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Decision 20-12-028 December 17, 2020

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Expedited Application of San Diego Gas & Electric Company (U902E) Under the Power Charge Indifference Adjustment Account Trigger Mechanism.	Application 20-07-009

DECISION REGARDING POWER CHARGE INDIFFERENCE ADJUSTMENT TRIGGER APPPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY

Summary

This decision approves, with modifications, the application of San Diego Gas & Electric Company (SDG&E) to temporarily increase its Power Charge Indifference Adjustment (PCIA) rates on departing load customers over 36 months, beginning January 1, 2021, to account for an estimated undercollection of $8.92 million. Decision 18-10-019 requires investor-owned utilities to file a PCIA trigger application when a PCIA undercollection balancing account reaches seven percent and the utility forecasts that the undercollection will reach ten percent.

This decision directs SDG&E to amortize the undercollection over 36 months using an equal cents per kWh allocation, to reduce the balance in the undercollection balancing account (CAPBA) to zero percent. Over the

36 -month amortization period, most vintages would see a rate increase of approximately 0.64 cents ($0.00635) and monthly bills for the average residential departing load customer in SDG&E's service territory will increase by roughly $2.50 to $3.20 per month, depending on usage.

This proceeding is closed.

1. Background

On July 10, 2020, San Diego Gas & Electric Company (SDG&E) filed an application to address an undercollection in its Power Charge Indifference Adjustment (PCIA) rate. SDG&E seeks the Commission's authorization to increase PCIA rates for its departing load customers,[1] and simultaneously decrease bundled customer rates.[2] PCIA is the rate intended to equalize cost sharing between departing load and bundled load customers, as required by statute.

Notice of the application appeared on the Commission's Daily Calendar on July 14, 2020. The following parties to this proceeding filed protests or responses to the application:

- California Alliance for Community Energy;
- San Diego Community Power, Solana Energy Alliance and Clean Energy Alliance (jointly);
- Direct Access Customer Coalition and the Alliance for Retail Energy Markets (jointly);
- California Community Choice Association;

[1] Departing load customers are customers who only receive electric utility distribution company (UDC) services from SDG&E. Departing Load customers include Direct Access, Community Choice Aggregation, and Green Tariff Shared Renewables customers.

[2] Bundled customers are customers who receive bundled electric service from SDG&E, meaning they receive electric generation and UDC services. Most of SDG&E's customers are bundled customers. (Application at footnote 2.)

- Public Advocates Office; and
- Shell Energy North America.

A prehearing conference (PHC) was held on August 27, 2020, to discuss the issues of law and fact and determine the need for hearings and the schedule for resolving this proceeding.

2. Jurisdiction and Commission Rules

Pub. Util. Code Section 365.2 provides that:

> The commission shall ensure that bundled retail customers of an electrical corporation do not experience any cost increases as a result of retail customers of an electrical corporation electing to receive service from other providers. The commission shall also ensure that departing load does not experience any cost increases as a result of an allocation of costs that were not incurred on behalf of the departing load.

Pub. Util. Code Section 366.3 provides that:

> Bundled retail customers of an electrical corporation shall not experience any cost increase as a result of the implementation of a community choice aggregator program. The commission shall also ensure that departing load does not experience any cost increases as a result of an allocation of costs that were not incurred on behalf of the departing load.

Decision (D.) 18-10-019 established a trigger mechanism to avoid excessive undercollections for a utility's PCIA undercollection balancing account (CAPBA).[3] D. 18-10-019 also requires Pacific Gas and Electric Company, Southern California Edison Company, and SDG&E (collectively, the investor-owned utilities or IOUs) to file a PCIA trigger application for the Commission's

[3] Note that SDG&E refers to this account as CAPBA while Southern California Edison and Pacific Gas & Electric refer to the account as PUBA.

approval when the recorded monthly PCIA balance undercollection reaches seven percent and the IOU forecasts that the balance will reach the 10 percent PCIA trigger threshold. D. 18-10-019 requires that the PCIA trigger application propose a revised PCIA rate that will bring the projected CAPBA balance below seven percent and maintain the balance below that level until January 1 of the following year. At that point, the PCIA rate adopted in the IOUs' annual Energy Resource Recovery Account forecast proceeding is anticipated to take effect.

