

**PCIA proceeding R.17-06-026 All-Party Introductory Comments
Provided by Commissioner Carla Peterman, September 7, 2018**

Thank you all for attending today's all-party meeting for proceeding R.17-06-026. This meeting is an opportunity for Commissioners to hear from parties. We have 11 parties speaking today. I am joined via webcast by my fellow Commissioners. Today's all-party is being telecast live via webinar.

Hello to everyone out there, and thank you to our IT department for facilitating.

This proceeding addresses reform to the PCIA rate methodology, which allocates procurement costs to customers for power purchased on their behalf.

California law requires us to make sure that customers, whether they depart the utility or stay, are financially indifferent to their neighbor's choice of electricity provider.

We refer to the customers who leave utility service as "departing customers." Those customers who continue to take service from their electric utilities are referred to as "bundled customers." The CPUC's obligation is to ensure a fair outcome for all customers, regardless of their energy supplier.

We started this proceeding to respond to widespread concerns that the existing PCIA failed to prevent shifting of costs between different groups of customers.

There is consensus from those in the proceeding that the PCIA methodology needs to change. The inputs are stale, are not aligned with market realities, and are in fact shifting costs. There are, however, different views on the extent of the cost shift and the values of the resources under consideration.

The Commission has two proposals to consider: Judge Roscow's proposed decision issued August 1st, and an alternate proposed decision I issued August 14th. Both proposals are noticed to be considered by the full commission next week.

I have requested delay in the consideration of these proposals for one Commission meeting, to allow for additional time to incorporate comments on these proposed decisions. With this delay, this matter can be considered at the September 27th meeting. Parties, Judge Roscow will issue a ruling today with a new reply comment date of Thursday, September 13th.

There is a need for timely resolution of this proceeding so that a new methodology is in place for 2019 rates, and greater certainty can be provided to customers and communities considering their energy options. As such, I appreciate your detailed comments regarding how to improve each of the proposals to best achieve a fair outcome for all customers.

I want to next acknowledge the many emails I have received from customers and community leaders about their interest in these decisions. They all express concern that a new methodology be fair, transparent, balanced, predictable, and equitable. They also support directives to develop longer term solutions for utility portfolio optimization.

I agree with these goals. These goals are embedded in this proceeding's 11 guiding principles and the PCIA framework that both the proposed decision and alternate decision adopt. Section 10 of both proposals detail how they comport with these important principles.

Some have asserted that only the proposed decision, not the alternate decision, affirms these principles. I disagree. My alternate and Judge Roscow's proposed decision are the same on almost all issues. Where they differ, I think the alternate better advances the goal of customer indifference.

Both proposals conclude that the best course of action is to leave the current PCIA framework in place, and adopt the same new benchmarks in order to improve the accuracy of the PCIA. Both proposals adopt an annual true-up in order to ensure no long-term cost shifts.

Both proposals include similar options to manage departing customer rate impacts, including a cap on overall PCIA costs, prepayment options, and the requirement of a second phase for consideration of options to optimize and reduce excess resources in the IOUs portfolios. Finally, neither proposal raises overall procurement costs, or puts any limits on achieving California's environmental goals.

The alternate's main differences are the inclusion of legacy utility owned generation--like Diablo Canyon and large hydro facilities--in PCIA-eligible costs, and terminating the 10 year limit on PCIA eligibility for more recent utility-owned generation and certain storage costs. The Proposed Decision excludes legacy utility owned generation costs from the PCIA for CCAs, resulting in bundled customers and Direct Access customers bearing the costs for those resources. The Proposed Decision also retains the 10 year limit on PCIA eligibility for more recent utility-owned generation and certain storage costs, with similar effect.

Given that these resources were commission approved, and bought to serve all customers' needs, I see it as fair that all customers continue to share these costs. I cannot find a principled justification to exclude these costs for CCA customers because they are now above market.

I do not take lightly that these costs are significant. Cumulatively, the joint utilities have more than 8,000 MW of utility owned generation in their portfolios, including hydro, nuclear, and resources for local reliability. In fact, I think that the significance of these assets necessitates a fair cost allocation with all customers bearing a portion of their costs.

These two differences in the Alternate Proposed Decision impact the PCIA rate differently across utilities and customer classes. Overall, however, by including more resources in the costs, the alternate does lead to an increase in the PCIA rate relative to the proposed decision, and a greater decrease to bundled customers' costs.

The impact to customer bills is more complex, depending on the service provider's prices, cost allocations across different customer classes, forecasting expectations, and changes in the energy markets. CCAs and ESPs may also choose to change their rates in response to changes in the PCIA.

Given the interplay of these factors, the recently-filed estimate of the 2019 PCIA rate for PG&E residential customers calculated under the alternate decision is less than PG&E's current forecast for its 2019 PCIA for the same customer under the status quo.

Given the possible changes to the PCIA over time due to contracts expiring, and due to developments in the capacity, gas, and renewables markets, it is important to focus on a PCIA structure that is accurate and scalable, and not geared to result in a specific rate outcome for any particular group of customers.

With that, I am interested in hearing today, and further in written comments on all matters in this proceeding. In particular, I am looking forward to hearing about:

1. Implications for removing the 10-year limits, including for portfolio management.
2. PCIA rate cap level and trigger.
3. Costs to include in a true-up mechanism.
4. Guidance that increases the feasibility of prepayment options.
5. Objectives and parameters for phase two of the proceeding.

Further, CCAs assert that the Alternate Proposed Decision impairs CCAs' abilities to accelerate the state's climate change and economic justice policy goals. Please explain your claims more, and how you would like the Commission to weigh impacts to your operating model with the indifference objective.

Given that CCAs have ultimate control over procurement and pricing, please explain what options CCAs have to accommodate a correction of the cost shift and to assist communities in their goals.

Thank you and I look forward to your comments.

Links to Proposed Decision and Alternate Proposed Decision:

PD: <http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&docid=219474629>

APD: <http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&docid=222198352>