEARS: Right.

9 CPUC COMMISSIONER PETERMAN: But let me
10 switch to a different question. Mr. Skopec
11 raised the idea of a central buyer. And one of
12 the benefits, potentially, of a future central
13 buyer is doing procurement that has, maybe,
14 broader policy goals for the state.

15 And this is a key interest of mine.
16 We've seen over the years that utilities have
17 been asked at times to do procurement that has
18 broader benefits than perhaps their service
19 territory. Most recently, for example, biomass.
20 Or, when we've had legislation that's targeted on
21 investor-owned utilities and publicly-owned
22 utilities to step up and do something, like
23 energy storage, it is the investor-owned
24 utilities and the PUC that move forward with the
25 programs more in advance of the publicly-owned

1 utilities.

2 So, this is a broad question which is how
3 do you see going forward, and this is for our CCA
4 representatives, but also Ms. Mara, anyone else
5 interested, going forward with various different
6 providers when we have policy goals that may or
7 may not -- which may not be in the best economic
8 interest of your territory. How do you
9 participate in that system? Is a central buyer
10 the appropriate mechanism for that? What type of
11 legislative direction would you be anticipating
12 to enable these changes to happen in a very quick
13 manner. Because requests happen much more
14 quickly than a legislative cycle will allow.

15 SUPERINTENDENT SEARS: Right. So, as you
16 know, Commissioner Peterson, we do procure very
17 broadly. And, you know, that's been our mission
18 from the beginning, as I indicated, was really to
19 use our procurement to help push forward the
20 renewable energy market and the development of
21 renewable energy in the State of California. And
22 so, it's important to us, as a local CCA, to
23 retain our nimbleness and our ability to really
24 target our procurement and target our investment
25 to emerging technologies. Battery storage is an

1 excellent example. We also have an agricultural
2 community that has very different kinds of needs
3 and we want to work closely with them.

4 And so, when you say central procurement,
5 I start getting very nervous, right, because the
6 on-the-ground ability to procure and maintain
7 that flexibility, and maintain the nimbleness,
8 and make sure that we are really pushing forward
9 different kinds, forms of renewable energy that
10 are appropriate for our communities is
11 extraordinarily important to us.

12 I think in an overarching way we all
13 share similar goals. Right. This isn't, in some
14 ways, a conflict. I'm trying to think of where
15 would we run into a conflict of a form of energy
16 procurement that was important to us locally that
17 wouldn't serve the state mandates? I mean, we
18 need to comply with the state mandates and we're
19 working hard to do that.

20 And so, I get -- I want to make sure that
21 we are able to maintain our flexibility and
22 procuring on our own and making those decisions
23 on our own.

24 CPUC COMMISSIONER PETERMAN: All right, I
25 think that was a reasonable answer. But as you

1 know, the devil's in the details, and so we won't
2 get into the specifics.

3 SUPERVISOR SEARS: Certainly.

4 CPUC COMMISSIONER PETERMAN: But I do
5 have a broader question about absent a central
6 buyer how do we go about coordinating procurement
7 across different entities for broader state
8 goals, that may or may not be explicitly
9 legislated? And I think it's not -- you don't
10 have to have a full answer to it, now, because
11 part of it is we don't -- it's hard to anticipate
12 what those goals might be.

13 But I think as a state we have relied on
14 a few entities as the procuring entities to
15 pursue these goals. And it is a different
16 paradigm when we're talking about many
17 institutions.

18 MR. SHAW: Commissioner Peterman, if I
19 could have a moment?

20 CPUC COMMISSIONER PETERMAN: Yeah.

21 MR. SHAW: It's an interesting question
22 that you raised there. I think, you know, Mr.
23 Wood's comments earlier, Soviet-style central
24 planning comes to mind when you're talking about
25 a central buyer.

1 But the issue is, you know, we would
2 certainly want to encourage, I think, setting
3 goals, rather than mandating specific
4 technologies or types of generation.

5 And that's -- you know, obviously, as it
6 relates right now, you know, that's a discussion
7 at the Legislature as to what those -- you know,
8 be it biomass and geothermal are a couple that
9 are particularly of note at the moment.

10 But, you know, the problem that we face
11 is when we were mandated to specific types of
12 generation is that it reduces the flexibility and
13 it creates other issues down the road, as well.

14 If we're setting goals regarding
15 decarbonization or, you know, reducing GHG
16 emissions, criteria pollutants, et cetera, I
17 think that's a better way for us to approach
18 those types of questions.

19 And obviously, as it relates to the
20 Commissions', you know, flexibility that they
21 might have under whatever legislative direction
22 that you're given, I think we would encourage
23 that rather than pursuing, you know, specific
24 types of mandates.

25 CPUC COMMISSIONER PETERMAN: And just to

1 close on that point, we don't disagree. But the
2 political realities oftentimes result in a
3 different outcome. And so, I'm just trying to
4 understand real-world how we move forward. Thank
5 you.

6 MR. SKOPEC: Commissioner Peterman?

7 CPUC COMMISSIONER PETERMAN: Yeah.

8 MR. SKOPEC: Could I just comment on
9 that. You know, a vision into the future here is
10 the water industry. You know, 80 percent of the
11 state is served by municipal water agencies in
12 the state. And I know that some of you know the
13 water industry very well, better than I. But
14 when the Brown Administration wanted to address
15 the drought, they had a significant challenge
16 dealing with that 80 percent because they
17 couldn't tell them what to do.

18 So, there are times when, you know,
19 overriding state needs come to bear and the
20 political dynamic of your entities, whether it's
21 electricity, or water, or telecommunications
22 makes a difference.

23 CPUC COMMISSIONER RANDOLPH: Well, and I
24 would also add that in addition to the sort of
25 forward kind of market-pushing procurement that

1 Commissioner Peterman was talking about, you
2 know, if you look at IRP, if you look at resource
3 adequacy, we do have the basic, fundamental
4 functions of keeping the lights on, and dealing
5 with intermittency, and making sure that we have
6 the right resources that are procured to protect
7 that reliability.

8 And, you know, that is, as we move
9 forward with, you know, seeing the plans that
10 will come in, in August, you know, the IRP plans
11 coming from ESPs and CCAs, you know, we're going
12 to need to make sure that there's the full
13 representation of the necessary resources.

14 SUPERVISOR SEARS: And I wonder if I
15 could jump in on the water issue because we do,
16 in Marin County, manage our own water through our
17 Municipal Water District.

18 And I think that the example is actually
19 a good one to bolster the point of setting
20 targets is could be workable when the
21 government's -- when the Governor sent his target
22 of how much water usage, the goal of reducing
23 water usage we, in Marin County, were able to
24 really utilize a target to decide how that could
25 best be implemented at the local level.

1 CPUC COMMISSIONER PETERMAN: But sadly,
2 others did not, which was the challenge.

3 SUPERVISOR SEARS: Some of those other
4 jurisdictions didn't do as well.

5 CPUC COMMISSIONER PETERMAN: Yeah.

6 SUPERVISOR SEARS: Yeah, and we wished
7 they had.

8 CPUC COMMISSIONER GUZMAN ACEVES: Can I
9 just add a point to the water --

10 CPUC COMMISSIONER RECHTSCHAFFEN: We're
11 talking water, she can't resist.

12 (Laughter)

13 CPUC COMMISSIONER GUZMAN ACEVES: Right,
14 it's a -- but, actually, it's very relevant.
15 Because as you also know, as local governments,
16 there is an initiative that the Governor has to
17 try to establish affordable drinking water, and
18 safe drinking water for all of Californians. And
19 has asked all of the water providers for a
20 contribution for that.

21 And the Association of California Water
22 Agencies is adamantly opposed to that. And this
23 is the exact notion of the collective role that
24 we have. Do we have as individual governments,
25 local governments, local communities a

1 responsibility to all Californians?

2 And in the case of water, the water
3 agencies and local governments are saying no.
4 So, that is really a question.

5 And I think what Commissioner Peterman
6 was getting at, just to use another example that
7 actually was raised in the earlier conversation,
8 excuse me, by Mr. Wood. And it is the notion
9 that we should get rid of our \$500 million of
10 research and development, which all of you
11 contribute to, just as an example. What should
12 we do with that?

13 Do you think that we should no longer
14 contribute to that as a collective good? Your
15 customers contribute to that today. That's just
16 another question. Do we have an interest? And
17 the munis, you know, they do their own. This is
18 an area where they are opting to do their own
19 program and the Legislature has given them that
20 discretion. Should the Legislature say you
21 should do your own, you know, \$2 million budget
22 or should we have a statewide, CEC-run, research
23 and development for the future?

24 SUPERVISOR SEARS: And I'd like to
25 respond to that. And this really is a local

1 elected's perspective, and I'm going to take this
2 off even to a different direction, which is
3 affordable housing.

4 So, one of the tensions that you really
5 find as a local elected official is how to get
6 people to do the right thing. Right. How to get
7 people to reach and change their behavior so that
8 they reach a target, whatever it is.

9 And one of the things that really doesn't
10 work, from a local elected's perspective, and I'm
11 going to use the housing, affordable housing as
12 an example, is a state mandate. Because it
13 alienates our residents. I mean, we are caught
14 in the Twilight Zone, the intermediate zone
15 between mandates and how people behave.

16 And in my experience and it's an ongoing
17 challenge for all of us, it's much -- you have a
18 better chance of getting people to meet targets,
19 to change their behavior, to do the right thing,
20 to think of the common good, to think beyond
21 themselves if it really is something that you can
22 incentivize to hit a target, rather than saying
23 you must.

24 Because when you say you must, is when
25 you get the strongest push back, regardless of

1 what it is.

2 Trying to get people to really do the
3 right thing, use more renewable energy, be better
4 citizens, think more broadly of the common good
5 is something that's extraordinarily important to
6 me as a local elected official.

7 But being mindful of what resonates with
8 people and what really impacts them is also
9 really important. And the difference between
10 targets, and incentives, and mandates is huge.

11 CPUC PRESIDENT PICKER: This is an old,
12 old debate in the energy markets --

13 SUPERVISOR SEARS: It is, it is.

14 CPUC PRESIDENT PICKER: -- and it's not
15 something that I think we're going to resolve.
16 I'll just observe that we all start out believing
17 that democracy is best, you know, in a
18 Jeffersonian context where the decisions are made
19 closest to the people. And at some point, you
20 realize that you have large infrastructure that
21 crosses jurisdictions and you start to accept
22 that there's a role for a kind of a Hamiltonian
23 governance.

24 And then, you get into a crisis and you
25 start thinking, we know how Joe Stalin stopped

1 the tanks --

2 (Laughter)

3 CPUC PRESIDENT PICKER: And that's what
4 we want. We want that centralized plan. And
5 that's what happened in 2000-2001, when we hit
6 the crisis, the Legislature said, okay, let's go
7 heavy central. And that's what we're trying to
8 understand in advance and to see if there are
9 ways that we can preserve three different slices
10 of provider and five or six types of
11 technologies.

12 And as we get to the decisions, I don't
13 think we can come up with any single solution in
14 each case that everybody is going to enjoy
15 equally. Some people will be more severely
16 disgruntled than others.

17 MAYOR LICCARDO: President Picker, I
18 appreciate the point. And I know it's been said
19 before that leadership is about inflicting pain
20 at a rate that people can tolerate --

21 (Laughter)

22 MAYOR LICCARDO: But you know, really
23 going to the question of, Commissioner Guzman,
24 I'm not opposed to rates that are equitably
25 applied. Fees that will support research and

1 development statewide, as we've had in the past.
2 And, just as obviously, we are paying PCIA
3 charges for stranded assets. We recognize our
4 responsibility to do that. We just want to make
5 sure those rates and fees are applied equitably.

6 CPUC COMMISSIONER RECHTSCHAFFEN: Can I
7 just, while we have Mayor Liccardo and Supervisor
8 Sears here, can I ask you a question about
9 financing? One of the issues that's come up is -
10 - especially with respect to financing long-term
11 renewable contracts, some renewable developers
12 need credit-worthy partners to get financing.

13 You just started. Mayor Liccardo, did
14 you have an experience where you ran into an
15 issue because you didn't have a credit rating
16 established?

17 And Supervisor Sears, Marin, just got
18 this investment grade credit rating. It took a
19 long time, though. Do you anticipate that it
20 will be quicker for other CCAs? So, I guess I
21 want to get responses from both of you about the
22 financing question.

23 MAYOR LICCARDO: We've secured \$50
24 million with a credit facility. We haven't had
25 any problems procuring long-term contracts that

1 are cost-competitive with PG&E. We're mandating
2 that they be at least one percent below PG&E's
3 rates.

4 SUPERVISOR SEARS: Yeah, and I'd echo
5 that response. It did take us a long time to get
6 that credit rating. And I think in part, as I
7 indicated before, it's the credit rating
8 agencies, like a lot of organizations, are used
9 to analyzing organizations that they can fit into
10 a structure that they're currently comfortable
11 with.

12 And it took quite a bit of conversation
13 and education about what a CCA was about for us
14 to get that credit rating. I am hopeful, now
15 that at least one of the credit rating agencies
16 understands what a CCA is about, that it will
17 pave the path for other CCAs and make that
18 process easier.

19 CPUC PRESIDENT PICKER: So, I'm just
20 going to note that as is frequently true of all
21 good conversations that we have at the PUC, we
22 only get to scratch the surface and then we run
23 out of time. And so, we're now at the break.
24 And, you know, if we go longer we probably will
25 miss our break, and I think that will be severely

1 complicated because we need our bio break.

2 MS. FELLMAN: So, let's thank the panel.

3 (Applause)

4 MS. FELLMAN: I just want to say that
5 this is the beginning. We'll be talking about
6 next steps later. And this is the beginning of
7 what we hope are several more free flowing
8 conversations like this.

9 We have a 10-minute break. I do want to
10 note that the yellow book, and the blue book, are
11 posted online for those of you who are interested
12 thank you, com come back at 10:40.

13 (Off the record at 10:31 a.m.)

14 (On the record at 10:44 a.m.)

15 MS. FELLMAN: We're going to get started
16 in a minute. We have one brief announcement
17 while everyone's taking their seats. A couple
18 questions came up from the Commissioners during
19 the discussion about facts. And people who are
20 listening in, or who are on the webcast, they
21 also have some information they want to provide
22 after we on the En Banc. We're going to open up
23 the Customer Choice portal for comments following
24 the En Banc. So, let's coordinate the deadlines
25 with the Energy Commission, that Kevin Barker is

1 going to talk about it in a minute or -- because
2 this is a coordinated proceeding with the IEPR.

3 So, for the PUC, please file your
4 comments at Customer Choice@cpuc.ca.gov. And I
5 believe the deadline is going to be July 6th.

6 So, Kevin, do you want to come up and
7 talk about the Energy Commission briefly? Thank
8 you.

9 MR. BARKER: So, we're also planning to
10 have this workshop, it's being -- we have a court
11 reporter here, so we'll have a transcript within
12 probably about 30 days. We like to -- we
13 typically do, we accept comments two weeks after
14 the workshop. And so, we're going to keep up
15 with that tradition.

16 The IEPR docket, which we will also
17 include all the comments that were submitted at
18 the June 11th deadline. The IEPR document is 18-
19 IEPR-01. And so, any comments that you file in
20 the proceeding for the CPUC, we hope that you'll
21 also file them in our IEPR docket so we can
22 include them in our public record. Thanks a lot.

23 MS. FELLMAN: We'll now turn to the 2019
24 CEC Building Energy Efficiency Standards,
25 introduced by Commissioner McAllister.

1 CEC COMMISSIONER MCALLISTER: Great. So,
2 thanks for those of you who chose to come back
3 after the break. A little bit sparse, actually,
4 but so you're the stalwarts.

5 So, I wanted to just very briefly
6 introduce Dave Ashuckian, as the Deputy over our
7 Efficiency Division at the Energy Commission.
8 And his team, with my guidance, has developed the
9 2019 update to the California Energy Efficiency
10 Building Standards, under Title 24. And the
11 adoption vote happened a few weeks ago at the
12 Energy Commission.

13 And I wanted, maybe you've heard about it
14 out there in the world, but also if you're within
15 or participated in our proceeding at the Energy
16 Commission, but it's actually, it's a process
17 that lasted multiple years, with literally
18 thousands of meetings. Thousands and thousands
19 upon thousands of comments on our docket. Lots
20 of stakeholder participation.

21 And, really, what emerged from that was
22 quite a nuanced, and pretty detailed, and well-
23 considered approach for the Building Standards as
24 they move forward. And this is one of the core
25 things that the Energy Commission does; we've

1 been doing it for like 40 years. And in this
2 moment where we're moving to try to leverage all
3 the resources we have at our disposal to
4 decarbonize our economy, to understand and sort
5 of guide the distributed energy world that
6 literally we're already in. We're not going in,
7 we're already there, we're there now.

8 And so, in that long-term context, and
9 certainly the planning that's happened at this
10 Commission and at our Commission for decades,
11 particularly in the last ten years or so, since
12 the Energy Action Plan and the energy efficiency
13 planning that we've done jointly really informs
14 this effort on the building code update. And
15 will continue to in subsequent updates -- as
16 markets evolve, as technologies change and
17 develop, and as we look at how those can be best
18 be incorporated into the built environment. Both
19 on new construction, which is largely what we
20 tend to focus on with the Building Standards, but
21 also in our existing building stock which we need
22 to focus on going forward much more aggressively.

23 So, with that just I wanted to frame the
24 context a little bit and wanted to pass it to
25 Dave Ashuckian.

1 MR. ASHUCKIAN: Thank you, Andrew. As
2 Andrew mentioned we are responsible for adopting
3 the Building Standards for Efficiency. And,
4 basically, we have been working for the last ten
5 years on a long-term goal of what has been called
6 the zero net energy strategy.

7 It was initially adopted in the Energy
8 Efficiency Strategic Plan, back in early 2008.
9 And at that time, in 2008, there was about 10
10 percent of the state resources were renewable.
11 There was a 20 percent RPS.

12 And the novel goal of having new
13 construction achieve a zero net energy platform
14 of having, of producing enough energy onsite to
15 offset the energy consumed by a particular
16 building was a novel goal. And at that time
17 considered pretty much a stretch goal.

18 At that time PV was one of the most
19 costly renewable resources out there and so it
20 was not clear that this was going to be an
21 achievable goal based on the cost-effectiveness
22 criteria that the Energy Commission adopts
23 standards under.

24 Today, we have a 50-percent RPS. We have
25 very significantly increased our greenhouse gas

1 and decarbonization goals, and PV costs have
2 dropped dramatically.

3 So, basically, we adopt standards on a
4 three-year cycle. Every three years we look at
5 what is going to be achieved based on cost
6 effectiveness.

7 And in 2019, in the last three years that
8 we've been working on this, we have achieved
9 significant reductions in both efficiency for the
10 buildings, as well as greenhouse gas reductions
11 as a result of these particular standards.

12 Our standards incorporate energy
13 efficiency measures that include the confines of
14 cost effectiveness, and we make sure that when we
15 do forecasts of what the rates are going to be,
16 what we project the rates are going to be, we
17 look at the cost of construction. We work with
18 the building industry on what's technically
19 achievable. And again, try and come up with a
20 compromise solution.

21 We'd considered -- we wanted to make sure
22 we continued to contribute to the state's
23 greenhouse gas reduction goals. Because of the
24 challenge with the duck curve and the increase in
25 daytime PV, we wanted to make sure that what we

1 were going to adopt wasn't going to continue to
2 exacerbate the over-generation of PV during the
3 day and making sure that we had grid
4 harmonization strategies incorporated in our
5 standards.

6 For the first time we have incorporated
7 an independent compliance path for both mixed
8 fuel and all-electric homes. That's the first
9 element of choice now that builders have, that
10 they don't have to build a home that has to have
11 gas attached to it, natural gas.

12 We also have provided increased
13 flexibility for local governments. Our standards
14 allow local governments to adopt more stringent
15 standards that are cost effective in the local
16 areas. And so, we have changed the way we adopt
17 -- or, we have measured our ability to set those
18 standards such that it makes it easier for local
19 governments to adopt a local ordinance.

20 And again, our standards are cost
21 effective to the consumer and the homeowner over
22 the life of that building.

23 As I mentioned, for the first time we
24 have adopted a dual path. And in that path, we
25 have continued to maintain what we call the

1 loading order, where efficiency is first. Homes
2 have to have a minimum level of efficiency before
3 they can evaluate how much PV that the home will
4 need.

5 Once they have incorporated that
6 efficiency, they have to adopt an appropriately-
7 sized PV system, and that system is going to
8 offset the electric use-only.

9 We also have adopted some strategies to
10 help maximize self-utilization for the first time
11 and reduce the imports to the grid. Or, I should
12 say exports from the home to the grid.

13 Our goal was to maximize the impacts --
14 or minimize the negative impacts to the duck
15 curve, while again maximizing the benefits to the
16 homeowner.

17 So, as I mentioned, the flexibility for
18 builders, who may want to build all-electric
19 homes is incorporated in the standards. There
20 are no additional PV requirements if you build an
21 all-electric home.

22 Our assumption was that, again, we wanted
23 to maintain the cost effectiveness and not
24 require a more expensive system if you wanted to
25 build an all-electric home.

1 So, you can build an all-electric home,
2 even though it uses more electricity and thus
3 should be allowed to have a larger PV system on
4 it, we are not requiring that larger system.

5 So, this prescriptive path again provides
6 -- I'm sorry. We have two parallel paths for
7 adopting homes. We have what's called a
8 prescriptive path. That is where a builder
9 identifies all the measures that are the minimum
10 requirements, and there's a prescriptive path for
11 both mixed fuel homes and all-electric homes.

12 There's also a performance path. That's
13 a path that actually most builders use. It
14 allows tradeoffs between various elements of
15 efficiency. And so, for example, if I have a
16 home where I want to maximize a great view, I
17 might want more window area in a certain aspect,
18 or a certain orientation. That may be less
19 efficient. And so, the performance path requires
20 the builder then to offset that additional energy
21 consumption because of that larger window area
22 with additional energy efficiency measures.

23 For the all-electric homes, the fact that
24 they use more energy they have to have additional
25 measures for efficiency to offset those

1 additional energy consumptions. And that can be
2 easily accomplished with a heat pump water
3 heater, for example.

4 For the first time we've changed the way
5 we have identified how you meet the compliance
6 path. And what we have is a modeling software.
7 Our CBECC software that provides an energy design
8 rating. It's a numerical number between zero and
9 100. Zero would be a pure, zero net energy home,
10 where there was no energy consumed over the life
11 of -- over the annual use of that home.

12 The CBECC software has the capability to
13 calculate scores for both efficiency and PV
14 separately. And so, a home has to be -- in order
15 to comply, they have to meet a certain EDR target
16 with the efficiency level first, and then they
17 have to then add PV to add additional rating to
18 achieve the overall rating.

19 There are separate targets for every
20 individual climate zone in California, of which
21 there are 16. And the modeling software, for the
22 first time also provides an output of what the
23 CO2 consumption is or production is of that home,
24 based on the design of that specific home.

25 And again, the use of the EDR provides a

1 much more flexible opportunity for local
2 governments to adopt a local ordinance that is
3 more stringent than our standards by essentially
4 establishing a higher or a lower EDR target for
5 their particular region.

6 We have a number of exceptions that we've
7 incorporated in the standards to address the
8 potential for cost effectiveness as rates and as
9 the future changes.

10 For example, we know that solar may not
11 be possible on actually every home. And so, if a
12 home has a situation where there's not -- there's
13 shading as a result of a building next door, or
14 some sort of natural environment, there's an
15 exception where you don't have to put the PV on.

16 We also have exceptions for reducing the
17 amount of PV if you have a multi-story home, for
18 both two- and three-story homes because the
19 expectation is that the actual roof area of a
20 multi-story home is going to be much smaller
21 compared to a single-story home.

22 We also have a provision that you can
23 provide a reduced PV if you put a battery storage
24 system, incorporate it in the PV system.

25 Essentially, that battery system is going to,

1 again, be a primary supporter of reducing the
2 impact to the system by storing the daytime
3 energy that the house produces, and then allowing
4 that homeowner to use that energy during the
5 evening, during what will become the peak time
6 for rates.

7 Also, we have provided a provision for
8 community solar, knowing that it's also
9 potentially possible for a local organization or
10 a utility to provide community solar. And so, we
11 have a provision so that if there's a community
12 solar situation, a subdivision or a region could
13 adopt a community solar system and that would be
14 covering the homes that are attached to that
15 system.

16 We have provisions that make sure that
17 that community solar is designed to provide the
18 similar benefits that an individual rooftop
19 system would provide to a homeowner.

20 And we also have a provision that the
21 Commission could determine in the future that if
22 PV is not cost effective for any particular
23 region, for a utility based on their rates, for
24 any other changes for a billing type, we can
25 essentially eliminate that requirement on a case-

1 by-case basis, as well.

2 One of the things that I wanted to point
3 out is that we are really not forcing the market
4 to go to PV by this regulation. This slide shows
5 what the projected impact of our requirement is
6 compared to what the world looks like today. In
7 fact, this blue line on top is the combined total
8 of all behind-the-meter PV today. It's close to
9 6,000 megawatts of behind-the-meter PV.

10 In addition to that 6,000 megawatts,
11 there's almost 10,000 megawatts of grid level PV.
12 So, the system actually has about 16,000
13 megawatts of PV today.

14 The result of the expected impact from
15 the standards is the purple line that is very
16 close to the green line at the bottom. So, the
17 green line happens to be the amount of PV that is
18 being installed on new construction today.
19 That's without a mandate or a regulation that
20 forces this to happen on homes. That is
21 happening by the market driven desire to have PV
22 on almost every home today by builders who
23 realize that consumers want PV on their home.

24 Our standards are going to increase that
25 total behind-the-meter PV by about three percent,

1 compared to what is today.

2 If you look at the total amount of PV on
3 the system, these standards will increase that
4 total amount of PV in California by about one
5 percent.

6 In fact, 10 percent of California's
7 population have local ordinances that have been
8 adopted that require PV already today.

9 So, again, we believe that these
10 standards are truly helping to make the market --
11 to help builders design buildings that will
12 support how we want the renewable program to
13 function in the future. Because again, it's
14 happening regardless of whether these standards
15 are going to be in place or not.

16 Finally, I want to talk about how we have
17 achieved a reduction in greenhouse gas emissions.
18 If you look at what was a compliant building
19 required in 2000, compared to our 2016 and 2019
20 standards that we have just adopted, compared to
21 -- to a home build in 2000, our standards today
22 will result in about a one-third or a 60 percent
23 reduction in the CO2 emissions from a home that
24 was built just a few years ago, in 2000.

25 And in fact, our last standards that we

1 adopted in 2016, compared to our standards today,
2 there's another thirty percent drop in CO2
3 reduction -- CO2 emissions from a home.

4 And if you compared that, if you wanted
5 to go to an all-electric home, compared to a
6 mixed fuel home from 2000, that's a 14 -- the
7 emission level of a 2019-built home compared to a
8 2000 -- a home built in 2000 is about one-
9 fourteenth of the amount of emissions that would
10 be produced by a home. Essentially, reducing the
11 total emissions to very close to zero.

