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California's three big utility companies stand in the way of consumer choice

By Sam Liccardo and Sheila Kuehl Sep. 1, 2020 Updated: Sep. 1, 2020 1 p.m.

People hold banners as they protest against a PG&E bailout in San Francisco, Calif. on Wednesday, May 20, 2020.
Photo: Nick Otto / Special to The Chronicle

"With great power comes an even greater electricity bill."

— Anonymous

One planet, dozens of cities and 10 million Californians collectively benefited during the past decade from the creation of community choice aggregators, or CCAs, in local communities throughout the state.

More commonly known as community choice energy programs, locally controlled CCAs give residents and businesses the ability to select greener, renewable sources of electricity often at a lower cost than provided by California's three investor-owned utilities: Pacific Gas and Electric Co., San Diego Gas & Electric Co., and Southern California Edison.

In recent weeks, Californians have endured a heat wave, rolling blackouts, lightning storms and more than 500 wildfires, making clearer the imperative to confront our existential threat of climate change by embracing the clean energy future that CCAs enable.

CCAs aren't just good for the Earth, but good for the pocketbooks: as nonprofit local agencies, they can secure better deals for their ratepayers by prudently managing their portfolio and keeping operating costs low, and they avoid the burden of compensating shareholders and C-suite officers. If utility executives and investors continue to have their way, however, recession-battered ratepayers could endure rapidly escalating bills in the months ahead. By approving hikes of an obscure exit fee charged to customers, state regulators have shifted hundreds of millions of dollars in the utilities' costs to local residents and businesses. In theory, this exit fee, known as the Power Charge Indifference Adjustment, ensures that CCA ratepayers bear their fair share of the more expensive electricity supply contracts that utilities signed on their behalf many years ago. As ratepayers leave those investor-owned utilities to join CCAs — the logic goes — they shouldn't saddle PG&E, San Diego Gas & Electric and Southern California Edison and their remaining customers with the entire burden of those costly legacy contracts.

In practice, however, exit fees hardly resemble a fair share.

Since 2013, exit fees have risen more than 600% in the PG&E service area, all for the financial benefit of a criminally convicted and chronically mismanaged utility. It will increase another 35% this fall, boosting an average customer's exit fee in PG&E's territory to $220 annually. PG&E is hardly unique; San Diego Gas & Electric recently proposed a larger increase to its exit fee this fall, and we've seen similar increases in Southern California Edison's territory as well.

Exit fees lack guardrails. The fees adjust annually through the California Public Utilities Commission's regulatory process, based upon opaque cost data provided by — wait for it — the big utilities. Those same utilities have blocked CCA efforts to obtain their cost data, even though that information underlies every commission rate-making decision, and even after PG&E was caught committing hundreds of millions of dollars in "calculation errors."

Accordingly, the public cannot understand why exit fees increase at rates several times higher than electricity in the open market. One obvious hypothesis: The system driving these rate hikes has nothing to do with energy economics, and everything to do with the political power of the big utilities.

Several solutions are overdue. First, we need to reverse recent rule changes that have accelerated rate hikes. In October 2018, for example, the commission eliminated legislatively enacted limits on utilities' use of exit fees to recover the costs of operating their older gas and nuclear power plants. The 2018 rule change saddles all ratepayers with those burdens, undermining any incentive for utilities to reduce costs and retire inefficient, dirty gas generators, as other private companies have done.

The former commissioner who proposed that change in 2018 observed that "for many customers, the bill impacts should be relatively small." The impacts were hardly small, but no matter; that commissioner now works for Southern California Edison. The current commission must do better.

Second, the commission and legislature must adopt common-sense transparency measures around rate-setting and fees. Every resident and business in California deserves public disclosure of cost data and rate calculations as proposed in Assemblyman Ash Kalra's AB2689, which was shelved amid the pandemic. Consumers must know what they are paying for — particularly if they're paying more.

Finally, the commission must adopt the recommendations of its public working group to require utilities to optimize their energy supply portfolio. Doing so would reduce energy costs for all customers, as current regulations undermine any market-based incentives for the utilities to manage their portfolio costs. Although Southern California Edison co-led a working group with CCAs to make significant advances in this area, the other two major utilities, PG&E and San Diego Gas & Electric, have opposed a consensus reform proposal and are seeking to block implementation in the 11th hour by pressing for self-serving changes. The commission should not capitulate to these tactics.

In this painful moment for Californians, the Public Utilities Commission has an opportunity to significantly ease financial burdens on families and support our climate goals. We urge the CPUC to rise to this crucial opportunity.

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