3. Application

In its application, SDG&E states that its CAPBA balance through April 30, 2020 is undercollected by $2.22 million, or 7.9 percent, and that the company does not expect the undercollection to self-correct below the seven percent trigger point within 120 days of April 30, 2020. SDG&E reports that its CAPBA undercollection exceeded the 10 percent trigger threshold on May 31, 2020, and in its reply briefs writes that its undercollection reached $5.49 million as of August 31, 2020. SDG&E projects the undercollection to reach $8.92 million as of December 31, 2020. SDG&E requests authorization to collect $8.92 million in revenue from departing load customers, thereby reducing the CAPBA balance to zero, and to refund that amount to bundled customers. SDG&E proposes to amortize this amount over three months, beginning on October 1, 2020, and ending December 31, 2020. SDG&E offers two proposals to achieve this.

SDG&E's asserts that the CAPBA undercollection relates to the $0.005/kWh PCIA rate cap for each resource vintage established in D. 18-10-019, and results in bundled customers funding the revenue shortfall of departing load customers. For 2020, the departing load customers' forecast of PCIA revenues is $28 million. According to SDG&E, the primary cause of the current undercollection is that the PCIA rates approved in SDG&E's 2020 ERRA Forecast Application do not reflect the recovery of the entire forecasted Departing Load PCIA revenues of $28 million due to the $0.005/kWh PCIA rate cap.[4]

SDG&E presents two cost recovery proposals. SDG&E's initial proposal seeks to increase PCIA rates for its departing load customers using the existing allocation applied for the PCIA common template – *i.e.*, using the generation revenue allocation factors. Using generation revenue allocation factors, a typical residential departing load customer in the 2015 PCIA vintage using 400 kWh per month could see a bill increase of approximately $187 (from $13 to $200) from the PCIA charge for the three-month period October, November, and December 2020. SDG&E's alternative proposal seeks to increase PCIA rates for its departing load customers using an equal cents per kWh vintage rate, regardless of customer class. Using an equal cents per kWh vintage rate, a typical residential departing load customer in the 2015 PCIA vintage using 400 kWh per month could see a bill increase of approximately $30 (from $13 to $43) for the three-month period of October 2020 through December 2020.

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[4] SDG&E lowered the Portfolio Allocation Balancing Account (PABA) revenue requirement by the amount of the fully calculated system PCIA cap amount to recalculate PCIA rates to be below the system cap, then used the approved generation revenue allocation factors to recalculate PCIA rates. Thus, departing load customers system average vintage PCIA rate did not exceed the half a cent cap.

However, as a result of this methodology, all customer class rates 2009 and later received lower rates due to the lower vintage revenues—including vintages that would not have otherwise reached the cap. Additionally, because of the use of this methodology, the use of class rates and vintage class determinants will not calculate the exact revenues that the system does because the rates are not the same – *i.e.*, the residential class rate would be different than the system average rate.

SDG&E will update its capping mechanism methodology to match that of SCE and PG&E in its 2021 ERRA November Update Filing if the PCIA rates are capped to isolate the undercollection to a specific vintage.

4. Issues Before the Commission

The Scoping Memo and Ruling determined the issues before the Commission are as follows:

- Is there an undercollection of SDG&E's CAPBA and, if so, in what amount?
- Does the application meet the standards set out in D. 18-10-019?
- Is SDG&E's request just, reasonable, and consistent with Commission decisions and rules?
- Should the Commission authorize SDG&E to obtain $8.92 million, or a different amount, from Departing Load customers and refund this amount to bundled customers?
- Should the Commission approve SDG&E's three-month cost recovery proposal, its alternative cost recovery proposal, or some other proposal? Are there reasons the Commission cannot amortize the rate increase over a period shorter or longer than three months?

5. Parties' Positions

Parties opposing the application do not dispute that SDG&E's CAPBA undercollection exceeds the seven percent threshold, nor whether the application complies with D. 18-10-019, though the California Alliance for Community Energy argues the trigger mechanism methodology adopted in D. 18-10-019 is ill-designed and leads to an unreasonable rate shock for departing load customers. The key disagreement among parties is over the length of the amortization period for SDG&E to collect revenue that brings its CAPBA undercollection below the seven percent threshold, with SDG&E requesting a shorter cost recovery period to reduce the need for additional trigger applications, and other parties calling for longer amortization periods to reduce rate shock for departing load customers.