12 And so, I just want to close by saying
13 that the standards were adopted on May 9th. The
14 next step is to go to the Building Standards
15 Commission where they adopt them into the
16 Building Standards. And again, the effective
17 date will be January 1, 2020.

18 More importantly, local governments and
19 cities have the ability to adopt local ordinances
20 today. And again, many are doing that right now.

21 And so, again, we believe that these
22 regulations, again, provide more choices to local
23 governments, more choices to builders, and
24 ultimately provide more choices to consumers as
25 they decide the kind of buildings they want to

1 live in, in the future.

2 And with that, I'll open it up to any
3 questions you have.

4 MS. FELLMAN: I think we have time for
5 one two questions. We can -- we had a little
6 extra time before lunch.

7 CPUC PRESIDENT PICKER: I'm just curious,
8 have you had any early interest from any of the
9 local governments in actually adopting standards?

10 MR. ASHUCKIAN: So, as I mentioned, we
11 have had a number of local governments that have
12 already adopted standards prior to these
13 standards being adopted. I mean, it's only been
14 less than a month.

15 CPUC PRESIDENT PICKER: No, but I mean
16 are people starting to move toward consideration
17 of these new standards?

18 MR. ASHUCKIAN: They are. And again, I
19 think we haven't had an application in the last
20 month, since these have been adopted, for a
21 specific local ordinance using the new standards.

22 CPUC PRESIDENT PICKER: I'm particularly
23 concerned about Los Angeles County, where they're
24 heavily dependent on national gas supply that
25 comes from outside of their service area and on

1 storage because of constraints around the gas
2 pipelines. You know, I'm mindful that the LA
3 County has been very concerned about the Aliso
4 Canyon Gas Storage Facility, also cited 23,000
5 new housing units directly adjacent to that gas
6 storage facility that are heavily dependent on
7 natural gas hookups.

8 So, this seems to be the kind of solution
9 that that county, which is also positioning
10 itself to become a clean community aggregator on
11 the electricity side, really ought to be thinking
12 about.

13 And so, is there -- I mean, are you
14 starting to see these people to come forward to
15 talk to you about how they can begin to apply it?
16 There's a real critical option. I mean, should
17 we start to take steps to constrain their access
18 to new gas hookups, until they start to show some
19 willingness to actually address the opportunities
20 here.

21 MR. ASHUCKIAN: Well, I certainly won't
22 touch the issue of whether we should force the
23 constraint of gas hookups. But I will say that
24 there have been a number of communities,
25 Lancaster, Santa Monica -- I don't know all of

1 them off the top of my head but, again, there's
2 quite a handful of communities that have adopted
3 local ordinances.

4 Those two communities, Lancaster and
5 Santa Monica have a requirement where you have to
6 put PV and go to zero net energy on all new
7 construction in those communities. And again,
8 we're constantly working with communities who
9 want to adopt more stringent standards.

10 I just don't have, again, a portfolio of
11 who's on that list at this point.

12 CEC COMMISSIONER MCALLISTER: And I want
13 to just sort of provide a little bit more long-
14 term context as well. So, you know, the idea is
15 that this is sort of a -- we do this every three
16 years, and the marketplace evolves. And so, you
17 know, the next iteration will repeat some version
18 of this conversation.

19 But the idea here is to promote buildings
20 as a platform for new technologies and give
21 flexibility to all the actors, the builders, the
22 governments, and everyone to be able to move in
23 the direction they need to.

24 And so that -- you know, and make it
25 easier to go all-electric, and sort of be --

1 incorporate that flexibility.

2 And so, where there's a local issue like
3 the one you raised, local governments have more
4 tools than they had before to go in the
5 directions they need to go.

6 CPUC PRESIDENT PICKER: But this
7 framework is more open to fuel switching than a
8 lot of the past programs have been. Which is why
9 it's very significant for a community that's
10 positioning itself to be an electricity supplier
11 to actually then start to look at how they can
12 manage a constrained natural gas supply.

13 CEC COMMISSIONER MCALLISTER: Exactly.

14 CPUC PRESIDENT PICKER: And, you know, it
15 just seems to me that they should really be
16 reaching out to you. I'm disappointed they're
17 not.

18 CEC COMMISSIONER HOCHSCHILD: I just
19 wanted to jump in really quickly and just offer
20 my thanks to Commissioner McAllister for his
21 leadership on this issue and also to the PUC.

22 This is actually a success story. I
23 think there's a lesson here how we got to this
24 point. Because, yes, there were seven cities
25 that we worked with who had already adopted solar

1 mandates, Lancaster, and San Francisco, and San
2 Mateo, and many others.

3 But there's also a \$400 million incentive
4 program which we've just wound down, the New
5 Solar Homes Partnership Program, in concert with
6 the PUC. And that really got the cost down.

7 And this policy that was adopted last
8 month, at our Commission, has been in the works
9 for a long time. Originally, 2008, I think was
10 the joint vision document that the PUC and the
11 Energy Commission adopted and set the goals. And
12 the Governor's energy platform when he campaigned
13 for office -- and it's been the subject of 35
14 publicly-noticed meetings with our stakeholders
15 around the state since 2015.

16 And I particularly want to acknowledge
17 the builders, the California Building Industry
18 Association in getting this because the net
19 result is this is going to save customers 53
20 percent on energy bills compared to the last
21 building cycle. And if you look at what causes
22 defaults in California, very often the homeowner
23 can afford the mortgage, but not the mortgage
24 plus the energy bill. And this saves customers
25 money from day one. It results in \$500 a year

1 energy savings and is the model we need to move
2 to, to help keep energy bills low.

3 And I just want to acknowledge
4 Commissioner McAllister who's really just been
5 tremendous on not just the solar mandate, but
6 with all the other activity in the codes. And I
7 think it's a model for the country. So, thank
8 you.

9 MR. ASHUCKIAN: And I just want to add,
10 too, that again, a number of large homebuilders
11 put solar on every home they build today in
12 California.

13 CPUC PRESIDENT PICKER: Yeah, that's
14 nice, but that doesn't have the opportunity of
15 displacing other resources and getting the true
16 greenhouse gas reduction. That's why I think
17 this is a really remarkable departure and I thank
18 you all for actually doing that work.

19 CPUC COMMISSIONER PETERMAN: Are you
20 considering something similar to the
21 nonresidential building sector?

22 MR. ASHUCKIAN: I'm sorry, can you --

23 CPUC COMMISSIONER PETERMAN: Are you
24 considering something similar for the commercial
25 building sector?

1 MR. ASHUCKIAN: So, the goal for
2 commercial building sector is 2030. And so,
3 we'll be working on that starting in 2022,
4 working on the commercial.

5 CEC COMMISSIONER MCALLISTER: Again, I
6 want to add a little context here, too. So, you
7 know, this is not -- so, the world has changed in
8 a vague -- sort of to give you some context, the
9 world has changed since 2007. So, our goals now
10 really have more to do with emissions and, you
11 now, greenhouse gas emissions more than energy,
12 per se. You know, not every gigawatt hour is
13 going to be -- those are all kind of the
14 undercurrent of today-- so, for the next round we
15 feel like we've sort of really focused on single-
16 family, and low rise multi-family in this one.

17 And we're going to turn and focus the
18 next update for 2022 on multi-family, large
19 multi-family and nonresidential.

20 And so, whether that ends up with a
21 similar set of strategies for those building
22 sectors, I think remains to be seen. We're going
23 to build a record and we're going to see where we
24 then go with respect to the newer metrics. Not
25 ZNE, as much as zero, low and very low emissions.

1 So, as the power adds up that's where
2 we're going to definitely focus on this analogous
3 conversation going forward.

4 CPUC COMMISSIONER PETERMAN: Okay, thank
5 you. The main reason I was also asking because
6 putting in context of the broader conversation
7 today around load migration and timing, when this
8 is an example of alone, a load that CCA's are
9 planning for, and the utilities are planning for.
10 And mandates like this have that departure. And
11 so, it really speaks to the need to make sure
12 that our NEM policies at the CCA level and the
13 PUC level don't have cost shift.

14 And I'm also just trying to think ahead
15 regarding the transitions. So, I think we're all
16 thinking about these next few years as working
17 out the transition process. And if in ten more
18 years we have a whole other transition process,
19 just trying to anticipate that. So, appreciate
20 the better sense of timing.

21 CPUC PRESIDENT PICKER: For sure. And
22 we're getting the high sign in terms of time.

23 MS. FELLMAN: That's the perfect lead in
24 to our next panel. So, thank you very much to
25 the Energy Commission.

1 (Applause)

2 MS. LEDESMA RODRIGUEZ: So thank you Dave
3 for the presentation, so good morning. I'd like
4 to begin our next panel on affordability and
5 consumer protections. The green book identifies
6 affordability as one of the three core principles
7 of California's regulatory framework and it also
8 identifies ensuring consumer protections as a key
9 element for all of our decisions and actions.

10 CPUC PRESIDENT PICKER: A little louder,
11 Raisa.

12 MS. LEDESMA RODRIGUEZ: So, joining us
13 for our conversation are Robert Kinney, from
14 PG&E. Barbara Hale from the San Francisco Public
15 Utilities Commissioner and CleanPowerSF. Matt
16 Freedman from the Utility Reform Network. And
17 Severin Borenstein from UC Berkeley. Each
18 speaker has prepared brief remarks.

19 I'll ask Robert to kick us off.

20 MR. KENNEY: Thanks Raisa. Good morning
21 President Picker, Chair Weisenmiller,
22 Commissioners. Thanks for inviting us to be here
23 today to address these really critically
24 important issues. Again, I'm Robert Kenney from
25 PG&E. I'm our Vice President of Regulatory

1 Affairs.

2 The IOUs really appreciate the
3 Commission's efforts in preparing the draft Green
4 Book and bringing parties together to address the
5 critical issues you've outlined and recognized
6 there.

7 Just as a preliminary matter, the Green
8 Book appropriately recognizes that there is
9 tension between our core values of affordability,
10 reliability and decarbonization.

11 And one of our collective challenges, you
12 and I, is to strike the appropriate balance
13 between all the core principles.

14 An example is that incremental needs in
15 decarbonization could place pressures on
16 affordability and on reliability.

17 From my perspective, affordability starts
18 with equity among all customers, ensuring that
19 all customers are paying as close as possible to
20 their actual cost of service and that they're not
21 overpaying for benefits enjoyed by a select group
22 of customers.

23 Foundational to ensuring affordability is
24 a modernized rate structure. And Mr. Skopec kind
25 of hinted at this in his comments earlier. A

1 modern rate architecture should include a fair
2 allocation of costs among customer groups,
3 pricing that matches costs of products and
4 services offered, a broad base collection of
5 policy-related costs from all customers. And a
6 separate value-based means of compensating
7 customers and third parties for the services that
8 they might provide.

9 These rate architecture elements lay a
10 rate making foundation to achieve cost equity and
11 transparency by clearly identifying the products
12 and services that utilities provide, and the
13 costs of those products and services. And by
14 clearly and explicitly recognizing and
15 delineating the cost and benefits of policy
16 mandates.

17 Just kind of moving a little bit to the
18 consumer protections issues. Technological
19 advancements have give utilities the ability to
20 gather, and process, and use increasingly larger
21 amounts of customer and operational data. And
22 with this comes some consumer protection
23 implications.

24 There's a corresponding increase in risks
25 to customer personally-identifiable information,

1 as well as physical and cybersecurity
2 information.

3 So, while recognizing these challenges,
4 we also recognize that a significant amount of
5 the data that we are now collecting has a value
6 to third-party service providers. And the
7 provision of that data to third parties under
8 market mechanisms can serve as a way to help keep
9 rates more affordable if the value of those
10 customer assets is returned to them.

11 Finally, we think it's important to
12 recognize the gravity of the financial challenges
13 facing IOUs today as a result of California's
14 regulatory and market environment. Load loss,
15 unsustainable rate design and wildfire risk are
16 all placing tremendous financial pressures on the
17 IOUs. These financial pressures increase the
18 utilities' cost of and access to new capital
19 necessary to help California achieve its bold
20 vision.

21 So, a higher cost of capital will
22 negatively impact customer rates.

23 Finally, modern rate architecture and new
24 ways of thinking about data -- I don't know, is
25 that your way of telling me I'm done?

1 (Laughter)

2 MR. KINNEY: -- are key to balancing the
3 four principles and to protecting the customers.
4 We're very hopeful and trust that the Green Book
5 will ultimately and affirmatively address these
6 issues.

7 Thank you. The IOUs look forward to
8 working with the Commission, both Commissions,
9 and with statewide stakeholders in addressing the
10 critical issues outlined in the draft Green Book.
11 And I look forward to your questions.

12 MS. LEDESMA RODRIGUEZ: Thank you,
13 Robert.

14 Barbara.

15 MS. HALE: Thank you, Raisa. And thank
16 you, Commissioners and staff for including me on
17 the panel today. I represent San Francisco and
18 also the perspective of an operating community
19 choice program.

20 San Francisco Public Utilities Commission
21 is where I work. We operate three essential
22 utilities and are directed as a department of the
23 City and County of San Francisco. We have an
24 oversight commission, which Commissioner
25 Hochschild's very familiar with, having been on

1 it, as well as our board of supervisors
2 overseeing our activities.

3 The three essential utility services we
4 provide are water, sewer and power. I operate
5 the Public Power Utility that serves about 150
6 megawatts of residential, commercial and
7 municipal load. We're celebrating our 100th year
8 of service this year, so good for us.

9 I also operate San Francisco's community
10 choice program. We serve -- we've been serving
11 San Franciscans since May of 2016, in partnership
12 with PG&E.

13 We're now serving about 82,000 accounts.
14 That's about 115, 1-1-5, megawatts of load. Once
15 we've completed enrollment citywide, which we
16 expect to do by July of 2019, we'll be serving
17 about 365,000 accounts. That's about 600
18 megawatts peak.

19 Our program, CleanPowerSF is what we call
20 it, sets rates about 25 to 35 percent lower than
21 PG&E rates. Once we factor in the non-bypassable
22 charges, like PCIA, and a franchise fee, once
23 those are accounted for and charged to our
24 customers by PG&E, customers are paying about two
25 percent less than what they would pay as a PG&E-

1 bundled customer.

2 Briefly, today, I'd like to cover three
3 key points. CCA service is affordable and it's
4 as affordable as the for-profit utility services
5 that the investor-owned utilities are providing.
6 CCA governance is accountable, transparent, and
7 inclusive. And then, finally, CCAs value and
8 prioritize equity.

9 So, on the affordability front. CCAs are
10 delivering affordability to customers today. As
11 I just mentioned, San Francisco's CleanPowerSF
12 customers pay about two percent less than they
13 would if they were being served as a bundled PG&E
14 customer.

15 According to CalCCA, the Community Choice
16 Aggregation trade association, on average CCA
17 service provides customers about a three percent
18 savings, when compared to the for-profit utility.

19 To date, CCA customers have saved over
20 \$89 million on their energy bills.

21 It's important, I think, to note that the
22 costs under community control, the generation
23 costs are much lower than the generation costs of
24 the incumbent utilities. CCA communities have
25 done a good job controlling the costs that are in

1 our control. The costs beyond community choice
2 aggregators' controls, those non-bypassable
3 charges, those costs, PCIA in particular, are the
4 costs that are eroding ratepayer savings.

5 Containing those non-bypassable charges,
6 I think Commissioner -- or Chairman Wood referred
7 to them as the stack-on charges. You know,
8 controlling and containing those charges that are
9 authorized by you and charged by the investor-
10 owned utility is a key factor to achieving
11 affordability.

12 I will also say, though, that customers
13 should be paying and are paying, should continue
14 to pay their fair share of costs. And as the
15 statute states, it's their fair share of
16 unavoidable costs.

17 CCA communities, like public power
18 utilities that have been operating in California
19 and across the nation for decades, are well-
20 suited to provide affordable energy. In contrast
21 to investor-owned utilities, CCAs have no need to
22 make a profit. IOUs have to balance their
23 fiduciary duty to shareholders against their
24 commitment to ratepayers.

25 CCAs serve and report to the same group,

1 our local communities. Community choice boards
2 are elected officials, held accountable by
3 customers at the ballot box.

4 IOU boards are -- you know, the
5 accountability there is markedly less direct than
6 it is for a CCA board member to their ratepayers.

7 And so, now you can hear that I'm kind of
8 going into my second point, which is CCA
9 governance is accountable, transparent, and
10 inclusive. The public, local community nature of
11 CCAs eliminates the profit mode and makes CCAs
12 more responsible, responsive, and accountable to
13 the public than the for-profit utilities.
14 Consumers are our constituents.

15 As a result, CCA governing boards are
16 responsive to customer desires and demands. And
17 CCAs' local decision making is more accessible
18 and understandable to the public, more
19 approachable and inclusive of customer views than
20 the CPUC's general rate case approach, and the
21 complexity of rulemakings, and applications, and
22 advise letters that, you know, together
23 contribute to the state holding the IOUs
24 accountable.

25 CCAs have been established by their

1 communities' elected officials through thorough
2 and often laborious processes. San Francisco's a
3 bit notorious for that. When I started at the
4 agency in 2004, the study work was already
5 underway. I told you earlier we actually didn't
6 start serving customers until 2016. We had a
7 very public, very deliberative, and thoughtful,
8 study-rich approach to establishing our CCA
9 program.

10 CCAs are subject to the Brown Act and the
11 Public Records Act. But perhaps more importantly
12 than the legal requirements is the local
13 government culture that expects and encourages,
14 not just tolerates, community scrutiny and
15 engagement.

16 And that starts to bring me, then, to my
17 third and final point that CCAs value and
18 prioritize social equity as local governments,
19 with a public mission, many CCAs are also working
20 to better serve our lower income and
21 disadvantaged communities. In San Francisco,
22 first and foremost, we needed to ensure our
23 policymakers that CleanPowerSF was going to be
24 the same price or lower than PG&E before we were
25 even allowed to begin the program, before we're

1 allowed to initiate additional auto-enrollment
2 processes.

3 CCAs will also bring tremendous value
4 through innovation and programs that reflect
5 individual community needs and priorities. And
6 you've heard some of that from Mayor Liccardo and
7 Supervisor Sears earlier today.

8 One of San Francisco's programs couples
9 two of our objectives. Lower -- excuse me, local
10 renewable generation and workforce development.
11 GoSolarSF is the program I'm referring to. We've
12 budgeted \$11 million to nearly 1,200 income-
13 qualified and SASH-eligible homes.

14 The program currently has 36 fully
15 certified solar installers who participate in the
16 program. We've incentivized 23 affordable
17 housing projects and cumulatively placed a total
18 of 172 workforce development candidates into
19 well-paying careers.

20 Sonoma Clean Power has their Evergreen
21 Program that allocates 30 percent of program
22 funds to offer deeper incentives to income-
23 qualified customers. And Marin Clean Energy
24 talked about their low-income LIFT Program for
25 energy efficiency.

1 These are just examples of how
2 communities with CCA programs are using those
3 programs to meet the needs and address social
4 equity issues in their communities.

5 As mission-driven public entities, CCAs
6 focus on advancing affordability through lower
7 costs to consumers and transparent decision-
8 making processes. CCAs innovate programs and
9 policies and are demonstrating value to
10 California's energy consumers. And we'll
11 continue to -- that will continue to
12 differentiate from the incumbent investor-owned
13 utilities.

14 We're committed to working
15 collaboratively with the Commissions and other
16 state agencies, and with other market actors to
17 move forward towards our collective goals. Thank
18 you.

19 MS. LEDESMA RODRIGUEZ: Thank you,
20 Barbara.

21 Matt.

22 MR. FREEDMAN: Thank you, Commissioners.
23 Matt Freedman on behalf of the Utility Reform
24 Network.

25 I'm here to offer maybe a slightly

1 different view. My view is that customers are --
2 most customers are far less interested in choices
3 than they are in results. What kind of results
4 do customers care about? Well, lower bills,
5 cleaner energy and reliable service.

6 Competition can be a tool to achieve
7 these results, but it's not an end unto itself.
8 To the extent that choice is better able to
9 achieve these outcomes, well, then it is a useful
10 tool that has real value.

11 But competition and choice can create
12 real problems, as outlined in the Green Book. It
13 can add costs and complexity, make it more
14 difficult to enforce statewide policy goals that
15 result in equitable and efficient outcomes, and
16 it can leave customers vulnerable to abusive
17 businesses practices.

18 Regulatory certainty certainly has its
19 flaws, but experience since the de-regulation
20 debacle proves that the state can accomplish
21 substantial results through smart regulation,
22 direct oversight of load-serving entities, and
23 broad enforcement authority.

24 Robust regulatory oversight is critical
25 to the success of customer choice in California.

1 So, I'll offer three principles for consideration
2 that relate to affordability and consumer
3 protection.

4 And the first is that consumers must be
5 indifferent to the choices made by other
6 consumers. But there's two dimensions to
7 indifference. We usually talk about one, but not
8 the other. The first is the choices made by one
9 subset of customers shouldn't undermine or
10 frustrate the collective achievement of shared
11 policy goals.

12 So, customer choice isn't valuable if it
13 makes it far more difficult to produce overall
14 desired outcomes for the state.

15 Second dimension is one we argue about
16 here frequently, no choice by a customer should
17 shift responsibility for shared costs to other
18 customers. And choices that produce customer
19 savings merely by exploiting retail rate
20 arbitrage opportunities or capturing big
21 subsidies may simply shift costs, without
22 producing any overall savings.

23 It's really important to ensure that all
24 these shared costs are collected from all market
25 participants and customers. Non-bypassability is

1 really the key.

2 My second principle is the need to
3 establish comprehensive resource planning
4 requirements and viable mechanisms to achieve
5 defined outcomes. And that means that achieving
6 aggressive clean energy and low-carbon targets is
7 going to require coordinated action on behalf of
8 all customer loads.

9 We might need new models for procurement
10 that are really outside the box. And this
11 Commission, both Commissions are going to need to
12 think about that, and it's a conversation that's
13 going to happen in the Legislature.

14 My third principle is that we need
15 uniform consumer protections, disclosures, and
16 education. To make competition work, customers
17 need to be educated and informed, and able to
18 distinguish between a variety of choices. But
19 customers really don't understand the choices
20 they are presented.

21 May consumers, for example, they want
22 more clean energy. We hear a lot about this.
23 And they want to contribute to a low-carbon grid.
24 But they don't understand what products or
25 strategies are actually meaningful.

1 Retail providers and vendors are
2 constantly emphasizing bold greenhouse gas and
3 renewable content claims to customers. But
4 marketing efforts aren't necessarily correlated
5 with real world impacts.

6 Well, here's a quiz for you on the panel
7 here, on the dais today. What's the quickest and
8 cheapest way to acquire a 100 percent zero carbon
9 energy portfolio that can be sold to customers at
10 the lowest possible cost?

11 (Collective RECS)

12 MR. FREEDMAN: I'll give you two
13 examples. That was my second example.

14 (Laughter)

15 MR. FREEDMAN: Example number one,
16 procure from large hydroelectric facilities
17 located in the northwest and in western Canada.
18 These are the same facilities that have been
19 selling power into California for decades.
20 They've been part of our mix. We've relied on
21 those resources, historically. We just didn't
22 call them zero carbon.

23 But today they're available for a premium
24 of only a couple of dollars a megawatt hour over
25 the spot price for brown power.

1 What's the problem with relying on that?

2 Well, it doesn't really have any impact on
3 production. What impacts hydroelectric
4 production is rain.

5 Secondly --

6 (Collective snow)

7 MR. FREEDMAN: Snow and rain.

8 (Laughter)

9 CPUC COMMISSIONER PETERMAN: Final
10 answer, final answer precipitation.

11 MR. FREEDMAN: And environmental
12 restrictions on water flow.

13 Second is to buy unbundled renewable
14 energy credits from existing facilities located
15 throughout the west, some of which were built to
16 serve utilities decades ago. You can buy those
17 for as little as a dollar a megawatt hour.

18 So, imagine that you're presented with
19 this as a zero-carbon portfolio. Are you
20 inspired? Do you feel like your choice to buy
21 this portfolio is making a difference?

22 Well, let's compare to an alternative
23 portfolio. An alternate zero-carbon portfolio
24 that's composed of newly-developed renewable
25 energy facilities, new investments in incremental

1 energy efficiency, and newly-installed energy
2 storage. And imagine this alternative portfolio
3 provides greenhouse gas free supply and demand-
4 side resources that are perfectly correlated to
5 your load profile.

6 Are these two profiles the same? I would
7 argue they aren't. And if every provider of
8 customer choice relied on the quick, cheap and
9 easy approach, the state would make no real
10 progress towards achieving its long-term climate
11 and energy goals.

12 But the problem is customers really can't
13 tell these two portfolios apart. They just look
14 at percentage renewable and what the greenhouse
15 gas footprint of the portfolio is. And how do
16 they get this information? They get it from the
17 providers that are marketing the products and
18 services.

19 So, customers need good information to
20 discourage the race-to-the-bottom strategies that
21 end up appearing meaningful but having no real
22 impact.

23 There are processes that are underway at
24 both of your Commissions, the power content label
25 at the Energy Commission and the clean net short

1 methodology here, at this Commission, under the
2 IRP process.

3 But they're probably not sufficient to
4 encourage customers to make real meaningful
5 choices. So, we're going to need to look at
6 other approaches that clarify the differences
7 between these types of product offerings. And
8 we're also going to need to recognize that choice
9 is not a substitute for regulatory oversight.

10 And then, finally, my concerns go beyond
11 pure environmental claims and they also include
12 promises of savings, particularly on the
13 distributed energy resources side.

14 How do most customers considering
15 investments in behind-the-meter generation assess
16 the amount that they are likely to save? Well,
17 they rely on a calculation provided by the
18 vendor. The vendor tells you how much you'll
19 save over time.

20 What's the problem? All these estimates
21 are wrong and they're not even consistently
22 wrong. Meaning, vendors often have different
23 methodologies for telling you what you're going
24 to save for the same exact product.

25 So, what are the solutions? Well, we've

1 got to move away from using retail rates, for
2 example, to reward customers for distributed
3 energy resources. This approach is fraught with
4 uncertainty. We need to migrate to an approach
5 that provides predictable, knowable compensation
6 that can be reliably forecast over an extended
7 period of time.

8 And second, vendors are going to have to
9 use standardized approaches to providing their
10 savings estimates to customers. Customers need
11 to have the ability to do an apples-to-apples
12 comparison when they're presented with choices in
13 the market.

14 The PUC is, hopefully, set to implement
15 the requirements of Assembly Bill 1070, enacted
16 last year, that would direct the Commission to
17 establish standardized estimates of savings for
18 distributed energy resource products,
19 particularly solar. We're hopeful that's going
20 to happen soon.

21 And then my last point would be consumer
22 protections are desperately needed in an age of
23 robust customer choice. And they need to occur
24 through mechanisms other than consumer
25 complaints. The reliance on the complaint

1 mechanism has not proven very effective. And
2 customers shouldn't necessarily have to come
3 forward and identify the problem for regulators
4 to get out slightly ahead of it and make sure
5 that we don't end up with big customer backlash.

