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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)

REPLY COMMENTS OF SAN DIEGO COMMUNITY POWER AND CLEAN ENERGY ALLIANCE ON THE PROPOSED DECISION

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Pursuant to California Public Utilities Commission ("Commission") Rules of Practice and Procedure Rule 14.3, San Diego Community Power ("SDCP") and Clean Energy Alliance ("CEA") (together, the "San Diego CCAs") submit these reply comments on the proposed *Phase 2 Decision on Power Charge Indifference Adjustment Cap and Portfolio Optimization* ("Proposed Decision" or "PD"). Specifically, these comments support San Diego Gas & Electric Company's ("SDG&E") proposal to leave 2021 Power Charge Indifference Adjustment ("PCIA") rates capped for the remainder of this year, pursuant to decisions ("D.") 21-01-017 and D. 21-02-014. Further, the San Diego CCAs support the Opening and Reply Comments submitted by the California Community Choice Association ("CalCCA") and the Reply Comments of the Joint CCAs[1] concerning portfolio optimization and equitable resource allocation.

I. INTRODUCTION

In its Opening Comments on the Proposed Decision,[2] SDG&E provides two proposals for implementing the removal of the Power Charge Indifference Adjustment ("PCIA") cap and trigger mechanism. The San Diego CCA programs agree that the PCIA cap has failed to meet its intended purpose and that it should be eliminated. However, to avoid the mid-year rate volatility that would result from immediate implementation, the PD should be amended to direct SDG&E to follow the second proposed scenario which would entail SDG&E leaving 2021 PCIA rates

[1] East Bay Community Energy, Peninsula Clean Energy Authority, Silicon Valley Clean Energy Authority, and Sonoma Clean Power.
[2] San Diego Gas & Electric Company Comments on Proposed Decision, Rulemaking ("R.") 17-06-026, April 26, 2021 ("SDG&E Opening Comments").

capped until 2022. This scenario mitigates the risk of mid-year rate volatility and aligns with Commission precedent and party expectations.

Finally, the comments submitted by the Joint CCAs and CalCCA request important modifications to the PD concerning the voluntary allocation and market offer ("VAMO") and Request for Interest ("RFI") proposals. The Commission should modify the PD in accordance with these recommendations and in accordance with the reality that a Central Procurement Entity ("CPE") will not help alleviate the Local resource adequacy ("RA") obligations of load serving entities ("LSEs") in the SDG&E service territory because no CPE has been established in SDG&E territory.

II. DISCUSSION

The San Diego CCAs strongly support the elimination of the PCIA cap and trigger mechanism initially adopted in D. 18-10-019. As the PD acknowledges, while the PCIA cap was originally intended to reduce rate volatility, it has had the opposite effect and increased rate volatility after just the first year of implementation.[3] Given the unintended consequences, the PD directs that the cap and trigger be removed "as of the effective date of this decision" and requires that Investor-Owned Utilities ("IOUs") address their projected 2021 year-end PCIA cap undercollection balances ("CAPBA") in their respective 2022 Energy Resource Recovery Account ("ERRA") forecast applications.[4] The PD should be amended to provide further clarification in response to SDG&E's request regarding the timing of the cap and trigger removal: Clarification is necessary to prevent additional volatility and uncertainty in 2021 PCIA rates.

SDG&E's Opening Comments highlight that the PD is unclear as to whether the direction to remove the PCIA cap and trigger requires any changes to current effective 2021 PCIA rates. To address this, SDG&E proposes that the PD be revised to follow one of two possible scenarios: (1) SDG&E implements the removal at its first available rate change following Commission adoption of a final decision ("Scenario 1"), or (2) SDG&E leaves its current capped PCIA rates unchanged and in effect until SDG&E's 2022 Consolidated Advice Letter

[3] PD at 6.

[4] PD at Ordering Paragraph ("OP") 1.

("AL") is filed for rates effective January 1, 2022 ("Scenario 2").[5] Although SDG&E states that either scenario is workable,[6] it is important to emphasize that Scenario 2 provides for rate stability throughout the year. Ironically, Scenario 1 does not.

A. Scenario 2 Helps Avoid a Mid-Year Rate Change that can Cause Rate Volatility During the Summer Months

Under Scenario 1, SDG&E would submit a Tier 1 AL to bring all capped rates to uncapped levels following Commission adoption of a final decision.[7] If a final decision is adopted in early May, this could result in a sudden rate increase taking place in early summer, a time when customers' bills already tend to be higher. Such an outcome would negatively impact customers by causing the very rate volatility and uncertainty the PD seeks to mitigate by eliminating the cap and trigger.[8] Scenario 2, on the other hand, serves to mitigate rate volatility and uncertainty by leaving current effective capped PCIA rates in place until the following year. Scenario 2 best achieves the Commission's underlying goal for eliminating the PCIA cap and trigger mechanism.

