

**STAFF REPORT****City Council****Meeting Date:** 12/15/2015**Staff Report Number:** 15-192-CC

**Consent Calendar:** **Approve a letter to the California Public Utilities Commission (CPUC) regarding power charge indifference adjustment fees charged by PG&E for Community Choice Energy (CCE) customers**

**Recommendation**

Staff requests that the City Council review and approve the attached letter to the California Public Utilities Commission (CPUC) regarding exit fees charged for Community Choice Energy (CCE) customers.

**Policy Issues**

The Menlo Park 2015 Climate Action Plan (CAP) describes a number of programs that are planned in order to meet the City Council adopted target of 27% reduction in Greenhouse Gas (GHG) by 2020 from 2005 levels. Consider Community Choice Energy (CCE) options to gain additional renewable power in Menlo Park's portfolio is listed in the CAP Community GHG Reduction Strategies for FY 2015-16.

**Background*****City's consideration of CCE***

The City has been considering CCE options for nearly a year, and San Mateo County (SMC) has initiated a CCE option which the City may join, called Peninsula Clean Energy (PCE). The CCE would purchase electrical power, then Menlo Park residents and businesses would receive environmentally preferable electrical power purchased through CCE, which would be delivered through the Pacific Gas & Electric (PG&E) grid.

On October 20, 2015, the City Council received an informational item on PCE. The following is a link to the staff report: <http://www.menlopark.org/DocumentCenter/View/8415> (Attachment A)

On November 10, 2015, the City Council participated in a Study Session on PCE. The following is a link to the staff report: <http://www.menlopark.org/DocumentCenter/View/8683> (Attachment B)

If the City decides to join PCE (or any other CCE), billing and power grid services would continue to be provided by PG&E.

***PG&E PCIA Fee to CCE customers***

PG&E charges a Power Charge Indifference Adjustment (PCIA) to all CCE customers based on their power use. The PCIA is reviewed and approved by the California Public Utilities Commission (CPUC). The

PCIA is intended to make PG&E whole for long-term power agreements that it made based on expected electricity customers, who have since exited PG&E for a CCE. For this reason, PCIA is also known as an exit fee. PCIA is an additional charge included in all CCE customers' bills, therefore an adjustment in the PCIA has an impact on CCE customer's total energy cost. An increase in the PCIA could make it difficult for CCEs to compete financially with PG&E for customers. PG&E submitted Application 15-06-001 to the CPUC, which includes PG&E's request to significantly increase the PCIA. The application can be viewed at: <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M155/K876/155876836.PDF> (Attachment C)

### **Analysis**

PG&E proposed doubling of the Power Charge Indifference Adjustment (PCIA) charged to Community Choice Energy (CCE) customers in Application 15-06-001. For example, current PCIA for residential customers is \$0.01160/kwh and PG&E's proposed new PCIA is \$0.02323/kwh. Doubling the PCIA could make it very difficult to compete for customers based on price, which was key in successfully launching the CCEs in Marin and Sonoma Counties. It is in the interest of cities that are considering CCE implementation to send a letter to the CPUC opposing the proposed dramatic increase in the PCIA. Attachment D is the draft letter from Menlo Park to the CPUC.

### **Impact on City Resources**

The cost and staff time for consideration of CCE options were budgeted in the City's Capital Improvement Program for 2015-2016 as part of the Climate Action Plan Implementation Project. No additional funds are currently being requested.

### **Environmental Review**

An Environmental Review is not required for this item.

### **Public Notice**

Public Notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

### **Attachments**

- A. Hyperlink: October 20, 2015 staff report – <http://www.menlopark.org/DocumentCenter/View/8415>
- B. Hyperlink: November 10, 2015 staff report – <http://www.menlopark.org/DocumentCenter/View/8683>
- C. Hyperlink: PG&E application to CPUC – <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M155/K876/155876836.PDF>
- D. Draft letter to CPUC

Report prepared by:  
Heather Abrams, Environmental Programs Manager



December 15, 2015

The Honorable President Michael Picker  
The Honorable Commissioner Mike Florio  
The Honorable Commissioner Catherine Sandoval  
The Honorable Commissioner Carla Peterman  
The Honorable Commissioner Liane Randolph  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

**RE: The Power Charge Indifference Adjustment Proposed Increase and Proposed Decision in A.15-06-001, PG&E's 2016 ERRR Proceeding**

Dear President Picker and Commissioners:

On behalf of the City of Menlo Park, we oppose PG&E's proposed increase of the Power Charge Indifference Adjustment (PCIA) charged to Community Choice Aggregation (CCA) customers in Application 15-06-001. As a community that is exploring the prospects for CCA on behalf of our residents and businesses, we believe the proposed PCIA increase will profoundly affect the viability of a CCA program, which would offer energy customers competitive choice and opportunities for additional services, as well as support for our local economy. Operating CCAs and their customers have led the state in achieving Governor Brown's ambitious renewable energy goals. Communities like ours hope to have similar opportunities to reduce greenhouse gas emissions and support local energy resource projects.

In the past two years, the PCIA has already made an impact on the viability of CCAs in California. Marin Clean Energy (MCE) customers have collectively paid more than \$32 million in PCIA fees to PG&E, an amount MCE expects will double in 2016 if the proposed decision is adopted. PG&E is the only utility in the state to levy PCIA fees on low income CARE customers who in MCE's territory alone may pay more than \$2 million in 2016 with the proposed doubling of the PCIA.

The PCIA increase proposed by PG&E, which the proposed decision would approve, will affect the viability of a CCA program in our community. We therefore respectfully urge the California Public Utilities Commission (CPUC) to reject PG&E's proposed increase to the PCIA and consider alternatives that will mitigate the impacts of proposed rate increases on CCA customers and prospective CCA customers. We also support the CPUC's re-examination of how the PCIA is calculated and applied to CCA customers.

Sincerely,

Richard Cline  
Mayor of the City of Menlo Park