San Diego Energy District Foundation

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Toward a San Diego Community Electricity Choice Program:
Comments of the San Diego Energy District

Good Morning, Chairman Bumgarner and members of the City's SEAB (Sustainable Energy Advisory Board);

My name is Erika Morgan, and I serve as Executive Director of the San Diego Energy District.

SDED was formed in 2011 to *To accelerate the transition to a clean energy economy through 100% renewable, locally-generated electricity, in San Diego County, southern California and all local communities.* For the past 4 years, SDED has worked to advocate and educate on community choice and its role in hastening the clean energy economy.

Thank you for the opportunity to provide input on the Scope of Work for the City's CCA consultant. My comments cover multiple issues, reinforcing and building on points made in SEAB's 2014 "Priority Guiding Principles for CCA Feasibility Study", and in previous presentations to SEAB, while presenting SDED's own positions. Items we'd like to reinforce:

- **Defining "Feasible" –** The POC Study found that that a San Diego CCA was "feasible" as it a) stipulated a supply portfolio of 33% renewables with zero unbundled RECs, b) saved customers on average 5%; c) set aside $3 M for CCA programs; d) paid back its start-up costs in the first operational year, and e) retained sufficient operating reserves to operate prudently on a going-forward basis. We submit that these are all excellent metrics for a working definition of "feasible".
- **Multiple Scenarios –** The consultant should evaluate and the Study should summarize multiple scenarios of feasibility, for a) different definitions and levels of "green", as is the usual practice, and b) different sized customer pools exiting SDGE by different dates.

- **Report Deadlines** – Given the unique situation of the City vis a vis SDGE, "feasibility" could be debated for a long time without improving on the initial insights. We urge SEAB, the City and CSE to set an aggressive timeline for Study completion. Setting aside the complexities of the PCIA (addressed below), we submit that the basic economic modeling and analysis should be doable within three months from receipt of the load data.
- **Fastest Feasible –** The CCA consultant should construct scenarios that test timing. Specifically, scenarios should be designed that test for a) the nearest feasible date to reach "100% local renewable supply", and b) the nearest feasible date to phase in all geographic areas and customer classes within the City. SEAB's "Principles" speak to "100% local renewables by 2035". We submit that this date is unnecessarily distant. The consultant should test what IS the soonest we can get to 100%, rather than to accept 20 years out as the target.
- **Favor Implementation –** Three other California CCAs demonstrate the current feasibility of this model. In addition, the right to CCA formation is based in California law. Economic feasibility, while central, is not the only basis for CCA support – "energy freedom" and ability to choose are also strong motivators.[1] This in addition to the fact that CCA represents the most cost-effective greenhouse gas mitigation tool available to municipalities. In the four years that SDED has been advocating for this powerful policy solution, the economic and environmental justification has just grown stronger and stronger. SEAB should therefore build into the consultant's Scope a "bias for action", by treating variables of "exiting customer traunches" as questions of "how", not "whether" a CCA will be undertaken. Please incorporate in the Scope a mandate for the Consultant to propose specific solutions (not more studies) to all identified implementation barriers.

1 See the "Green Tea Coalition" https://www.facebook.com/thegreenteacoalition .

Now to turn attention to the “elephant in the room”, the PCIA (Power Charge Indifference Adjustment”. The PCIA is an exit fee, added to the CCA's market price of power, and intended to offset the “above market” portion of IOU contracts entered into on behalf of departing customers. This is akin to you who buy groceries from Trader Joes deciding to shop at Ralphs, and getting a bill for TJ for the “above market” cost of groceries they procured and stocked for you, that you'll no longer buy. And that smart Trader Joe will sell to someone else in the open market.

PCIA is the “elephant in the room” because a) its the pivot of “feasibility” – depending on the PCIA, customers can save a little, a lot or not at all; and b) in San Diego, its calculation is flavored by the City's status as a large percentage of SDGE's total load. PCIA is calculated separately for customer classes, by IOU and yearly “vintage”. It is applied to both CCAs and to Direct Access customers, and cannot be applied in a manner that discriminates against CCA customers.

PCIA calculation is controversial. In 2012, the CPUC agreed with MCE that PGE had miscalculated PCIA. The CPUC required PGE to cut checks to MCE customers for up to 94% of the PCIA those customers had paid. MCE has filed again, this time against PGE's PCIA increases – if the proposed 2016 rate stands, PGE will recapture nearly $63M from MCE's 175,000 customers in 2014-16 alone. This $63M would otherwise have gone right into the pockets of MCE customers in the form of savings from lower rates.

To what extent are PCIA charges justified by the underlying contracts, and what PCIA will be set for the proposed San Diego CCA? These questions are pivotal – because PCIA calculation is not fully transparent, and because of the unique size of the proposed San Diego CCA vis a vis SDGE. SDED has four final recommendations for the Study Scope:

- **"Market Price Benchmark"** – POC's Study raised several questions concerning the MPB used in SDGE's PCIA calculations, particularly the RPS Adder. The City's consultant should verify each element of SDGE's MPB calculations.
- **Portfolio Proportionality –** Current methodology allows SDGE to choose the contracts deemed "above market" to set its PCIA. The City's consultant should examine the proportion of above-market contracts in SDGE's PCIA calculations in recent vintages of 15% Direct Access calculations. The Study should highlight whether and explain why that proportion will vary in PCIA calculations when departing load scenarios go above 15%.
- **PCIA for Different Exits** – It has been hypothesized that the PCIA will differ significantly based on the size of departing customer tranches. The City's Study should evaluate these differences and propose a phase-in schedule that minimizes PCIA throughout the transition.
- **Transparency Improvements** – PCIA calculation transparency conflicts with IOU confidentiality issues. The City's consultant should identify any/all instances where confidentiality concerns impede or prevent PCIA calculation transparency. These recommendations will be vital in both understanding the PCIA estimates produced by the City's Study, and in recommending future process improvements to strengthen public acceptance of PCIA calculations.

In closing, we applaud the City's effort to undertake this Study. We particularly urge incorporation of the PCIA steps above. In the absence of transparent PCIA calculation, unfavorable feasibility that hinges on estimated PCIA will be extremely difficult to sell to CCA supporters. Rather, we look forward to a process that demonstrates HOW the San Diego CCA can be implemented to realize the benefits that residents, businesses and all San Diego ratepayers want to see. The San Diego Energy District pledges our assistance in supporting this effort in every way we can. Thank you.