

ALBANY CALIFORNIA



CITY OF ALBANY
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September 6, 2018

President Michael Picker
Commissioner Carla J. Peterman
Commissioner Liane M. Randolph
Commissioner Martha Guzman Aceves
Commissioner Clifford Rechtschaffen

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: Rulemaking 17-06-026 Proposed Decision and Alternate Proposed Decision

Dear President Picker and Commissioners,

Thank you for your diligent efforts in Rulemaking 17-06-026 to address the Power Charge Indifference Adjustment (PCIA) fee that is or will be paid by most of my constituents. I write to urge you to adopt the Proposed Decision (PD) instead of the Assigned Commissioner's Alternate Proposed Decision (APD). The PD resulted from an evidence-based, adjudicatory process that took place over one year. I appreciate the difficulty in balancing many stakeholder interests with important policy considerations—indeed, I share this responsibility as an elected official of the City of Albany.

I am a governing board member of East Bay Community Energy (EBCE), a Community Choice Aggregator (CCA). My city council voted to join EBCE in 2016, as a result of our Climate Action Plan goals. State agencies have repeatedly recognized local government entities as “essential partners in achieving California’s goals to reduce greenhouse gas emissions.”¹ We take deep pride in our CCA program, which includes offering a default energy product which is at least 38% RPS and 85% GHG-free, additional benefits for municipal and low-income NEM customers, and a commitment to investing in our community through our Local Development Business Plan.² These programs have accelerated California

¹ See California Air Resources Board 2017 Climate Change Scoping Plan at 97.

² https://ebce.org/wp-content/uploads/Local-Development-Business-Plan_FINAL_7-12-18_hi-res.pdf

towards its ambitious decarbonization goals and resulted in a myriad of economic and environmental benefits to the communities we serve and beyond.

The PD achieves a reasonable balance of diverse interests and properly recognizes some of the market realities California is facing as a result of the transition to a more diversified energy market. I would like to emphasize some key issues that the Commission must resolve in this proceeding if California is to transition smoothly into a more diversified energy market.

First, *the Commission must ensure better IOU portfolio management* through a ten year limitation on utility-owned generation (UOG) costs and energy storage resource costs. Without some common sense limitations on cost recovery, utilities have no incentive to reduce ratepayer costs through prudent portfolio management. Indeed, after a careful review of the utilities' historical practices, the PD notes that even with the current ten year limitation on conventional resource cost recovery, "the Joint Utilities have not made a convincing showing regarding what actions, if any, they have taken since 2004" to reduce departing load fees and above market costs. Unfortunately, the APD increases rates for all customers by failing to hold the utilities accountable for poor forecasting, planning, and portfolio management.

Second, as stated in the PD, our *CCA customers should not be responsible for legacy UOG costs*. I agree with the PD's statement that, "the Legislature did provide a list of costs in AB 117 for which departing CCA load would be responsible, and pre-2002 Legacy UOG is not on that list."³ This determination properly analyzes statutory authority and obviates further litigation on this issue.

Third, neither the PD nor the APD acknowledge that *contracts must be appropriately valued to reflect the long-term market attributes embedded in those contracts*. Short-term values should not be assigned long-term contracts. Assigning short-term values in the PCIA benchmark to products from long-term contracts discourages the CCAs' current long-term procurement practices. Instead, CCAs are incentivized to enter into short term contracts for energy purchases. The valuation methodology adopted by both the PD and APD devalues long-term contracts and the benefits they bring to California's electricity market, ignores and frustrates CCA procurement practices that build new renewable resources in California, and impedes the statutory requirement for long-term power contracts.⁴

As an EBCE Board Member, I don't just consider CCA customers in my decision-making, I consider all of my constituents. Even though additional improvements can be made to the PD, it correctly balances these interests and offers a holistic solution to a very complex problem. I appreciate the Commission's challenging role as California's energy sector evolves into a more diversified marketplace. I

³ PD at 56.

⁴ Public Utilities Code Section 399.13(b).

further appreciate the challenges you face to fulfill the state's ambitious climate goals amidst this evolving energy landscape. I am keen to partner with the Commission to address the array of challenges ahead. Please also find that the Mayor of the City of Albany has also signed on to this letter, demonstrating the commitment of our City Council to climate action and clean energy. I invite you to come to any of our upcoming City Council meetings located at Albany City Hall. Through partnership, California can achieve the clean energy future we all need.

Sincerely,

A handwritten signature in black ink, appearing to read "Nick Pilch". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Nick Pilch
City Council Member, EBCE Governing Board Member

A handwritten signature in black ink, appearing to read "Peggy McQuaid". The signature is cursive and elegant, with a prominent loop on the "P" and a long, sweeping tail on the "d".

Peggy McQuaid
Mayor, City of Albany