

[13] CPUC Approves Aggregators; Peevey Warns Munis about Annexations

The California Public Utilities Commission cut the ribbon this week on allowing community-choice aggregators to purchase their own power, but one commissioner expressed alarm over the growing number of municipalities and irrigation districts proposing to annex property in investor-owned utility service areas.

At its Thursday business meeting, the CPUC adopted a decision that resolves thorny issues for CCAs, such as the open-season process in which aggregators submit binding intents to serve load, and the way in which their cost-responsibility surcharge is to be calculated. The decision anticipates that CCAs could become operational in a year or two (see *CEM* No. 847 [12]). The decision asserts that the commission has “limited jurisdiction” over CCAs. Aggregators must file binding notices of intent to serve load during an open season process, file implementation plans with the CPUC, and register with the commission. The measure passed on a 4-0 vote, with Commissioner Dian Grueneich recusing herself [D05-12-041].

As for the cost-responsibility surcharge (CRS), utilities and CCAs would work together on forecasting to estimate the percentage of utility customers who would migrate to CCA service in a given year. The purpose of the surcharge is to ensure that CCA customers assume liability for stranded costs associated with power the IOU procured for them, including renewables portfolio standard costs. Resource-adequacy costs would not be included in the CRS, as aggregators would be held accountable for their own resource adequacy showings (see *CEM* No. 820 [16]).

Unlike the draft decision issued November 2, utilities will not be banned from marketing their services in competition with a CCA, though ratepayer funding of marketing activities is prohibited. At the meeting, the commission also unanimously approved a resolution stating that Lathrop Irrigation District’s proposal to annex property and serve future customers within Pacific Gas & Electric’s service territory in San Joaquin

[Chris Raphael]

County would not substantially harm PG&E ratepayers [*Res E-3959*].

Although he voted in favor of the proposal, Commission President Michael Peevey said the state could be pursuing “a self-defeating path” by allowing municipal loads to grow, as irrigation districts and munis do not pay for costly programs such as energy efficiency and procurement of renewables to comply with the state’s RPS. Lathrop Irrigation District has proposed to annex property in the city of Lathrop, a small, rural town slated for expansion with new housing developments. While only 20 customers are currently served in the area by PG&E, the district estimates that ultimately 11,000 homes will be built in the annexed area, along with nearly 5 million square feet of commercial and office space. In June, the irrigation district applied with the San Joaquin Local Agency Formation Commission for the annexation.

PG&E estimated that its remaining customers would have to pay approximately \$3.2 million a year if Lathrop’s proposal is implemented, at a rate impact of \$0.005 per kilowatt-hour. This, in addition to other annexation proposals confronting PG&E, could cost the utility \$234 million a year, it said. The Sacramento Municipal Utility District plans to annex portions of Yolo County, the South San Joaquin Irrigation District wants to annex areas around Manteca, and San Francisco plans to become a CCA, taking away additional customers. Rates would rise an average of \$0.04/KWh as a result of all these proposals, PG&E said.

Peevey said the growing trend of annexation requires discussion, and possibly legislation. The initial impact of annexation is small, but “the cumulative impact is potentially self-defeating,” Peevey said. While the IOUs have invested \$2 billion in energy efficiency, among other improvements, “the irrigation district is not picking up any of that tab,” Peevey complained. Peevey stopped short of saying he would seek authority to regulate municipalities; instead he called for the commission to “at least examine the impacts”