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Suzanne Casazza
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Joint Utilities' Comments on May 19, 2017 *En Banc* Regarding Customer and Retail Choice

Dear Ms. Casazza:

Southern California Edison Company (SCE), Pacific Gas and Electric Company (PG&E), and San Diego Gas & Electric Company (SDG&E), collectively, the Joint Utilities, respectfully submit these Comments in response to the Public Utilities Commission's (Commission) May 19, 2017 *En Banc,* "*The Changing Nature of Consumer and Retail Choice in California.*" The Joint Utilities appreciate the thoughtful discussion of stakeholders on many important issues at the May 19 *En Banc*, and thank the Commission for the opportunity to present the Joint Utilities' perspective on customer and retail choice.

The evolving energy landscape presents many opportunities and challenges. As stakeholders move toward addressing these opportunities and challenges, it is important as a threshold matter, that we ask the right questions. While there are numerous issues that need to be addressed, the Joint Utilities recommend that the Commission prioritize the following five key questions discussed at the *En Banc*:

1. How should legacy costs be allocated to ensure fairness to both bundled service and departing load customers?
2. What is the most important goal of retail restructuring (e.g., lowest GHG emissions, lowest cost, or highest reliability), and what model or industry structure is best suited to achieve that goal?
3. Within this preferred industry structure, what services are best provided through a regulated utility provider versus competitive providers versus a hybrid approach?
4. Within this preferred industry structure, which market participant(s) should be responsible for constructing or procuring new resources, and for being the Provider of Last Resort?
5. How should utility products and pricing be more readily updated consistent with a vision of greater technology innovation and evolving customer expectations?

Of these five key issues, the Joint Utilities cannot underscore enough the importance of first updating the current approach to allocating legacy costs. Whatever path this Commission and California take on retail choice issues, a fundamental predicate is ensuring the statutory mandate of customer indifference. As a matter of law, fairness, regulatory precedent, and public policy, retail choice must be accompanied by mechanisms for equitably and fully allocating the costs and benefits of the Joint Utilities' power procurement portfolios between all customers on whose behalf they were procured. The Joint

Utilities urge the Commission to act expeditiously to implement the necessary reforms to achieve customer indifference as a result of decisions to depart utility bundled service. Specifically, California Public Utilities Code (P.U. Code) Section 366.2 requires that "the implementation of a community choice aggregation program shall not result in a shifting of costs between the customers of the community choice aggregator and the bundled service customers of an electrical corporation," and that departing load cost recovery mechanisms shall "prevent shifting of recoverable costs between customers."[1]

Most stakeholders agree that the current methodology the Commission uses to allocate costs to bundled service and departing load customers -- commonly referred to as the Power Charge Indifference Adjustment or PCIA -- is broken. The PCIA is not sustainable, and the Commission's current approach to achieving indifference for customers is in need of fundamental reform, because using administratively-set benchmarks to approximate market value results in cost shifts between customer groups, in violation of law. Under the PCIA, costs are being shifted to bundled service customers, and those cost shifts will continue to increase as more customers depart bundled service for other providers. The Commission's staff white paper estimates that up to 25% of the Joint Utilities' load will depart by the end of 2017, and that departing load may grow to over 85% by 2020.[2] It is imperative that the Commission act now to address the need for a scalable, accurate and transparent mechanism to equitably allocate costs of the Joint Utilities' portfolios to bundled service and departing load customers. On April 25, 2017, the Joint Utilities filed an Application to completely reform the PCIA.[3] We urge the Commission to act expeditiously to resolve the issues raised in the Application.

The Joint Utilities thank the Commission for the continued discussion and appreciate President Picker's request for informal comments to better shape the regulation of California's electric industry. We look forward to working with the Commission and other stakeholders to address critical issues, such as preserving bundled service customer indifference and establishing a well-designed rate structure to ensure that customers are treated fairly and equitably.

Respectfully submitted,

/s/ *Caroline Choi*

Caroline Choi,
on behalf of the Joint Utilities

[1] Section 366.2 (a)(4) and (d)(1).

[2] CPUC staff white paper, May 2017. Consumer and retail choice, the role of the utility and an evolving regulatory framework, p. 3

[3] See A.17-04-018, Application of Southern California Edison Company, Pacific Gas and Electric Company, and San Diego Gas & Electric Company for Approval of the Portfolio Allocation Methodology for all Customers.