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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Review, Revise, and Consider Alternatives to the Power Charge Indifference Adjustment.	Rulemaking 17-06-026 (Filed June 29, 2017)

COMMENTS OF COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS (CVAG) AND WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS (WRCOG) ON THE ORDER INSTITUTING RULEMAKING TO REVIEW, REVISE, AND CONSIDER ALTERNATIVES TO THE POWER CHARGE INDIFFERENCE ADJUSTMENT

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Pursuant to the Order Instituting Rulemaking ("OIR") and Rule 6.2 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), Coachella Valley Association of Governments ("CVAG") and Western Riverside Council of Governments ("WRCOG") respectfully submits these comments on the OIR.[1]

I. INTRODUCTION AND BACKGROUND

CVAG and WRCOG thank the Commission for the opportunity to comment on the OIR. This rulemaking follows up on and expands upon the Commission's most recent consideration of the PCIA as set forth in the PCIA Working Group's report issued April 5, 2017. This proceeding is of tremendous import to community choice aggregators (CCAs) and the ratepayers they serve (and will serve) by allowing for transparency, certainty and access to data in the calculation of the PCIA and ensuring rate stability for non-utility customers.

CVAG and WRCOG are individual joint powers authorities ("JPAs") formed pursuant to the Joint Exercise of Powers Act at California Government Code section 6500 *et seq.* whose purpose is to provide cooperative planning, coordination and technical assistance on issues of

[1] CVAG and WRCOG request formal party status to this proceeding. The individuals listed on the cover sheet to these comments are authorized to receive service and other communications on behalf of CVAG and WRCOG.

mutual concern to local governments in Riverside County. CVAG represents 13 member agencies throughout Central and Eastern Riverside County.[2] WRCOG represents 23 member agencies throughout Western Riverside County.[3] In 2016, both COGs partnered to explore the feasibility of launching community choice aggregation ("CCA") programs in their respective areas. Both entities are in the process of exploring the launch and implementation of CCA programs.

Participation in the COGs' forthcoming CCA programs is not yet finalized as the programs are still being developed with prospective launch dates for the CCAs still in planning stages. Despite the COGs not having an approved CCA program with the Commission, the COGs are concerned with the outcome of this rulemaking due to the tremendous financial impact it will have on the planning, start-up and implementation of the CCAs developing in Riverside County. With one of the largest populations in the State of California at 2.361 million (as of 2015), CCAs in Riverside County have the potential to be some of the largest in the State. In addition to offering competitive retail choice in electricity markets, the COGs are interested in CCA for the potential economic development prospects it brings to the County. Thus, this proceeding will substantially affect a large number of ratepayers in Riverside County and whether the COGs are able to offer competitive retail power and attract economic development.

II. THE COGS SUPPORT THE ISSUES RAISED IN THE OIR AND REQUEST THAT THE COMMISSION ADDRESS ADDITIONAL ISSUES

The COGs commend the Commission for establishing this proceeding to address the critical issue of the Power Charge Indifference Adjustment ("PCIA"). The COGs support the guiding principles and issues raised in the Commission's OIR, particularly those pertaining to the PCIA calculation methodology and the transparency of its inputs. The COGs also support the

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[2] CVAG's member agencies consist of the Cities of Blythe, Cathedral City, Coachella, Desert Hot Springs, Indian Wells, Indio, La Quinta, Palm Desert, Palm Springs and Rancho Mirage as well as the County of Riverside, the Aqua Caliente Band of Cahuilla Indians and the Cabazon Band of Mission Indians.

[3] WRCOG's member agencies consist of the Cities of Banning, Beaumont, Calimesa, Canyon Lake, Corona, Eastvale, Hemet, Jurupa Valley, Lake Elsinore, Menifee, Moreno Valley, Murrieta, Norco, Perris, Riverside, San Jacinto, Temecula and Wildomar as well as the County of Riverside, the Morongo Band of Mission Indians, Eastern Municipal Water District, Western Municipal Water District and the Riverside County Superintendent of Schools as an ex-officio member..

Commission's denial of A.17-04-018 by the IOUs proposing a portfolio allocation methodology ("PAM") and considering PCIA issues in a more generalized rulemaking.

The COGs also urge the Commission to expand the proceeding's scope to address the issue of how stranded costs are managed. Before addressing how to evaluate the cost of the stranded assets, there must first be a discussion of how to reduce them. This comment will first discuss the issues raised in the OIR, then address the expanded scope recommended by the COGs.

A. PCIA Calculation Methodology

The existing PCIA calculation methodology only accounts for the costs of customer departure from CCAs and direct access. In order to achieve the guiding principle of bundled customer indifference and strike a balance between the costs incurred by the Investor Owned Utilities ("IOUs") and the purposes of CCA,4 the PCIA should take into account additional cost benefits realized to bundled customers. These include three benefits to bundled ratepayers that should be accounted for in any new exit-fee calculation methodology.

