BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Expedited Application of San Diego Gas & Electric Company (U 902 E) Under the Power Charge Indifference Adjustment Account Trigger Mechanism	)	Application 20-07-009

CALIFORNIA ALLIANCE FOR COMMUNITY ENERGY PROTEST OF EXPEDITED APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) UNDER THE POWER CHARGE INDIFFERENCE ADJUSTMENT ACCOUNT TRIGGER MECHANISM

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PROTEST OF THE CALIFORNIA ALLIANCE FOR COMMUNITY ENERGY

INTRODUCTION

Pursuant to Rules 1.4 (a)(2) and 2.6 of the Commission's Rules of Practice and Procedure, the California Alliance for Community Energy (the Alliance) files this protest to the above-captioned application filed by San Diego Gas & Electric Company (SDG&E; "the Application"). In this Application, SDG&E seeks to employ mechanisms included in Decision D.18-10-019 "Decision Modifying the Power Charge Indifference Adjustment – PCIA" " (the "Peterman Decision") to change the allocation of costs between bundled and unbundled customers affected by the creation of Community Choice energy programs. The Alliance believes SDG&E misapplies the mechanisms in D.18-10-019 to impermissably increase the PCIA imposed on departing load customers in SDG&E service territory, and on this basis protests the Application.

The Alliance is a statewide network of individuals and organizations engaged in public outreach, education and advocacy on behalf of Community Choice energy programs across the state.[1] Our mission is to "... to support and defend Community Choice energy programs in California that advance local clean energy for the environmental, economic, and social justice benefit of our communities." Through our multiple participation venues, the Alliance engages roughly 1,000 Community Choice advocates on a routine basis. Affiliated and associated organization participation increases this number substantially.

1 California Alliance for Community Energy webpage www.cacommunityenergy.org

The Application seeks an expedited decision under the trigger mechanism for raising rates on customers that have departed SDG&E service to enroll in Solana Energy Alliance (SEA). SEA is a Community Choice energy program formed under the authority of AB 117 (2002) in 2018. As one of many organizations both statewide and in San Diego County that have long advocated for the creation of Community Choice programs, we file this protest against SDGE's attempt to forestall further creation of these programs in Southern California. This Protest is timely because it is being filed with the Commission within 30 days following the first appearance of SDGE's filing in the Daily Calendar, which occurred on July 14, 2020.

In this Application, SDG&E makes several requests, which we summarize here to set the framework for further discussion to follow. SDG&E requests an expedited decision on this matter, within 60 days from the filing date, therefore by September 10, 2020. SDG&E further proposes that this matter be classified as a Ratesetting proceeding, therefore subject to an 18-month timeline under Rule 2.1, and suggests that no hearings will be needed to provide the approval sought.[2] Substantively, SDG&E proposes to collect funds from unbundled customers -- those that departed SDG&E service in order to join SEA -- in order to refund these funds to bundled customers, those that remain with SDG&E. Finally, SDG&E offers a choice of ways in which these funds can be collected, in order to mitigate the "significant rate shock" which they acknowledge will result from this action.

II. SUMMARY OF PROTEST

The Alliance disagrees strongly with the proposed Application, for reasons that reflect both technical issues and policy implications raised by SDG&E's action at this time. To begin, we take issue with SDG&E's request for an expedited decision and lack of hearings, as both presume to cast this matter as a non-controversial action that requires no substantive Commission review. Rather, as the first application of the modified trigger mechanism ordered in Decision 18-10-019 (the controversial "Peterman Decision"), and against the

2 "SDG&E does not believe that Approval of this Application will require hearings." SDG&E A.20-07-009, page 9.

backdrop of the policy implications explained below, we suggest that expedited action on this matter is neither justified nor wise.

We have three technical concerns: first, why does SDG&E describe the impacts of this action on the rates of "a typical residential Departing Load customer in the 2015 PCIA vintage", when the departure of customers to SEA didn't occur until 2018? Second, we question the credibility of SDG&E's claimed under-collections, the amounts that set the stage for this trigger application. We, like many others in an extensive CPUC record, dispute the validity of these underlying amounts. Third, we dispute SDG&E's intent to collect 100% of the claimed under-collection in one action over three months. We question whether 100% collection is allowed under the trigger mechanism as currently designed.

