



**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

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Order Instituting Rulemaking to Advance  
Demand Flexibility Through Electric Rates.

R.22-07-005

**CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S  
REPLY COMMENTS ON ADMINISTRATIVE LAW JUDGE'S RULING ON THE  
IMPLEMENTATION PATHWAY FOR INCOME-GRADUATED FIXED CHARGES**

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## SUMMARY OF RECOMMENDATIONS

- Reject party proposals to include the Power Charge Indifference Adjustment (PCIA) in the Income-graduated Fixed Charge (IGFC), or even to categorize the PCIA as an “eligible” IGFC cost, recognizing that (1) only a limited subset of the hodgepodge of costs recovered through the PCIA charge are fixed costs, and (2) recovering costs underlying the PCIA charge in the IGFC will be administratively complex and burdensome;<sup>1</sup>
- Reject Sierra Club/CEJA’s recommendation to include the Competition Transition Charge (CTC) in the IGFC, as Public Utilities Code 371(a) requires these costs to be recovered volumetrically;
- Adopt the Joint IOU proposal to exclude non-marginal generation costs from the IGFC; including these costs would add material complexity to the IGFC calculation and further complicate customers’ ability to understand their bills and compare rates among IOUs, community choice aggregators (CCAs) and Electric Service providers; and
- Accept the Joint IOU’s proposal for a limited working group process after initial IGFC implementation but require the Joint IOUs to notify CCAs on an ongoing basis of the implementation plans.

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<sup>1</sup> Parties proposing to incorporate the PCIA in the IGFC include The Utility Reform Network (TURN)/Natural Resources Defense Council (NRDC) and the Coalition of California Utility Employees (CUE). Parties characterizing the PCIA as “eligible” for inclusion in the IGFC (but not recommending including the PCIA in the IGFC at this time) include Pacific Gas and Electric Company (PG&E), Southern California Edison (SCE), and San Diego Gas and Electric (SDG&E) (collectively, the Joint IOUs), and Sierra Club/California Environmental Justice Alliance (Sierra Club/CEJA)).

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California Community Choice Association<sup>2</sup> (CalCCA) submits these reply comments in response to party Opening Comments<sup>3</sup> on the *Administrative Law Judge's Ruling on The Implementation Pathway for Income-Graduated Fixed Charges*<sup>4</sup> (Ruling), dated June 19, 2023, and the *Email Ruling Granting Pacific Gas & Electric Company's and Southern California Edison Company's Joint Motion for Extension of Track A Deadlines*<sup>5</sup> (Extension Ruling), dated July 18, 2023.

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<sup>2</sup> California Community Choice Association represents the interests of 24 community choice electricity providers in California: Apple Valley Choice Energy, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance, CleanPowerSF, Desert Community Energy, East Bay Community Energy, Energy For Palmdale's Independent Choice, Lancaster Energy, Marin Clean Energy, Orange County Power Authority, Peninsula Clean Energy, Pico Rivera Innovative Municipal Energy, Pioneer Community Energy, Pomona Choice Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Diego Community Power, San Jacinto Power, San José Clean Energy, Santa Barbara Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy.

<sup>3</sup> All references herein to party Opening Comments are to the July 31, 2023 comments filed in this Rulemaking (R.) 22-07-005.

<sup>4</sup> R.22-07-005, *Administrative Law Judge's Ruling on The Implementation Pathway for Income-Graduated Fixed Charges* (June 19, 2023):

<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M511/K720/511720058.PDF>.

<sup>5</sup> R.22-07-005, *Email Ruling Granting Pacific Gas & Electric Company's and Southern California Edison Company's Joint Motion for Extension of Track A Deadlines* (July 18, 2023):

<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M514/K216/514216810.PDF>.

## I. INTRODUCTION

CalCCA has consistently recommended that the California Public Utilities Commission (Commission) exclude all generation costs from costs to be recovered through the Income-Graduated Fixed Charge (IGFC) based on Assembly Bill (AB) 205’s definition of a “fixed charge” as “any fixed customer charge, basic service fee, demand differentiated basic service fee, demand charge, or other charge not based on the volume of electricity consumed.”<sup>6</sup> Given generation charges are generally collected by investor-owned utilities (IOUs) and community choice aggregators (CCAs) based on the volume of electricity consumed by customers for both policy and economic reasons, excluding generation costs generally is a logical conclusion in designing the IGFC.