First, as customers depart and the IOU's load decreases, the IOU's renewable portfolio (which remains constant) increases as a share of their total power portfolio. This reduces the IOU's future renewable portfolio standard procurement needs and thereby saves bundled ratepayers the costs of those future procurements. If IOUs do not resell their renewable power contracts (as the COGs suggest in a subsequent section of this comment), then the benefits to bundled ratepayers of keeping those contracts must be accounted for in the non-bypassable charge calculation methodology.

By the same principle, IOUs see benefits to the average efficiency of their power generation as they become able to meet more of their load with their most efficient generators. This benefit gets reflected in reduced IOU rates, but at present, it does not manifest in reduced costs for the customers that enabled that benefit by departing.

Finally, IOUs become less exposed to market price volatility as the share of their power portfolio that is met by long-term contracts increases as a result of customer departure. This financial security is a benefit to bundled customers that must also be monetized.

[4] OIR at pg. 8.

If each of these benefits is counted toward the costs of the stranded contracts, the methodology would more accurately achieve bundled customer indifference.

B. Exit Fee Input Transparency

In addition to ensuring that the PCIA calculation methodology fully captures all impacts of CCA and DA customer departure on bundled customers, both positive and negative, it is equally critical that Load Serving Entities ("LSEs") serving those customers have the capacity to forecast their stranded cost obligations beyond one year. The COGs thank the Commission for noting this issue in the OIR.

At a minimum, the COGs support the California Community Choice Association's (CalCCA) Petition for Modification of Decision 11-07-028 in Commission Rulemaking 05-06-040 ("Petition"). The Petition seeks to improve access to power contract information for the non-power procurement staff of LSEs such as CCAs. This proposal would provide a modicum of relief to CCAs by increasing their ability to forecast non-bypassable charges beyond a year-ahead.

A complementary alternative would be to determine a fixed fee to recover those stranded costs in the model of the Department of Water Resources Bond charge. This approach would reduce the financial risk to non-IOU LSEs and allow them to make longer-term plans, thereby freeing them to invest in the programs and projects that are fundamental to their missions and to California's environmental objectives.

C. Improved Management of Stranded Costs

The COGs strongly urge the Commission to address the issue of how to better manage the stranded power contracts for which the PCIA allocates costs. This proceeding should not only address how to allocate the costs, but how to best `minimize them in the first place.

At present, IOUs monetize their stranded power contracts by selling such power into the spot market. This policy exacerbates the uncertainty in forecasting non-bypassable charges and undervalues several attributes of the stranded contracts, including the renewable attributes and long contract term length. In addition, IOUs routinely opt to extend existing power contracts in spite of already holding oversized power portfolios.

IOUs have several tools at their disposal to reduce the cost of their stranded assets. First, IOUs could be aggressively marketing their stranded assets through long-term contract mechanisms, rather than selling into the spot market. Second, IOUs could be negotiating

contract buy-out terms for their most overpriced contracts. Finally, IOUs should refrain from extending contracts when doing so would burden their customers with excess costs.

The COGs offers three conceptual ideas to facilitate the reduction of these stranded costs. First, stranded contracts could be managed by a third party with a stronger financial incentive to minimize costs for all California ratepayers. Second, the Commission could institute a mandated end-date for all non-bypassable charges, such as a ten-year repayment term after a group of customers has departed. This would force the IOUs holding those contracts to more aggressively pursue options to reduce the costs of those contracts as well as to disincentivize unnecessary contract extensions that add to the stranded cost pool. Finally, with regard to the IOUs' voluntary extension of power contracts, the Commission should create a contract categorization that designates avoidable new and extended power contracts as voluntary. This designation would make those contracts ineligible for cost allocation through non-bypassable charges.

The COGs also note that the best solution for each of the three IOUs to improve stranded contract management may not be the same. The COGs, therefore, urge the Commission to explore unique solutions for each of the three service areas.

D. Initial Schedule

The Commission anticipates that "this proceeding will be resolved within 18 months of the date the Rulemaking is opened."[5] Notwithstanding the requirement at Public Utilities Code section 1701.5 that the Commission shall resolve issues raised in a scoping memo within 18 months of the date the proceeding is initiated, the COGs urge the Commission take the time needed to issue a clear and final decision that properly balances PCIA cost issues against the statutory purposes of CCA. The Commission should not hasten its decision based on PCIA projections by the IOUs, but take as much time as is needed since the Commission's final decision will have a significant financial effect on operational CCAs as well as those that are currently in development stages.

[5] OIR at 12.

III. CONCLUSION

For the reasons stated above, the COGs respectfully request that the Commission adopt the recommendations made herein.

Respectfully submitted,

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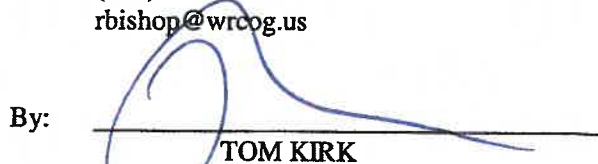
By: 
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