VALLEY CLEAN ENERGY ALLIANCE

Staff Report - Item 8

TO: Community Advisory Committee

FROM: Alisa Lembke, Board Clerk/Administrative Analyst

SUBJECT: Senate Bill 612 (Portantino) Ratepayer Equity Summary Sheet – Input from CAC Members

DATE: March 25, 2021

This staff report transmits the California Community Choice Association (CalCCA) summary sheet on Senate Bill 612 (Portantino) Ratepayer Equity. SB 612 adds new sections to the Public Utilities Code that are designed to ensure fair and equal access to the benefits of legacy resources held in IOU portfolios and management of these resources to maximize value for all customers. The Board ratified VCE's support of SB 612 at their March 11, 2021 meeting. Staff are seeking CAC Members input on organizations that could potentially provide SB 612 support letters.

Attachment: CalCCA Senate Bill Ratepayer Equity summary sheet

SB 612 (PORTANTINO)
RATEPAYER EQUITY

SUMMARY

With the advent of California's shift to clean, greenhouse gas-free energy through passage of the original Renewable Portfolio Standard (RPS) in 2002 the Investor-Owned Utilities (IOUs) initially entered into contracts to procure renewable resources that were very expensive. Consequently, both current and former customers are footing the bill of those early "legacy" renewable contracts. However, while IOUs and their ratepayers receive the benefits of those contracts, CCA's and their ratepayers do not.

Over the last decade, millions of utility customers have transitioned from IOU electric service to Community Choice Aggregators (CCAs), local government-owned utilities choosing to purchase electricity on behalf of their communities. As part of this transition, CCA customers continue to share with IOU customers cost responsibility for legacy contracts entered into by IOUs prior to their departure for CCA service.

SB 612 simply ensures that all customers receive the benefits of the resources they are paying for, and that the costs of those contracts to all ratepayers are minimized. At a time when our communities are facing unprecedented economic hardships, it is more important than ever that we find every way possible to reduce utility bills by maximizing the benefits of energy already purchased.

BACKGROUND

Early procurement of renewable energy generation resources by California's IOUs resulted in a rapid transition to renewable energy. As renewable resources have grown to scale, both prices and market value for renewable energy have declined, leaving a significant portion of the IOU legacy resource portfolio underwater. Likewise, utility-owned generation operates at costs that are significantly above market. These parallel trends have produced billions of dollars of above-market costs needed to be recovered through the Power Charge Indifference Adjustment (PCIA).

The PCIA is a mechanism adopted by the Commission to ensure that when electric customers of an IOU depart from IOU service and receive their electricity from a non-IOU provider, such as a CCA, those customers remain responsible for costs previously incurred on their behalf by the IOUs.

While these resources produce high costs, they also produce valuable products such as renewable energy, hydroelectric energy, and resource adequacy, products needed by all energy providers to meet their clean energy goals and remain in compliance with reliability requirements. However, under the current structure, these products are retained by the IOU for its own compliance purposes.

PROBLEM

While all customers bear responsibility for these legacy resources, only IOU customers can meaningfully access the benefits. Conversely, while CCA customers must pay their fair share for those legacy resources, CCA customers do not have access to any of the beneficial attributes they are paying for. There is no good policy rationale for this inequitable treatment of CCA customers versus their IOU counterparts.

The California Public Utilities Commission (the Commission) has had opportunities to repair this inequity for four years, however it has failed to do so. Therefore, the Legislature must step in.

SOLUTION

SB 612 resolves this inequity by ensuring CCA customers have the ability to access their proportionate share of the benefits of IOU legacy contracts they are paying for, and also ensures IOUs manage their legacy contracts to maximize their value for IOU and CCA customers alike. CCA ratepayers will continue to be responsible for their fair share of legacy costs under SB XX. The bill is consistent with a common sense equitable solution previously presented to the Commission by CalCCA and other parties. It ensures fair and equal access to the benefits of legacy resources for all customers and ensures resources held in IOU portfolios are managed to maximize value for all customers.

Specifically, this bill:

1) Provides IOU, CCA, and direct access customers equal right to receive legacy resource products that were procured on their behalf in proportion to their load share if they pay the full cost of those products.

2) Requires the CPUC to recognize the value of GHG-free energy and any new products in assigning cost responsibility for above-market legacy resources, in the same way value is recognized for renewable energy and other products.

3) Requires IOUs to offer any remaining excess legacy resource products not taken by IOU, CCA, or direct access customers to the wholesale market in an annual solicitation.

4) Requires each IOU to transparently solicit interest from legacy resource contract holders in re-negotiating, buying out, or otherwise reducing costs from these contracts.