Application of Southern California Edison Company (U338-E), Pacific Gas and Electric Company (U39-E), and San Diego Gas & Electric Company (U902-E), for Approval of the Portfolio Allocation Methodology for all Customers.

Application 17-04-018
(Filed April 25, 2017)

PROTEST
OF THE OFFICE OF RATEPAYER ADVOCATES

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May 25, 2017
I. INTRODUCTION

Pursuant to Rule 2.6 of the California Public Utilities Commission’s (Commission) Rules of Practice and Procedure, the Office of Ratepayer Advocates (ORA) submits this Protest to Southern California Edison Company (SCE), Pacific Gas and Electric Company (PG&E), and San Diego Gas & Electric Company’s (SDG&E) (collectively referred to as the Joint Utilities) Application (A.) 17-04-018 and the supporting testimony.

In the Application, the Joint Utilities seek approval of their proposed Portfolio Allocation Mechanism (PAM), as a replacement for the existing Power Charge Indifference Adjustment (PCIA) cost recovery mechanism.

II. BACKGROUND

During California’s energy crisis in 2000-2001, the Department of Water Resources (DWR) purchased and sold power on behalf of ratepayers.¹ In order to reimburse the DWR for these purchases, the Commission created a non-bypassable charge called the Cost Responsibility Surcharge (CRS).² The CRS included an “indifference charge” to ensure that bundled service customers would not bear the cost burden from the departure of customers to Direct Access (DA) during the crisis.³ The indifference charge covered the above-market portion of utility-retained generation costs.⁴ In 2003, Decision (D.) 03-07-028 extended the CRS model to apply to municipal departing load within a utility’s service territory to prevent cost-shifting to bundled service customers.⁵

² D.02-11-022, p. 151, Finding of Fact 18.
³ Bundled service customers are those that continue to purchase both energy and transmission from the utilities rather than purchasing energy from a different service provider.
⁴ D.02-11-022, p. 151, Finding of Fact 17.
⁵ D.03-07-028, p. 74, Finding of Fact 2.
Assembly Bill (AB) 117, signed into law in 2002, authorized the creation of Community Choice Aggregators (CCAs). Following the passage of AB 117, the Commission adopted D.04-12-046 which determined that, as CCAs initiate service, investor-owned utilities (IOUs) should be able to recover stranded costs associated with power purchase commitments entered into, in part, to serve those customers departing for CCAs. In D.05-12-041, the Commission authorized the use of a CRS to recover these stranded costs by “vintaging” the date that a bundled service customer departed for a CCA and adjusting the customer’s cost burden according to this date.

In a later decision approved in 2006, the Commission replaced the DWR power charge component of the CRS with the Power Charge Indifference Adjustment (PCIA). The PCIA utilizes a market price benchmark to calculate and recover the above-market costs of electricity contracts. In the years since its implementation, both CCAs and IOUs have criticized the PCIA for its ineffectiveness at achieving customer indifference. CCAs and consumer groups have also criticized the lack of transparency in the IOUs’ calculation of the PCIA.

III. DISCUSSION
A. Issues Raised in this Application
ORA reviewed the Joint Utilities’ Application and accompanying testimony and identified the following issues as possible grounds for protest, pending further review and

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6 AB 117 (Migden, 2002), Section 1.
7 D.04-12-046, p. 59, Finding of Fact 12.
8 Id. at 57, Finding of Fact 11.
10 Id.
discovery. In addition to the issues raised in this protest, ORA reserves the right to raise any additional issues as it continues to review A.17-04-018.

1. The PAM, and any other proposed cost allocation tool, should ensure ratepayer indifference.

The stated objective of the PAM is to achieve bundled service customer indifference. As CCAs grow and the IOUs’ customer base shrinks, remaining IOU bundled service customers should not subsidize departing load customers. An effective cost allocation tool should ensure equitable cost distribution so that bundled service customers are neither benefited nor harmed by load departure as required under public utilities code §366.3. ORA expects to conduct further discovery to determine whether the IOUs’ proposed PAM method meets this objective.

2. The indifference calculation methodology should be transparent and verifiable.

Among the criticisms levied at the PCIA is that its calculation methodology is convoluted and outside parties cannot verify the confidential inputs. The IOUs and CCAs held three working groups to discuss PCIA alternatives and improvements. Following these sessions the parties agreed upon a standardized format for workpapers and new terms for sharing market information. The IOUs must continue this effort during the implementation of any new method to allocate costs to allow the parties, as well as the Commission, to verify that the inputs are accurate. ORA expects to conduct further discovery to determine whether the new format and terms for sharing market information provides adequate transparency under the proposed PAM method.

IV. CATEGORIZATION, HEARINGS, SCHEDULE

ORA agrees with the Joint Utilities that the Commission should categorize A.17-04-018 as a ratesetting proceeding and that hearings may be necessary. ORA has reviewed the Joint Utilities’ schedule and finds the proposed deadlines reasonable.
<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
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<tbody>
<tr>
<td>Joint Utilities File Application</td>
<td>April 25, 2107</td>
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<tr>
<td>Protests/Responses to Application</td>
<td>30 days from the date the notice of the filing appears in the Daily Calendar [May 26, 2017]</td>
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<tr>
<td>Reply to Protests/Responses</td>
<td>10 days from the deadline for filing Protests/Responses [June 5, 2017]</td>
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<tr>
<td>Settlement Discussion Period</td>
<td>June 1-9, 2017</td>
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<tr>
<td>Prehearing Conference</td>
<td>June 13, 2017</td>
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<tr>
<td>Intervenor Testimony Due</td>
<td>July 14, 2017</td>
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<tr>
<td>Rebuttal or Reply Testimony Due</td>
<td>August 11, 2017</td>
</tr>
<tr>
<td>Evidentiary Hearings (if necessary)</td>
<td>Week of September 18, 2017</td>
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<tr>
<td>Concurrent Opening Briefs</td>
<td>October 6, 2017</td>
</tr>
<tr>
<td>Reply Briefs</td>
<td>October 20, 2017</td>
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<tr>
<td>Commission issues Proposed Decision</td>
<td>November 2017</td>
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<tr>
<td>Comments on Proposed Decision</td>
<td>[20 days from issuance of PD]</td>
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<tr>
<td>Replies to Comments on Proposed Decision</td>
<td>[5 days after Comments]</td>
</tr>
<tr>
<td>Commission issues Final Decision</td>
<td>December 2017</td>
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Due to the voluminous amounts of documents, testimony, supporting documents, and workpapers ORA will need to review and ongoing discovery, ORA may seek a warranted schedule change.

V. CONCLUSION

For the reasons stated herein, ORA requests that the Commission consider the issues raised and the schedule proposed.
Respectfully submitted,

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