The Application also raises a number of policy concerns: a) questions about the accuracy of SDG&E's claims of under-collection, particularly in light of the Commission's unwillingness to undertake a "look back" to establish the validity of those costs; b) the Commission's long-standing concern for the impact of unpredictability and "rate shock" on all classes of customers, a guiding principle violated by this Application, and c) questions about the timing of this action, and about SDG&E's true motivation in taking this action in this way at this time.

III. ARGUMENTS

To consider SDG&E's Application, one must be ready to accept the presumption that under-collections exist at all. The Alliance does not accept that premise. Throughout the long record of the PCIA proceeding, R.17-06-026, multiple parties questioned the validity of contracts included in the "above market" fraction of costs included in the PCIA and claimed as recoverable by all of the IOUs. While the CPUC ruled these costs to be recoverable, that decision does not answer or quiet the many unanswered questions about these costs - the contract pricing, comparable market prices, whether these costs were in fact "arms-length" transactions or "unavoidable", etc., that the Commission has deemed resolved by fiat -- rather than through a deliberative review. We will come back to this concern in our discussion of the Application's policy implications.

Setting aside the validity of the underlying costs, we must still ask how it could happen that customers in Solana Beach, population 13,000, have generated under-collections of $8.92 million in the 26 months since departing SDG&E service? If SDG&E under-collections were based in whole or part on forecasts that under-anticipated customer departures, when this Community Choice program had been under discussion beginning in 2012 and consummated in 2018 with the launch of SEA, we submit that these under-collections should be attributed to a failure of management attention and therefore recoverable from shareholders, not ratepayers.

Another technical concern raised by the Application rests on the amount of collection allowed under the trigger mechanism. The Peterman Decision orders that:

> 4. The application shall propose a revised PCIA rate that will bring the projected account balance below 7% and maintain the balance below that level until January 1 of the following year, when the PCIA rate adopted in that utility's ERRA forecast proceeding will take effect."[3]

Rather than bringing the triggering rate down to "below 7%", however, the Application states it is SDG&E's desire to collect the full amount of claimed under-collection in the current year "in order to bring the balance down to zero and refund bundled customers."[4] We submit that the total collection amount differs significantly depending on whether the target is "under 7%" as ordered, or "zero" as SDG&E wishes to claim.

Questions about the validity of SDG&E's PCIA costs have been lodged with the Commission since the opening of R.17-06-026. For example, in the R.17-06-026 Opening Brief of Protect Our Communities Foundation (POC), POC stated "... the Current Methodology impermissibly assigns avoidable procurement costs to departing load"[5] and "Case studies of solar and wind contracting by San Diego Gas & Electric Company (SDG&E) and Pacific Gas & Electric Company (PG&E) show that the utilities were contracting for renewable energy projects at inflated prices in the 2008 to 2012 period,

3 D.18-10-019, page 87.

4 SDG&E A.20-07-009, page 5.

5 "Opening Brief of Protect Our Communities Foundation", June 1, 2018, page 6. ("POC Opening Brief")

executing Power Purchase Agreements (PPAs) with price terms as much as $50/MWh above cost-competitive market rates at the time."[6] All of these contracts were protected by confidentiality, and were only available for public scrutiny at the time the PCIA proceeding was initiated in mid-2017.

The inclusion of avoidable costs was again flagged in POC's Reply Comments: "...the Commission should… ensure that avoidable historic procurement costs… are allocated to shareholders rather than illegally heaped on departing load."[7] Contention over the lumping of legitimately avoidable costs into the PCIA was the subject of a lengthy discussion in the R.17-06-026 Track 2 Scoping Memo prehearing conference[8] regarding whether any reasonableness review would occur in Track 2 of the PCIA proceeding; again, no such review was undertaken. At each of these junctures, the CPUC has chosen not to review the reasonableness of historic contracts, thereby ensuring that questions of legitimacy, appropriateness, and fairness will continue to be raised in settings like this one.