6 So, we want all the agencies to be able
7 to have broad powers to police bad practices and
8 to ban actors that consistently violate these
9 rules.

10 That's what I've got for you today.
11 Happy to answer questions. Thank you.

12 MS. LEDESMA RODRIGUEZ: Thank you, Matt.
13 Severin.

14 MR. BORENSTEIN: Thank you. Thank you,
15 Commissioners, for inviting me to be a part of
16 this panel. I'm Severin Borenstein. I'm a
17 professor at UC Berkeley. I was made Director of
18 the UC Energy Institute in 1994 and immediately
19 started testifying in the Legislature about
20 electricity restructuring.

21 And doing research. And what my research
22 led me to, around 1995 and '96, was the potential
23 for extreme market power in the deregulated
24 market. I remember very clearly, after I was
25 appointed to the Board of Governors of the

1 California Power Exchange, speaking up at a
2 meeting of the Board of Governors and expressing
3 this concern that we could be headed towards a
4 real problem. And the chairman of the board, a
5 person many of you are familiar with said, in his
6 famous drawl, "We have that under control, son".

7 And it's not that what we're headed
8 towards now is exactly going to be the California
9 electricity crisis. I don't think it will be.
10 But I do worry that the problems we faced then,
11 which was bad incentives set up by the
12 restructuring, is getting mirrored in some bad
13 incentives we're seeing now.

14 Back then it was generator -- the
15 incentives of generators to exercise market
16 power, the incentives of electricity service
17 providers to take risks and not actually cover
18 their commitments. And the incentives of
19 consumers not to cut back consumption when the
20 market was truly tight, whether for real or
21 artificial reasons.

22 What we see now is a bunch of incentives
23 through the history of the regulatory process
24 since the restructuring that are giving customers
25 and marketers incentives to make changes to their

1 behavior that are not truly saving the system
2 money but are engaging in what I refer to as
3 regulatory arbitrage. That is prices that are
4 not reflecting real weighted costs and firms that
5 are looking at ways to take advantage of that.

6 I have written and participated in
7 proceedings here on demand charges, for instance,
8 and the companies, the consulting companies that
9 are in the business of teaching you how to shave
10 your peak in order to reduce your demand charges
11 in a way that really doesn't correspond to saving
12 the system any money, or very much money.

13 What we see now, in the retail rates is
14 prices that are well above avoided costs,
15 including the cost of the avoided pollution.
16 Including the cost of CO2 and the local
17 pollutants.

18 The retail rates that California
19 residential consumers face, now, in the range of
20 21 to 25 cents-a-kilowatt-hour, are nowhere near
21 what is actually being avoided when a consumer
22 cuts back.

23 And, of course, that immediately -- those
24 incentives immediately lead to very strong
25 incentives to install things like solar, rooftop

1 solar, particularly if you're a heavy-use
2 consumer.

3 And so, yes, we are seeing the market,
4 all by itself, installing a whole lot of solar
5 right now. Not because solar is cost-effective
6 on the rooftop. It's not. It's not even close
7 to grid-scale solar in terms of cost, but because
8 the temptation for regulatory arbitrage, because
9 price is well above avoided cost is huge these
10 days.

11 So, that I think is the sort of concern
12 that I see when we talk about consumer
13 protection. Not protecting the consumers,
14 although I do worry about some consumers are
15 misled into installing solar, but protecting the
16 consumers who aren't, and can't in some cases
17 install solar. And as a result, are going to see
18 their rates go up as there's a cost shift from
19 the consumers who do install solar, who save a
20 lot of money, enough to cover the cost of a very
21 inefficient way of installing solar. But in the
22 process, they're shifting a lot of costs that
23 they would have shared in paying onto other
24 customers.

25 I don't know where we are in terms of

1 CCAs and the PCIA, and the true cost shift. And
2 I have no strong view on who should be supplying
3 energy. Whether it should be the utilities,
4 CCAs, or ESPs. I have studied utility regulation
5 for a very long time, many, many decades, and
6 there is, it's a very difficult process to get --
7 give regulated utilities an incentive to behave
8 efficiently. It's just fraught with loopholes
9 that utilities are going to try to take advantage
10 of.

11 On the other hand, despite the
12 presentations we've heard about CCAs, it's very
13 easy to come up with examples of local
14 governmental entities that have not behaved well,
15 either through just pure inefficiency or in some
16 cases through corruption.

17 So, it's not that we are replacing
18 something that is, admittedly, the regulatory
19 process and investor-owned utilities are very
20 flawed, with something that is ideal. We are
21 replacing it with something that is also flawed.

22 And then, of course, most of our economy
23 is a market economy because we think most goods
24 in the economy are most efficiently provided by
25 companies that are actually trying to make

1 profits on it. And that has something to say for
2 it, too.

3 And so, I don't have a strong view on
4 which one of these is actually the efficient way
5 to do it. I do have a strong view if we set the
6 cost of switching in a way that gives incentives
7 for regulatory arbitrage.

8 If it is the case, and I don't know if
9 this is the case, but if it is the case that the
10 PCIA is set well below the actual cost that is
11 being avoided by customers who switch, then what
12 you would see is a big movement towards CCAs, who
13 can proudly tell you that they are saving their
14 customers money and making their customers very
15 happy.

16 But in the long run, if that's the case,
17 it's going to end up costing other customers a
18 lot of money because they are just shifting those
19 costs.

20 So, I would -- this is, of course, a much
21 bigger month-to-month issue right now and could
22 be within a year or so an issue that is having a
23 massive financial impact on utilities, and then
24 very quickly on utility ratepayers.

25 So, I would say that this is an issue

1 that the Commission has to get onto right away
2 and get onto in a way that is just a hard-nosed
3 economic calculation, not influenced by the
4 politics.

5 The further down the road we get, the
6 harder that gets because the more CCAs are going
7 to be established. And if it is the case that
8 the right answer is we should be charging them a
9 substantially higher PCIA, there's no question
10 that that industry is going to push back.
11 Partially, making perhaps valid argument that the
12 cost shift isn't that large, but also because
13 they have now invested billions of dollars in
14 establishing CCAs. And there's a political
15 movement towards keeping them alive.

16 Finally, for the same reason I'm very
17 worried about the incentives for rooftop solar, I
18 have publicly expressed my concern about the
19 rooftop solar mandate from the CEC. Both because
20 I think that isn't right now a cost-effective way
21 to install solar. It could change. By the way,
22 I think if building materials change and the
23 solar is integrated into building materials that
24 has real potential.

25 But also, because if we get three, four

1 years down the road and we're installing rooftop
2 solar and have installed it everywhere, it is
3 going to be much, much more difficult than it is
4 even now, and it is already very difficult to
5 unwind that cross-subsidy. Because there's going
6 to be an even bigger constituency saying we made
7 an investment based on your guidance, and now
8 based on your regulations, and now you're going
9 to get rid of net energy metering, raise fixed
10 monthly charges, whatever changes you might make.

11 And I think that real consumer protection
12 should involve both telling the consumers who are
13 now installing solar this is the deal right now.
14 This is not the deal, necessarily, in the future.
15 The increasing block pricing could get flat and
16 fixed charges could get implemented, NEM could
17 get phased out.

18 And at the same time telling the
19 consumers who aren't installing solar, we are
20 working towards an equitable cost allocation so
21 that you aren't going to be victimized by people
22 engaging in regulatory arbitrage. Thank you very
23 much.

24 MS. LEDESMA RODRIGUEZ: Thank you,
25 Severin. Questions from the Commissioners?

1 CPUC PRESIDENT PICKER: So, I think it's
2 appropriate to note that Commissioner Peterman
3 has a very hard nose, but it's probably not
4 appropriate for her to speak to the PCIA.

5 CPUC COMMISSIONER PETERMAN: We are on
6 track to release a decision at the end of July,
7 still on track.

8 (Laughter)

9 CEC COMMISSIONER HOCHSCHILD: If I could
10 jump in -- first of all, thank you all for your
11 testimony. I know we have a very intelligent
12 panel here and partly because Mr. Kenney's
13 wearing a bowtie and those are extremely
14 difficult to tie, I've been completely
15 unsuccessful.

16 (Laughter)

17 CEC COMMISSIONER HOCHSCHILD: I have a
18 question. You know, earlier President Picker
19 raised the impact to the grid and to future
20 stability of the system around CCAs.

21 And I want to look at the other side,
22 which is the impact to ratepayers and, really,
23 I'd like to hear from all of you. Setting aside
24 the PCIA, are there other factors you can see
25 looking ahead which might increase rates for

1 CCAs? Because I think the obvious advantage that
2 a CCA offers is not having to deliver a return to
3 shareholders, you know, being a public
4 institution.

5 But are there other factors we're not
6 considering, you know, higher -- the prospect of
7 higher interest rates or other things that you
8 could see that might actually change the equation
9 and be a risk we should be thinking about for
10 ratepayer impacts?

11 MR. KENNEY: Thank you for the question,
12 Commissioner. And thanks for the acknowledgement
13 of the bowtie, I appreciate it.

14 Setting aside the PCIA and I think
15 somebody asked what the cost share might be, and
16 we've estimated in 2018 can be anywhere from \$168
17 million to \$254 million and that testimony is in
18 the PCIA.

19 Setting aside the PCIA, however, I think
20 one of the other advantages that we have seen as
21 a state by virtue of the existence of a strong,
22 financially-healthy, investor-owned utilities
23 that are balance sheet, and the ability for us to
24 access capital at a low cost, and the benefit
25 that has derived from that fact in being able to

1 spur nascent technologies and deploy, to purchase
2 compliant contracts.

3 And so, I think that's one of the long-
4 term benefits that you continue to see and that
5 is a distinguishing characteristic and feature of
6 the existence of the IOUs.

7 CPUC PRESIDENT PICKER: I should point
8 out, just for the record, that the regulated
9 utilities don't own generation in this day and
10 age. They actually purchase it as a service.
11 So, it doesn't go into rate base. The place
12 where the -- in a traditional utility rate case
13 that there's really true profits is actually in
14 the heart of the structure, which will always
15 continue. So, we tend to segregate those things.
16 All right, thank you.

17 MR. FREEDMAN: Commissioner, I think that
18 there are certain things that we can imagine
19 might happen that would create instability for
20 CCAs and result in some big cost impacts. And,
21 of course, there are all the things that we can't
22 imagine.

23 Right, very few people saw the implosion
24 of the wholesale markets in 2000-2001 coming.
25 Maybe a few people in this room correctly

1 predicted it. But we are going to have a hard
2 time seeing the next market excursion.

3 But we may in fact see a situation where
4 prices for energy spike, where we have a shortage
5 of capacity, the wrong kind of capacity and we
6 end up in kind of a crunch situation where
7 entities are caught short. And particularly,
8 entities like CCAs that are still building their
9 portfolios from scratch. They start out with
10 nothing. They own maybe only the office
11 furniture at their headquarters. And they start
12 with a portfolio of short-term agreements and
13 rely heavily or almost exclusively on the
14 utilities and others to make those products
15 available.

16 If, in the midst of that there's some
17 type of a shortage or a price spike, you can see
18 CCAs being underwater on their rate structure.
19 And customers, who were perfectly happy to make a
20 choice when it produced a discount, off of their
21 normal bill might decide that paying a premium
22 isn't what they're up for, and they're going to
23 want to leave. And at that point you've got a
24 problem.

25 The other type of instability that is on

1 the horizon and it was mentioned earlier that
2 Senator Hertzberg has just amended his bill in
3 the Senate House, SB 237, to allow unlimited
4 direct access for nonresidential customers.

5 If that bill were to pass and be signed
6 into the law by the Governor, we could see a big
7 migration from existing CCAs to direct access
8 providers. And there's a lot of churn that
9 happens in that market. Customers going back and
10 forth. Direct access is a short-term market. By
11 design, customers sign short-term agreements.

12 So, what do you do when there's a long
13 term -- there's a lot of short-term behavior and
14 you've got a crisis? Well, back in 2000-2001,
15 when market prices spike, what most direct access
16 providers did is they dumped their customers back
17 to the utilities. And the utilities then had to
18 go buy and procure for those customers when
19 market prices were astronomical. So, it
20 compounded the impact of the market failure.

21 I'm not saying that these exact things
22 are going to happen, but we don't know what's
23 going to happen. And we do live in uncertain
24 times and these are all things that we should
25 worry about.

1 MS. HALE: Well, and that's where risk
2 management is important. But again, many of the
3 CCA communities engaging in that.

4 I'm hearing you ask a question about what
5 are some of the things that will cause an
6 increase in cost pressures, an upward increase in
7 cost?

8 I think lack of transparency in the
9 wholesale market is a factor, especially with
10 respect to resource adequacy products.

11 I think regulation can be one of those
12 factors, especially if it's mandates as opposed
13 to targets, like was discussed at the earlier
14 panel. In particular, Mr. Shaw's comments.

15 Technological innovation, you know, it
16 can make some of the choices that load-serving
17 entities have made and built in their portfolios,
18 suddenly become more expensive than was initially
19 thought.

20 And I think then, finally, it's the kinds
21 of things that communities are imposing on
22 themselves. You know, San Francisco has a --
23 right, I mean it's self-inflicted wounds. San
24 Francisco has a strong interest in local
25 investment, local reinvestment of the dollars

1 we're earning through our community choice
2 program. There's a lot of community interest in
3 solar in everywhere. And it's not always cost-
4 effective. So, you know, it's choices like that
5 I think can also be sort of self-imposed, upward
6 price increase pressures.

7 MR. BORENSTEIN: Can I just add one
8 thing? Because this statement about CCAs don't
9 have to make profits for shareholders is made all
10 the time. And, of course, the same argument
11 could be used for why your cities should provide
12 your groceries, and shoes, and everything else.
13 They don't really have to make profits on those
14 things.

15 I think the real argument for CCAs is not
16 that they -- and CCAs have a cost of capital,
17 just like any procuring agency does. The real
18 argument is not that they don't have to make a
19 profit for shareholders is that they aren't --
20 the alternative is not a free market. The
21 alternative is this regulated utility and the
22 regulatory process is deeply flawed.

23 I think that argument is weaker if there
24 really is a potential market for ESPs, who would
25 be for-profit companies who are taking on their

1 own risk.

2 And so, I think that it's hard to make an
3 argument that CCAs should be in there competing
4 with the utilities. But ESPs, with the
5 appropriate consumer protections, so consumers
6 are well-informed about what they're actually
7 getting should, not be allowed in there. If
8 there is a potential for real market competition,
9 whether it's from for-profits or government, I
10 think that doing that on a level playing field
11 has a very strong argument.

12 MS. HALE: And an important part of that
13 would be how any transition is handled. I think
14 that was also made in the earlier panel, to avoid
15 disruption.

16 CPUC COMMISSIONER PETERMAN: I wanted to
17 -- the conversation has been focused primarily on
18 generation costs, but we're seeing more increases
19 on the transmission and distribution side. And
20 particularly, Ms. Hale, I'm interested in your
21 perspective about how you, as a CCA, are working
22 to keep affordability in those areas?

23 MS. HALE: Thank you for the question.
24 You know, San Francisco's been active together
25 with some of our -- well, together with the

1 California Public Utilities Commission and a
2 number of the other public agencies in the state
3 at the Federal Energy Regulatory Commission,
4 trying to shine a greater light on distribution
5 costs, specifically for PG&E, and the lack of
6 transparency, and oversight, and review of those
7 distribution costs.

8 That's an example of the kind of
9 activities we've been taking in a more formal
10 setting. We're also very active, and not just
11 San Francisco, but the other CCAs as well at the
12 ISO, looking at what the TAC charges are, looking
13 at the choices being made there on investments,
14 and what those investments mean to the overall
15 cost trajectory of transmission services in the
16 state. It's pretty alarming.

17 CPUC COMMISSIONER PETERMAN: Thank you.
18 And you can answer, since you're the one who
19 submits those applications. Mr. Kenney, maybe
20 you want to comment on that as well.

21 MR. KENNEY: Ms. Hale mentions being
22 active in FERC and that's something that we
23 welcome, there's a process at the FERC to make
24 sure that the costs that were put in the
25 transmission system are just and reasonable, and

1 we think that they are.

2 And the fact of the matter is, and you've
3 heard this in different venues is that we've got
4 thousands of miles of transmission and
5 distribution that have to be maintained.

6 We are living in a world in which load
7 growth is flat to declining, and we still -- we
8 cover some of our cost through volumetric
9 charges.

10 And so, we still have to continue to make
11 those investments to ensure the safe and reliable
12 functioning of our system. And so, you know, we
13 obviously go through a planning process, some of
14 which goes through a CAISO-approved planning
15 process, and some of which that doesn't.

16 But the fact of the matter is that we're
17 making the investments that we think are
18 necessary to ensure a safe and reliable system
19 without gold plating or overbuilding.

20 MR. FREEDMAN: I would just offer one
21 observation which is that if you look at the
22 trajectory of rates for the three major
23 utilities, the big drivers of rate changes over
24 the last number of years have been transmission
25 and distribution rates. Transmission rates have

1 more than doubled for most of the utilities and
2 distribution rate increases have outpaced average
3 changes in rates. There's a general expectation
4 that it's all generation that's causing rate
5 increases and it's not actually true.

6 And then, finally, to the extent that the
7 utilities become pure poles and wires companies,
8 if that's the vision of the future remind -- I
9 would remind you that the utilities are focused
10 on deploying maximum amounts of capital into rate
11 base. So, they will take all the capital that
12 they can find and they will push it into their
13 rate base for T&D. And you, as regulators, will
14 be forced to consider the reasonableness of any
15 of those investments.

16 CPUC COMMISSIONER PETERMAN: Thank you.
17 And I just wanted to, and I'll pass the mic, but
18 highlight this. Because I think in our -- I want
19 to be mindful that in our back and forth on
20 customer choice, that we don't lose sight of the
21 fact that even when resolving some of these
22 issues amongst these players, the affordability
23 question is still going to persist. And in
24 having you, the folks around the table coordinate
25 to reduce those costs. And where's everyone's

1 incentive to do that?

2 CPUC COMMISSIONER RANDOLPH: I was going
3 to shift topics, so if anybody else wants to ask
4 anymore T&D questions?

5 Okay. Let's talk about consumer
6 protection. Because, you know, right now we
7 really don't have, as Matt alluded to earlier, we
8 don't really have an overarching framework to
9 address, you know, what the providers are doing.
10 You know, statements they're making, what are --
11 you know, what are the right consumer
12 protections?

13 And as we saw in the gas transmission
14 world, you know, there are issues that arise
15 without those kinds of protections. So, I would
16 like to hear your thoughts about some of these
17 bread and butter mechanisms and what are the
18 right ones to protect consumers?

19 MS. HALE: So, I just would start off by
20 saying I think as part of the -- what I was
21 talking about in my opening comments about
22 transparency is a big part of what San
23 Francisco's trying to do. I think all of the
24 CCAs are very much kind of approach enrollment
25 opportunities as like campaigns. We're out in

1 our communities talking about what the products
2 are that we're proposing to serve them with.

3 We have the regulatory mechanisms at the
4 CPUC and the Energy Commission where we're
5 reporting, just like the other load-serving
6 entities do in meeting requirements. There's a
7 lot of transparency in those reports that are
8 available to the public.

9 I think the fact that we are, as I said
10 before, members of the communities we're serving,
11 overseen by elected officials, is a very strong
12 discipline on making sure that we are being clear
13 with our constituents, with our neighbors, with
14 our community members about the kinds of service
15 that we're proposing to provide.

16 It's very easy to find out about what a
17 CCA is doing, either electronically or with an
18 old-school phone. You can call the CCAs up and
19 engage in that conversation pretty readily.

20 Now, having said that, there are always
21 going to be constituents who, you know, don't
22 read their paper mail, don't really engage in
23 their local neighborhood community group meetings
24 that we go to, aren't at the street fair, don't
25 enjoy Sunday Streets. You know, that kind of

1 stuff. We're always having said that we're
2 there, we're always going to miss people. That's
3 just going to happen.

4 And I think you've heard before how we
5 missed Matt, in his household, when we did our
6 enrollment, and he didn't see his mail, and was
7 surprised to learn that he was a CleanPowerSF
8 customer. He was so busy here doing his work,
9 right.

10 But, you know, so that's just going to
11 happen. But having said that, we're transparent,
12 we're open. We don't want accidental customers
13 and I think that's the most --

14 CPUC PRESIDENT PICKER: I'm going to push
15 on that a little bit because I stay here in San
16 Francisco several nights a week, which is another
17 issue with the city, efficiency and transparency
18 for --

19 CPUC COMMISSIONER PETERMAN: We take the
20 N Judah.

21 MS. HALE: Oh, the N Judah, got it.

22 CPUC PRESIDENT PICKER: N Judah.

23 MS. HALE: Got it. I'm sorry.

24 CPUC PRESIDENT PICKER: Yeah, we're on
25 the N Judah and hear people complaining about

1 their PG&E electricity bill. And I ask them
2 about CleanPowerSF. And I have yet to find
3 anybody who takes the N Judah line who's ever
4 heard of CleanPowerSF.

5 So, now, I understand the challenge.
6 I've worked in local government. I had the
7 challenge of people always calling to complain to
8 me that the city hadn't picked up their garbage.
9 I always had to ask them what color their street
10 sign is so they could figure out whether they
11 actually lived in the city or the county.

12 So, these things are not first and
13 foremost in customer's minds. And I've got to
14 say, it's hard to hold people accountable if you
15 don't know that they're actually doing things to
16 you.

17 MS. HALE: Right, right.

18 CPUC PRESIDENT PICKER: So, I think
19 you've got a ways to go. I think you've got a
20 long ways to go. I think your argument falls a
21 little flat that local governments are actually
22 being held accountable on ground operations with
23 the CCAs, when most customers just don't know.

24 So, I think the argument could be that in
25 order to actually give that kind of informed

1 consent, rather than an opt-out system, where you
2 just absorb customers by local government action,
3 you should be, perhaps, actually getting people
4 to opt-in, which is the energy service provider
5 retail choice model.

6 So, I'm just saying that this -- this
7 argument doesn't work based on my personal
8 experience here.

9 MS. HALE: So, if you were in the Castro
10 Street Station taking -- you know, traveling
11 through that area, servicing in that area --

12 CPUC PRESIDENT PICKER: Cole Valley is
13 pretty --

14 MS. HALE: -- you would have seen the
15 CleanPowerSF marketing campaign that dominated
16 that station, for example. Just to link it to
17 the MUNI experience you were having.

18 I think the fact that we haven't enrolled
19 all of San Francisco is part of what you're
20 hearing as our targeted --

21 CPUC PRESIDENT PICKER: It's Important on
22 the MUNI to watch where you're putting your feet,
23 to be honest with you --

24 MS. HALE: The targeted marketing that
25 we've done to address the communities that we are

1 enrolling. And I think, you know, San Francisco
2 is a very --

3 CPUC PRESIDENT PICKER: And this question
4 of customer protection is not quite settled and I
5 just -- I'm wondering if there's a role that we
6 should be taking to actually help ensure that
7 there's an informed choice. If there's not a
8 mandate, just a target, should we --

9 MS. HALE: Well, so we do participate.

10 CPUC COMMISSIONER RANDOLPH: It's not
11 just CCAs that I'm speaking about.

12 CPUC PRESIDENT PICKER: Yeah.

13 CPUC COMMISSIONER RANDOLPH: I mean, I'm
14 also speaking about a lot of other providers on
15 the market that we haven't really addressed the,
16 you know, what should the contractual terms be?
17 What should the disclosure requirements be?

18 And is it something that should be more
19 clearly and consistently mandated --

20 CPUC PRESIDENT PICKER: Yes.

21 CPUC COMMISSIONER RANDOLPH: --
22 throughout the market.

23 MS. HALE: One more thing on CCAs before
24 we go on to that, if I could, Commissioner, and
25 that is we do sit down together with the

1 investor-owned utility that we're partnering
2 with, and in San Francisco's case PG&E, and work
3 with the Public Adviser's on the public
4 notifications that we jointly provide.

5 So, your offices are already exercising
6 some oversight and control on the communications
7 that happen with our customers. Not just when
8 enrollment begins, but on an annual basis those
9 communications continue to happen.

10 I would agree with you, Commissioner,
11 that, you know, we've provided a lot of input and
12 advice to customers through our GoSolarSF
13 program, who say, hey, you know, I'm being
14 marketed a solar system and I'm not quite sure
15 how these numbers work, and we help folks work
16 through that.

17 We found some very helpful tools, like
18 the SAGE tools that are available online, that
19 customers have found helpful to use. We provide
20 that advice that, you know, sort of surface that
21 availability through links on our website, so
22 that customers can get themselves better informed
23 through that solar-bidding tool.

24 So, I think there are sort of competitive
25 market ways to address some of this. But

1 definitely share some of the concerns about
2 consumer protections in that sector, as well.

3 CPUC PRESIDENT PICKER: Dr. Borenstein,
4 do you have a comment?

5 MR. BORENSTEIN: Yeah. So, I'm old
6 enough to remember the AT&T breakup and the same
7 issue arising, actually. And the forcing people
8 to make a choice, which also wasn't terribly
9 successful. Most of the people ended up getting
10 defaulted by some arbitrary market share.

11 I think the CCAs make a very valid
12 argument that a government -- your local elected
13 governments have chosen to have a CCA, so making
14 that the default makes a certain amount of sense.

15 On the other hand, it does concern me
16 that when CCAs come into communities there is
17 only one marketing side. The utilities are not
18 allowed to market the other and nobody else does.

19 So, essentially, there is the CCA
20 marketing and then there is sometimes a grass
21 roots resistance, but it is sort of, well, I
22 think there is an argument for CCAs being the
23 default. I think there is an argument for a more
24 balanced presentation of what your alternatives
25 are. And perhaps the CPUC is the place that

1 should come from.

2 CPUC PRESIDENT PICKER: And so, I'm sorry
3 that we're once again going to have to end the
4 conversation before we actually get done. And
5 it's now noon. We're ten minutes past our
6 projected timeline, so I'm going to call us to a
7 recess for lunch.

8 (Applause)

9 (Off the record at 12:02 p.m.)

10 (On the record at 1:03 p.m.)

11 CPUC PRESIDENT PICKER: Okay thank you
12 everybody and welcome back from lunch, we're
13 going to start our next panel. And, Michael, do
14 you want to start your introductions?

15 MR. COLVIN: All right, thank you, good
16 afternoon, Commissioners.

17 One housekeeping item. For those who are
18 participating via the web, if you could make
19 certain that your phones have been muted, we'd
20 appreciate that.

21 And for those of you who are in the room
22 and wish to participate in public comment, there
23 is a public comment sign-up in the back. And,
24 make certain that you sign up so that we can hear
25 from you during our public comment period this

1 afternoon.

2 CPUC PRESIDENT PICKER: Okay, thank you.

3 MR. COLVIN: So, good afternoon,
4 Commissioners. The purpose of this panel is to
5 focus on the core principle of decarbonization.
6 And the theme of this panel is scale up
7 infrastructure to meet the state's
8 decarbonization goals.

