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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2020. (U39M)	A.18-12-009

SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) REPLY TO COMMENTS OF THE JOINT COMMUNITY CHOICE AGGREGATORS ON THE JOINT MOTION FOR APPROVAL OF SETTLEMENT AGREEMENT

FADIA RAFEEDIE KHOURY
KRIS G. VYAS
RUSSELL A. ARCHER

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-2865
E-mail: Russell.Archer@sce.com

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Pursuant to California Public Utilities Commission (CPUC or Commission) Rule of Practice and Procedure 12.2, and the December 2, 2019 Administrative Law Judges' email ruling modifying the schedule, Southern California Edison Company (SCE) respectfully submits this Reply to *Comments of The Joint Community Choice Aggregators on The Joint Motion for Approval of Settlement Agreement* in this proceeding.[1] SCE is not a signatory to and does not take any position on the Settlement Agreement itself. Instead, SCE's comments are limited to responding to certain claims made by the Joint CCAs[2] in their Opening Comments that Section 2.5 of the Settlement Agreement should not be approved because it did not adopt their proposed allocation of costs for customer-related services. SCE submits these comments because the Joint CCAs' positions both implicate statewide concerns relevant to all Investor-Owned Utilities (IOUs) and their customers and are also contrary to statute and long-standing Commission precedent.

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1 SCE obtained party status in this proceeding by filing a response to PG&E's Application on January 17, 2019 (Rule 1.4(a)(2)(i)).

2 The "Joint CCAs" are collectively the following Community Choice Aggregators (CCAs): East Bay Community Energy, Marin Clean Energy, Peninsula Clean Energy, Pioneer Community Energy, San José Clean Energy, and Sonoma Clean Power.

I.

CALIFORNIA STATUTE PROHIBITS CUSTOMER COST-SHIFTING RESULTING FROM DEPARTING LOAD

California law regarding departing load-related cost-shifting is both unequivocal and unambiguous: Cost shifts between customers as a result of customers taking retail procurement service from non-IOU Load-Serving Entities (LSEs) such as CCAs are prohibited by statute.[3] In this proceeding, the Joint CCAs seek to "functionalize" certain PG&E customer service-related costs (*i.e.*, "Customer Care" costs) as "generation," not "distribution."[4] But not all PG&E customers pay PG&E's generation rates. As explained in Section II below, PG&E's Customer Care costs should instead appropriately continue to be functionalized as distribution costs, which are paid for by all PG&E customers. Functionalizing those costs as generation costs as the Joint CCAs propose would result in unlawful cost-shifting to remaining bundled service customers.

II.

UTILITY FUNCTIONS THAT ARE DESIGNED TO AND BENEFIT ALL CUSTOMERS SHOULD BE FUNDED BY ALL CUSTOMERS

The dispositive shortcoming in the Joint CCAs' argument to functionalize more costs as "generation," is that those costs are **not** generation-related. Instead, the relevant customer service-related costs are costs PG&E incurs to serve all customers, and therefore should be paid by all customers equitably, not just bundled service customers. As PG&E correctly and succinctly observes: "PG&E's customer support costs and activities do not vary based on how a customer's energy is generated or whether a customer's service is bundled or unbundled."[5]

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[3] *See, e.g.*, P.U.C. Section 366.2(a)(4) ("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.") (emphasis added).

[4] *See* Joint CCAs Comments at pp. 17-18.

[5] January 27, 2020 PG&E Reply Brief on Unresolved Issues at pp. 17-18 (internal citations omitted).

The Joint CCAs assert: "[W]hile Customer Care touches all customers, not all customers utilize these services equally."[6] That is undoubtedly true but also irrelevant: "The Commission has clearly stated that the principle of cost causation means that costs should be borne by those customers who cause the utility to incur the expense, not necessarily by those who benefit from the expense."[7] "Customer Care" costs are associated with PG&E's customer engagement, contact centers (*i.e.*, call centers), customer service offices and other customer-related services. These services were designed to be – and are – available to all PG&E customers, bundled service and departing load alike. Commission precedent is clear: because all customers have equal access to PG&E's "Customer Care" services, all customers should equitably and pro ratably pay for them.[8] Moreover, the Legislature specifically requires the IOUs to "continue to provide … customer service to retail customers that participate in [CCA] programs."[9]