CalCCA responds herein to party Opening Comments specifically addressing Ruling Questions 5 and 6,<sup>7</sup> concerning which costs should be considered eligible for recovery under the IGFC, and even if eligible, whether such costs should be recovered under the IGFC. Specifically, CalCCA recommends exclusion from the IGFC of two established generation-related charges – the Power Charge Indifference Adjustment (PCIA) and the Competition Transition Charge (CTC) – and other generation costs from the IGFC for the reasons set forth below. Specifically, the Commission should:

- Reject party proposals to include the PCIA in the IGFC, or even to categorize the PCIA as an “eligible” IGFC cost, recognizing that (1) only a limited subset of the hodgepodge of costs recovered through the PCIA charge are fixed costs, and (2) recovering costs

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<sup>6</sup> AB 205, Public Utilities Code § 739.9(a) (emphasis added).

<sup>7</sup> For reference, Ruling Question 5 asks “What types of fixed costs should be eligible to be included in any given IGFC (Eligible Fixed Costs)? Please explain why specific types of costs should (or should not) be categorized as Eligible Fixed Costs based on legal or policy justifications.” Ruling at 5. Ruling Question 6 asks “Are there certain Eligible Fixed Costs that should be excluded from recovery through the first version of IGFCs? Would it be reasonable to simply recover a portion of Eligible Fixed Costs through the first version of IGFCs without specifying which costs are recovered.” *Ibid.*

underlying the PCIA charge in the IGFC will be administratively complex and burdensome;<sup>8</sup>

- Reject Sierra Club/CEJA’s recommendation to include the CTC in the IGFC, as Public Utilities Code 371(a) requires these costs to be recovered volumetrically;<sup>9</sup> and
- Adopt the Joint IOU proposal to exclude non-marginal generation costs from the IGFC; including these costs would add material complexity to the IGFC calculation and further complicate customers’ ability to understand their bills and compare rates among IOUs, CCAs and Electric Service providers (ESPs).<sup>10</sup>

CalCCA also responds herein to the Joint IOUs’ recommendation that marketing, education, and outreach working groups should not extend past the initial IGFC implementation. While CalCCA agrees that to a limited working group process, the Commission should require ongoing communication between the IOUs and CCAs regarding IGFC implementation given they both serve retail customers. Therefore, CalCCA recommends that the Commission:

- Accept the Joint IOU’s proposal for a limited working group process after initial IGFC implementation but require the Joint IOUs to notify CCAs on an ongoing basis of the implementation plans.<sup>11</sup>

## **II. THE PCIA SHOULD NOT BE INCLUDED, OR ELIGIBLE TO BE INCLUDED, IN THE IGFC AS RECOMMENDED BY PARTIES**

The Commission should reject party recommendations to include the PCIA in the IGFC, or even to characterize the PCIA as “eligible” for recovery under the IGFC. TURN/NRDC describes the PCIA as “sunk costs of legacy generation resources including utility-owned generation and

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<sup>8</sup> Parties proposing to incorporate the PCIA in the IGFC include The Utility Reform Network (TURN)/Natural Resources Defense Council (NRDC) and the Coalition of California Utility Employees (CUE). TURN/NRDC Opening Comments at 25-27; CUE Opening Comments at 4-5. Parties characterizing the PCIA as “eligible” for inclusion in the IGFC (but not recommending including the PCIA in the IGFC at this time) include Pacific Gas and Electric Company (PG&E), Southern California Edison (SCE), and San Diego Gas and Electric (SDG&E) (collectively, the Joint IOUs), and Sierra Club/California Environmental Justice Alliance (Sierra Club/CEJA)). Joint IOU Opening Comments at 34; Sierra Club/CEJA Opening Comments at 17.

<sup>9</sup> Sierra Club/CEJA Opening Comments at 17.

<sup>10</sup> Joint IOUs’ Opening Comments at 33-35.

