BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Order Instituting Rulemaking to Review, Revise, and Consider Alternatives to the Power Charge Indifference Adjustment.	Rulemaking 17-06-026

**COMMENTS OF THE PUBLIC ADVOCATES OFFICE
ON THE ASSIGNED COMMISSIONER'S
AMENDED SCOPING MEMO AND RULING**

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I. INTRODUCTION

Pursuant to the *Assigned Commissioner's Amended Scoping Memo and Ruling* (Amended Scoping Memo) filed in Rulemaking (R.) 17-06-026,[1] the Public Advocates Office (Cal Advocates) at the California Public Utilities Commission (Commission) submits these opening comments. On December 16, 2020, the Assigned Commissioner issued an amended Scoping Memo and Ruling adding the following four issues to the scope of Phase 2 of R.17-06-026 to reconsider certain matters that Decision (D.) 18-10-019 resolved:

1. Should the Commission remove or modify the Power Charge Indifference Adjustment (PCIA) cap?
2. Should the Commission modify deadlines or requirements of Energy Resource Recovery Account (ERRA) and PCIA related submittals and reports in order to increase time for parties to review PCIA data and to facilitate timely implementation of decisions in the ERRA proceedings?
3. Should the Commission adopt a methodology for crediting or charging customers who depart from utility service during an amortization period and who are responsible for a balance in the PCIA Undercollection Balancing Account (PUBA), ERRA, or any other bundled generation account?
4. Should the Commission consider any other changes necessary to ensure efficient implementation of PCIA issues within ERRA proceedings?

The amended Scoping Memo addresses issues stemming from unanticipated volatility in the investor-owned utilities' (IOUs') Portfolio Allocation Balancing Accounts (PABA).[2] D.18-10-019 established the PABA to true-up forecasted above-market costs of all generation resources eligible for cost recovery through the PCIA, as well as a PCIA rate cap intended to limit its year-over-year change.[3]

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[1] *Order Instituting Rulemaking to Review, Revise, and Consider Alternatives to the Power Charge Indifference Adjustment* (PCIA), R.17-06-026, June 26, 2017.

[2] PABA is a balancing account established pursuant to D.18-10-019 by each investor-owned utility (IOU) to track billed revenues, generation resource costs, net California Independent System Operator (CAISO) market revenues associated with energy and ancillary services, and revenues associated with the renewable energy adder and the resource adequacy capacity in each vintaged portfolio.

[3] The PCIA cap was set at 0.5 cents/kWh more than the prior year's PCIA. D.18-10-019, Ordering Paragraph (OP) 9.

II. SUMMARY OF RECOMMENDATIONS

Cal Advocates supports the removal of the PCIA cap because it does not ensure customer indifference, as required by statute.[4]

III. DISCUSSION

In opening comments on the proposed *Decision Modifying the Power Charge Indifference Adjustment Methodology*,[5] Cal Advocates opposed a PCIA collar with a permanent floor and cap because such a mechanism would not ensure bundled service customer indifference.[6] In those comments, Cal Advocates noted that capping the PCIA may provide short-term rate stability for departing load customers, but that such a cap does not provide future stability for either bundled service or departing load customers.[7] In addition, since the PCIA undercollection balance cannot be recovered upfront from unbundled customers due to the PCIA cap, it must be recovered from bundled customers first, under the assumption that a future cost recovery plan will correct this cost-shift to bundled customers and maintain customer indifference. As D.20-12-035 notes, "[w]hile the PCIA amount that exceeds the cap (and which therefore cannot be collected from departed load customers and is tracked in the PUBA) is referred to as an 'undercollection,' SCE has collected this amount in 2020 rates as a 'loan' from bundled service customers to departed load customers."[8] However, if the PCIA cap is reached in successive years, the PCIA undercollection balance recorded in the PUBA would continue to grow, resulting in an ever-increasing amount owed to bundled service customers from unbundled service customers.

No mechanism is in place to ensure that unpaid PCIA costs that exceed the cap will not escalate over time or that bundled service customers would be able to recover those costs in a reasonable time period. Moreover, the recovery of the undercollection balance via an

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[4] Pub. Util. Code §§ 365.2 & 366.3.

[5] *The Office of Ratepayer Advocates' Comments on the Proposed Decision Modifying the Power Charge Indifference Adjustment Methodology* (ORA Comments on PCIA PD), August 21, 2018.

[6] ORA Comments on PCIA PD, pp. 4-5.

[7] ORA Comments on PCIA PD, pp. 4-5.

[8] *Decision Adopting Southern California Edison Company's 2021 Electric Procurement Cost Revenue Requirement Forecast, 2021 Forecast of Greenhouse Gas-Related Costs, and Power Charge Indifference Adjustment Trigger Mechanism Surcharge* (D.20-12-035), December 17, 2020, p. 54.

amortization plan like the one adopted in D.20-12-035[9] for SCE's 2020 PUBA balance is a short-term solution that merely shifts the burden of "financing" the PUBA balance to bundled customers for the duration of the amortization period. The PCIA Trigger amount at issue has already been (or, by the end of 2020, will be) paid by bundled service customers."[10] As a result, to maintain the rate cap, bundled service customers must bear an upfront cost-shift and greater rate instability.

Finally, while the PCIA cap provides short-term rate stability for unbundled customers, if the undercollection persists for several years, the amount "loaned" to unbundled service customers from bundled service customers will escalate. Thus, short-term rate stability for unbundled service customers comes at the cost of greater long-term uncertainty associated with cost recovery for the accumulated undercollection balance.

IV. CONCLUSION

For the reasons stated above, the Commission should adopt the recommendations contained herein.

Respectfully submitted,

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[9] D.20-12-035, p. 54.

[10] D.20-12-035, p. 53.