9 California's going to have to make a
10 massive investment in new infrastructure in order
11 to meet our long-term goals of electrified
12 transportation using our own electricity system
13 in a huge amount of other issues.

14 This panel is designed specifically to
15 hear the perspectives from folks who are going to
16 be providing that infrastructure directly. So,
17 we don't have the providers. We have the -- we
18 do not have the electricity service providers,
19 excuse me. We have the providers, and the folks
20 who have stakeholder interest in making certain
21 that the infrastructure happens, and what is
22 needed to scale up, what needs to be done locally
23 and to do be done effectively.

24 We are going to first hear from Tom
25 Dalzell, from the IBEW. Then, we'll hear from

1 Arthur Haubenstock from CEDMC. Followed by
2 Danielle Osborn Mills, from AWEA California. And
3 followed by Madeline Stano, who is from
4 Greenlining.

5 A special shout out to Madeline for doing
6 a last-minute substitution for her colleague,
7 Stephanie Chen, who was originally supposed to be
8 with us from Greenlining. So, we appreciate her
9 filling in at the last minute.

10 Their bios are on the web and in the
11 packets in front of you.

12 So, without further ado, I'm going to
13 hand it off to Tom.

14 MR. DALZELL: Good afternoon. My name is
15 Tom Dalzell. I am the Business Manager of IBEW
16 Local 1245. We represent just over 20,000
17 workers employed by investor-owned utility PG&E,
18 every publicly-owned utility in Central and
19 Northern California, with the exception of the
20 City of Palo Alto, the workers of the Western
21 Area of Power Administration, United States
22 Bureau of Reclamation, a couple thousand members
23 who work for contractors who provide vegetation
24 management.

25 And the first thing that I would do,

1 although it's not exactly germane, is to
2 recognize the consistent and strong leadership of
3 the Commission in the work that's been done over
4 the last 20, 25 years for RPS.

5 You know, we've been strong supporters of
6 it from the start and we continue to be. And we
7 know that it would not happen without the
8 leadership of the Commissioners, past and
9 present.

10 We have a strong tradition or a strong
11 record of being right and ignored. Ralph
12 Cavanagh held up the Blue Book, and Mark Joseph
13 and I were in the room when the Blue Book was
14 launched. And I'll hold up as my prop our
15 comments on the Blue Book, predicting blackouts
16 and spikes in prices. So, we were ignored but we
17 were right.

18 In terms of the decarbonization, noting
19 that decarbonization is not equal to RPS, no
20 matter what the model eventually adopted for
21 decarbonization of our state, a grid is needed.
22 A strong, robust grid, complicated by extreme
23 weather as the new normal.

24 So, without having to argue what the
25 model should be, that grid is -- it cannot be

1 done without the grid. And that is the core work
2 that our members do. We represent all of the
3 construction contractors that do substations, and
4 distribution lines, and transmission lines.

5 And we are prepared to do it. We are
6 acquiring new skills with new equipment.

7 We have a strong preference for utility-
8 scale solar and storage. As Professor Borenstein
9 pointed out this morning, the rooftop solar is
10 economically inefficient. And the utility scale
11 or large-scale is about 3 or 4 cents a kilowatt
12 hour, as opposed to 20 cents for rooftop. Better
13 jobs building it. All customers can afford it.

14 And as was mentioned by President Picker
15 this morning, you know, two of the major early
16 solar providers are gone and one of them
17 SolarCity is announcing that they're scaling way
18 back.

19 We have the same preference for large-
20 scale storage, we like both pump storage and
21 battery storage.

22 But what we were trying to do this time
23 around is have our workforce prepared for
24 whatever model emerges and whatever technology
25 emerges. And to be there when the wheel stops,

1 knowing that the wheel's going to keep spinning.
2 And we have very good apprenticeship programs
3 that are always changing to adopt new technology.
4 And we will be there for the infrastructure
5 needed for decarbonization.

6 MR. HAUBENSTOCK: President Picker,
7 Chairman Weisenmiller, Commissioners, thank you
8 very much for this opportunity. I'm Arthur
9 Haubenstein. I'm the Executive Director for the
10 Efficiency and Demand Management Council of
11 California.

12 And I want to thank you all and thank all
13 of the staff who worked on the Green Book for
14 recognizing that change is coming, and for
15 providing a context for us to be all talking
16 about that change, and to ensuring that we are
17 working together to try to make sure that that
18 change is beneficial to all Californians.

19 The California Efficiency and Demand
20 Management Council is the voice of energy
21 efficiency and demand response industries in our
22 state. Efficiency and demand response are
23 foundational building blocks for California's
24 energy future, essential to achieving a reliable,
25 low-cost, and low-carbon energy system for all.

1 Energy efficiency is a California success
2 story and truly the envy of the world. While
3 California grew from the 9th to the 5th largest
4 economy, as Commissioner Hochschild noted
5 earlier, its energy consumption was practically
6 flat over the last decade, a period of great
7 economic growth for the United States.
8 California's GDP growth exceeded national growth
9 by 6 percent, while its electricity consumption
10 actually went down. That's not the same for the
11 rest of the country.

12 We still have far to go on energy
13 efficiency. While we're currently ahead of
14 schedule to achieve the 32,000-gigawatt hours of
15 efficiency savings that are projected pursuant to
16 AB 32. Governor Brown, in SB 350, set a goal to
17 double energy efficiency by 2030 and our programs
18 are not on track to achieve that goal.

19 We would like to partner with the PUC,
20 with the Energy Commission, with the CCAs, and
21 other entities that are involved in California to
22 ensure that we get across that finish line.

23 I want to thank Andrew McAllister,
24 Commissioner with the CEC, for his leadership in
25 ensuring that we achieve that doubling.

1 We have far to go on demand response.
2 We're not quite where we want to be, as we are
3 with energy efficiency. We should be leading the
4 world. We're not there, yet, but we are
5 confident we will get there.

6 Last year, LBNL issued a study of demand
7 response in California, identifying its
8 importance to a flexible, renewables-driven
9 energy supply.

10 And Chair Weisenmiller, in a panel
11 earlier this week, noted that that study
12 identified tremendous opportunities for growth,
13 but the demand response is actually decreased in
14 California. And Chair Weisenmiller suggested
15 that we might want to consider a demand response
16 action plan. We think that is a terrific idea.
17 We're very interested in pursuing that.

18 And Commissioner Hochschild suggested
19 that we may even want a demand response energy
20 ZAR, which has a lot of merit as well, and
21 something that our members are interested in
22 pursuing.

23 With its technological prowess and
24 progressive economy, California should lead the
25 world with demand response, just as it has with

1 energy efficiency.

2 And as electrification of the
3 transportation and other sectors increase
4 electricity demand for California that demand
5 response will be increasingly important unless we
6 thoughtfully incorporate to ensure this group
7 aligns with California's energy and environmental
8 objections while we are going through these
9 changes that we're talking about today, as part
10 of this panel.

11 The central question on customer choice,
12 for us, is whether the customers have the
13 incentives and the environment required to make
14 the investments in efficiency and demand response
15 California needs. Complexity, confusion and
16 uncertainty deter participation in energy
17 efficiency and demand response.

18 The Commission, and the entities that are
19 subject to its jurisdiction, are responsible for
20 the greatest accomplishments in efficiency and in
21 demand response historically. Energy providers
22 not subject to the Commission's jurisdiction
23 haven't uniformly achieved the same levels of
24 efficiency of demand response, which is not to
25 say that they couldn't.

1 This history demonstrates the need for
2 uniform, clear, consistent and stable rules and
3 programs that are broadly available to customers,
4 notwithstanding their choice of energy provider,
5 and notwithstanding whether those providers are
6 subject to the Commission's jurisdiction.

7 California's energy system can only
8 achieve its goals if it continues to inspire and
9 attract innovation and investment, the key to its
10 many energy accomplishments in the recent past.

11 Changes in electricity providers, our
12 bottom line, should not negatively disrupt
13 customer access to, investments in, interactions
14 with, or expectations of efficiency and demand
15 response programs.

16 And we're looking forward to working with
17 the Public Utilities Commission, the Energy
18 Commission, CCAs, and other energy providers to
19 ensure that we collectively achieve the
20 Governor's and SB 350 doubling goals. Thank you
21 very much.

22 MS. OSBORN MILLS: Good afternoon
23 President Picker and Commissioners. It's a
24 pleasure to be here today. I really appreciate
25 all the work that you all have put into us being

1 here and being part of this discussion, and the
2 work that the Green Book team has done to really
3 try to get at the core of this issue and unravel
4 some of these complexities.

5 I'm here today on behalf of The American
6 Wind Energy Association, the California Caucus.
7 We include global leaders in utility-scale wind
8 energy and our members own, operate, and develop
9 these facilities.

10 Many of them also develop other utility-
11 scale renewable facilities, like solar, storage,
12 geothermal, and transmission in some cases as
13 well. So, I'll try to represent the broader
14 perspective from the utility-scale generator
15 perspective.

16 While wind is currently my favorite
17 technology, I have spent some quality time with
18 the other wholesale renewables and want to
19 emphasize the value of a technologically and
20 geographically diverse portfolio that includes a
21 lot of utility scale renewables, as well as the
22 demand side resources.

23 Wind complements California's amazing
24 solar resource by picking up speed in the evening
25 hours, blowing consistently through the night,

1 especially newer, higher-capacity factor wind.
2 So, it can address the evening ramp, reduce the
3 need for gas generation in the state. And it can
4 also drive California toward its goal of 5
5 million electric vehicles by 2030, by providing
6 renewable power when we need it most and when
7 it's the cheapest to consumers.

8 Both wind and solar are tax advantaged
9 and available right now at an extremely low
10 price. It's about a 30 percent discount that
11 we've baked in to the PPA prices on the wind side
12 because of the federal tax incentives. And those
13 are phasing out, so projects would need to be
14 placed -- or, commence construction in 2019 to
15 capture and optimize the benefits of those
16 resources.

17 Geothermal provides jobs in some of the
18 most economically disadvantaged parts of the
19 state.

20 Biomass, obviously Commissioner Peterman
21 alluded to, provides a means to address the
22 state's forestry crisis.

23 So, while all these different renewables
24 have different costs and different values, they
25 all work together to provide a much more

1 flexible, reliable and affordable portfolio of
2 resources for California, and we need it.

3 Right now, I can say that while we have a
4 lot of ambition, procurement is very sparse. So,
5 I think alluding to what Ralph Cavanagh said
6 earlier this morning, we need to be thinking
7 about performance and how can we make sure that
8 we're getting performance to get to our
9 greenhouse gas targets.

10 We're probably going to need 9 to 10
11 gigawatts in the next decade of utility-scale
12 renewables. And right now, there's about 55
13 megawatts of wind under construction in
14 California. Things are not moving as they
15 should.

16 I think the most critical issue facing
17 renewable energy companies right now is market
18 uncertainty. There are questions regarding long-
19 term customer load shifting, not just near-term
20 customer load shifting, but questions about who
21 the off-taker is. Which raise questions in terms
22 of how to market products, but also how to manage
23 the risk associated with newer entities, who may
24 not have established lines of credit.

25 So, I think a year ago it was kind of

1 anyone's guess who to market projects to and who
2 would be doing the procurement going forward.
3 But it has become more clear in the last several
4 months that the utilities are long in their RPS
5 obligations and as much as 80 percent of their
6 load is departing to CCAs.

7 So, the question is, are the CCAs in a
8 position to assume this procurement on behalf of
9 their customers moving forward, both in the near
10 term, as well as in the long term?

11 The CCAs are procuring and they are
12 procuring at different rates and different levels
13 of success with utility-scale renewables.

14 We have companies who sell to both
15 investor-owned utilities and CCAs. We haven't
16 seen big, aggregated procurement in the same way
17 that we have with investor-owned utilities, yet.

18 And this is not for a lack of vision.
19 Many CCAs simply haven't formed, haven't staffed
20 up, and haven't established investment-grade
21 credit ratings that are needed to reduce the risk
22 and begin procuring on behalf of these customers.

23 So, regulatory uncertainty around how the
24 state will oversee and enforce statewide goals
25 with this decentralized procurement would be very

1 helpful.

2 Many CCAs are procuring more distributed
3 local resources, as well, that don't necessarily
4 have economies of scale and long-term contracting
5 will be critical not only to achieving the RPS
6 requirement of 65 percent long-term contracts by
7 2021, but also to ensure that we're reducing risk
8 moving forward and unlocking at-risk capital.

9 The timing for this is all very tricky.
10 We often hear that we need to be patient and wait
11 for the market to settle, and that makes sense.
12 But long-term contracting is imperative to
13 bringing new renewables online that can force
14 tired, conventional resources off the system.
15 And unless we're doing that long-term contracting
16 now, we won't be locking in the lowest prices for
17 some of the cleanest resources on the grid.

18 So, the question is who at the state will
19 ensure that load-serving entities are in a
20 position to take advantage of these cleanest,
21 cheapest resources?

22 And I think we need to recognize that
23 California customers can't afford to wait for
24 current market instabilities to settle. We have
25 aggressive, unmet renewable need, and aggressive

1 greenhouse gas goals, and lofty goals for
2 electrification of the transportation and
3 building sector. And we can't force Californians
4 to pay for more expensive technologies in a
5 couple of years.

6 Quickly, a couple of possible solutions.
7 I'll just briefly note that this is a big and
8 complicated beast of a problem, as I'm sure
9 you're all aware more than I, and I'm by no means
10 an expert in project financing or financial
11 markets. But it's clear that there are some
12 principles that we want to put into the
13 discussion on behalf of the utility-scale
14 generators.

15 First is that existing contracts are
16 sacred. We can't be in a position where the
17 state is looking at reopening existing contracts
18 that are largely responsible for bringing the
19 cost of renewables down throughout the country.
20 So, that's just -- hopefully, we can just park
21 that. I know it's been acknowledged in a
22 regulatory context already.

23 We also need regulatory certainty within
24 the state and we need to find ways to minimize
25 the risk so that we are able to make these

1 investments in utility-scale renewables.

2 If the state is talking about centralized
3 procurement or financing assistance to load-
4 serving entities, we should lean on established
5 infrastructure or streamlined existing processes
6 to make sure that we can move the process along
7 quickly to unlock some of the potential ratepayer
8 savings associated with near-term procurement.

9 And lastly, I just think we need to have
10 a new way of thinking about all of this. To coin
11 a phrase from my colleague, "Load-serving
12 entities are the stewards of the grid". So, we
13 need to make sure that the decisions that are
14 made by California's load-serving entities are
15 guided by a holistic vision and that the themes
16 of decarbonization, affordability and
17 reliability, I think are the right place to
18 start.

19 That has clearly taken on a whole new
20 meaning in the wake of the 2017 wildfires. So,
21 as we grapple with the uncertainties of today,
22 the Customer Choice staff is in the right place
23 and thinking through this the right way to plan
24 for some increased uncertainty in carbon-
25 effected, and carbon-constrained future. Thank

1 you.

2 MS. STANO: Good afternoon and thank you
3 so much for the opportunity to be with you all.
4 My name is Madeline Stano and I'm from the
5 Greenlining Institute. We are a regional and
6 economic justice nonprofit, located in downtown
7 Oakland.

8 And if you'll forgive me, I'll be trying
9 my best to fill in my much smarter and cooler
10 boss's shoes today. So, bear with me, but unto
11 the breach, nonetheless.

12 So, in analyzing the potential benefits
13 and burdens to increased customer choice for low-
14 income and disadvantaged community residents,
15 there are a few key points to consider.

16 Meaningful choice is often resource
17 dependent. When we are talking about choice are
18 we assuming folks have enough resources to choose
19 between multiple options. If choice brings risk,
20 and some Californians are more economically
21 vulnerable than others, are we setting up
22 financially-constrained choices to the point
23 where some Californians have no functional choice
24 at all?

25 In the absence of choice, how do we

1 ensure an equitable distribution of system
2 benefits regardless of the provider? As you
3 likely know, there is not yet one beautiful,
4 decarbonization unicorn solution for all
5 Californians.

6 Over 9,352,731 people live in a
7 designated disadvantaged community in California,
8 and almost 8 million Californians live in
9 poverty.

10 The question for policymakers and the
11 Commission should not be what's the one thing
12 that works in the most "okayish" way for
13 everybody?

14 The challenge is to design multiple and
15 multifaceted, diverse policies to serve a diverse
16 California.

17 Next, trickle-down equity, or equity
18 after the fact is fake news. And we know from
19 the California Energy Commission's SB 350 Low-
20 Income Barrier Study, and our experience
21 implementing and evaluating policies and programs
22 that programs not designed explicitly, from day
23 one, to serve low-income and disadvantaged
24 community residents face significant challenges
25 delivering benefits to those communities later.

1 A fuel-switching program, for example,
2 with awesome decarbonization goals has a lot
3 harder time reaching mobile home customers years
4 in after already serving now, 1.0-like customers,
5 with technology from the jump, exceeded the
6 energy capacity of most mobile homes.

7 The market alone will not serve or
8 protect low-income and disadvantaged community
9 residents.

10 Placing primacy on market-driven
11 solutions alone contributes to and exacerbates
12 existing economic inequalities. A market-first,
13 low-income and disadvantaged community second
14 policy approach to customer approach will not
15 meaningfully serve those communities.

16 Expensive solutions are not solutions.
17 Affordability is a top priority due to the
18 Commission's mission and reflected throughout the
19 Green Book, and certainly for our organization.

20 If we design solutions for Californians
21 with purchasing power, we are likely
22 disempowering low-income residents.

23 Instead, if we design solutions for low-
24 income Californians, those solutions can reach
25 and benefit their wealthier counterparts.

1 As a polite reminder, and I'm sure as you
2 already know, we are asking these questions about
3 transitioning, evolving, modifying a system that
4 already does not serve all Californians equally.
5 Low-income and disadvantaged community residents
6 already face higher energy burdens, higher rates
7 of shutoffs, greater exposures to air pollution
8 and reliability disturbances from a century of
9 infrastructure investment decisions. This needs
10 to change.

11 Moving on to some of the potential
12 benefits, increased choice can, should they
13 choose to do so, deliver. Elevate local experts
14 with deep local knowledge into decision-making
15 roles, provide opportunities for diverse local
16 partnerships at a small scale. Open the door for
17 greater community benefits, specifically non-
18 energy benefits that mean something locally,
19 designed by locals for locals, especially those
20 that improve health and safety.

21 Create opportunities for community
22 ownership of wealth-generating assets. Create
23 opportunities to connect physically and
24 politically closer to locally-driven workforce
25 development efforts.

1 Focus on localized pollution issues,
2 redevelopment of contaminated sites, fixing load
3 pockets, strengthening the resiliency of local
4 areas, for example.

5 Moving on to some questions to consider.
6 Initiation, creation requires significant
7 financial resources. As you can see in the Green
8 Book, the entire Central Valley currently lacks a
9 formal exploration, initiation and operation, to
10 my knowledge. Does this system have the ability
11 and willingness to reach all Californians? If
12 not voluntarily and organically through the
13 market, how and should the state support that?
14 An open question.

15 If greater choice means that financial
16 risks will not be socialized across the entire
17 state, similar to our current setup, a greater
18 need for financial protections for low-income
19 customers arises. How and when do we plan to do
20 that in the best way that we can?

21 Our choice related new workforce
22 opportunities at scale with the existing levels
23 of employment, especially in low-income,
24 disadvantaged communities.

25 Policies dependent on price signals

1 unfairly burden more economically vulnerable
2 people and places. If you are on medical
3 machines 24 hours a day to mitigate the effects
4 of your chronic respiratory conditions that may
5 be connected to air pollution, in part due to our
6 electric power sector, how can you choose between
7 charging a lifesaving -- how can you choose
8 between changing a lifesaving behavior and facing
9 an even more burdensome energy bill.

10 So, must have ingredients for the
11 Commission considering a long-term policy vision
12 for the state. Financial protections. Don't
13 experiment on the most economically vulnerable
14 without firm financial protections in place from
15 day one. If those require a legislative change,
16 name that.

17 Community engagement and education are
18 critical, yes. And like the Cheryl Lynn disco
19 song, it's got to be real. Thank you.

20 CPUC COMMISSIONER PETERMAN: I'll say
21 amen to it.

22 (Laughter)

23 MS. STANO: So, this management is best
24 when it's from a trusted source, with experience
25 serving these communities and specifically doing

1 this type of engagement work, like community-
2 based organizations.

3 Customers across the system, who are not
4 low income, have to pay into socially-beneficial
5 programs. Low-income customers, similarly,
6 across the system, must be able to benefit from
7 socially beneficial programs. How can we setup,
8 fund and run public purpose programs across a
9 diverse system?

10 Planning for managed decline of fossil
11 fuels. It won't happen on accident. It won't
12 happen through PPAs alone or new solar. It
13 requires more.

14 Make air pollution reduction an essential
15 component of implement the Commission's safety
16 mission.

17 The choice really is investment
18 strategies for low-income and disadvantaged
19 communities and must include an anti-displacement
20 component.

21 So, in similarly fashion, my conclusory
22 response to DUC risks or opportunities is it
23 depends. The real question, in my eyes, is have
24 everybody participating in the choice
25 conversation and all the entities that power

1 California support a just transition away from
2 fossil fuels that prioritizes serving those that
3 historically and currently have paid a higher
4 price, both financially and with their health for
5 our status quo.

6 The competition the state should be
7 supporting, should they choose to do so, is one
8 centered on who can serve California's most
9 vulnerable residents with the best services and
10 protections. And equity battle of epic
11 proportions. Energy pun intended.

12 All right, thank you very much.

13 CPUC PRESIDENT PICKER: Thank you. So,
14 do you guys have any preferred model for a
15 provider for actually providing decarbonization?
16 We talked a little bit about the range of
17 different customer choices for self-provision,
18 but is there some model amongst the three large
19 procurer provider options, the incumbent
20 utilities, the CCAs, or the ESPs, that you think
21 helps to achieve the objectives you've outlined
22 best?

23 MS. OSBORN MILLS: I can say that at
24 least from my perspective, I don't think it's a
25 matter of IOUs versus CCAs, versus ESPs. I think

1 it's a question of risk and creditworthiness.

2 CPUC PRESIDENT PICKER: That's kind of a
3 dodge. I just asked you, do you have a
4 preference amongst the three?

5 MS. OSBORN MILLS: Yeah, again, I can't
6 say that we do -- but all the models are sort of
7 on their head right now. There's not really -- I
8 can't really say that there's still a model that
9 is very familiar to companies who have been doing
10 renewables in California. Because even, I think
11 the IOU model is looking a little bit different
12 right now.

13 So, I think, you know, we have lessons
14 learned from other states that some developers
15 have worked in and have developed projects in,
16 and they're able to get things done in other
17 states that are more decentralized and
18 deregulated, where they have customer choice and
19 CCAs. It's an adjustment period.

20 CPUC COMMISSIONER RECHTSCHAFFEN: Well,
21 could I just follow quickly on the
22 creditworthiness Danielle?

23 So, have you had problems with some of
24 your members getting contracts with CCAs because
25 of a perceived lack of creditworthiness?

1 And then you mentioned just now that in
2 other states that's been ameliorated over time?
3 I wasn't quite sure, but maybe you could comment
4 on that?

5 MS. OSBORN MILLS: So, I think it depends
6 on the company. You know, we do have companies
7 who have PPAs, long-term PPAs with CCAs, and that
8 has not been -- I think there's maybe a higher
9 PPA price because of the risk that's baked into
10 it, in some cases depending on the company and
11 depending on the CCA, as well.

12 I think one issue that we've been hearing
13 is that even companies that have very large
14 balance sheets eventually hit their capacity with
15 their ability to take on that amount of risk.

16 And so, while it may be easy for some
17 companies to do a couple projects here or there,
18 or some smaller projects here or there, or maybe
19 shorter-term agreements, there's the concern that
20 in the long term getting the 9 gigawatts of --
21 the 9 to 10 gigawatts of renewables that we're
22 going to need is going to kind of -- we're going
23 to max out on risk before the companies can fully
24 install that.

25 CPUC COMMISSIONER RANDOLPH: So, we have

1 -- you know, President Picker was asking which do
2 you prefer? But we have all three of these
3 models right now, right. So, what are the
4 regulatory pillars that each of you see as
5 essential to -- across all of those models? You
6 know, what do you see as absolutely necessary?

7 And we talked a little bit in the last
8 panel, not as much as I would have liked, about
9 consumer protection. So, that's kind of one
10 pillar that I'm seeing.

11 What are something else that you all are
12 seeing?

13 MR. DALZELL: I'm not sure, there's no
14 real labor angle to that. We're a part of the
15 industry, we see what we see. I don't think
16 there's any self-interest in this.

17 I mean, we see the integrated resource
18 planning as being really critical. And not
19 splintering into 20, or 30, or 40 fiefdoms out
20 there doing their own procurement.

21 I think that some degree of either
22 centralized procurement or centralized planning
23 for procurement is the best.

24 No matter what, we think that all the
25 customers should pay their fair share, no matter

1 what the model is. We don't believe that that's
2 happening now.

3 IOUs have a history of success. You tell
4 them what to do, they'll go do it.

5 But the IRP, I think is really critical.
6 It includes everybody.

7 MR. HAUBENSTOCK: I think it's a very
8 good and important question. From our
9 perspective, the lack of certainty is really the
10 problem right now. We have multiple models
11 happening at the same time and a lack of
12 consistency of incentives and rules. And a lack
13 of understanding of what happens when customers
14 move from one entity to another, and who actually
15 owns that customer relationship.

16 Our focus is really on the customer. Our
17 customer is -- a common customer, what is that
18 customer's experience when that customer makes an
19 investment in energy efficiency, when that
20 customer makes an investment in a demand response
21 program?

22 What happens when their load-serving
23 entity changes? Can they continue to participate
24 in that program? Is that portable, almost in a
25 health insurance type analysis.

1 We think that it's essential to make sure
2 that all the load-serving entities have the same
3 incentives to invest in energy efficiency, to
4 continue demand response programs and to expand
5 on them. And to make sure that the customers, as
6 they move from one to the other, or a load-
7 serving entity fails which is, of course, a very
8 central concern of the Green Book and this panel.
9 That the customer continues to have its
10 expectations met or at least, a very minimum,
11 understands the risks that they entered into when
12 they started the program, if there's a potential
13 that their load-serving entity would fail.

14 One last thought, and Danielle, I want to
15 thank you for reminding everybody that it's
16 essential that contracts are sacrosanct. That,
17 you know, we need to attract investment to
18 California. That investment will not continue to
19 happen if the contracts that have been entered
20 into no longer are honored. And that's true for
21 renewables, just as much as it is for energy
22 efficiency or demand response.

23 MS. OSBORN MILLS: I think one area where
24 we could use more certainty is in demand
25 forecasting. And I think we have a good grasp of

1 how to do demand forecasting as a state, but it's
2 gotten very challenging just in the last year or
3 two to see how that demand forecasting is going
4 to be divided up by each individual load-serving
5 entity.

6 And so, as you think about not only this
7 big shift towards CCAs, but also the fluidity
8 with which customers can go back to an IOU, or
9 potentially leave to go to an ESP, depending on
10 what happens with this bill, there needs to be
11 something that's grounding those contracts or
12 keeping those contracts with the customer in some
13 way to ensure that they're not split up into a
14 million different pieces.