In its application, SDG&E proposes a three-month amortization period from October 2020 through December 2020. In its opening brief, SDG&E proposes a six-month amortization period beginning January 1, 2021. In its reply brief, Shell Energy North America and California Alliance for Community Energy support allowing SDG&E to recover the undercollected CAPBA revenue over a 12-month period, at a minimum, beginning January 1, 2021. AReM/DACC recommends adopting an amortization period of no less than 24 months, which would lead to roughly a 0.95¢/kWh increase in PCIA rates. San Diego Community Power, Solana Energy Alliance and Clean Energy Alliance ask the Commission to adopt a 36-month amortization period relying on an equal-cents-per-kWh allocation.

Parties opposing the application assert that while the projected CAPBA balance must be reduced to below seven percent, the balance does not need to be reduced to zero, with most asserting that SDG&E's proposals are not just and reasonable, as both lead to high increases in rates.

6. Discussion and Analysis

In this decision we balance the statutory requirement of ensuring that bundled load customers do not subsidize service for departing load customers (and vice versa) with a community choice aggregator's need for market stability (and the goal of reducing rate shock for its customers). We find that there is a $5.49 million undercollection of SDG&E's CAPBA as of August 31, 2020, which is expected to reach $8.92 million by December 31, 2020, and note that no party disputes SDG&E's calculations. Further, we find that SDG&E complied with D. 18-10-019 by submitting an estimate using an approved methodology that would bring the undercollection to below seven percent by January 1, 2021.

We agree with parties that both alternatives proposed by SDG&E in its application will cause rate shock for departing load customers in SDG&E's service territory. Increasing monthly electricity bills by $30 a month, even temporarily, is excessive given the current economic climate, while increasing bills by $187 a month, again, even just for three months, is beyond excessive. Thus, we find both proposals in SDG&E's application are not just or reasonable.

We attempt to balance multiple goals here: minimizing rate shock for departing load customers, providing fair returns to bundled customers, and avoiding the need for another PCIA trigger application early in 2021. Like the other parties, we disagree with SDG&E that the revenue recovery period must be within the same Calendar Year.[5] While the optimal amortization period for SDG&E may have been three months in Calendar Year 2020, and SDG&E is correct that D. 18-10-019 requires it to *propose* a rate structure that brings its undercollection to under seven percent by January 1 of 2021, D.18-10-019 does not require the Commission to adopt that proposal without modifications. However, we agree with SDG&E that only reducing its undercollection to just under the trigger point of seven percent increases the risk of more trigger applications in 2021 and following years, as does an overly lengthy revenue recovery period. We acknowledge California Alliance for Community Energy's point that the Commission may need to revisit the trigger mechanism methodology adopted in D. 18-10-019, but that is not in the scope of this proceeding.

Bearing in mind both the findings and goals discussed above, and the specific facts in this case, we authorize SDG&E to recover the full undercollection

[5] In comments to the Proposed Decision, SDG&E expresses support for a 36-month amortization period.

amount, relying on the same equal-cents-per-kWh allocation, amortized over 36 months, beginning on January 1, 2021 and ending on December 31, 2023. Most vintages would see a rate increase of approx. 0.64 cents ($0.00635). Over the 36-month amortization period, monthly bills for the average residential departing load customer in SDG&E's service territory will increase by roughly $2.54 per month, for those customers using 400 kWh per month, and by roughly $3.18 per month for those using 500 kWh per month. While we recognize that this monthly increase is still noticeable for departing load customers, we believe this outcome balances the need to reduce the amount that bundled load customer rates are subsidizing departing load customer service and reduce the risk of multiple trigger applications from SDG&E in the future. While, we are not addressing the cap in this proceeding, as noted above, we clarify that the projected 2020 year-end CAPBA balance addressed through a temporary rate increase in this decision shall not be counted towards the requirement for SDG&E to file a new trigger application when the CAPBA balance exceeds the trigger point.

