

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Enhance the Role
of Demand Response in Meeting the State's
Resource Planning Needs and Operational
Requirements.

Rulemaking 13-09-011
(Filed September 19, 2013)

**PACIFIC GAS AND ELECTRIC COMPANY'S, SAN DIEGO GAS & ELECTRIC
COMPANY'S, AND SOUTHERN CALIFORNIA EDISON COMPANY'S
PROPOSED APPROACH TO DETERMINE COST REFUNDS TO ELIGIBLE
COMMUNITY CHOICE AGGREGATOR AND DIRECT ACCESS CUSTOMERS**

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^{1/}PACIFIC GAS AND ELECTRIC COMPANY'S, SAN DIEGO GAS & ELECTRIC COMPANY'S, AND SOUTHERN CALIFORNIA EDISON COMPANY'S PROPOSED APPROACH TO DETERMINE COST REFUNDS TO ELIGIBLE COMMUNITY CHOICE AGGREGATOR AND DIRECT ACCESS CUSTOMERS

I. INTRODUCTION

This joint proposal presents the IOUs' recommended approach to refund costs associated with certain affected IOU Demand Response (DR) programs when the California Public Utilities Commission (Commission) deems a DR program developed by Community Choice Aggregator (CCA) or Direct Access (DA) providers (Competing Providers) to be "similar."^{2/}

This report consists of six sections. Section II presents the procedural and issue background, including the Commission order establishing the Competitive Neutrality principle, the order prompting this report, and the description of excluded programs. Section III addresses concerns regarding unintended consequences. Section IV addresses the process to develop the bill credit, including the standard for determining the bill credit, a discussion on tariffs reflecting the credit, the process of developing the credit for California Alternate Rates for Energy (CARE), and Family Electric Rate Assistance (FERA) customers, the administration of the credit, and the timing of the credit. Section

1/ Southern California Edison Company and San Diego Gas & Electric Company have authorized counsel for PG&E to file this pleading on their behalf, pursuant to Commission Rule of Practice and Procedure 1.8 (d).

2/ This document refers to an IOU DR program as an "affected program" when the Commission deems a program developed by a Competing Provider to be "similar."

V addresses the customer notification process. Section VI concludes and summarizes the proposal. Additionally, proposed notification letters for customers and aggregators are included as Attachment 1 and Attachment 2.

II. BACKGROUND This section presents the procedural and issue background and addresses programs that are out of scope for a bill credit.

D.14-12-024, issued December 9, 2014, adopted the Competitive Neutrality Cost Causation Principle, stating:

Once a direct access or community choice provider implements its own demand response program, the competing utility shall, no later than one year following the implementation of that program: i) end cost recovery from that provider's customers for any similar program and ii) cease providing the similar program to that provider's customers.^{3/}

D.17-10-017, issued November 1, 2017, defined "similar program" and directed the IOUs to submit a proposed approach for determining the bill credit to end cost recovery, as follows:

Within 90 days of the issuance of this Decision, Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company shall serve, to parties in Rulemaking 13-09-011, a proposed approach for determining the bill credit to end cost recovery of Competing Provider's customers no longer eligible to participate in the similar demand response program and a draft standardized customer letter noticing and explaining the process. No later than 30 days after the proposed approach and letter are served, parties may serve informal comments on the proposed approach and letter.^{4/}

As D.17-10-017 indicates, costs of DR programs not deemed to be similar will continue to be recovered from all customers and will not be included in the credit calculation. Similarly, costs associated with pilots and the Demand Response Auction Mechanism (DRAM) are not subject to the Cost Causation Competitive Neutrality credit

3/ D.14-12-024, OP 8b, p. 87.