In a recent decision, the Commission found it was reasonable to allocate similar costs to distribution rates, not generation rates. Specifically, D.19-07-004 found "the IOUs' proposals to allocate the costs of their rate comparison tools to distribution rates to be reasonable since all customers benefit from the tool. Because both PG&E and SCE will have time-differentiated distribution rates, all eligible customers, including CCA customers, will be participating in the default transition and can use the tool to compare tiered versus TOU rates."[10]

In these comments, SCE is not taking a formal position on the apparent factual dispute between the Joint CCAs and PG&E about whether it is PG&E's bundled service customers or its CCA customers who more frequently actually utilize PG&E's customer service functions. That being said, SCE does not have any reason to believe that **SCE's** CCA customers utilize SCE's

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6 Joint CCAs' Comments at p. 17.
7 D.14-12-024 at p. 48 (citing R.12-06-013).
8 *See* D.14-12-024 at p. 48.
9 *See* P.U.C. Section 366.2(c)(9).
10 D.19-07-004 at p. 163; *see also id.* at Finding of Fact 153 ("The IOUs' proposal to allocate the costs of their rate comparison tools to distribution rates is reasonable since all customers benefit from the tool.")

call center less often than bundled service customers on a per capita basis, especially given SCE's experience with customer confusion about if – or why – they are CCA customers in the first place. The Commission need not resolve that irrelevant factual dispute, however, because PG&E's Customer Care costs are incurred to serve all customers, and those services are available to all customers. The Joint CCAs do not provide any persuasive reason that the Commission should change the functionalization of those costs to conform to a disputed and presumably ever-changing calculation of the "relative utilization" of those services between different customer groups.

III.

A UTILITY-SPECIFIC GENERAL RATE CASE SETTLEMENT AGREEMENT ON UNRELATED ISSUES IS NOT THE APPROPRIATE FORUM TO EVALUATE POTENTIALLY FAR-REACHING POLICY CHANGES

The Joint CCAs' argument that the Commission should "revise[] functional allocation factors" for certain Customer Care costs should be rejected.[11] As explained above, the Joint CCAs' litigation position on cost functionalization – which the Joint CCAs concede the Settlement Agreement does not address – is both contrary to statute and Commission precedent. However, to the extent the Commission is inclined to entertain those proposals, it should do so in the context of a broad rulemaking with all appropriate stakeholders, just as it did starting in 2017 when it revised the Power Charge Indifference Adjustment (PCIA) methodology to ameliorate unlawful cost-shifting from departing load customers to remaining bundled service customers that was occurring under the previous PCIA methodology.[12] SCE notes that up to 85 percent of CPUC-jurisdictional retail energy customers could be served by CCAs by the middle of this

[11] Joint CCAs' Opening Comments at p. 2.
[12] *See generally*, D.18-10-019; *see also* D.20-01-030 (Decision Denying Rehearing of D.18-10-019).

decade,[13] and also that the Legislature recently further re-opened Direct Access (DA).[14] Important and far-reaching customer cost-allocation issues such as the ones proposed by the Joint CCAs should be carefully and judiciously examined with all relevant stakeholders in the discussion, and not as a side-issue in a PG&E-specific GRC Phase 1 proceeding resolving the unrelated Settlement Agreement.[15]

IV.

CONCLUSION

SCE appreciates the opportunity to submit these Reply Comments and urges the Commission to reject the Joint CCAs' proposal that the Commission reject or modify the Settlement Agreement.

Respectfully submitted,

FADIA RAFEEDIE KHOURY
KRIS G. VYAS
RUSSELL A. ARCHER

/s/ Russell A. Archer
By: Russell A. Archer

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY
2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-2865
E-mail: Russell.Archer@sce.com

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[13] *See* CPUC Staff White Paper, *Consumer and Retail Choice, the Role of the Utility, and an Evolving Regulatory Framework* at p. 3 (May 2017).

[14] *See* P.U.C. Section 365.1(e) (SB 237).

[15] SCE acknowledges that utility-specific rate design issues are regularly and appropriately examined in utility-specific GRCs (predominantly GRC Phase 2s). SCE respectfully submits that the instant issue, however, is sufficiently important and broadly applicable to warrant wider consideration, especially given the accelerating proliferation of departing load (both CCA and DA) across California.