15 And it's really hard to plan a 20-year
16 PPA or a 10-year PPA knowing that it's this easy
17 for the load to go all the way back, or half the
18 load to go somewhere else.

19 And so, I don't really have a solution
20 for that, but it's an issue that maybe could be
21 resolved through some different financing
22 structure or different procurement mechanism.

23 CPUC PRESIDENT PICKER: It's always
24 dangerous to tell us that you don't have a
25 solution because then that tells us that we have

1 to pick one. And that's why we started this is
2 that we know that we're seeing a lot of different
3 models out there, but we're going to have to act
4 in certain areas. And without some strong
5 preferences, although we've gotten that from Mr.
6 Dalzell, some of you are going to be
7 disappointed. Some may be more disappointed than
8 others.

9 So, I'm just saying this by way of
10 warning that you told us to go ahead and make the
11 decisions.

12 MS. OSBORN MILLS: Can I respond briefly
13 to that?

14 (Laughter)

15 MS. OSBORN MILLS: Okay, I will be
16 careful --

17 CPUC PRESIDENT PICKER: Too late.

18 MS. OSBORN MILLS: I was going to flatter
19 you and say that I think the IRP is actually an
20 effort that's trying to understand, at least at a
21 system level, what we're going to need.

22 I think this next few months, as load-
23 serving entities come back with their own plans,
24 is going to be a kind of a trial run to see, you
25 know, how it works and if that provides the

1 certainty that we hope it does.

2 CPUC PRESIDENT PICKER: Okay, be
3 prepared.

4 I wanted to shift --

5 CPUC COMMISSIONER PETERMAN: Did Madeline
6 want to answer?

7 CPUC COMMISSIONER RANDOLPH: Did you have
8 anything you wanted to add because everybody else
9 had a --

10 MS. STANO: Oh, thank you. Well, just
11 briefly, I would say another type of market
12 certainty, which would be customer bill
13 certainty, rooted in concerns around
14 affordability.

15 CPUC COMMISSIONER RECHTSCHAFFEN: Thank
16 you.

17 MS. STANO: Yeah, so around that. So,
18 additional financial protections for that risk.

19 CEC COMMISSIONER MCALLISTER: I want to
20 just move slightly or I guess my questions mostly
21 directed towards Arthur, but anybody can chime
22 in, and certainly Greenlining, as well.

23 So, I want to talk about the R in IRP.
24 And so, you know, I think your -- Danielle, your
25 point on forecasting is absolutely well taken.

1 And I think that's right front center on our
2 radar at the Energy Commission. As we sort of
3 move to 2019, and then revamp and enhance
4 forecast methodology and move that forward under
5 SB 350.

6 How do we transparently, accountably,
7 sort of effectively get more demand response?
8 You know, it's not -- I think it's generally
9 accepted that we're not seeing as much as we
10 could. Certainly, part of that is rates. Right,
11 customers need to see the right incentives in
12 order to make the decisions, in order to create
13 some traction, so the aggregators can get in
14 there and do the heavy lifting, do the thinking,
15 offer the right services to customers.

16 And at least that's one vision and I
17 think it's one vision that you know, it has some
18 traction.

19 So, that's really my question and I guess
20 I would just add on that how do we do that in a
21 way that doesn't create, you know these
22 inequities and perpetuate or enhance the
23 inequities to different customer segments.
24 Whether it be commercial or residential, I don't
25 know.

1 But I guess the fundamental question is
2 how -- what is the basis on which demand response
3 can actually be all it can be in the state going
4 forward transparently, and sort of underpinned by
5 consistent rate-making process?

6 MR. HAUBENSTOCK: The basis has to be a
7 leveling playing field with supply and there's
8 tremendous interest. And we have now over 80
9 companies as part of the council. We have lots
10 of emerging companies that are very interested in
11 this space, ranging from EV charging to companies
12 that are doing thermostat management, to all
13 sorts of appliance manufacturers.

14 Lots of folks are recognizing that across
15 the aggregate there's tremendous value in having
16 load response to grid needs and to distribution
17 system needs.

18 The problem is the rules have not been
19 written in such a way that they are allowed to
20 participate on the same basis as supply. Now,
21 whether that's energy or ancillary services, or
22 research adequacy, or even transmission or
23 distribution deferral, that's something that we
24 are working on. Something that needs to apply
25 regardless of who the load-serving entity is that

1 is responsible for that load. And regardless of
2 how that customer base shift, because that makes
3 it very complicated for providers. If they have
4 a list of customers and that customer list
5 switches between LLCs, it is very difficult for
6 them to manage their contracts with the LLCs or
7 to know what they can actually count on.

8 It's also very important and I think,
9 President Picker, you said that we're going to
10 make decisions. That's great because the biggest
11 problem I think is uncertainty. You know, we
12 don't have clear rules. We don't have clear
13 market signals.

14 And we have delays that are causing
15 tremendous frustration when it comes to
16 investment. We've heard that there's going to be
17 a further delay in Duran. Even though Duran had
18 some very successful initial indications, that's
19 been pushed by, it appears, a significant number
20 of months.

21 And it's very important for those
22 companies that are closely watching what's
23 happening in California, and closely watching
24 what's happening in that process to know that
25 when they make these investments they can be

1 assured that they know what the rules are.
2 They're willing to take a risk, but they need to
3 know what the rules are. And they need to know
4 that those rules don't change regardless of LLC
5 changes.

6 CPUC COMMISSIONER RECHTSCHAFFEN: Arthur,
7 could I just ask a follow-up question to
8 Commissioner McAllister?

9 You said you think it's important to have
10 consistency across programs and across providers.
11 And I just have a factual question. I don't
12 quite understand and maybe you could explain, do
13 large industrial customers who are in direct
14 access participate in demand response programs?
15 And, presumably, they have different rate
16 structures than the IOU -- than the facilities in
17 the IOU territories do. And that may provide
18 different incentives for them to participate or
19 not. So, I'm just wondering if you could explain
20 a little bit more.

21 MR. HAUBENSTOCK: I'll have to get back
22 to you with written comments on that. My
23 understanding is that there are differences. But
24 I think we're also talking about different types
25 of demand response programs and different types

1 of energy efficiency programs. And you're no
2 doubt familiar with the LBNL study that
3 identified four different categories of demand
4 response. Much of the demand response,
5 historically, has been in the shed category, as
6 opposed to the shift category, or the shaping
7 category, or even the shimmy category. All of
8 which are anticipated to have more future growth,
9 even though shed, which is a response to
10 emergency events, and where the demand has been
11 historically, is very important and will likely
12 grown in accordance relative to where we are now.

13 So, when I think about consistency, I'm
14 thinking about markets. And, you know,
15 particularly energy ancillary services, resource
16 adequacy, those traditional markets that have
17 been dumped. That have been supply markets, not
18 demand markets.

19 And in opening those markets to demand
20 means consistent rules. It means job
21 descriptions that aren't really for traditional
22 energy generation but are open to participation
23 by demand management that includes the whole
24 range of technologies that fall within demand
25 management.

1 CPUC COMMISSIONER PETERMAN: I'm going to
2 follow up with questions on energy efficiency for
3 Arthur. But first, regarding Ms. Stano's
4 comments, I did want to highlight that the
5 Commission released a rulemaking, a new
6 rulemaking on affordability this week intended on
7 how do we embed within all of our proceedings
8 better and consistent metrics to assess
9 affordability. And that's for water, electric,
10 gas, telecommunications.

11 Interestingly, CCAs are not respondent to
12 that because we don't regulate the CCA rates.
13 Although, we highly encourage them to participate
14 in the proceeding. And that is an example of an
15 area where, as we're trying to do comprehensive
16 policy I do wonder about how we're able to do
17 that collective thinking together, as we have a
18 more fragmented system. But look forward to
19 Greenlining's participation in that.

20 Mr. Haubenstock, first of all,
21 congratulations on your selection as Executive
22 Director of the Council. They have been a
23 significant partner of leadership in the energy
24 efficiency and demand response space, and you've
25 come at a critical time.

1 As you are aware, in energy efficiency
2 right now we've just adopted rules that will
3 significantly, potentially, transform how energy
4 efficiency is delivered in the state. Moving to
5 having the majority of the programs being
6 implemented by third parties. Not the investor-
7 owned utilities. And also working to streamline
8 the program so that we're having more consistent
9 statewide programs.

10 I look at these trends and I get
11 concerned because I feel the space is changing
12 more so than the renewable space and yet, at the
13 same time when the providers might become more
14 fragmented.

15 So, I would welcome your thoughts about
16 the direction that the PUC has taken energy
17 efficiency over the last year or two, how does
18 that align with having more providers? And you
19 touched upon this, but if you have some specific
20 examples to highlight, I'd appreciate that.

21 MR. HAUBENSTOCK: Thank you for your very
22 timely comments, first of all. And thank you,
23 and thanks to the Commission for the terrific
24 decisions that it recently issued. And we are
25 very pleased to work with a variety of

1 stakeholders to help support and contribute to
2 that decision. And we do think that that opens
3 the door to unlocking a great deal of energy
4 efficiency progress in the state.

5 It is a time of tremendous change and on
6 the energy efficiency side, as well as on the
7 demand response side. And we do think that that
8 creates opportunities and challenges.

9 But we believe we can work with a range
10 of energy service providers and load-serving
11 entities, otherwise, to continue to build on the
12 progress that has been made.

13 We think it's -- again, the Commission
14 has been able through Commissioned-jurisdictional
15 entities to make tremendous progress relative to
16 the rest of the world, relative to the rest of
17 the nation. And that has not been uniformly
18 followed throughout the rest of the state.

19 And so, it's essential that we take the
20 progress that has been made and is evidenced in
21 that recent decision and figure out how we're
22 going to apply that across to all load-serving
23 entities.

24 CEC CHAIR WEISENMILLER: Yeah, I had a
25 question for Danielle. So, at this point the

1 overall trend is more for the utility types
2 operators with pipes and wires, instead of power
3 providers.

4 Now, they have a lot of existing
5 contracts. So, the question is what happens to
6 them? How do we physically or operationally
7 start assigning those to the CCAs? And at the
8 same time, we do have this phenomenon of the
9 utility quality balancing sheets to try and
10 approach the CCAs.

11 So, to the extent you have an existing
12 contract with at utility and if it were assigned
13 to a CCA, how would your banks react?

14 MS. OSBORN MILLS: Well, I don't have any
15 contracts, so I don't have a --

16 CEC CHAIR WEISENMILLER: Speaking for your
17 members.

18 MS. OSBORN MILLS: It's hard to say. I
19 think -- I'm not too deep into the weeds on the
20 specifics of how contracts are currently made for
21 my CCAs. I know that there is a shift right now,
22 just as part of the RPS -- as part of the RPS
23 portfolios being along the way that might be
24 assisting CCAs.

25 I think a question there is who's

1 ultimately carrying the paper for those
2 contracts. And I'm not sure how that is being
3 dealt with.

4 I think the main thing is that we need
5 assurance that -- the parties in the contract
6 need assurance that they will get paid
7 sufficiently, and that the terms of the contract
8 will be honored.

9 And so, this issue is far outside of my
10 ability to solve right now.

11 CEC CHAIR WEISENMILLER: Yeah. And I
12 suspect that the banks who have financed projects
13 are concerned about the creditworthiness of the
14 entity that the contract ends up with. And I
15 don't recall, particularly, and it's got to be a
16 function with the financing and what happens at
17 that point. But it could be scary.

18 MS. OSBORN MILLS: It could be scary,
19 yeah. I mean, you can go the socialist route of
20 having the state bundle those up and hold them,
21 but that sounds scary. I'm not advocating for
22 that.

23 CPUC COMMISSIONER PETERMAN: Yeah, I will
24 say ideas along these lines have been proposed in
25 the PCA proceeding, so there's a record being

1 developed along those lines.

2 CPUC PRESIDENT PICKER: Yeah, and they
3 were proposed last time around with the
4 Department of Water Resources and it didn't turn
5 out great.

6 Okay, thank you.

7 CPUC COMMISSIONER PETERMAN: Are we done?
8 I think Martha might have something.

9 CPUC PRESIDENT PICKER: Oh, okay.

10 CPUC COMMISSIONER GUZMAN ACEVES: Well, I
11 just -- I was going to continue on that, which is
12 do you think the central buyer may be -- is
13 alleviator for not just your individual
14 generation or reliability products, but the local
15 air pollution and the labor requirements, if
16 having that structure actually allows for us to
17 really direct that?

18 (Laughter)

19 CPUC PRESIDENT PICKER: That was a very
20 clear answer.

21 (Laughter)

22 MR. DALZELL: I answer the question with
23 a question, yeah. What did you say?

24 (Laughter)

25 CPUC COMMISSIONER GUZMAN ACEVES: Maybe,

1 Madeline, you want to take it. But it's really
2 the question is do you think having a central
3 buyer will actually be an opportunity for you to
4 ensure be it, you know, certain labor standards,
5 or local requirements to put those in place?

6 MR. DALZELL: Well, now, I'm not sure --
7 we are not advocating a central buyer. I think
8 it's an idea to talk about.

9 And to some extent it can affect labor
10 standards. I think there are other issues that
11 labor standards are more easily plugged in.
12 You're going beyond California state lines,
13 procuring.

14 So, it's not immediately obvious to me
15 how labor standards would be built into a central
16 procurer, but it's something we will think about.

17 MR. HAUBENSTOCK: I'm not sure that
18 having a central buyer is necessarily the best
19 engine for disadvantaged communities. I don't
20 know with respect to labor.

21 But having some diversity and some
22 experimentation in the programs can be
23 tremendously beneficial. One of the best energy-
24 efficiency projects, and Commissioner Peterman
25 asked for examples a few minutes ago. This is

1 just an example in a different context.

2 But the Air Resources Board enabled a
3 substantial energy-efficiency project of one of
4 our members in the Central Valley that was
5 focused on disadvantaged communities and was very
6 beneficial for local environmental concerns, as
7 well as for carbon.

8 And so, we like the idea of having
9 diversity of programs and like the idea of
10 experimentation and attracting innovation. But
11 we do need to make sure that we don't have so
12 much change that we don't have a level playing
13 field and a stable environment for investment.

14 MS. STANO: I would say, certainly from
15 an air pollution perspective there are
16 opportunities, I think with a centralized buyer.
17 But just as you said, I think there's also a
18 benefit to diversity of programs and approaches.

19 So, I think it's a tension. As my former
20 air pollution-regulating mind would say,
21 absolutely go for the easiest thing that you can
22 get a hold of and have the most control over to
23 minimize pollution. And at the same time there
24 is a time of creativity and diversity that can
25 produce new and unexpected air pollution benefits

1 at the same time. So, I think there's a tension
2 between both.

3 And I'm not trying to be coy by not
4 answering it. I think it's a good question.

5 CPUC COMMISSIONER PETERMAN: I was going
6 to ask, just for my own sake to understand, how
7 do you engage in policy discussions with CCAs?
8 For example, do you attend the board meetings?
9 Are there opportunities and forums for you to be
10 addressing the boards?

11 Because I'm wondering if there's a
12 parallel conversation like we're having here, for
13 you to intervene in our discussions, I'm
14 wondering if there's a way to intervene in those
15 discussions?

16 MS. STANO: I can say definitely, for
17 Greenlining, we've been lurking in the space
18 trying to figure it out. Certainly, with the
19 East Bay opportunity happening we've been able to
20 drop in and try and comment on those documents,
21 engage with that process and figure out that
22 process.

23 It's a new process for everyone in the
24 room, including us. So, it's a steep learning
25 curve for an advocate, let alone, you know, for

1 the communities that we're working to represent,
2 but we are trying.

3 MS. OSBORN MILLS: I would say we don't
4 have any formal lines of communication with them
5 through board meetings or things like that. We
6 have invited them to discussions with our board
7 on occasion, and I check in offline with Beth, of
8 CalCCA, and various staff at the different CCAs.

9 I definitely think that would be a good
10 think to facilitate going forward and would be
11 happy to participate in that.

12 And I think to that point, and to
13 Madeline's earlier point and response to your
14 question, Commissioner, I just want to say this.
15 I think, you know, there is a lot of diversity in
16 the CCAs and that is very valuable in that they
17 can reflect what their communities want.

18 And I think the other piece that I want
19 to acknowledge here is that by pushing some of
20 these goals, I do think that they've encouraged
21 the investor-owned utilities to kind of do more
22 and try to meet them.

23 So, there is a very healthy level of
24 competition in the state right now and I don't
25 want to discount that with all the uncertainty

1 conversation, as well.

2 CEC CHAIR WEISENMILLER: I just wanted to
3 ask Greenlining if you've attended any of the
4 meetings of the CCF, the San Francisco or Marin
5 CCAs?

6 MS. STANO: I can't speak for my
7 colleagues. So, it is possible. I don't believe
8 so, but we certainly have been in conversation
9 with folks in wonderful -- have received
10 wonderful engagement from those CCAs in trying to
11 get us to participate, learn more.

12 Certainly, it presents a capacity
13 challenge for nonprofits.

14 MR. HAUBENSTOCK: And that's a capacity
15 challenge that applies for trade associations, as
16 well. We're looking forward to the CCA En Banc.
17 I don't know if that's been scheduled, yet.

18 But the CalCCA -- the CalCCA organization
19 --

20 CPUC PRESIDENT PICKER: You've got to
21 hurry.

22 MR. HAUBENSTOCK: Yes, well --

23 (Laughter)

24 MR. HAUBENSTOCK: As the CalCCA
25 organization, that Shawn Gray promised, we're

1 looking forward to working with them. But it is
2 a challenge when you are working with a diversity
3 of organizations, and a diversity of boards in
4 their meetings across the state to try to get
5 some consistent policies and positions that are
6 communicated.

7 CPUC COMMISSIONER PETERMAN: I just want
8 to say thank you for that because it is in our
9 proceedings we have all of you participating,
10 many other stakeholders that are informing
11 decisions on the record, and then how does that
12 engagement happen if the decision making is
13 happening at a variety of boards. So, just
14 something to think about collectively going
15 forward, and given -- also given your bandwidth
16 concerns.

17 MR. COLVIN: I think we're getting close
18 to the end of time. I'd just like to talk about
19 one note in response to your question,
20 Commissioner. My understanding is that the
21 process that we're really accustomed here at the
22 CPUC as energy compensation does not necessarily
23 apply to other specific decision making bodies
24 that are facing these issues. So, it's just
25 factually that's what's out there.

1 I'd like to thank our panel so much for
2 all of their time and attention. And we're going
3 to do a one-minute stretch break while we're
4 switching over to our next panel.

5 So, if you are the reliability panel, if
6 you can come on up.

7 (Applause)

8 (Pause to change panels)

9 CPUC PRESIDENT PICKER: Okay, Mr.
10 Randolph, it's all yours.

11 MR. RANDOLPH: Thank you President
12 Picker. Good afternoon Commissioners, my name is
13 Edward Randolph. I'm the Director of the Energy
14 Division. I'm the moderator for the next panel,
15 which is on the core principle of reliability.

16 I think as everybody in this room will
17 acknowledge, if we can't meet the core principle
18 of reliability in whatever system we have, we
19 have completely failed. So, it is an important
20 issue to make sure that no matter what system we
21 have we're maintaining reliability.

22 Let me introduce the panel really quick.
23 We have a diverse group here, Colin Cushnie from
24 Southern California Edison. Deb Emerson from
25 Sonoma Clean Power. Scott Olson, Director of

1 Government Affairs of Direct Energy. And Mona
2 Tierney-Lloyd from EnerNOC.

3 Each one of you will be given three
4 minutes to give a brief introduction, overview of
5 your views on what we need to be considering on
6 reliability.

7 One thing I'd like to ask the panelists,
8 and we talked about this on the phone, the other
9 day, is to remember that as we're talking about
10 reliability and the move to choice, this is not
11 just about moving to CCAs. This is also a move
12 to distributed energy resources and those
13 present, they're own benefits and challenges as
14 well.

15 So, I want to make sure as you guys are
16 talking about this and discussing this it's
17 around the conversation on the whole range of
18 choice items.

19 Unless you -- anybody has a preference,
20 I'll just go down the line and start with Mona.

21 Well, we can start with Colin.

22 MR. CUSHNIE: Well, good afternoon
23 Commissioners. My name is Colin Cushnie and I
24 manage Edison's energy procurement operations.

25 I have three key takeaways that I would

1 like you to come from in today's panel. First,
2 reliability is not something that California can
3 afford to experiment with. Full stop.

4 Second, California's policymakers,
5 including this Commission, need to clearly
6 identify the priority of our various policy
7 objectives and put in place a plan that
8 comprehensively helps us achieve those
9 priorities.

10 And then third, the costs of ensuring a
11 reliable electric system must be borne
12 proportionately by all customers, regardless of
13 who serves them and where they get their energy.

14 Reliability is paramount. The Commission
15 must establish a clear line of sight between its
16 policy objectives and associated decisions, and a
17 clear-eyed assessment of the fact that California
18 will indeed have a reliable electric system that
19 benefits all customers, wherever they're served.

20 Today in California we ensure reliability
21 by having a resource adequacy program that
22 allocates system local, flexible RA requirements
23 to all LSEs, based on load share. And we do
24 those allocations on a year-ahead and month-ahead
25 basis.

1 But with the creation of many, many
2 smaller LSEs, it's becoming very impractical to
3 actually do the necessary procurement of large,
4 basically, you know, utility-scale power plants
5 in locational areas, in particular, where it's
6 needed to maintain grid reliability.

7 And our model is starting to break down.
8 And in fact, this Commission just yesterday voted
9 out a resource adequacy decision that identified,
10 at least for local area reliability, that it
11 wants parties to submit multi-year procurement
12 proposals and to identify how a centralized
13 entity may be best situated to perform that
14 procurement.

15 So, to accomplish our reliability goals
16 we need to make sure that the Commission's
17 coordinating with CALISO to identify the specific
18 resources that are needed to ensure, especially,
19 local area reliability.

20 We also need to make sure that the
21 Commission is overseeing the fact that our
22 reliability-designated power plants operate for
23 the benefit of all customers, and that they're
24 not allowed to operate to extract market rents,
25 as we experienced during the energy crisis.

1 Of note here, DMM just released a report
2 this month, it's normal annual market performance
3 report. And in it they raised concerns that the
4 competitiveness of some of our energy markets is
5 being called into question in certain hours.

6 So, this could be the tip of something
7 that we need to keep an eye. And I encourage you
8 to look at the DMM report.

9 And then, finally, regardless of how we
10 establish reliability procurement in California,
11 which could be a new state power authority. It
12 could be periodic options with willing market
13 participants who are looking to take on that
14 role. That could be an ISO centralized capacity
15 market, or we could continue to rely on IOUs.

16 The reliability procurement agent will
17 need to be assured a full cost recovery and it
18 will need sufficient financial standing to be
19 assured of being able to conduct the significant
20 levels of a multi-year forward procurement of
21 reliability resources that we need in California.

22 So, in terms of policy prioritization,
23 how do we ensure reliability? Well, first,
24 California must again ascertain that reliability
25 is of absolute paramount. It's not something

1 that we can negotiate.

2 But there are other priorities,
3 affordability, decarbonization as the Green Book
4 pointed out.

5 And a question the Green Book didn't
6 answer, though, is whether or not retail
7 competition is in fact something that should be
8 elevated to be a core principle or is it just
9 something that we leverage to be able to try to
10 achieve our core principles?

11 Edison supports customer choice, but we
12 support it in the context in which it can be
13 clearly demonstrated to actually help us achieve
14 our core principles. And if it can't, then we
15 should question why we're pursuing it.

16 So, a quick wrap up here, then. I want
17 to note that our electric grid is a large,
18 integrated and complicated system and that is
19 foundational in supporting one of the world's
20 largest economies and most diverse populations.
21 And we have to make sure that we don't fail to
22 ensure that we have safe, reliable, affordable
23 energy for all customers.

24 And in order to do that we need to
25 clearly establish our goals, prioritize them, and

1 put a plan in place that we execute on those.

2 Thank you.

3 MR. RANDOLPH: Deb, do you want to go
4 next?

5 MS. EMERSON: Sure. Thank you to all the
6 Commissioners for your interest in this important
7 topic. CCAs do take very seriously the
8 obligation to meet resource adequacy
9 requirements.

10 We should, however, differentiate between
11 the short-term transition that we're in right now
12 and then look forward to the future with the
13 long-term stability being the goal.

14 We look forward to being a part of that
15 solution and working with the Commissions and the
16 CAISO to ensure reliability.

17 The CAISO, FERC and WECC have the primary
18 responsibility for reliability. As noted in
19 DMM's report, mentioned by Colin, their market
20 issues in performance report, 3,000 megawatts of
21 peak gas-fired generation was retired in 2017.
22 That's the largest ever in one year, in the CAISO
23 history.

24 This, coupled with the change of the
25 effective load-carrying capacity percentages,

1 which significantly reduce the values of solar
2 generation, has led to a reduction of capacity
3 being available in the market.

4 These are the facts and facts that would
5 have occurred with or without CCAs.

6 It's clear to the market the generators
7 do need longer-term contracts. This provides
8 more certainty and also for the ability for the
9 generator to capture the necessary revenues over
10 a period of time. CCAs are contracting for
11 longer term, both in energy and capacity markets.

12 For example, Sonoma Clean Power, we are
13 80 percent hedged for our local needs for the
14 next four years.

15 In addition to that, we have 68 percent
16 of one of our local areas hedged in long-term
17 contracts, meaning ten years or longer.

18 It's essential for CCAs to maintain their
19 procurement autonomy. These procurement
20 strategies are set by our local governing boards
21 and have to meet the expectations of those
22 elected officials, as well as the obligations of
23 the CPUC and the CAISO.

24 Our governing board strategies protect
25 customers' interests and rates, and it makes the

1 procurement that we purchase.

2 The threat of a central buyer could
3 thwart continued development of resources or
4 cause over-procurement, which is costly to the
5 California ratepayers.

6 While we are supportive of a multi-year
7 RA obligation, we caution the Commission of
8 making those early years percentage requirement
9 being too high, so that we don't thwart the
10 development of these new resources being able to
11 be brought into our portfolio.

12 There's not been a forward RA obligation
13 in the past, yet here we are today judging the
14 past for not having proper planning. We believe
15 a multi-year obligation would provide better
16 insight into the necessary planning needed for
17 reliability.

18 But keep in mind that much of this
19 planning of a generator's availability, the
20 transmission planning, and all LSEs obligation
21 resides at the CAISO.

22 And we encourage the CPUC, the CEC, the
23 CAISOs and all LSEs to work together to ensure
24 long-term reliability.

25 MR. RANDOLPH: Okay, Scott, you're up

1 next.

2 MR. OLSON: Thanks, Ed. Thank you,
3 Commissioners for this opportunity to speak to
4 you today.

5 Direct Energy is very active in
6 California and serving direct access customers as
7 an ESP, providing products to CCAs, and behind-
8 the-meter customer solutions.