4/ D.17-10-017, OP 3, p. 88.

and will continue to be recovered from all customers.^{5/} To the extent that DR programs are only available to bundled service customers, the costs of those programs will continue to be recovered through generation rates, which are not paid by CCA and DA customers.^{6/}

III. CONCERNS REGARDING UNINTENDED CONSEQUENCES

This section addresses concerns regarding unintended consequences, which, if not addressed, could adversely impact the viability of IOU-administered demand response programs. Specifically, these DR programs contribute to ensuring grid reliability and assisting customers in reducing their energy costs.

In this report, the IOUs present a proposal for determining a bill credit that is consistent with the direction provided in D.14-12-024 and D.17-10-017.^{7/} However, D.17-10-017 also clearly asserts that the State's ability to meet the Commission's DR goals must be maintained:

...the Commission should also ensure that the implementation of the principle does not create unintended consequences that could undermine the State's ability to meet the demand response goal and associated objectives and principles adopted by the Commission.^{8/}

In developing this proposal, the IOUs have identified a potential unintended consequence. The manner in which the Commission addresses avoidable (variable) and unavoidable (fixed) costs could influence the long-term viability of IOU-managed DR programs. Costs, such as those associated with incentives paid to participants, may be reduced and therefore could be considered avoidable. On the other hand, unavoidable costs, such as system costs and employee costs, will continue to be incurred regardless of whether DR participants are served by IOUs or by CCAs. This is an important

5/ D.17-10-017, p. 31.

6/ D.17-10-017, p. 8.

7/ D.14-12-024, p. 87 and D.17-10-024, p. 88.

8/ D.17-10-017 at p. 30.

distinction, as there could be a "tipping point" where the IOUs may no longer have a sufficient number of remaining customers to offer a DR program in a cost-effective manner.

IV. DETERMINING THE BILL CREDIT

This section addresses the process to develop the bill credit, including the standard for determining the bill credit, a discussion on tariffs reflecting the credit, the process of developing the credit for CARE and FERA customers, the administration of the credit, and the timing of the credit.

i. Standard for Determining Bill Credit

The costs exclusively and directly associated with an affected program would be refunded through an ongoing bill credit.^{9/} Because DR funding is typically recovered through distribution rates, costs associated with administering DR programs are charged to all customers (bundled service customers, DA customers, and CCA customers). Therefore, costs for these DR programs would continue to be recovered from all customers through the distribution rate, with periodic bill credits for customers of CCA or DA providers that provide one or more DR programs that are deemed "similar" by Commission resolution. The bill credits will reimburse those customers for the costs of the affected programs.

Each credit will reflect the program costs associated with each affected DR program. These program costs can be disaggregated into two categories: (1) DR program incentives; and (2) DR program administration costs.

ii. Tariff for the Credit

To implement D.17-10-017, each IOU will file an advice letter to implement a new tariff to process the bill credit. The new tariff will be applicable to all of the IOU's DA and CCA customers where the Competing Provider makes available DR programs deemed to

9/ D.17-10-017 at p. 85, COL 11 stipules the use of a "bill credit."

be similar to utility programs pursuant to D. 17-10-017. The new tariff will specify the rules governing the application of DR credits for each affected DR program.

iii. CARE and FERA

The credit for CARE and FERA customers will reflect the appropriate discount afforded under these programs. The process by which this is addressed may differ across utilities due to utility-specific ratemaking and billing processes.

iv. Administration and Timing of the Bill Credit

D.17-10-017 requires that the competing utility cease cost recovery for its affected DR programs one year after the Commission issues a resolution deeming a Competing Provider's program to be "similar." At the end of the one-year implementation period, the IOU shall complete the changes required to begin processing the bill credit.^{10/} Pursuant to Step 4, the IOUs must begin processing the bill credit within one billing cycle following the end of the implementation period.^{11/} The bill credit would be calculated on a volumetric basis using \$/kWh and presented on the distribution portion of the customer's IOU bill, subject to the IOU's billing system capabilities.

