



TOWN OF FAIRFAX

STAFF REPORT

March 17, 2021

TO: Mayor and Town Council

FROM: Garrett Toy, Town Manager

SUBJECT: Authorize Mayor to send letter to supporting SB 612 (Portantino) to reduce the Power Charge Indifference Adjustment (PCIA) exit fee for MCE customers

RECOMMENDATION

Authorize Mayor Ackerman to send a letter supporting SB 612 (Portantino) to Senator McGuire and the 13 co-authors of the bill.

DISCUSSION

Councilmember Coler asked that this item be added to tonight's agenda, which is being recommended by Marin Clean Energy (MCE). Councilmember Coler represents the Town on the MCE Board of Directors.

Attached is a background paper on the bill, as well as a sample letter. Both were provided by MCE.

ATTACHMENTS

- A. Background Paper
- B. Sample letter



ENSURING FAIR AND EQUAL ACCESS TO BENEFITS OF LEGACY ENERGY RESOURCES

SUMMARY

With the advent of California's shift to clean, greenhouse gas-free energy through passage of the original Renewable Portfolio Standard (RPS) in 2002 the Investor Owned Utilities (IOUs) initially entered into contracts to procure renewable resources that were very expensive. Consequently, both current and former customers are footing the bill of those early "legacy" renewable contracts. However, while IOUs and their ratepayers receive the benefits of those contracts, CCA's and their ratepayers do not.

Over the last decade, millions of utility customers have transitioned from IOU electric service to Community Choice Aggregators (CCAs), local government-owned utilities choosing to purchase electricity on behalf of their communities. As part of this transition, CCA customers continue to share with IOU customers cost responsibility for legacy contracts entered into by IOUs prior to their departure for CCA service.

SB XX simply ensures that all customers receive the benefits of the resources they are paying for, and that the costs of those contracts to all ratepayers are minimized. At a time when our communities are facing unprecedented economic hardships, it is more important than ever that we find every way possible to reduce utility bills by maximizing the benefits of energy already purchased.

BACKGROUND

Early procurement of renewable energy generation resources by California's IOUs resulted in a rapid transition to renewable energy. As renewable resources have grown to scale, both prices and market value for renewable energy have declined, leaving a significant portion of the IOU legacy resource portfolio underwater. Likewise, utility-owned generation operates at costs that are significantly above market. These parallel trends have produced billions of dollars of above-market costs needed to be recovered through the Power Charge Indifference Adjustment (PCIA).

The PCIA is a mechanism adopted by the Commission to ensure that when electric customers of an IOU depart from IOU service and receive their electricity from a non-IOU provider, such as a CCA, those customers remain responsible for costs previously incurred on their behalf by the IOUs.

While these resources produce high costs, they also produce valuable products such as renewable energy, hydroelectric energy, and resource adequacy, products needed by all energy providers to meet their clean energy goals and remain in compliance with reliability requirements. However, under the current structure, these products are retained by the IOU for its own compliance purposes.

PROBLEM

While all customers bear responsibility for these legacy resources, only IOU customers can meaningfully access the benefits. Conversely, while CCA customers must pay their fair share for those legacy resources, CCA customers do not have access to any of the beneficial attributes they are paying for. There is no good policy rationale for this inequitable treatment of CCA customers versus their IOU counterparts.

The California Public Utilities Commission (the Commission) has had opportunities to repair this inequity for four years, however it has failed to do so. Therefore, the Legislature must step in.

SOLUTION

SB XX resolves this inequity by ensuring CCA customers have the ability to access their proportionate share of the benefits of IOU legacy contracts they are paying for, and also ensures IOUs manage their legacy contracts to maximize their value for IOU and CCA customers alike. CCA ratepayers will continue to be responsible for their fair share of legacy costs under SB XX. The bill is consistent with a common sense equitable solution previously presented to the Commission by CalCCA and other parties. It ensures fair and equal access to the benefits of legacy resources for all customers and ensures resources held in IOU portfolios are managed to maximize value for all customers.

Specifically, this bill:

- 1) Provides IOU, CCA, and direct access customers equal right to receive legacy resource products that were procured on their behalf in proportion to their load share if they pay the full cost of those products.
- 2) Requires the CPUC to recognize the value of GHG-free energy and any new products in assigning cost responsibility for above-market legacy resources, in the same way value is recognized for renewable energy and other products.
- 3) Requires IOUs to offer any remaining excess legacy resource products not taken by IOU, CCA, or direct access customers to the wholesale market in an annual solicitation.
- 4) Requires each IOU to transparently solicit interest from legacy resource contract holders in re-negotiating, buying out, or otherwise reducing costs from these contracts.

LETTERHEAD

March __ 2021

The Honorable Anthony Portantino
State Capitol, Room 3086
Sacramento, CA 95814

RE: SB 612 (Portantino) – SUPPORT

Dear Senator Portantino,

The Town of Fairfax is pleased to submit a letter of support for your SB 612, which would ensure that resources held in the Investor-Owned Utility (IOU) portfolios are managed to maximize value for all customers and would ensure fair and equal access to the benefits of these legacy resources.

Over the last ten years, millions of utility customers have transitioned from IOUs to Community Choice Aggregators (CCAs). MCE launched in 2010 and serves over one million people in 36 communities across Napa, Solano, Marin, and Contra Costa Counties. MCE has committed to over \$1.6 billion to build over 670 megawatts of new California renewable energy projects with an additional 25 megawatts in its footprint. MCE has supported the creation of over 5,000 jobs and invested over \$180 million back into its service area. The Town of Fairfax is a proud member of MCE, with most residential, commercial, and municipal customers receiving 90% carbon free energy.

When a customer transitions to a CCA, the customer continues to pay for resources, like energy, that were procured on their behalf through the power charge indifference adjustment (PCIA). However, unlike an IOU customer, CCA customers receive no benefits from these resources. This inequity has been exacerbated in recent years as the cost of this payment has risen by hundreds of millions of dollars, with no sign of decreasing. The impacts of COVID-19 have made the importance of righting this inequity and lowering costs for all customers even more urgent.

This bill would ensure fair and equal access to the benefits of the resources that all customers pay for and would ensure that these legacy contracts are managed in a way that maximizes benefits for everyone. The bill would also require the California Public Utilities Commission (CPUC) to recognize the value of GHG-free energy in legacy contracts, and would increase transparency around how the IOUs renegotiate these contracts. However, time is of the essence. The longer the legislature takes to act, the less valuable these legacy contracts will be, and the less value customers will gain from access to them.

That is why we strongly support this bill, and thank you for moving forward with this important legislation.

Sincerely,

Bruce Ackerman

Mayor, Town of Fairfax

CC: Senator Allen
 Senator Becker
 Senator McGuire
 Senator Wiener
 Assembly Member Bauer-Kahan
 Assembly Member Berman
 Assembly Member Bloom
 Assembly Member Boerner Horvath
 Assembly Member Kalra
 Assembly Member Lee
 Assembly Member Levine
 Assembly Member Mullin
 Assembly Member Stone
 Assembly Member Wood