9 We are one of the largest competitive
10 retail electric providers of -- providers of
11 electricity, natural gas, in home services in all
12 of North America, with over 4 million customer
13 relationships.

14 We support a competitive California
15 electric market as a key component in meeting the
16 statewide goals of affordable, clean, and
17 reliable electric power.

18 With regards to the issues around system
19 reliability, Direct Energy's pleased to provide
20 the following comments. First, ESPs have to meet
21 the same standard for system reliability as other
22 LSEs. We strive to procure the required amounts
23 of system, local, and flex RA to meet year-ahead
24 and month-ahead requirements, and are active
25 participants in buying and selling RA.

1 Secondly, we are engaged in RA reform
2 efforts and encourage those efforts. We're
3 active participants in the reform to assure the
4 programs change as needed, as we go to a more
5 competitive market.

6 Long term, we feel that open capacity
7 markets with transparent offers of available
8 resources, for terms sufficient to provide
9 investment incentives are the best pathways to
10 assure robust system reliability.

11 Besides the ongoing RA proceedings at the
12 Commission, we feel that other legislative and
13 regulatory activities are also beneficial for
14 system reliability. These include
15 regionalization and expanded EIM, CAISO changes
16 to the day-ahead market, and aligning of the
17 timing for showing resource sufficiency.

18 With regards to oversight, I want to
19 reiterate what my colleague Deb said, that CAISO
20 and the PUC remain lead agencies to set
21 reliability requirements, oversight for system
22 reliabilities maintained not only by the state
23 agencies, but as well as NERC, FERC and WECC.

24 ESPs have internal teams to fully cover
25 and comply with all necessary planning

1 requirements and procurement needs.

2 Fourth, examples from more competitive
3 U.S. electric markets show that ESPs have been
4 successful at providing the incentives for long-
5 term system reliability.

6 For example, PJM, and ISO New England,
7 and New York ISO each have capacity markets with
8 different forward requirements.

9 Direct Energy has invested in capacity,
10 physical capacity in these markets because of the
11 price signals that they've provided, as well as
12 the regulatory certainty.

13 Finally, just to reiterate what Michael
14 Shaw said this morning, at CMTA, our customers
15 demand high levels of reliable service but are
16 very price sensitive. The CNI customers that we
17 service depend on reliable electric supply and we
18 provide this for them.

19 However, they are price sensitive and
20 under very short notice can leave us for any
21 competitors. Given this, our load can be
22 drastically different in the years to come and
23 thus, we must limit our risk exposure through our
24 contracting activities.

25 Thank you for this forum today and the

1 invitation to speak, and I look forward to your
2 questions.

3 MS. TIERNEY-LLOYD: Good afternoon
4 Commissioners. Mona Tierney-Lloyd with EnerNOC.
5 You may think of EnerNOC as a demand response
6 company, but we have been acquired by Enel Group,
7 so we now have diverse, behind-the-meter
8 capabilities, as well as in-front-of-the-meter
9 capabilities.

10 So, we have been providing resource
11 adequacy in the state for over ten years. The
12 utilities have used it to meet their resource
13 adequacy requirements. And now that demand
14 response is being integrated into the wholesale
15 market, we are participating in the wholesale
16 market as well, as a supply side resource.

17 So, we are providing reliability services
18 through those demand response resources
19 currently.

20 We are in the transition phase, however,
21 with integrating behind-the-meter services into
22 the wholesale market. And, of course, there are
23 some bumps that we're experiencing along the way.
24 And we expect to continue to work both with the
25 Public Utilities Commission and the CALISO

1 through that transition process.

2 So, we're speaking a lot about the right
3 to choose at the supply level, but customers are
4 making other choices on site that are going to
5 affect the procurement obligations that we know
6 the CPAs, the ESPs for the utilities will be
7 making in terms of on-site distributed energy
8 resources.

9 So, there is a bottoms-up element. One
10 of the previous speakers spoke about how we
11 forecast demand going forward and understanding
12 that there is a lack of visibility about what's
13 happening behind the customer's location. But
14 there is a lot of investment that's going on, on
15 the customer side, to create a resilient on-site
16 network, and also to provide grid services either
17 at the distribution or the transmission level.

18 So, as we plan the system moving forward
19 is going to be really important to start to get a
20 better idea about what's happening at the
21 customer premise in more detail than we probably
22 can do at this moment in time.

23 But data access and technology are really
24 facilitating that movement, customer adoption of
25 these technologies, and it's apparent that there

1 are grid needs that will definitely benefit from
2 that. Including what's been mentioned earlier
3 about changes in demand response capabilities to
4 include load shift capabilities, which is
5 something that we definitely see as a need on the
6 system with the duck curve.

7 So, in terms of load forecasting that
8 comes into play in resource adequacy, but it also
9 comes into play with the transmission planning
10 processes, the longer term, and the integrated
11 resource plans.

12 So, making sure that we're accounting for
13 the customer side of the equation in those
14 planning processes is going to be really
15 important.

16 Rate structures, making sure that rate
17 structures are encouraging customers to make
18 rational decisions, is also really important.
19 And we think that the time of use is moving in
20 the right direction.

21 And the last point I'll make to wrap up
22 is that, utility rate structures and Commission
23 policy has basically driven energy efficiency and
24 demand response adoption. So, there are some
25 concerns as you go to a more disaggregated model,

1 if the CCAs and the energy service providers are
2 going to pick up that responsibility for
3 employing DR and the EE resources to the same
4 extent that the utilities have.

5 And I'll note that the loading order
6 that's in statute is directed towards the
7 electrical corporations, so there may be a gap
8 there. Thank you.

9 CPUC PRESIDENT PICKER: Thank you. I'm
10 going to ask you a question I asked of the last
11 panel. No. So, this is a complicated area
12 because there's different components overall to
13 reliability. There's overall supply, which is
14 what most people focus on. There's resource
15 adequacy which is that meeting that occasional
16 need at the peak and the hottest days of the
17 year.

18 But then, there's also these other unseen
19 services that you need to make the grid run and
20 to stay reliable. And so, it's very complicated.

21 And I have this haunting feeling that
22 when we put it altogether that scale really is
23 important to be able to provide the core.

24 And it's true that in our current system
25 the IOUs, the investor-owned utilities do procure

1 the most of these overall reliability services.
2 And particularly in load-constrained areas, where
3 there may be only one generator that because of
4 the topology of the grid who can help to supply
5 all of these services, or some critical component
6 that it gets very hard to be able to actually
7 compete for their limited attention as some of
8 these load pockets get a little bit subdivided by
9 -- you know, by a variety of different providers
10 who are competing to get that.

11 We're experiencing situations where some
12 providers are failing to be able to competitively
13 bid.

14 And so, frankly, I've have had
15 conversations both with ESPs, electricity service
16 providers, and with CCAs, saying that they
17 frequently can't win the bids because they under-
18 bid. They are not willing to make a multi-year
19 contract because they don't know what their
20 load's going to be in the out years.

21 They don't actually have a good sense of
22 what pricing ought to be. And to actually have a
23 competitive bidding process they shouldn't know
24 what other people are bidding.

25 But we get stuck with people coming

1 forward and asking us to let them off the hook.
2 And that's really concerning. This is the core
3 responsibility that the Legislature put it to be,
4 the energy regulators, after the 2001 crash.

5 And so, I don't think that we're seeing
6 this disaggregation of providers actually giving
7 me confidence that we can do a good job.

8 So, I'm going to ask the same question I
9 asked the previous panels. I think that you,
10 actually, at least talked about it in terms of
11 who's going to purchase your resources. Again,
12 what's the best way to do this? A central buyer?
13 Who's going to be that central buyer? That is a
14 challenge.

15 Do we go out and do what we they do in
16 Texas and ask the people to bid it competitively?
17 Do we nominate an investor-owned utility? We
18 can't just not do anything.

19 So, I'm waiting for you to give me your
20 thoughts because otherwise, as I pointed out at
21 the last panel, we'll quickly have to make
22 decisions on our own and it's not going to work
23 equally well for all the different business
24 models sitting before us.

25 MS. EMERSON: President Picker, I don't

1 believe that we're just not doing anything. I do
2 think we're working together.

3 CPUC PRESIDENT PICKER: Well, we're
4 failing is what we're doing.

5 MS. EMERSON: Well, and as I stated,
6 we're 80 percent hedged in that local for the
7 next four years out. We were auctioning --

8 CPUC PRESIDENT PICKER: You may not be in
9 one of those load pockets. Other third-party
10 providers are and they're failing. And we have
11 to look at the broad picture, not just your
12 situation.

13 MS. EMERSON: And I do believe that we
14 are working together, multi-CCAs, and going
15 together and buying these larger scale type of
16 developments that you mentioned, that you're not
17 seeing.

18 Sonoma Clean Power, for instance, went
19 together with Marin and we did buy a large-scale
20 solar facility.

21 Also, CCAs are looking to put together a
22 joint JPA, in which all CCAs can band together to
23 be able to look at these larger-scale type of
24 purchases.

25 We hear you. We understand that

1 generators and developers don't want to have to
2 sell off 10 megawatts, 20 megawatts, 30 megawatts
3 here. We see that. And so, we do want to be
4 able to utilize our resources in the best
5 capacity so that we can purchase those and get
6 them at a competitive rate.

7 CPUC PRESIDENT PICKER: Okay, I'm not
8 calling out the CCAs alone, but I've got to tell
9 you that the answer you gave me is whistling past
10 the graveyard.

11 We had 11 requests for variance this year
12 in the RA market.

13 MS. EMERSON: I understand that. But,
14 yes --

15 CPUC PRESIDENT PICKER: Eleven. Eleven.

16 MS. EMERSON: -- for the annual --

17 CPUC PRESIDENT PICKER: Eleven. Eleven.

18 MS. EMERSON: -- compliance, frankly,
19 none of which were CCAs.

20 CPUC PRESIDENT PICKER: Eleven. Eleven.
21 That's pretty significant.

22 MS. EMERSON: One which was an IOU.

23 CPUC PRESIDENT PICKER: So, you agree,
24 we're whistling past the graveyard. We have a
25 problem here. And what's the best way to solve

1 it?

2 MS. EMERSON: I think you need to, you
3 know, let the LSE -- well, one thing we've gone
4 to the Commission, actually in the Energy
5 Division, and asked for those specific load
6 pocket areas and that's been turned down.

7 Right now, we get two areas if you're in
8 PG&E service territory. I believe it's two in
9 SoCal's area, as well.

10 And, but it's not broken down to the sublevel
11 which is where, and I'm just going to use the
12 north for example, Moss Landing. That was a
13 sublocal area and that became an issue.

14 However, no LSEs on their obligation form
15 that we received from the PUC had Moss Landing,
16 because that's just not simply how the Energy
17 Division puts that out. They put it out as PG&E
18 local and Bay Area local. All CCAs were
19 compliant in those two areas.

20 Unfortunately, it gets broken down much
21 further into subareas and that's where we need
22 more transparency, and where we've gone to the
23 Commission and asked for that transparency.

24 MR. CUSHNIE: President Picker, you
25 identify a key concern of Edison, certainly. I'm

1 probably going to tell you something you know,
2 but again for the benefit of others, our resource
3 adequacy program was put in place looking to
4 achieve a balance of different intentions. We
5 wanted to make sure that the products that we
6 would ask LSEs to buy were sufficiently
7 standardized that they could be commercially
8 transacted. But also, hopefully, specific enough
9 that we actually met our local area reliability
10 needs.

11 And we've created this construct that if
12 all the LSEs met their individual, local RA
13 requirements, but that collectively the resources
14 didn't meet the totality of the needs of the
15 system, then the CALISO would backstop.

16 And it worked well when we had the
17 ability, basically, doing 85 percent of the
18 procurement because the utilities knew what the
19 subload pocket constraints were on the system.
20 And even though it cost more money, we had the
21 size, the capability, and the balance sheet to go
22 out and do that more expensive procurement to
23 ensure that those resources are there they needed
24 for the CALISO backstop.

25 Now that the utilities have a lower

1 portion of the load and we have an uncertain
2 portion of the load, we're really not in a
3 position to be able to do that anymore. And
4 that's manifested itself in our service
5 territory, in our Moorpark area, where even
6 though we have the Moorpark Big Creek local area,
7 which covers a portion of the Pacific, and inland
8 in the Sierras, in Moorpark specifically there's
9 subpockets. Moorpark, Santa Clara, Goleta.

10 And most LSEs met their local RA
11 requirements, Edison certainly met its local RA
12 requirements. But collectively, nobody purchased
13 1,500 megawatts from Ormond Beach, old gas-fired
14 resources that nobody wants.

15 Collectively, nobody bought a 54-megawatt
16 peaker, up in Goleta.

17 So, one of us might prepared to do a
18 contract for Goleta at some point in time, but
19 it's going to be hard to imagine any LSE wanting
20 to step up and contract for 750 megawatts of an
21 old gas-powered power plant in today's
22 environment.

23 So, we do need a centralized entity in
24 the transition, at a minimum, until we can put a
25 comprehensive plan in place to reduce our

1 reliance on gas-fired resources in the state.

2 I strongly encourage our IRP process to
3 do that starting in 2019. Our focus should be
4 what is that transition plan to reduce our
5 reliance on gas-fired generation. Be very
6 thoughtful and conscious about it. Come up with
7 abatement curves for each power plant and make
8 decisions on which ones we think we can move on
9 from and put resources in place to allow that to
10 happen.

11 But in the meantime, we still need to
12 live with the fleet that we have and for those
13 resources that are needed, you need a centralized
14 entity.

15 I shared in my opening remarks different
16 models. The quickest, most expedient would be to
17 have the utilities do it. PG&E in San Diego are
18 not prepared to do it at this point in time,
19 under the current rules.

20 Edison is providing it. It is clear that
21 we're providing a procurement service for all
22 customers. There's a cost allocation mechanism,
23 so all costs are borne by customers equally. And
24 that, you know, we have clear standards as to how
25 we're supposed to operate when we do that

1 contracting. Because we don't make money off of
2 this, we shouldn't be put at jeopardy in doing
3 something to ensure reliability for the system.

4 CEC CHAIR WEISENMILLER: I guess the
5 basic question I wanted to ask, and certainly a
6 couple of you that are doing procurement, are
7 there economies of scale in procurement?

8 MS. EMERSON: I would say yes, and
9 there's also, and which we're working with
10 generators now to instead of just going out and
11 buying one year, which is the current obligation,
12 right, but we know we're moving to a multi-year.
13 But it's better, and it's better for the
14 generator if we can contract three or five years,
15 and it helps them be able to spread that cost
16 over time so they're able to offer a more
17 affordable price than what they would in, say, an
18 RMR or a CPM type of contract where they have to
19 capture all of that cost within one year.

20 CEC CHAIR WEISENMILLER: Edison, has that
21 been your experience?

22 MR. CUSHNIE: You know, there's
23 definitely an economy of scale in procurement,
24 particularly for resources that require a fair
25 amount of maintenance because then the asset

1 owner can, has, a revenue sufficiency certainty
2 that they can then do their maintenance in a
3 thoughtful way and ensure the facilities are
4 reliable.

5 CEC CHAIR WEISENMILLER: Because I mean
6 the classic and common definition of what's the
7 utility function, you know, obviously you have
8 monopolies and economies of scale. So, that
9 needs to be a question of the whole theory on
10 unbundling or fragmenting procurement.

11 CPUC COMMISSIONER RANDOLPH: In addition
12 to the economies of scale question, don't you
13 also have some, you know, kind of just a
14 different, broader perspective? Because, you
15 know, the subarea information is available in the
16 local studies to get to but, you know, the more
17 disaggregated entities you have, the less they're
18 going to be looking at these different local
19 subareas.

20 MR. CUSHNIE: Yeah, I can imagine that,
21 you know, it would -- with smaller organizations
22 you have smaller teams and, therefore, less, say,
23 you know, ground you can cover in terms of doing
24 your market research and your intelligence. But
25 even if you knew a sub -- a subpocket area was

1 needed, if you're one of the smaller LSEs, or
2 CCAs that has a service territory to the east of
3 our system or the south of our system, why would
4 you be incented to contract for an old gas-fired
5 power plant on the north of our system.

6 You have a requirement to meet your local
7 area reliability across our system, but that's
8 not something you're probably going to be able to
9 proudly share with your constituents. That's not
10 why you formed your CCA.

11 In terms of the economy of scale, let me
12 answer it this way. I do think there's a lot
13 that we can look to in our competitive markets to
14 source, and even if we have multiple load-serving
15 entities. System procurement, flexibility
16 procurement, we can come up with standards I
17 believe, that are allocable to all load-serving
18 entities.

19 It's when we start getting down to very
20 specific projects, particularly if they their
21 large, it's when we have very specific policy
22 determinants that we want to do that are very
23 niche. And it's very difficult to allocate that
24 to 20 or 30 LSEs. And that's where you get to
25 your concept, Chair Weisenmiller, I shared on

1 this a little bit, that you -- it's a utility
2 function at some point in time.

3 CEC CHAIR WEISENMILLER: Well, I mean
4 part of the question is how many people are
5 needing now, you know, private procurement versus
6 the same question to Sonoma, the same question to
7 energy in California?

8 MR. CUSHNIE: So, Edison's still
9 responsible for close to 20,000 megawatts of load
10 and we do reliability procurement through the
11 CAM. We're authorized out about 194 people to do
12 our procurement. We're running about 180.

13 MS. EMERSON: Sonoma Clean Power is a
14 550-megawatt peak load and we have three people
15 working in procurement.

16 CEC CHAIR WEISENMILLER: Yeah, how about
17 you?

18 MS. EMERSON: Oh, I'm sorry?

19 MR. RANDOLPH: He's asking Scott.

20 MR. OLSON: We have desks that do both
21 our retail and commercial and there's roughly
22 about, I want to say about four dedicated to
23 California, but we're buying and selling
24 throughout the country.

25 CEC CHAIR WEISENMILLER: Yeah.

1 CEC COMMISSIONER HOCHSCHILD: Another
2 question, a different line, actually around
3 electrification. Looking ahead at how that can
4 impact reliability. ISO's not with us today, but
5 I think I'm not doing great violence to their
6 view saying that as electrification expands it
7 will -- their view is that it will increase
8 reliability.

9 And certainly, I think there's a
10 diversity of views, actually among the
11 Commissioners , it's about how quickly that will
12 proceed. I'm very much in the camp that long
13 term, yeah, evidence suggests that we're going to
14 see electrification. Almost everything, we had
15 lithium-ion in 2010, \$1,000-a-kilowatt hour,
16 we're looking at \$130 day. Tesla says they are
17 going to hit \$100 by the end of the year.

18 We have 400,000 electric vehicles on the
19 road today, we are adding 12,000 a month. We're
20 seeing technologies like electric heat pump water
21 heater already here and which were \$3,000 or
22 \$4,000 two years ago, it will be \$1,200 today and
23 falling.

24 And looking ahead, we need all of these
25 technologies obviously to be a good citizen of

1 the grid and to have voltage regulation, and
2 telemetry where we can.

3 I'd appreciate your thoughts on that
4 question of how electrification supports or can
5 support reliability and what else we ought to be
6 doing to ensure that it does, or your own views
7 on the trends as we've been discussing them.

8 MR. CUSHNIE: Well, let me lead off here,
9 first Commissioner Hochschild. I appreciate the
10 pitch for Edison's clean power electrical
11 pathways vision.

12 I'm going to ask you a question and it
13 will be a little bit different than expected.
14 Electrification across our various ought to be
15 very beneficial for our distribution system by
16 leveraging customers' usage of electricity, and
17 adding their usage, and turning them to, you
18 know, mini sources of supply by aggregating them.

19 We've created a more resilient
20 distribution system, which is really important.
21 The more resilient our distribution system, the
22 more power we can source at the distribution
23 level, then the less issues we have on the
24 transmission side, the less need we have for
25 large-scale generation.

1 So, it's very complementary to what
2 Edison would at least like to see happen with
3 its, you know, its wires and poles business. And
4 I'll stop there. You know, I'm happy to go on
5 and on. We're very excited about this future.

6 MS. TIERNEY-LLOYD: Actually, Colin said
7 a lot of what I would have said as well, which is
8 we see electrification providing some additional
9 routes to resiliency on the grid. And increasing
10 utilization of existing infrastructure. So,
11 hopefully, deferring the need to add a lot of new
12 investment on the grid for reliability purposes.

13 So, with the increased utilization, we
14 also see that as providing affordability benefits
15 to consumers. So, that's our perspective.

16 MS. EMERSON: And I think from Sonoma
17 Clean Power's perspective this is a very exciting
18 time for us and we had the privilege of working
19 on the CEC grant, in which we're greatly
20 expanding electrification issues and heat pumps.
21 And we have other programs that we, we gave away
22 free car charging devices to our customers, and
23 so that we can get into an aggregated type of
24 program and offer demand response type of
25 services.

1 Also, as a result of the fires in the
2 rebuild we're working with the community to help
3 electrify and make those new bills more energy
4 efficient. And electrification efforts are being
5 done in all of our various city councils.

6 CPUC COMMISSIONER PETERMAN: One quick
7 question about your program at Sonoma, on
8 transportation. How are you funding that?

9 MS. EMERSON: How are we finding it?

10 CPUC COMMISSIONER PETERMAN: Funding it.

11 MS. EMERSON: Oh, funding. It comes
12 through our program budget, which is as a part of
13 our reserves that we're able to maintain, and
14 then we'll have a budget item for those programs.

15 CPUC COMMISSIONER PETERMAN: Okay,
16 thanks.

17 CEC COMMISSIONER MCALLISTER: So -- oh,
18 I'm sorry, do you want to --

19 CPUC COMMISSIONER PETERMAN: I want to
20 hear his answer to the question.

21 CEC COMMISSIONER MCALLISTER: Oh, okay.

22 MR. OLSON: Help me out there. So, I
23 would say two things, Commissioner. One is that
24 when you have more certainty on electrification,
25 more direction from the state for where we are

1 going I think that will help to spur additional
2 investment in reliability.

3 I think in recent years when loads were
4 flat or declining, perhaps, and certainly there
5 was a move away from gas. The thought is what
6 will be the resources that we'll replace, there
7 was some uncertainty with where the state was
8 going.

9 With more direction on incentives for
10 batteries, with more direction on incentives for
11 electric vehicles, for homes that will now
12 provide that growth trajectory that I think give
13 the investment signals that investors need to go
14 ahead and bring in capacity that will be
15 beneficial.

16 The second thing is just on technological
17 innovation. And like Deb mentioned and the same
18 thing on the ESP side, when we work in
19 competitive markets we do a lot of things with
20 our retail customers on behind-the-meter
21 solutions to differentiate ourselves. And that I
22 think, also, helps provide some of the additional
23 reliability that our customers are interested in.

24 CPUC COMMISSIONER PETERMAN: Thank you.

25 CEC COMMISSIONER MCALLISTER: So, I

1 wanted to sort of continue on this line and ask a
2 version of what I asked the previous panel, which
3 is so it's great to hear that, you know, EnerNOC,
4 I know and others are also doing wonderfully
5 behind the meter technologies , and behind-the-
6 meter help manage demand charges and overall
7 economic efficiency of energy consumption, both
8 with electricity and natural gas I think in the
9 context of this electrification.

10 How do we turn that around and provide,
11 and get it grid facing and allow that same
12 wizardry to provide a resource wedge that's
13 comparable to the rest of our supply in order to
14 do just the things that you are all talking
15 about. Optimize the distribution grid in a way in
16 pushing more investment up into the sub-
17 transmission, transmission, and really focus on
18 sort of distributed assets and optimize with very
19 sharp pencils how we utilize our distribution
20 grid. That seems to still be a piece of the
21 puzzle. How do we scale demand response? How do
22 we provide customers with the right signals to
23 enable decision making supports the state goals,
24 both for decarbonization and reliability.

25 MS. TIERNEY-LLOYD: So, thank you for the

1 question. It's not a simple answer to respond to
2 that. As I mentioned earlier, we're just
3 starting to integrate demand response into the
4 wholesale market so that we have that grid-facing
5 resource, where previously it has been under the
6 control of the utilities and used primarily for
7 distribution purposes, but also in support of the
8 grid when it needed to be.

9 We actually have some resources that are
10 grid-facing. We have about 88 megawatts of in-
11 front-of-the-meter storage in PG&E service
12 territory and about 3 megawatts in San Diego's
13 service territory. So, those resources are also
14 starting to be deployed.

15 There are a couple of RFOs that are out
16 there pending. We'll have to see what the
17 results of those, as well as the CCAs have issued
18 some RFOs. But again, we'll have to see what
19 those resources are selected through that
20 process.

21 In terms of behind-the-meter integration,
22 and that's primarily being looked at for
23 distribution purposes, but can also provide
24 transmission level relief. We're very early
25 stages on that in terms of the integrated

1 distributed energy resource proceeding and the
2 pilots that are in play there.

3 There are some studies that the CALISO is
4 doing in terms of what are the local reliability
5 needs and what would we need to manage the
6 resources to do? How many hours would they need
7 to be available? What are the hours? Those
8 kinds of studies, we're still waiting for the
9 results of that.

10 So, I think there are a couple places
11 where DERs are beginning to be plugged into the
12 system. And I think once we get over these
13 thresholds of establishing program rules and
14 understanding what the actual needs are on the
15 grid, I think we're going to begin to see more of
16 that being integrated into the grid. But it's
17 still a little early stage at this point.

18 CPUC COMMISSIONER RECHTSCHAFFEN: I had a
19 question for Deb. I appreciate your comments
20 that you're now transitioning to more long-term
21 contracts and looking at centralized procurement.

22 Right now, almost the entirety of our RA
23 contracts are fossil contracts. What are you
24 plans for meeting that need with non-fossil
25 resources?

1 MS. EMERSON: So, we do have many
2 resources in our resource adequacy plans that are
3 not fossil. And I believe that the Energy
4 Division just requested a data request on that in
5 April for our ten-year out, what every LSE's
6 contracts look like.

7 We have geothermal, which is around the
8 clock. We have solar, we have wind. We do have
9 some fossil, of course, as well. And I think
10 with the addition of storage and where we'll see
11 that leading to on the grid, once LSEs are
12 meeting that mandate, but we're not there yet.

13 So, Sonoma Clean Power is currently
14 negotiating a storage contract, a long-term
15 storage contract. And I know many other LSEs are
16 doing the same right now as well. So, we'll look
17 forward to seeing how that plays out in being
18 able to, you know, help meet --

19 CPUC COMMISSIONER RECHTSCHAFFEN: Your
20 obligations under our storage mandate, at least,
21 is much less than for the investor-owned utility.
22 So, I'm wondering, are you planning to do
23 significant storage procurement? Do you know if
24 other CCAs are?

25 MS. EMERSON: I can't say for other CCAs.

1 I do know what we're negotiating right now is
2 slightly above what our mandate is and we
3 certainly look to likely procure even more than
4 that. We're seeing prices decline, as you can
5 imagine, with the push to that mandate, and more
6 storage people are coming out to offer those
7 products. And so, we don't want to buy too much
8 at once. And I think for hedging strategies you
9 see that where you'll buy products over time so
10 that you can capture various price.