V. CUSTOMER NOTIFICATION BY UTILITIES AND THIRD-PARTY AGGREGATORS

The IOUs agree to use a standardized letter to notify impacted customers. As a matter of process, the IOUs will communicate with participants enrolled in IOU DR programs, but would expect that third-party DR aggregators communicate these changes to their customers. However, the IOUs will notify aggregators of the pending change via a letter so that aggregators can notify their customers. Since aggregators have the relationship with their customers, the IOUs would not be involved in the communication between aggregators and their customers. The IOU proposal contains the following letter templates for consideration:

- Attachment 1: Notification Letter for Directly Enrolled Customers

10/ D.17-10-017 at p. 27-28.

11/ *Id.*, p. 28.

- Attachment 2: Notification Letter for Aggregators

VI. CONCLUSION

This report summarizes the IOU proposal for determining and administering the Competitive Neutrality DR billing credit. The Competitive Neutrality DR billing credit applies to customers of CCA and DA providers that have developed DR programs determined to be similar to an IOU DR program by Commission Resolution. CCA or DA programs not identified as similar, pilots, DRAM, and DR programs funded through generation rates are not subject to the Competitive Neutrality DR billing credit.

The IOUs recognize that there may be additional implementation elements that need to be addressed, including utility-specific billing systems, such as SDG&E's concurrent development of the new Customer Information System ("CIS") billing platform. The IOUs appreciate the opportunity to submit this proposal for determining the bill credit and look forward to working with stakeholders and the Commission to implement the Competitive Neutrality Cost Causation Principle.

Respectfully Submitted,

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Dated: January 30, 2018

Attachment 1 – Notification Letter for Directly Enrolled Customers

«Date»

«FirstName LastName»

«Mailing Street Address»

«Mailing City, Mailing State Mailing Zip+4»

Re: Service account ending in «XXXX» at address «XXXXXXXXXXXXXXXXXXXX»

Dear «FirstName LastName»,

This letter is to inform you of changes that make you ineligible to participate in «Name of Utility» («Utility Abbreviation»'s) program. The California Public Utilities Commission requires all Community Choice Aggregator (CCA) and Direct Access (DA) customers who are offered a similar Demand Response program by their CCA or DA provider to be ineligible for «Utility Abbreviation»'s program and be excused from paying for costs of «Utility Abbreviation»'s program.

As a result of this requirement, you shall be removed from «Utility Abbreviation»'s «Name of «Utility Abbreviation»'s Similar DR Program» program at the end of the implementation period, as of «date». «Utility Abbreviation» thanks you for your past participation. If you want to continue to participate in a Demand Response program like «Utility Abbreviation»'s, please contact your CCA or DA provider.

If you have any questions, please call us at «Utility Customer Service Phone #».

Sincerely,

«Name of Utility»

Attachment 2 – Notification Letter for Aggregators

«Date»

«Aggregator Company Name»

«Mailing Street Address»

«Mailing City, Mailing State Mailing Zip+4»

Re: Removal of Customers from Utility DR Program in Compliance with California Public Utilities Commission (CPUC) Decision 17-10-017

Dear «Aggregator Name»,

This letter is to inform you of changes that make your customer(s) ineligible to participate in «Name of Utility»'s («Utility Abbreviation»'s) «Name of «Utility Abbreviation»'s Similar DR Program» program because your «Name of Community Choice Aggregator (CCA) or Direct Access (DA) Competing DR Program» has been deemed a similar demand response (DR) program. The California Public Utilities Commission requires all CCA and DA customers, including those who are customers of an aggregator or third-party demand response provider, who are offered a similar DR program by their CCA or DA provider to be ineligible for «Utility Abbreviation»'s DR program and be excused from paying for costs of «Utility Abbreviation»'s DR program.

As a result of this requirement, the enclosed list of Service Accounts shall be removed from «Utility Abbreviation»'s «Name of «Utility Abbreviation»'s Similar DR Program» program at the end of the implementation period, as of «date».

If you have any questions, please call us at «**Utility Customer Service Phone #**».

Sincerely,

«Name of Utility»