In this decision we do not rule on SDG&E's argument, made in its reply briefs, that the Commission should require departing customers leaving SDG&E in the middle of 2021 to forgo a refund,[6] though we do a approve a one-time transfer of the CAPBA overcollection due to bundled customers into the 2020 vintage of PABA.

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[6] *See* SDG&E Reply Briefs at 24:

…SDG&E is willing to support a 12-month amortization period provided that: (1) the Commission agree that the benefit of an extended 12-month amortization period is just and reasonable and outweighs the nominal amount of bundled overcollection that departing customers would forgo, or (2) the Commission adopts SDG&E's proposal for a one-time transfer of the CAPBA overcollection due to Bundled customers into the 2020 vintage of PABA.

7. Comments on Proposed Decision

The proposed decision of Administrative Law Judge Glegola in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on December 3, 2020 and reply comments were filed on December 8, 2020 by SDG&E; California Alliance for Community Energy; San Diego Community Power, Solana Energy Alliance, Clean Energy Alliance and California Community Choice Association (jointly); and Direct Access Customer Coalition and the Alliance for Retail Energy Markets (jointly).

In consideration of the comments, we extend the amortization period for SDG&E to collect the additional underbalance from 12 months to 36 months. Almost all parties, including the applicant and the CCAs in SDG&E's territory, express support for this approach over the twelve-month period originally proposed. We revise this decision in several locations to reflect this change. We also revise other sections of this decision to provide clarification requested by certain parties, including allowing a one-time transfer of the CAPBA overcollection due to bundled customers into the 2020 vintage of PABA.

Several parties propose that we lift the PCIA cap for 2021 revenue requirements to avoid a trigger application in 2021. The cap was ordered in a still open rulemaking and is not within the scope of this proceeding. However, we clarify that the projected 2020 year-end CAPBA balance addressed through a temporary rate increase in this decision shall not be counted towards the requirement for SDG&E to file a new trigger application when the CAPBA balance exceeds the trigger point.

8. Assignment of Proceeding

Martha Guzman Aceves is the assigned Commissioner and Thomas J. Glegola is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. SDG&E's CAPBA undercollection exceeds the seven percent threshold established in D. 18-10-019.
2. SDG&E's proposed amortization period of three months for its CAPBA undercollection will result in rate shock to departing load customers.
3. A 36-month amortization period for SDG&E's CAPBA undercollection will reduce rate shock.

Conclusions of Law

1. Pub. Util. Code Section 365.2 and Pub. Util. Code Section 366.3 requires the
2. Commission to ensure that bundled rate customers and departing load customers pay only for costs related to their service.
3. The Commission may adopt a CAPBA undercollection recovery period
4. over multiple years.
5. This application complies with D. 18-10-019.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company is authorized to collect $8.92 million in Power Charge Indifference Adjustment from departing load customers, by increasing its Power Charge Indifference Adjustment rate, amortized over 36 months, beginning January 1, 2021, using an equal cents per kWh allocation, to account for an estimated undercollection of $8.92 million and return this same amount to bundled customers through bundled commodity rates over the same 36-month amortization period.

2. The undercollection shall not be allocated to departing load customers in Power Charge Indifference Adjustment Vintages 2020 and 2021.

3. The projected 2020 year-end PCIA undercollection balancing account balance addressed through a temporary rate increase in this decision shall not count towards the requirement for SDG&E to file a new trigger application when the balance exceeds seven percent.

4. San Diego Gas & Electric Company is authorized a one-time transfer of the PCIA Power Charge Indifference Adjustment balancing account overcollection due to bundled customers into the 2020 vintage of PABA.

5. a one-time transfer of the CAPBA overcollection due to bundled customers into the 2020 vintage of its Portfolio Allocation Balancing Account.

6. By December 31, 2020, San Diego GAS & Electric Company shall file with the Commission's Energy Division a Tier 1 Advice Letter containing the new rates.

7. Application 20-07-009 is closed.

This order is effective today.

Dated December 17, 2020, at San Francisco, California.

MARYBEL BATJER
President
LIANE M. RANDOLPH
MARTHA GUZMAN ACEVES
CLIFFORD RECHTSCHAFFEN
GENEVIEVE SHIROMA
Commissioners