11 MS. TIERNEY-LLOYD: If you don't mind,
12 you asked a question on the previous panel about
13 whether demand response can participate in direct
14 access programs. And I know the answer to that.
15 I can respond to that, if you'd like.

16 CPUC COMMISSIONER RECHTSCHAFFEN: I was
17 more interested just as a factual matter what the
18 level of participation is. But I welcome your
19 comment, absolutely.

20 MS. TIERNEY-LLOYD: So, commercial
21 industrial customers that participate in direct
22 access also are eligible to participate in demand
23 response in the utilities' programs. And there's
24 a fairly high percentage of those customers that
25 actually do participate in those programs.

1 CPUC COMMISSIONER RECHTSCHAFFEN: Thank
2 you.

3 CPUC PRESIDENT PICKER: Further
4 questions?

5 MR. RANDOLPH: Are there further
6 questions?

7 If you'll indulge me, then I have
8 questions. To set up the question a little bit,
9 what I've heard somewhat from all of you is, you
10 know, there's one major issue in providing
11 resource adequacy as we move into this new
12 paradigm, and that's certainty. And there's a
13 lack of certainty for both the sellers and the
14 buyers on what the market's going to look like.

15 And then, Deb, you mentioned in your
16 opening comments, you know, we need to think
17 differently about transition versus the
18 permanent. So, I'd actually like to throw it to
19 you first, and then others.

20 You know, what is your vision of what a
21 transition would look like that helps create some
22 of that certainty around the needs for resource
23 adequacy versus what the permanent look like?

24 And then, again, I'd be interested to
25 hear from the other three, as well.

1 MS. EMERSON: Sure. Thank you for that.
2 And as you recall, when Resolution 4907 was being
3 developed we sat down at the table and wanted to
4 work with you to figure out what's the best way
5 to make sure there was a fair and adequate
6 transition, without as much disruption.

7 And part of that was getting LSEs, in
8 particular CCAs, involved in the load forecasting
9 process at a much earlier stage. That's really
10 critical. And the IOUs need that information in
11 order to do proper planning.

12 And so, that was kind of where we are
13 now. And we're just seeing how that's going
14 through. We're just a few months into that
15 resolution.

16 And then, you know, I do believe that a
17 multi-year, forward type of obligation will
18 definitely help all the commissions, and the
19 CAISO be able to better properly plan. It does
20 give that certainty to these other generators
21 that need to be able to capture costs over time
22 and will hopefully make prices more competitive
23 than trying to capture all of that in one year.

24 So, I commend the Commission in adopting
25 that yesterday. We'd like to see how that works.

1 So, I think before jumping to the central buyer,
2 and we've got to do this, let's take it a step at
3 a time. Let's look at what the results are of
4 these good decisions that are being made and be
5 able to see how that plays out.

6 MR. RANDOLPH: Colin, Scott?

7 MR. OLSON: I'll go. Yeah, thanks, Ed.
8 As I said in my opening comments, we kind of look
9 to what has been successful in other markets that
10 Direct Energy's been engaged in. And we find
11 that longer tenure definitely can provide them
12 some investment signals that are needed provided
13 there's that capacity market that gives you the
14 transparency and liquidity so we can properly
15 hedge our risk. And that we have a lot of good
16 data on what the actual prices are for us to
17 invest, for others that are actually providing
18 capacity in the market to come into this market,
19 to give those signals that are necessary.

20 Much like Deb, we have reservations with
21 the central procurement mechanism because it
22 really tends to be an inefficient solution that
23 doesn't lead to individual LSEs procuring what
24 they need to meet their individual goals.

25 If we're going to more choice, and we're

1 definitely going down that road, having central
2 procurement just is not a -- it doesn't fit well
3 within that model. What are you going to
4 procure? If you're procuring gas and now you are
5 going to allocate gas to everybody, but if you
6 have entities that don't want the gas in their
7 portfolio, what do they do with it in the absence
8 of a market where they can now trade and sell
9 this because, again, signals are not liquid for
10 them.

11 We have the best background on what we
12 need, what our incentives are, what our customers
13 need, and we think by having those longer-term
14 price signals with the market we can more
15 efficiently meet those requirements.

16 MR. RANDOLPH: So, Colin I will get with
17 you in a second. To push back a little bit,
18 Scott, you and some of your colleague businesses
19 have definitely, for a long time made it clear
20 that you think a central capacity market is the
21 solution. Not that I can completely forecast the
22 future, I don't see that in California's future
23 any time soon. Or, if it's there, it's
24 relatively -- it will be relatively controversial
25 to get there.

1 And I know if you go back and look at the
2 Green Book, and some of the analysis there, not
3 all markets that are fully competitive and more
4 competitive in California have capacity markets.
5 But maybe you don't have to answer, now, but I
6 would really encourage folks as they submit
7 comments, to really think of what are the
8 alternatives, you know, beyond just some
9 alternatives that have been thrown out again and
10 again over the years that aren't moving forward
11 in California.

12 MR. OLSON: Yeah, it's a fair point.
13 And, you know, we still continue to toot our
14 horn, in that regard to the things that we think
15 would be effective.

16 We've filed comments, certainly, in our
17 RA proceedings to say that if there's going to be
18 no central capacity market, having some multi-
19 year procurement can be successful, provided,
20 again, we get some sort of flexibility. As I
21 mentioned in my comments, our customers are very
22 price sensitive. For us to go into a lot of
23 long-term contracts without the ability to hedge,
24 without the ability to trade efficiently, some
25 other sort of mechanism to allow that to happen

1 or at least some reduced amount of forward
2 procurements. We don't have to do a hundred
3 percent, into year two, year three, year five,
4 what have you, so we do have some room to modify
5 our portfolios as necessary, is something that we
6 would consider.

7 MR. RANDOLPH: Colin?

8 MR. CUSHNIE: Yeah, I think as Scott just
9 laid out, the crux of the problem. We have load-
10 serving entities who understandable want to
11 procure what their customers want. They don't
12 want to be financially exposed to those
13 commitments more than they have firm events from
14 their customers.

15 But what the customers want may not
16 completely line up with the reality of the grid
17 as it exists today. And so, I'm going to pause
18 it again nobody wants to buy 750 megawatts from
19 Ormond Beach, an old, aging, fossil-fuel
20 facility, in the Oxnard area, but it's needed.

21 So, who's going to buy it? So, from our
22 perspective, we need to have a transition plan.
23 And that transition plan needs to consist of two
24 steps. I already described the first one which
25 is in the IRP process let's put together a

1 comprehensive study effort to figure out how we
2 transition away from gas-fired generation and
3 keep affordability in mind as we do that.

4 But there certainly an arc that we can
5 follow, as we reduce our reliance on gas-fired
6 generation.

7 And then, what's going to replace it?
8 Now, what's going to replace it are probably
9 requirements that we can put out there and
10 require all load-serving entities to go out and
11 procure. So if we are talking about distributed
12 resources, flexible resources. We can put those
13 requirements out far enough in advance. And make
14 people know that if you're in this business,
15 you're in it forever. You're not in it for
16 tomorrow, or the next day, or the year after.
17 It's a forever business.

18 And then, you go out and make those long-
19 term commitments to serve your customers'
20 requirements. And then, that will allow the gas-
21 fired resources to retire in an orderly manner
22 and keep the system reliable.

23 So, the end state is basically trying to
24 figure out what are those products and those,
25 we'll call them, standard terms that we're going

1 to be looking for to the greatest extent
2 possible.

3 And we're really not looking for a
4 centralized procurement entity in this transition
5 state. Who's going to buy the stuff that nobody
6 wants to buy?

7 And those are going to be the tough
8 decisions that I think President Picker talked
9 about.

10 CPUC COMMISSIONER GUZMAN ACEVES: Is
11 there a response to that Ed or Scott can give? --
12 because I think that kind of sums up where I am
13 personally on these particular geographic areas.
14 Do you agree with that? Is that --

15 MS. EMERSON: So, one, in response to who
16 wants to buy the units that nobody wants? We
17 certainly understand that. And I did want to
18 just make it clear, make sure everyone
19 understands, so a CAISO tariff operates right
20 now. So, even if you had gone out and purchased
21 300 megawatts of Ormond Beach, that didn't
22 necessarily erase your obligation of what you
23 could have been CPM'ed, well, however you would
24 have helped the overall system efficiency.

25 But the way that it works out is that you

1 still likely would have got CPM'ed.

2 I do think doing longer-term contracts,
3 however, would help those types of resources be
4 available in the market as long as they're needed
5 through this IRP planning process, so that we are
6 able to look at what's coming on. Where do we
7 see those resources are going to be in future
8 years and to work through this phasing out?

9 But I think you've got to have those
10 long-term contracts available to the market, and
11 that's going to help bridge that gap.

12 CEC COMMISSIONER MCALLISTER: I wanted
13 to, well, really, it's an exhortation. But, you
14 know, it's been notable here we've been talking
15 about the load forecast, and how critical that is
16 and we're talking about the procurement stack and
17 how critical that is. And so, we also thought of
18 -- you know, we generally thought of these things
19 as a one-two, like a sequential.

20 And load forecast is done and, therefore,
21 we can make all these decisions about
22 procurement. Well, that's breaking down.

23 So, you know, I want to exhort all of you
24 to participate in the load forecast sort of
25 updates, that includes methodologically, and then

1 implementation, get them into the Commission's
2 process, so that this can be an intentional
3 process and not a co-dependent process.

4 So, you know, we want this to be very
5 transparent and intentional, and get to a new
6 forecast that serves all of our needs in this new
7 reality, rather than sort of have the dog chasing
8 its tail. So that's critical. And a lot of this
9 does go back to the forecast. The forecast that
10 then goes over to PUC for their respective uses.
11 So I guess it's an exhortation to come visit us
12 in that process.

13 MS. TIERNEY-LLOYD: I just wanted to add
14 one additional comment to the conversation that
15 we were just having. Not having price discovery
16 or value discovery in a certain area can be an
17 inhibitor for having resource development in that
18 area. So, we understand there are old plants
19 that nobody wants to buy. But indicating through
20 price signal that there's value in developing a
21 resource in this area is valuable. And it may be
22 demand response. It may be behind -- it may be
23 in-front-of-the-meter storage. It may be
24 something like that.

25 But looking at some fungibility in terms

1 of the -- what has been the historical resource
2 base and trying to encourage new entry, that's
3 one way to do it to send new price signals.

4 One thing I'll just say, I know capacity
5 markets are not the panacea, but where they have
6 capacity markets that work well, you can compare
7 on price demand response versus any other kind of
8 generation type.

9 And so, where they don't have capacity
10 markets, and Texas is an example where it's an
11 energy-only market, they have out-of-market
12 constructs to encourage other types of resources,
13 such as demand response for emergency purposes.
14 Or, the utilities continue to offer those kinds
15 of programs.

16 So, absent a capacity market, then we
17 have to look at what have other -- how have other
18 markets dealt with encouraging resource
19 development.

20 MR. RANDOLPH: I think with that we're at
21 the four o'clock hour, so wrap up --

22 MS. FELLMAN: Three o'clock.

23 MR. RANDOLPH: If you'll indulge me for
24 just a real quick wrap up. One thing, I want to
25 make note of something that -- not to call you

1 out too much Deb, but something you said and
2 something that I'm being -- I've seen several
3 times, now, in documents produced by the CCA
4 Trade Association in Sacramento, that repeatedly
5 said the PUC does not have a role in resource
6 adequacy, that that is the job of -- well, I
7 think as you phrased it, of the ISO of WECC.

8 And I just want to remind people, Code
9 Section 380(a): The Commission in consultation
10 with the independent system operator shall
11 establish resource adequacy requirements for all
12 load-serving entities.

13 So, it is very clear the PUC plays a
14 direct role in resource adequacy in California
15 and the Legislature does look to us as the
16 responsible agency.

17 With that said, I actually want to build
18 on something Commissioner McAllister just said.
19 Which is, if we're moving into this new paradigm
20 with of a lot of uncertainty, a lot of new
21 resources, a lot of new players, one of the
22 things we're really learning is things that were
23 backwater decision-making processes, like the
24 load forecast, not to say that was too backwater.

25 (Laughter)

1 MR. RANDOLPH: There weren't -- you know,
2 that was not something that a lot of people
3 beyond some core folks paid attention to year
4 after year. But that is actually something that
5 is becoming increasingly complicated and
6 increasingly important for lots of parties to
7 give input in as it's developed.

8 And similar for a number of issues here,
9 I'd just encourage us, as we look at these
10 resource adequacy issues to actively participate
11 in each part of the decision-making process,
12 because we need that input from everybody. Thank
13 you.

14 CPUC PRESIDENT PICKER: Thank you.

15 (Applause)

16 (Pause to change seating)

17 MS. FELLMAN: While we are switching out,
18 I will go over the end of the day. We are going
19 to have a rapid round from the Ad Hoc committee.
20 We are going to give them two and a half minutes
21 each to give us their observations for the day
22 and then we'll turn to President Picker, we will
23 turn to you for some closing remarks and a
24 discussion of next steps. And then we will have
25 public comment. Could we have the audience's

1 attention please so we can move? So again what we
2 are going to do is five minutes with the Ad Hoc,
3 and then we will turn it over to President
4 Picker. And the rest of the afternoon Michael
5 Colvin will come up and we have ten public
6 commenters. So, we can decide how many minutes
7 to give them each.

8 So, I am going to turn it over, first, to
9 Commissioner -- I guess Chair Wood.

10 MR. WOOD: Oh, Pat's good. One of the
11 primary benefits of competitive markets has
12 always been that the risk of investment that was
13 transferred from the backs of captive customers
14 onto the pocketbooks of people who can manage
15 that risk, who or are paid, who are educated, who
16 know how to manage that risk better.

17 And so, I think about it like a rheostat
18 on the wall to dim or upper the lights. At zero
19 would be your EROCT, you know, energy model where
20 zero percent of the costs on the back of the
21 captive customers for that extra investment.

22 All the way up to a hundred percent,
23 which would be a vertically integrated state,
24 like any of your neighboring states. Virginia's
25 always was my model because I lived there for a

1 while.

2 So, capacity markets are somewhere in
3 between. The three-year market that PJM, in New
4 England have, that we're talking about here, that
5 maybe you all adopted, in fact yesterday, is kind
6 of in the middle. From a producer's side, the
7 crappy part of my French, MISO and New York
8 models are like at one year. So, that's not very
9 directionally signaled to anybody. I mean, it's
10 just an administrative mess.

11 But don't be scared of FERC. I was there
12 and it was bad. I know for 2000 --

13 (Laughter)

14 MR. WOOD: -- the good guys came and
15 cleaned it up. But New York is a single-state
16 ISO, just like this one. They have the not so --
17 I'm not so crazy about a one-year capacity
18 market. But they work back and forth with FERC.
19 And I dealt with a number of capacity market
20 decisions. FERC cannot impose a capacity market
21 on any state. It's not in the law. All the
22 states that have capacity markets, TTOs, that
23 they brought that to the Commission and asked
24 them to do it.

25 Resource adequacy I think can be dealt

1 with by one of those kind of constructs, sound
2 like you're there.

3 The renewable contracts, it's two
4 different processes, I understand that, but I
5 wonder if there's a way to somehow marry that
6 together. And I'm kind of hitting this new today
7 because I don't live it like you all do. But I
8 wonder if there's something there that can be
9 integrated together.

10 As much as I love the renewable guys, I'm
11 on the board of one of them, 20-year contracts is
12 a pipe dream from the past. You all were, again,
13 great to finance that for the rest of the
14 country, but people are settling for three- to
15 five-year contracts, with banks buying the
16 merchant ell -- you know, again, on the backs of
17 individual customers like WalMart, and Target,
18 and the military bases, and the school districts.

19 So, again, I think those problems, while
20 separate, maybe have an integrated type response.

21 Centralized procurement, I now finally
22 figured out is not the same as centralized
23 market-based process. So, I think you probably
24 have more answers, more happy endings with the
25 PJM type approach than maybe the other ones, just

1 because we've been there and there's people --
2 there's history on it. None of them are great.
3 I hate them. I never endorsed them. They
4 weren't part of standard market design because I
5 just didn't think that's what the whole point of
6 markets was, was to go kind of go back and
7 reregulate.

8 Which leads me to kind of my last point.
9 I'm sorry, Ralph, I'm taking one of your minutes.

10 It's clear that Picker's ready to make a
11 decision, so I hope all the rest of you are, too.

12 (Laughter)

13 MR. WOOD: But endeavor to achieve the
14 equally grumpy outcome that I think is the
15 California way. It's certainly worked for me in
16 the past, too, I think it will be good.

17 Do resist the California urge to tell
18 everybody exactly how to do everything. Just
19 state your goals and let them use market. And
20 these people we heard from today. They're just
21 as good as the last generation was. Again, you
22 all have the cream of the crop out here. Let
23 them go to work. Don't do it all for them. Let
24 them do it, and figure it out, and you'll come up
25 with good outcomes.

1 The final thought, your grid is evolving.
2 It's evolving faster here than anywhere, say,
3 probably Hawaii. Settle these trans-issues in
4 the next six or eight months so that there is a
5 more regulatory certain future for the investors
6 in that future network.

7 I think billions of dollars in savings
8 and scores of gigawatts of clean energy, which I
9 think we all like, and want, and need, are the
10 reward for doing that right. So, good luck and
11 we're here to help.

12 MR. CAVANAGH: Commissioners, Pat Wood
13 has been extraordinarily generous with his time,
14 his expertise and his boundless charm in the
15 formulation of the Green Book. I think the least
16 I can do now, I'm sure the Texas PUC is listening
17 in, I'll be volunteering to provide equivalent
18 services to the State of Texas --

19 (Laughter)

20 MR. CAVANAGH: -- in understanding and
21 learning from our many useful California
22 precedents.

23 I would also, for my part, like to say
24 that I think -- I've got my Blue Book back up
25 here with me. The fundamental issue underlying

1 the Blue Book actually, I believe, was one that
2 surfaced powerfully and repeatedly today. And
3 that issue was in terms of the rational for
4 regulation in the utility sector, is there a
5 natural monopoly character associated with
6 resource procurement and resource portfolio
7 development, or not?

8 And the answer in the Blue Book was no,
9 there is not natural -- there's no natural
10 monopoly, there's no regulatory rational,
11 therefore we're washing our hands of all of this.
12 We're not going to make the tough decisions that
13 disappoint some people and disappoint some people
14 a lot. We don't have to. No natural monopoly.
15 No regulatory rational.

16 Over and over again today we have been
17 repudiating that assumption, one of the worst
18 that any commission ever made, as part of what
19 may have been the worst decision any commission
20 ever made.

21 And whether you're talking to CCA
22 representatives today, I submit, or providers, or
23 utilities, you are hearing over and over again,
24 yes, within a defined service territory we need
25 someone doing procurement. We need someone

1 developing portfolios. CCAs believe that.

2 Utilities believe that.

3 Yes, it would be more efficient,
4 Commissioner Weisenmiller, if there were one
5 entity doing it for the entire State of
6 California under the regulation of the PUC and
7 the Energy Commission.

8 We don't have that. We have a number of
9 smaller entities getting larger. And I submit
10 that the fundamental issue today is can we do a
11 better job of coordinating that procurement,
12 getting everyone to work effectively together.
13 And there are proceedings at both the PUC and the
14 Energy Commission that can do that.

15 And I hope all of us will dig in
16 together. We've had 15 years of often
17 adversarial connection between our natural
18 monopoly resource procurement decision makers.
19 Increasingly, they clearly need to work better
20 together and they need to find the places where
21 they can share resources. Find the places where,
22 yes, that rich local diversity can come out, but
23 see each other increasingly as partners, not as
24 antagonists.

25 And finally, Commissioners, on one issue

1 and one issue alone I will presume to speak for
2 everyone in the room. I've been around long
3 enough to remember when Energy Commissioners and
4 PUC Commissioners not only didn't meet together
5 in public session, they didn't speak to each
6 other outside the meetings. It was turfing, it was
7 adversarial, it was uncomfortable. You're all
8 better together. Thanks for doing it.

9 CPUC PRESIDENT PICKER: Well, wait until
10 you see us after the meeting.

11 (Laughter)

12 MR. CAVANAGH: You've kept up a very good
13 public front

14 CPUC PRESIDENT PICKER: The first round's
15 on me, all right.

16 MR. CAVANAGH: We're off to Austin.

17 MS. FELLMAN: Thank you.

18 (Applause)

19 MS. FELLMAN: And just quickly, I want to
20 announce that at lunch -- we have to ask Melanie
21 Kenderdine, but both Ralph and Pat agree to
22 continue in their role as advising us as we go
23 forward with the next steps, so I'm very excited
24 about that.

25 One quick announcement that may not have

1 been heard earlier, we are opening up the
2 customerchoice@cpuc.ca.gov mailbox for comments
3 after the En Banc, until July 6th, so it's
4 coordinated with the Energy Commission.

5 I'll now turn it over to President Picker
6 for his closing remarks. And I want to extend a
7 big thank you to all the Commissioners who
8 participated today until the end.

9 CPUC PRESIDENT PICKER: I also want to
10 thank the Commissioners and the audience who have
11 been strong participants and laughed at all of my
12 jokes.

13 (Laughter)

14 CPUC PRESIDENT PICKER: So, I'm lying to
15 myself.

16 But I have to first tell you that
17 Commissioner McAllister's back hurts, so I'll be
18 very brief.

19 There's been a little bit of method to
20 our madness here and I think that we needed to
21 really have a vehicle to have a conversation
22 about these very difficult issues. And there's
23 still scar tissue in the State of California that
24 goes back to the years 2000-2001. It was a
25 splendid failure and the chaos was equally

1 spectacular.

2 And people are still in pain over that.
3 And yeah, we see some signs that the
4 disaggregation of decision making is leading to
5 similar kinds of trends, and we know that we can
6 do something about those. So, we've had the
7 opportunity to just raise the issue. In two En
8 Bancs, we got a series of research questions from
9 people here.

10 We tried to actually put some rigor to it
11 and to look at some other models to see what we
12 could learn. And now, we've started a little bit
13 more deep conversation to do that.

14 Now, we're hoping to actually take the
15 comments here, the comments that we'll get
16 online, some of the things that we've discussed
17 in the other proceedings and bring it together
18 into what we're calling a Choice Action Plan.
19 And we hope to put forward some specific
20 suggestions, possibly a couple of suggestions.
21 But probably we will set some straw proposals
22 that will be default if we don't get consensus
23 around some specific set of things in your
24 further comments. And those will be the areas
25 that we act.

1 There are things that are currently
2 underway, as you've all made note. Commissioner
3 Randolph has been very active and she developed a
4 forward capacity requirement. She developed a
5 flexible capacity requirement. These are the
6 kinds of things that we continually do.

7 But they are, to some extent, the
8 forerunners for the next steps and the next
9 things that we'll do.

10 So, part of what you'll see then, as
11 well, is some ranking of some of the actions is
12 where it is, at least in our two agencies and a
13 little bit in the ISO, where are we taking action
14 on these issues? Where will the decisions be
15 made? How are we going to then deploy them?

16 And so, we hope to actually have most of
17 this in place, something to share with people by
18 October, at the latest, so that then we can begin
19 to really emphatically see how does it all fit
20 together.

21 We tend to disaggregate things by agency.
22 You know, the Energy Commission does the
23 forecast. We break it down by agencies and the
24 ISO helps us to determine whether we're going to
25 meet our reliability goals. So, it can be very

1 difficult to track where these things are
2 actually being weighed out.

3 They're all different in time and
4 sequence. Each of the three agencies has slight
5 differences in the way we proceed. In a
6 regulatory manner, our statutes are different.

7 So, we hope that that action -- that
8 action plan, that roadmap would help people to
9 see how it's coming together and be able to track
10 the actions that we have to take.

11 So, with that, I'm going to turn it back
12 over to Diane Fellman. Thank you.

13 Yeah, do any of you have comments or
14 questions at this point?

15 MS. FELLMAN: Thank you.

16 CPUC PRESIDENT PICKER: We're going to
17 turn it over for public comment. And our
18 tradition is we give three minutes. Do we have a
19 timekeeper?

20 MR. COLVIN: Yeah, I'm taking care of
21 that.

22 CPUC PRESIDENT PICKER: Okay. And do we
23 have a list of who signed up?

24 MR. COLVIN: We do. So, I'm going to ask
25 or list off names and I'm going to ask -- and I'm

1 going to give the next person's name up, and if
2 you guys could come down so we could get through
3 as fast as we can, so that we can hear from
4 everybody, I'd appreciate it.

5 We're going to start off with Karey
6 Christ-Janer, who's an independent advocate, to
7 be followed by Woody Hastings, for the Center for
8 Climate Protection come up to the microphone,
9 please.

10 MS. CHRIST-JANER: Good afternoon,
11 Commissioners. I wanted to say that as a former
12 CCA advocate I crusaded against Prop 16 in 2010,
13 with Woody Hastings and many of the people in the
14 room.

15 By 2012, I was starting to see a lot of
16 substantial problems and that's a lot of why I am
17 engaging in California, with this Commission.

18 And my notes, I'm sorry for using my
19 phone. Optimizing, coordinating existing energy
20 programs is both state policy and further
21 required by a sustainable -- if you, a state
22 agency, see handwriting on the wall that state
23 GHG and other policy goals are at serious risk
24 directing some partnering between CCAs and IOUs
25 and DA providers, potentially, to include at

1 least some sharing of procurement, even resource
2 adequacy should definitely be considered.

3 Further, however the sharing of programs,
4 and therefore customers, may be not only
5 possible, but absolutely necessary to avoid
6 uncertainty, as well as inefficiency and,
7 therefore, unnecessary costs.

8 Such program sharing can initially arise
9 from program solutions depending on existing or
10 new, non-bypassing charges, like distribution
11 charges or public program charges.

12 As I've written previously in filings in
13 the IDER proceeding, such partnering should be
14 established in the IDER constructs, text as an
15 umbrella for all the IDR programs including DR
16 and net metering. And then, allowed to flow to
17 the related proceedings.

18 Allowing overlapping LSE programs can
19 result in a crisis of regulation. There's plenty
20 of room for CCAs to still be creative.

21 The CPUC and other agencies should use
22 every tool in their box to solve the problems.

23 Now, if Hertz Bill, DA bill passes, this
24 could only add more uncertainty and potential for
25 more stranded costs.

1 The most striking statements I've heard
2 today are the CCAs have not deeply considered
3 what could happen if DA is opened up. This is
4 shocking. And that's from the engaged CCAs who
5 typically show up in these proceedings. Some
6 don't.

7 Again, the CPUC already has broad
8 authority to optimize programs and there are
9 clear obligations for RA.

10 Time is well past ripe to be bold and
11 optimize, optimize, optimize, optimize as quickly
12 as possible.

13 And now, I'm going to give one example
14 from Colorado, which is the other state where I
15 advocate. The commission is poised we're hoping
16 to approve a research plan that is going to
17 achieve 55 percent average renewables by 2026.
18 And that's not just because we have great
19 resources. We have great resources here.