<sup>11</sup> *Id.* at 35.

power purchase contracts,”<sup>12</sup> and lists the PCIA among the costs to be recovered in the IGFC.<sup>13</sup> CUE states that “the PCIA is properly included in the IGFC because the underlying costs included in the PCIA do not vary based on consumption.”<sup>14</sup> In addition, while not advocating for including the PCIA in the IGFC at this time, the Joint IOUs and Sierra Club/CEJA seek to include the PCIA in the list of fixed costs “eligible” for recovery under the IGFC.<sup>15</sup> As set forth, below, the Commission should reject party arguments to either include the PCIA in the IGFC, or even to list it as an “eligible” cost, based on (1) the nature of the PCIA charge which recovers both fixed and variable costs, as well as (2) the administrative burden to alter the Commission adopted PCIA charge or to extract the fixed costs from the PCIA to include in the IGFC.

As an initial matter, Testimony and party Opening Comments on Questions 5 and 6 of the Ruling addressing eligible fixed costs for recovery through the IGFC often list the PCIA as a potential “cost.” However, the PCIA is not a cost; it is a charge.<sup>16</sup> Costs and charges are not synonymous – costs are recovered through charges. Therefore, to determine whether the costs underlying the PCIA charge can be included in the IGFC, such costs must fit into AB 205’s limitation that such recovery cannot be based on customer usage. The Commission has recently

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<sup>12</sup> TURN/NRDC Opening Comments at 27.

<sup>13</sup> *See id.* at 26, Table 8.

<sup>14</sup> CUE Opening Comments at 5.

<sup>15</sup> *See* Joint IOU Opening Comments at 34 (“While traditionally denominated as a \$/kWh charge, the underlying costs recovered through the PCIA do not vary with volumetric usage...[t]he Commission should include PICA in its list of eligible fixed costs,” but also stating that “the Joint IOUs are not proposing to recover PCIA costs through the IGFC”); Sierra Club/CEJA Opening Comments, at 17 (“Because it is preferable to include [the PCIA’s] volatility in the volumetric rate, Sierra Club does not recommend including this cost in the IGFC, although it is technically eligible...”).

<sup>16</sup> The PCIA equals the costs of the PCIA portfolio minus the market value of PCIA portfolio. Portfolio costs include utility-owned generation (UOG) assets, power purchasing agreement costs, revenue from sales of resource adequacy (RA) and renewable portfolio standard resources (RPS). The market value includes the value of RA and RPS multiplied by their respective market price benchmarks and energy market revenues. Market revenues depend on volume of electricity consumed by customers. R.17-06-026, *Decision Modifying the Power Charge Indifference Adjustment Methodology* (Oct. 19, 2018).

stated that “fixed generation costs” are costs “that do not change based on the amount of electricity customers use or the amount of operating time associated with the electricity generation.”<sup>17</sup>

The PCIA charge, as adopted by the Commission, is a volumetric charge that recovers a collection of fixed and variable generation costs. Therefore, to fit the PCIA charge into AB 205’s parameters of allowable costs, (i.e., costs that do not vary through customer usage) the PCIA would need a complete restructuring, separating fixed from variable costs. Given the many years spent by the Commission, IOUs, and stakeholders in establishing the PCIA, the PCIA proceeding’s recent closure,<sup>18</sup> and the operational complexity involved, restructuring the PCIA for recovering through the IGFC is administratively burdensome, inefficient, and unworkable. TURN/NRDC’s Opening Comments even acknowledge this administrative complexity.<sup>19</sup>

Even if the fixed PCIA costs were included in costs to be recovered through the IGFC, additional complexities will remain. For example, PCIA portfolio costs are distributed across vintages, the number of which will continue to grow so long as the PCIA exists. This would require vintaging the IGFC to properly reflect each customers’ reasonable share of generation costs. Calculating a fixed charge across a growing number of vintages for multiple income tiers of the IGFC while separately doing the same for the variable portions of PCIA resources on an annual basis is administratively burdensome and unnecessary. Instead, the current PCIA charge

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<sup>17</sup> See August 1, 2023 Administrative Law Judge (ALJ) Rulings in 2024 forecast proceedings for PG&E, A.23-06-012, SCE, A.23-06-001, and SDG&E, A.23-05-016.

<sup>18</sup> See D.23-06-006, *Decision Addressing Greenhouse Gas-Free Resources, Long-Term Renewable Transactions, Energy Index Calculations, and Energy Service Providers’ Data Access*, R.17-06-026 (June 13, 2023), at 50 (closing the PCIA proceeding).