The adoption of Scenario 1 comes on the heels of and would result in the same kind of sudden and unforeseen rate spike that was addressed at great lengths in SDG&E's 2020 CAPBA Trigger application proceeding,[9] in which the shortfalls of the cap and trigger were first addressed. In that proceeding, SDG&E's recovery of the CAPBA balance under the trigger mechanism threatened to drastically increase departed load customer rates beyond uncapped levels on short notice. To minimize potential rate shock to departed load customers, the Commission ultimately favored and adopted an extended undercollection recovery period.[10] Similarly, Scenario 1 threatens to suddenly increase PCIA rates to uncapped levels in the middle of the year. To minimize the potential rate shock, the Commission should revise the PD to follow Scenario 2 and clarify that SDG&E should leave current PCIA rates unchanged until January 1, 2022, when PCIA rates are typically adjusted.

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[5] SDG&E Opening Comments at 2-3.

[6] *Id.* at 2.

[7] *Id.*

[8] PD at Finding of Fact 1 ("The PCIA cap does not serve its intended purpose of reducing rate volatility and uncertainty").

[9] A. 20-07-009.

[10] D. 20-07-009 at Findings of Fact 2 and 3, Conclusion of Law 3.

B. Scenario 2 Best Aligns with Commission Precedent and Party Expectations

As SDG&E acknowledges, Scenario 2 would entail leaving 2021 rates capped pursuant to SDG&E's 2021 ERRA forecast decision, D. 21-01-017, and its 2020 ERRA Trigger decision, D. 21-02-014.[11] By contrast, Scenario 1 would eliminate the cap on 2021 PCIA rates and upend those ratemaking decisions. Since the PD does not signify any intent to modify those decisions, the Commission should not adopt Scenario 1. Instead, the PD should be revised to follow Scenario 2, since it is consistent with the Commission's previous decisions and stated intent to apply the PCIA cap to 2021 rates.

Further, Scenario 2 is consistent with the stipulation reached in SDG&E's 2020 CAPBA Trigger Application.[12] In the stipulation, SDG&E and the San Diego CCAs acknowledged that the rate cap adopted in D. 18-10-019 applied to the PCIA rates proposed in SDG&E's 2021 ERRA Forecast Application 20-04-014, *i.e.,* SDG&E's current 2021 PCIA rates.[13] The parties also agreed to support the elimination of the cap and trigger before implementation of 2022 rates and to work in good faith to support the stipulation in future related proceedings.[14] SDG&E's proposal for Scenario 2 honors the stipulation by keeping PCIA rates capped for the remainder of the year before they are uncapped in 2022. The San Diego CCA programs acknowledge that the stipulation has no binding effect on the Commission, but it demonstrates that the San Diego CCAs and SDG&E expected the cap to remain in place for one more year until the elimination in 2022.

C. It is Unclear Whether the PD Should Address SDG&E's 2022 CAPBA Balance

SDG&E's Opening Comments propose that the PD should also be revised to direct SDG&E to address both its 2021 *and* 2022 CAPBA balances in the 2022 ERRA Forecast application.[15] However, since SDG&E's 2022 rates will not be subject to the cap, it is not clear how an undercollection can be recorded to the 2022 CAPBA. Since this issue was not briefed in

[11] SDG&E Opening Comments at 2.

[12] *See* Joint Comments of SDCP, CEA, Solana Energy Alliance, and CalCCA on the Proposed Decision, A. 20-07-009, December 3, 2020 at Appendix B ("Joint Stipulation").

[13] Joint Stipulation at 1.

[14] *Id.* at 2.

[15] SDG&E Opening Comments at 3.

the proceeding and is being raised for the time in SDG&E's Opening Comments, the Commission should not expand the scope of the proceeding at this late date.

D. The Commission Should Adopt the Modifications Proposed by CalCCA and the Joint CCAs

The proposed modifications in the Opening Comments and Reply Comments of CalCCA and the Reply Comments of the Joint CCAs are necessary to ensure that all customer classes are properly allocated their share of resources and associated benefits to which they are entitled in accordance with Public Utilities Code Section 366.2(g). The Joint CCAs' Reply Comments rightfully point out that, while a CPE may alleviate some LSEs' Local RA obligations, there is no CPE proposed for SDG&E territory. As such, party comments that a CPE obviates the need for a Local RA VAMO are not applicable to the San Diego CCAs and other LSEs in SDG&E territory. The Commission should acknowledge this reality in its ultimate decision on the RA VAMO.

III. CONCLUSION

As discussed above, SDG&E's Scenario 2, which calls for the PCIA cap to remain in place for the remainder of this year and be eliminated in 2022, adequately protects ratepayers by reducing rate volatility and supports Commission precedent, Scenario 1 does not. Furthermore, SDG&E is amenable to the Commission adopting Scenario 2 in its revision to the PD.[16] For these reasons, the Commission should adopt SDG&E's proposed modification to the PD to clarify that SDG&E's current 2021 ERRA Forecast capped PCIA rates should remain in effect until 2022. The Commission should also adopt the proposed revisions outlined in the Opening Comments and Reply Comments of CalCCA and the Reply Comments of the Joint CCAs.

Respectfully Submitted,

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[16] *Id.* ("As noted above, SDG&E believes either of these two approaches is acceptable.")