20 And while it's nobody's fault in the
21 room, and we all got here, including myself, as
22 one of the crusaders against Prop. 16, I agree
23 with a lot of the statements, especially that
24 President Picker, that you have said, that could
25 be a disastrous outcome if decisions aren't made.

1 So, I really urge you to be bold and do what you
2 have to do. Thanks.

3 MR. COLVIN: Woody Hastings to be
4 followed by David McCoard.

5 MR. HASTINGS: Good afternoon. Woody
6 Hastings with the Center for Climate Protection.
7 Thank you for the opportunity to speak.

8 As many of you know, the Center has been
9 advocating community choice since roughly 2005.

10 For its greenhouse reduction potential,
11 we still believe that -- we believe it's working.
12 We believe that to be true.

13 One of the commissioners in the opening
14 comments said something to the effect of it's,
15 you know, a big, confusing puzzle that we're
16 trying to solve here. And I think a bit part of
17 that confusing puzzle is how do we navigate to,
18 you know, this new paradigm, this new clean
19 energy economy. And so, I urge you to seek
20 community choice agencies as an opportunity
21 toward navigating toward that clean, de-
22 centralized energy economy, while adhering to
23 principles. The principles of GHG reductions,
24 reliability, equity and affordability.

25 Embrace the CCAs, the community choice

1 agencies, as an excellent, maybe not ideal, but
2 an excellent collaborator as we navigate toward
3 that future.

4 You know, I think it was Mr. Cavanagh who
5 said you have the tools, he was referring to the
6 regulatory powers. And, you know, yes, the kinds
7 of regulatory tools that you can use, I'd like
8 those to be not so much as a hammer to crush
9 innovation or crush things that might be new or
10 different, but use the tools that are appropriate
11 to facilitate the innovation and facilitate that
12 transition to clean energy, localized economy.

13 And as Commissioner said, adapt the
14 regulations to the changing scene to the
15 evolution to a de-centralized system. So, that
16 resonated for me.

17 My other main point is just around I
18 heard, again, questioning of the opt in, opt out
19 structure. You know, for me, I would like to see
20 that to be a settled issue. Not because it's
21 been the law for 16 years, not because it was
22 proposed in the Legislature in 2014 and, you
23 know, just rejected. But because there is now
24 about 20 operational community choice agencies in
25 the state and in most of the populated areas of

1 the state.

2 And, you know, and so probably opt-in,
3 opt-out is really language that's a phenomenon
4 about the launch period. That's it. The real
5 question is, as Mr. Borenstein pointed out, is
6 what's the appropriate entity, load-serving
7 entity that is a default provider in any given
8 territory? And I think there are many reasons,
9 local, public, not for profit that would say that
10 it should be that entity as the default.

11 And I'm not sure what the point of
12 raising that issue is anymore. Are we going to
13 start all over, tell them go back to the
14 beginning and go with an opt-in? So, I just
15 think that that is sort of case in point, of not
16 sort of embracing and working well with the CCAs,
17 and I'd like to see that happen. Thank you.

18 MR. COLVIN: David McCoard, to be
19 followed by Neil Reardan.

20 MR. MCCOARD: My name is David McCoard,
21 from El Cerrito. I have three points.

22 First, the present situation for energy
23 supply and so forth is much different from 2000.
24 There's no comparison. And now, we have many
25 diversified energy suppliers and energy sources.

1 They are -- we get the procurement directly from
2 the energy producers. We don't depend on the
3 energy markets so much. I'm thinking, especially
4 with CCAs and with direct access.

5 And so, they're pretty much immune from
6 the 2002 set market manipulation.

7 And second, we need to add a section to
8 the Green Book on the benefits of customer choice
9 and how we can take advantage of them. And
10 things that change, times change so we do have
11 customer choice.

12 Let's figure out what the benefits are
13 and figure out how we can use them, leverage them
14 for the benefit of everybody.

15 And third, I'd like to see all the
16 stakeholders get together around a single table,
17 and that includes the PUC, the CEC, the ISO,
18 Legislators, CCA, direct access providers, and
19 the main classes -- and customers.

20 Not to talk at each other, but to talk
21 with each other for the common benefit.

22 MR. COLVIN: Thank you. Neil Reardan,
23 from Sonoma Clean Power, to be followed by Leah
24 Goldberg from East Bay Community Energy

25 MR. REARDAN: Hi, good afternoon. Just

1 two brief points. First of all, I think it's
2 fair criticism that there is room for improvement
3 in raising our awareness, whether it's on the
4 MUNI, or a city bus, or a farmer's market. So, I
5 think that's a fair point to be taken. However,
6 I want to keep in mind, too, that we shouldn't
7 hold perfection as the goal. I think, you know,
8 we're trying to make incremental steps for
9 improvement. And unfortunately, you know, not a
10 lot of people are as excited about their energy
11 bills as most of us are. So, kind of a broader
12 challenge, but one that we accept.

13 I also just wanted to clarify one point
14 on RA and reliability and the conversation with
15 Deb, because I was involved with some of those
16 comments. We do recognize and know that the PUC
17 oversees RA, in conjunction with the ISO, and
18 rightly make our RA filings here.

19 More broadly, though, the point that we
20 were trying to make is it's reliability at a
21 broad level that we associated with the ISO, FERC
22 and WECC. So, thank you for your time.

23 MR. COLVIN: Leah Goldberg from East Bay
24 Community Energy, to be followed by Chris Hendrix
25 from Wal-Mart.

1 MS. GOLDBERG: Good afternoon. My name
2 is Leah Goldberg. I'm with East Bay Community
3 Energy, or EBCE. EBCE is pleased to offer these
4 brief comments in today's En Banc.

5 We're a newly-launched CCA, serving 11
6 cities in Alameda County, the unincorporated area
7 of Alameda County. And when we launch
8 residential customers in November, we'll be the
9 largest CCA in PG&E's service territory.

10 And I want to say that I agree with Mr.
11 Cavanagh, earlier today, that CCAs should be held
12 to a high standard and I believe we're up to it.

13 We're contributing to our county and
14 member cities' carbonization goals, outlined in
15 their climate action plans.

16 Our decarbonization efforts go beyond the
17 state's minimum targets through our procurement
18 of renewable and carbon-free energy. We are also
19 working to provide our community with benefits
20 from local investments, as outlined in our local
21 development business plan.

22 EPCE is partnering with PG&E to bring clean
23 energy projects to Oakland, as part of our
24 Oakland Clean Energy Initiatives.

25 EPCE has recently launched a solicitation

1 for up to 1 million megawatt hours a year, of
2 renewable energy, from projects sited throughout
3 the State of California.

4 As we mentioned in our written comments,
5 EPCE recommends that the CPUC focus on developing
6 a roadmap to ensure that there's coordination
7 between the many ongoing proceedings, here at the
8 CPUC, that address reliability, affordability,
9 and adequacy and decarbonization.

10 Some of the key proceedings underway
11 include resource adequacy, power source
12 adjustment and integrated resource planning.

13 Similar to the DER roadmap process, a
14 roadmap in the context of customer choice will
15 help illuminate the path forward.

16 As the Commission resolves these key
17 proceedings, market participants will have the
18 regulatory certainty they need to continue with
19 long-term investments in California's energy
20 supply system that will help California achieve
21 stable, lower carbon, reliable electricity, that
22 is affordable for our customers.

23 ECEE and the Alameda County community are
24 an integral part of that solution. Thank you for
25 allowing me to comment.

1 MR. COLVIN: Chris Hendrix from WalMart,
2 to be followed by John Rizzo from the Sierra
3 Club.

4 MR. HENDRIX: Thanks for the opportunity
5 to comment. Chris Hendrix with WalMart. So, we
6 operate in the various states and throughout the
7 U.S. as well as the world and see all the
8 different models of competition. So, it's kind
9 of a unique perspective.

10 In fact, we operate as an ESP in 11
11 states that are competitive here in the U.S.,
12 plus the UK. So, we actively do everything that
13 the ESPs do, we do ourselves.

14 Here in California, we have direct access
15 accounts, we have CCA accounts, and we have still
16 regulated accounts, so a combination of all of
17 them. What we see is direct access gives us the
18 best opportunity to provide for our business and
19 make us buy power the way we want to buy power
20 and have it renewable we want to have it
21 renewable.

22 We see the CCAs as just another regulated
23 monopoly. You get two choices from them, so it
24 gets a little bit more, but it's still a
25 regulated monopoly function that we buy from.

1 So, highly encourage with this process
2 itself to talk about competition, to look at the
3 other markets and see what works and what doesn't
4 work. I can tell you personally, from the
5 markets that we're all in, there's really one
6 only competitive market that we're in. And so,
7 we're not in Australia, so I can't give you the
8 Australian example. But Texas is the only market
9 that's fully competitive that works for
10 commercial and industrial customers. Thank you.

11 CPUC PRESIDENT PICKER: And thank you for
12 your participation in our previous En Banc.

13 MR. HENDRIX: Your welcome.

14 MR. COLVIN: John Rizzo from the Sierra
15 Club to be followed by Louis Irvin, from ORA.

16 MR. RIZZO: Good afternoon,
17 Commissioners, thank you for allowing me to
18 speak.

19 The Green Book presents a lot of worry
20 about potential impending energy crisis but does
21 not provide any data to really back up these
22 claims. I think things are a lot different than
23 they were after the Enron debacle, when I
24 actually started working as an advocate for CCAs,
25 Today's energy market is more tightly

1 regulated and diversified than during the Enron
2 crisis and before the Enron crisis. And I think
3 the point that the gentleman from WalMart made
4 that CCAs are regulated. They're highly
5 regulated. This is not an unregulated market.
6 In fact, I think there was an argument to be
7 stated that they're more regulated because
8 they're controlled by local governments. Local
9 governments, with elected officials running these
10 CCAs.

11 The CCAs are directly accountable to
12 voters and to ratepayers in a way that the
13 investor-owned utilities are not accountable.
14 Investor-owned utilities are accountable to their
15 stockholders, which is why we have you folks here
16 to oversee them.

17 The CCAs are required to be in compliance
18 with all existing state law and regarding
19 reliability and resource adequacy. When CAISO,
20 FERC and WECC are doing their jobs, they're
21 including -- you know, they're looking at CCAs,
22 as well.

23 But where CCAs stand out is in the choice
24 that they give to customers and their -- and the
25 energy goals that they have delivered. CCAs are

1 providing lower and more stable rates than the
2 IOUs, but they're providing higher levels of
3 clean energy and greenhouse gas-free energy.

4 For example, CleanPowerSF, all customers
5 are provided with 40 percent clean energy or
6 more. MCE starts at 55 percent clean energy.
7 These are below or at PG&E rates. Several CCAs
8 offer 100 percent green options at a nominal
9 premium. And PCE will go 100 percent for all
10 customers by 2025. CleanPowerSF will do the same
11 by 2030.

12 If the state really wants to meet its
13 greenhouse gas goals, we need the competitiveness
14 that CCAs are providing. Thank you very much.

15 MR. COLVIN: Louis Irwin from ORA, to be
16 followed by Mary Lynch from Constellation.

17 MR. IRWIN: Louis Irwin passes.

18 MR. COLVIN: Okay. Mary Lynch from
19 Constellation to be followed by Nancy Radar from
20 California Wind Energy Association.

21 Mary Lynch, right?

22 MS. LYNCH: Yeah. Thank you for this
23 opportunity. Thanks Marshall and thank you,
24 Commissioners. This was a great session today.

25 I wanted to just, I think, reiterate --

1 Pat Wood said a lot of what I was going to stand
2 up and say about the capacity market construct.
3 And the most important takeaway, as we move into
4 track two of RA, is that there's a very big
5 difference between what I think you're thinking
6 of as the central buyer and who's going to be the
7 central buyer, versus a centralized clearing
8 market that allows buyers and sellers to find
9 each other and do transactions and facilitate
10 market liquidity.

11 When we look at a retail choice market
12 environment, that type of construct seems very
13 essential to us because our energy prices don't
14 support investment, they're not intended to
15 support investment because we're not prepared to
16 let prices go as high as they do, for instance in
17 Texas.

18 And so, the capacity construct, as Pat
19 as, sort of a mitigation measure to deal with
20 the energy price mitigation. And we have to
21 treat it as such and use it as such in the retail
22 choice environment.

23 So, I just wanted to urge that we don't
24 take that off the table. As we move into phase
25 two it's going to be a very important construct

1 for us to look at and investigate because it is a
2 crucial element of a retail choice market that
3 has capped energy prices. Thank you.

4 MR. COLVIN: Nancy Radar, to be followed
5 by V. John White from CCERT.

6 MR. RADAR: Thank you. Nancy Radar from
7 California Wind Energy Association, or CALWEA.
8 We are one of the seven renewable energy trade
9 groups that submitted a joint set of comments on
10 the Green Book, which echoed Ralph Cavanagh's
11 statement at the outset of this workshop that we
12 believe the Commission has all the tools that it
13 needs to address the issues raised in the Green
14 Book to hold all LSEs to high standards, and to
15 prevent a drift into another energy crisis.

16 The renewable energy parties stresses
17 concern that the Commission has allowed the
18 wholesale renewable energy market to stall as a
19 result of the customer load migration. The
20 Commission must address the very real risk that
21 some load-serving entities will not be able to
22 shoulder their share of renewable energy and
23 greenhouse gas mandates in the near term, if only
24 because many of the CCAs are not yet on their
25 feet, at a time when we should be procuring new

1 renewables.

2 The Green Book really underplays, if not
3 ignores, concerns surrounding achievement of the
4 33 percent RPS goals and the 50 percent RPS
5 goals. The CCAs do not possess the same level of
6 creditworthiness as the utilities, and there's
7 uncertainty surrounding when and whether
8 recently-formed CCAs will obtain
9 creditworthiness.

10 There's no mention in the draft Green
11 Book of the fact that the CCAs RPS compliances to
12 date relied heavily on short-term purchases of
13 existing out-of-state resources and on the front
14 end of new projects built under long-term utility
15 contracts, we will not meet our greenhouse gas
16 targets this way.

17 So, we urge the Commission to develop a
18 backstop plan to ensure that the state's near-
19 term renewable energy goals will be achieved,
20 which might mean that the utilities need to
21 purchase on behalf of CCAs as part of a
22 transition plan.

23 The renewable energy partners also
24 underscored that -- well, it's an understated
25 point that affordability is important. About

1 four in ten Californians are living in or near
2 poverty. The Commission should never lose sight
3 of the important of minimizing total costs, while
4 meeting our climate goals and equitably spreading
5 cost along the way.

6 To me, the Commission really needs to
7 assess its own policies on heavily-contributing
8 and less affordable service.

9 As San Diego Gas & Electric stated
10 earlier, the current NEM cost shift is \$400
11 million a year, and the Commission's IRP analysis
12 showed that this will balloon if NEM rates if
13 they're not reformed. This is neither equitable,
14 nor affordable.

15 And earlier, Professor Borenstein's
16 comment about the New Solar Homes mandate of the
17 Energy Commission's. That analysis assumed that
18 the current NEM rates remain indefinitely. And
19 that really should be reevaluated based on more
20 rational NEM rates that I hope the Commission
21 will adopt next year. Thank you.

22 MR. COVIN: V. John White, from CEERT, to
23 be followed by Rick Umoff from SEIA.

24 MR. WHITE: Thank you, Commissioners, and
25 to the staff for putting together a really good

1 day. Covered a lot of ground, a lot of very
2 high-quality comments and speakers.

3 And I find myself drifting back in
4 between the history parts and then what happened,
5 as I recall, some variations of thinking. But
6 where does that tell us about where we're headed.
7 So, a couple of thoughts, both the big picture
8 and then smaller.

9 First of all, I think it's been said by
10 Matt Freedman where the choice is a means to the
11 end, it's not the end in itself. It should be
12 looked at through the lens of how to help us
13 achieve our goals of reliability, and
14 decarbonization, and affordability. That should
15 be the test.

16 I also thought there was a couple -- the
17 line of the day from Severin Borenstein was
18 regulatory arbitrage. I thought that was a
19 really interesting concept in terms of thinking
20 about all the effort that we place on customer
21 incentives, and getting customers to buy things
22 and do things, we have to also be thinking about
23 how do we create value to the grid. Because it
24 isn't just now about more renewables, more DER,
25 it's about putting those resources to work, to

1 manage the grid and to reduce our dependence on
2 fossil fuels.

3 In that regard, I recall, when after the
4 collapse of market, in AB1X we created the
5 California Power Authority. That's where the
6 Energy Action Plan came from. This was an
7 interagency opportunity.

8 I always liked it from the advocacy stand
9 point because you had everybody there at one
10 time, not unlike an En Banc. But they also
11 had -- I think, when we think about this, there's
12 roles for ISO, there's roles for ARB, and I think
13 there's also a role for Department of Water
14 Resources.

15 The idea that we can never go back and
16 look at Department of Resources backing up the
17 state's credit isn't because that instrument was
18 bad, it's that what we did with it was \$40
19 billion in 30 days. Now, if you have that backup
20 with a more considered approach, then you might
21 have something that could be accomplished.

22 I also think that the State Water Project
23 needs to be thought about as a source of future
24 reliability. We looked in at Bonneville, I think
25 that's another part of it.

1 In the meantime, there's stuff right
2 before you that is going to help us move forward.
3 The Preferred Resource Pilot Projects are going
4 to tell us and inform us a lot. We're learning.
5 We're going to learn in Moorpark. We're going to
6 learn in Oakland. Those are important things
7 that you all are doing. We're going to hopefully
8 get the RA rules to allow preferred resources to
9 count, including high-grid DR and storage.

10 And finally, I think we have to just keep
11 at this and that's why these kinds of public
12 meetings are really important because it gives us
13 a chance to talk and think, reflect, and then
14 recalibrate. Because we can't necessarily stay
15 on the course we're on or we well might have a
16 crisis, not necessarily for the same reasons as
17 last time, if we don't keep our visions together.
18 Thank you.

19 MR. COLVIN: Rick Umoff from SEIA to be
20 followed by Kevin Haroff from the City of
21 Larkspur.

22 MR. UMOFF: Good afternoon Commissioners
23 and thanks for giving me a moment to speak here.
24 I'll keep it brief.

25 I just wanted to touch on a couple of

1 items that we've heard today and iterate some of
2 my support, and also concern.

3 First, on sort of the utility-scale,
4 large-scale procurement side, we reiterate what
5 you've heard from others, other suppliers that we
6 really need to get procurement moving in this
7 state in order to reach our greenhouse gas
8 emission reduction goals, and reach RPS goals,
9 and really do it cost effectively. And the clock
10 is really ticking on the ITC and PCC.

11 So, we look to this Commission for
12 leadership. We think the IRP is a good venue to
13 have a discussion around how we get procurement
14 moving, even as things get a bit more complex and
15 more LSEs in the market.

16 Additionally, looking a little further
17 out, I think it's important to have a stable
18 regulatory framework, procurement framework for
19 large-scale resources so we have a stable,
20 healthy pipeline and market that can deliver
21 these clean resources, as needed.

22 Switching over to the sort of DER,
23 distributed resource and customer side, it's
24 absolutely important that as we talk about
25 customer choice, we truly mean customer choice.

1 That we protect the ability of customers to
2 control their own energy use, to invest in
3 customer-sided resources. And that last -- that
4 has not been a customer choice to be in a CCA and
5 that's the last choice that they can make.

6 We've seen significant benefits to the
7 state on a system wide basis, and also as Bill
8 stated it was for customers, and their ability to
9 invested in distributed solar, batteries, demand
10 response, energy efficiency.

11 And the state has made great strides and
12 we should not fall or lose ground in that regard.

13 So, with that, I'll leave with those
14 thoughts today. I guess the last thing I would
15 say is, you know, the Commission's doing a lot of
16 good work on a lot of these areas already. There
17 are open proceedings on things like grid
18 modernization and distributed resources. There's
19 work going on in consumer protection.

20 I'd urge the Commission to look at what
21 it's already doing to ensure that we don't
22 duplicate or create unnecessary proceedings and
23 make it difficult for the parties to sort of
24 engage together on these difficult issues. Thank
25 you.

1 CEC CHAIR WEISENMILLER: Yeah, I was just
2 going to note that the IRS released guidance
3 today. That to the extent the State Department of
4 Solar, for a four-year period, four-year window,
5 so, for 2019 is being built.

6 MR. COLVIN: Kevin Haroff, from the City
7 of Larkspur, to be followed to Shawn Marshall,
8 from LEAN Energy US.

9 MR. HAROFF: Thank you. Good afternoon,
10 Members of the Commission, and thank you for the
11 opportunity to speak on the important subject of
12 customer choice and its role in California's
13 evolving retail energy market.

14 As mentioned, my name is Kevin Haroff. I
15 a Member of the City Council, of the City of
16 Larkspur, in Marin County. And in 2017 I served
17 at the City's Mayor.

18 I'm also a member of the Board of
19 Directors for MCE Clean Energy.

20 That said, I'm appearing here today
21 solely in my individual capacity and not as a
22 representative by the city or MCE.

23 I appreciate the efforts of the
24 Commission to engage in a discussion of the
25 challenges presented by the expansion of

1 community choice aggregation. I have concerns,
2 however, about how the Commission may choose to
3 address those challenges going forward.

4 CCAs are responding to the growing demand
5 of consumers for alternatives to the historical
6 and public utility model serving the state's
7 retail electricity demand. The expansion of CCAs
8 reflects the confidence that consumers have in
9 viability and appeal that alternative that CCAs
10 represent.

11 Some have suggested that the growth of
12 CCAs may be compromising the ability of state
13 regulators to ensure the reliability of supply to
14 California's electricity consumers. That simply
15 is not true.

16 The real challenge comes from the state's
17 decision, long ago, to transition to greater
18 reliance on renewable energy. A decision that
19 organizations, like MCE, have fully embraced.

20 I hope the Commission is take what is
21 learned today and create a framework in which
22 CCAs can flourish and contribute to the
23 maintenance of reliable energy supplies for all
24 consumers. Thank you again for the opportunity
25 to share my own thoughts on these important

1 issues.

2 MR. COLVIN: And Commissioners, our last
3 public speaker, Shawn Marshall from LEAN Energy
4 US.

5 MS. MARSHALL: Good afternoon
6 Commissioners, thank you very much.

7 I want to just start out with some
8 appreciation for today, and the first of which is
9 appreciating that your online webinar function
10 worked very well.

11 (Laughter)

12 MS. MARSHALL: I spent most of the day
13 watching from my office. And then your phone
14 system worked very well coming across the bridge,
15 so thank you for that. I also want to appreciate
16 - It all worked seamlessly.

17 (Applause)

18 MS. MARSHALL: I also want to appreciate
19 the need for the Commission and the CEC to manage
20 a transition to a more decentralized energy model
21 and to catch up to the transition that has been
22 underway for almost a decade.

23 I've been involved in the CCA space since
24 2007, and LEAN Energy has been involved in
25 educating and helping the formation of CCAs in

1 the State of California since 2011. So, it has
2 been quite a while.

3 I also want to appreciate the PUC's
4 exploration of its own role in an evolved energy
5 market and facilitating the planning effort.

6 Finally, I want to appreciate that the
7 IOUs, at least one of them today, did say that
8 there was an acceptance that in the future they
9 may just be a pole and wire company, as is the
10 case in many states across the country.

11 So, now to three points of clarification
12 and one to underscore. I want to clarify
13 something that was said earlier, just so that
14 everyone understands that elected officials are
15 not running CCAs. Elected officials are very
16 important. It is how I came into this space.
17 But they are setting broad policy goals for the
18 CCAs.

19 The CCAs are managed and run by
20 experienced energy and, increasingly, utility
21 staff that are moving over and becoming part of
22 day-to-day operations of CCAs. So, I think it's
23 important to understand that elected officials
24 are setting policy, they are managed by
25 experienced staff, which is an important part of

1 risk management, which has been a major theme
2 today.

3 So, that leads me to my next statement
4 and that is we work with a number of CCAs across
5 the state. There is a genuine and ongoing focus
6 among CCAs on energy risk management policies,
7 what those best policies are, how rigorous they
8 should be, what long-term procurement risk
9 mitigation strategies are.

10 Some CCAs are looking at reserve funds
11 that are equivalent to six months or one year of
12 operating revenue. Those are robust reserve
13 funds and other mitigation strategies.

14 So, I think you will hear that echoed
15 that CCAs get it and are working on this all the
16 time.

17 The last thing I just want to draw your
18 attention to, because LEAN does work around the
19 country, is this question that was raised by
20 Steven Borenstein, and perhaps others, about
21 whether or not a Texas-style market would be
22 appropriate here in California.

23 And to that end I just want to draw your
24 attention to two pieces of legislation, HB8101 in
25 Illinois, SB2545 in the State of Massachusetts,

1 that seeks to limit their individual retail
2 markets on the basis of predatory consumer
3 practice and higher costs.

4 But which, importantly, leave municipal
5 aggregation on the table because CCAs are
6 generally understood to be locally managed to the
7 benefit of their communities, with higher
8 consumer protection thresholds and different
9 levels of public transparency.

10 So, I encourage you to look at those
11 bills. They are moving through their
12 legislatures. RESA and other organizations have
13 come out vigorously opposed to some of these --

14 CPUC PRESIDENT PICKER: Can you wrap up?

15 MS. MARSHALL: Yes, sir. In some, I
16 encourage collaboration and finding solutions
17 that do not pit one bottle against the other.
18 CCAs are working here. Consumers have been happy
19 with it. There is no reason that CCAs can't, as
20 we move on, offer additional choice within their
21 local structures. And so, there are all kinds of
22 ways to solve it. Thank you so much.

23 CPUC PRESIDENT PICKER: Okay, so I
24 believe that concludes the public comment. I
25 just want to thank staff one more time. And

1 start by thanking Edgar up in the control booth,
2 who actually --

3 (Applause)

4 CPUC PRESIDENT PICKER: -- got new
5 technology to make it work.

6 I want to thank the Customer Choice Team.

7 But I think it's the work that we see
8 here to address on the work of the entire Energy
9 Division at the CPUC, other staff from the
10 Planning and Policy Division, and a lot of good
11 work from our colleagues at the California Energy
12 Commission. So, I especially want to call out
13 Kevin Barker for his assistance in pulling the
14 event together today.

15 So, with that, thank all of you who
16 participated today and I want to thank our Ad Hoc
17 Advisory Committee for their continued support of
18 our work. So, thank you again. Bye-bye.

19 (Applause)

20 (Thereupon, the Workshop was adjourned at
21 3:51 p.m.)

22 --oOo--

23

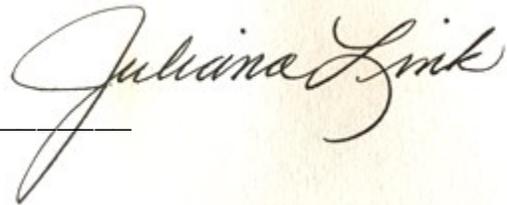
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IN WITNESS WHEREOF, I have hereunto set my hand this 24th day of July, 2018.

A handwritten signature in black ink that reads "Juliana Link". The signature is written in a cursive style and is positioned above a horizontal line that extends to the left across the page.

Juliana Link
CER-830

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