State law is clear that there can be no cost shifts between categories of customers. Since SDG&E is equally clear in this Application that such a cost shift is their intent,[9] we submit that the issue of accuracy of SDG&E's costs claimed this Application must be reviewed in order to ensure compliance with state law. The legacy of the lack of reasonableness review of historic PCIA costs underpins distrust on the part of the Alliance of SDG&E's estimates in this Application. To avoid further erosion of public trust in CPUC oversight, as well as out of fairness to SEA ratepayers who otherwise have a high likelihood of getting overburdened with questionable costs, we respectfully request that the Commission postpone approving the Application until a thorough review has been completed of SDG&E's costs and collections, both received and requested.

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6 POC Opening Brief, page 2.

7 "Reply Brief of Protect Our Communities Foundation", June 15, 2018. Page 3. ("POC Reply Brief")

8 R.17-06-026 Track 2 Scoping Memo Prehearing Conference December 19, 2018, transcript pages 39-52

9 A.20-07-009, page 13 "However, the overall impact of this Application is a rate decrease to bundled customers and a rate increase to Departing Load customers".

To do otherwise is to violate one of the Commission's guiding principles in R.17-06-026. In the original Scoping Memo, and following comments by the Parties, the Commission confirmed the principle that a successful PCIA methodology "...should have reasonably predictable outcomes that promote certainty and stability for all customers within a reasonable planning horizon…"[10] This concern over the predictability of rate changes and the possibility of "rate shock" is well-established at the Commission, prompting the observation that, had the CPUC anticipated the level of rate shock described in the Application, it may not have approved the trigger mechanism in its current form.

Nonetheless, significant rate shock is exactly what would occur to the customers of SEA, were this proposal to be approved. Per the chart on page 9 of the Application, rates would jump from 2-3 c/kWh to 49c, 24c, 78c/kWh depending upon customer classification. SDGE acknowledges that the rate shock would be considerable, as the "typical residential customer using 400 kWh per month could see a bill increase of approximately $187 (from $13 to $200)", we assume per month, although the Application is ambiguous on this point. The average residential customer would therefore pay a total of $560 extra to SDG&E for the three-month collection period. Surely this level of rate shock from one month to the next is exactly what the Commission's guiding principle seeking "certainty and stability for all customers within a reasonable planning horizon" was intended to avoid.

Even under the Application's less-draconian alternative proposal, customer rates would still jump from their current rate of 2-3 c/kWh to 9-11 c/kWh, over 300% increase. Since these rate increases affect the generation side of the bill only, with both delivery- and non-bypassable charges still paid by the customers, the extent of the overall budget impact and consequent "rate shock" during a time of Covid-19-derived economic hardship seems little short of punitive.

Finally, we must again raise questions of timing. Why does SDGE file this Application now, 26 months after SEA was launched in May 2018? We submit that the

10 R.17-06-026. "Scoping Memo and Ruling of Assigned Commissioner", filed 09/25/17. "Final Guiding Principles", page 13-14.

answer to that question is transparent, and stems directly from the previous discussion of rate shock. SDG&E intends to communicate to every customer of SEA that they made an egregious mistake in departing the incumbent utility -- a mistake that will cost them very dearly. In addition, the timing of this Application could not be better aimed at the significantly larger numbers of soon-to-depart customers who expect to take service in early 2021 from San Diego Community Power.

In short, we do not for a moment consider the timing of this Application to be accidental or coincidental. Rather, the timing is deliberate. The true motivation behind this Application is to send a very big financial scare to both present and prospective customers of Community Choice programs forming and expanding in San Diego County. Far from "working in collaboration" with new Community Choice entities as directed under PUC Code 901e, derived from the Code of Conduct created by passage of SB 790, this Application reveals in both its timing and its content SDG&E intention to sabotage the existing -- and especially the future -- Community Choice programs in its territory.

IV. NOTICE

Service of notice, orders, and other correspondence in this proceeding should be directed to the Alliance at the address set forth below. Please note that the mostly-volunteer Alliance has no physical address per se, so all service is requested in electronic form.

V. CONCLUSION

For the reasons set out above, the Alliance respectfully requests that the Commission accept this Protest to Application A.20-07-009. We appreciate the opportunity to submit our comments and anticipate participating in this proceeding going forward.

Dated August 11, 2020

Respectfully submitted,

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