<sup>19</sup> See TURN/NRDC Opening Comments, at 27 (recommending recovery of the PCIA through the IGFC, but recognizing that such recovery could be “administratively complex” given the way PCIA costs are currently recovered as “a function of the difference between the annual costs of these resources and their annual market value,” and collected based on customer vintage). TURN/NRDC recommends that the PCIA revenue requirement could be “collected as a vintaged monthly fixed charge amount from all customers.” *Id.* at 28. However, TURN/NRDC assert that given “the limitations of the E3 [calculation] model,” it has not attempted to calculate the fixed charge levels to recovery the PCIA underlying costs. *Ibid.*



should remain in effect, and the IGFC should categorically exclude PCIA costs to avoid this administrative burden.

**III. THE COMMISSION SHOULD REJECT SIERRA CLUB/CEJA’S RECOMMENDATION TO RECOVER THE CTC THROUGH THE IGFC GIVEN PUBLIC UTILITIES CODE SECTION 371(A)’S REQUIREMENT THAT THE CTC BE RECOVERED VOLUMETRICALLY**

Sierra Club/CEJA propose that the CTC be recovered through the IGFC.<sup>20</sup> As the Joint IOUs, Cal Advocates, and TURN/NRDC recognize in Opening Comments, Public Utilities Code Section 371(a) prohibits such recovery by requiring the CTC to be collected from customers on a volumetric basis.<sup>21</sup> Therefore, the Commission should reject Sierra Club/CEJA’s recommendation to recover the CTC through the IGFC.

**IV. THE JOINT IOUS’ RECOMMENDATION THAT NON-MARGINAL COSTS BE EXCLUDED FROM THE IGFC SHOULD BE ADOPTED**

The Commission should adopt the recommendation of the Joint IOUs to exclude non-marginal generation costs from the IGFC.<sup>22</sup> Including such generation costs, even if fixed, in the IGFC would create a unique complexity that is not present with other types of fixed costs. In short, the non-marginal costs arising from marginal cost ratemaking cannot be separated by function. Competition among the IOUs, CCAs, and ESPs is based solely on generation costs; including generation costs in the IGFC would further complicate customers’ ability to understand their bills and compare rates among providers.

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<sup>20</sup> Sierra Club/CEJA Opening Comments at 17.

<sup>21</sup> Public Utilities Code § 371(a) (requiring that the CTC “be applied to each customer based on the amount of electricity purchased by the customer from an electrical corporation or alternate supplier of electricity, subject to changes in usage occurring in the normal course of business”); *see* Joint IOUs’ Opening Comments, at 33 (the “[CTC] . . . likely cannot be collected through the IGFC due to statutory restrictions”); CalAdvocates Opening Comments, at 12 citing Section 371(a)); TURN/NRDC Opening Comments, at 26, Table 8 (including the CTC as an “eligible cost, but recommending 0% of the CTC be recovered under the IGFC”).

<sup>22</sup> *See* Joint IOUs’ Opening Comments at 35.

**V. THE COMMISSION SHOULD ADOPT THE JOINT IOUS' REQUEST FOR A LIMITED WORKING GROUP PROCESS ONLY IF THE JOINT IOUS ARE REQUIRED TO CONTINUALLY NOTIFY THE CCAS OF IMPLEMENTATION SPECIFICS OR ANY CHANGES TO IMPLEMENTATION PLANS**

The Joint IOUs propose in Opening Comments that working groups for Marketing, Education, and Outreach (ME&O) should only convene initially due to different timelines of IOU implementation and the costs of on-going working group meetings.<sup>23</sup> While CalCCA does not object to such a limited working group process, the Commission should require the IOUs to keep open channels of communication with the CCAs to share implementation details, any changes to IOU implementation plans, and IGFC bill presentment on an ongoing basis. CCAs serve retail customers along with the IOUs and must have knowledge of IOU implementation of the IGFC to provide answers to customers regarding IGFC-bill changes.

**VI. CONCLUSION**

For all the foregoing reasons, CalCCA respectfully requests consideration of the recommendations herein and looks forward to an ongoing dialogue with the Commission and stakeholders.

Respectfully submitted,



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ASSOCIATION

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<sup>23</sup> See *id.* at 61 (supporting initial working group meetings around ME&O however, “given that the IOUs’ respective implementation timelines are not aligned, the Joint IOUs do not support on-going working group meetings that continue through the duration of each IOU’s implementation”).