



Legislation Text

File #: 18-0544, **Version:** 1

TO:

Honorable Mayor and Members of the City Council

THROUGH:

Bruce Moe, City Manager

FROM:

Dana Murray, Environmental Manager
Alexandria Latragna, Management Analyst

SUBJECT:

Letter to the California Public Utilities Commission Regarding Southern California Edison's 2019 Energy Resource Recovery Account (ERRA) Filing (City Manager Moe).

APPROVE LETTER OF OPPOSITION

RECOMMENDATION:

Staff recommends the City Council approve submitting a letter to the California Public Utilities Commission regarding Southern California Edison's 2019 Energy Resource Recovery Account and their proposal to recover from ratepayers part of its projected \$743 million undercollection.

FISCAL IMPLICATIONS:

No fiscal implications associated with the recommended action.

BACKGROUND:

The California Public Utilities Commission (CPUC) regulates California's three large investor owned electric utilities, including Southern California Edison (SCE). One of the regulatory proceedings that the CPUC hears is an Energy Resource Recovery Account (ERRA), which authorizes the amounts utility providers can charge customers for the cost of purchasing fuel and power. This report provides an update on the recent filing and its impact on the customers in Manhattan Beach and the Clean Power Alliance (CPA).

CPA is a nonprofit entity and a community choice energy (CCE) program, formed through a Joint Powers Authority (JPA), made up of 31 public agencies across Los Angeles and Ventura counties, working together to bring affordable, clean energy to our communities. As a CCE, CPA purchases clean power and sells it to customers, while SCE is responsible for delivery, billing, and for resolving any electricity service issues.

In December 2017, City Council unanimously approved a motion to become a member of the CPA. On February 20, 2018, City Council selected the 50% renewable energy tier offered by CPA to power customers (residents and businesses) in the City. Manhattan Beach power customers will be automatically enrolled at the time CPA service commences (February 2019 for residential customers, May 2019 for nonresidential customers). Customers may opt up, opt down, or opt out of the CPA

service at any time.

On November 7, SCE filed its ERRA update which included SCE's proposed generation rates for 2019 and new proposed Power Charge Indifference Adjustment (PCIA) rates. SCE proposed to recover part of its projected \$743 million undercollection for 2018 for losses in the energy market through a one-time increase to the PICA in 2019 (the "trigger"). This would result in a 12% SCE electricity generation rate increase, and an unprecedented proposed 70% increase to the PCIA. This rate setting proposal is unprecedented and unlikely to be repeated in 2020 as it is largely a result of SCE's power market losses in 2017.

Impacts of ERRA Filing and Clean Power Alliance:

In order to define its energy rates in advance of the auto-enrollment process for residential customers, CPA staff assumed the possible and unfavorable scenario of the CPUC accepting SCE's proposal (note the CPUC's actual decision in this matter is expected before the end of the year). The CPA Board approved setting rates at the upper end of the ranges approved by the Board in August. This results in the following discounts or premiums for each CPA tier:

- Lean Power (36% renewable): ~1% bill discount to SCE 2019 base rate
- Clean Power (50% renewable): Bill parity to SCE 2019 base rate
- 100% Green Power: Approximately 9% bill increase to SCE 2019 base rate

SCE is proposing higher rates on all customers potentially beginning in January 2019, but likely going into effect in February 2019 or later, rates that are expected to result in bill increases of approximately 6%. CPA customer bills in 2019 will rise by almost as much as SCE projects their bundled customers' bills to rise; the total bill increase in 2019 for CPA customers will be between 5% and 15% depending on their renewable tier.

DISCUSSION:

Staff recommends City Council approve sending a letter to the CPUC supporting the position of the Clean Power Alliance. Submitting the attached letter serves two important goals. First, it supports our partners in the Clean Power Alliance, many of whom are also sending letters regarding SCE's ERRA filing emphasizing the impact of the proposal on their own communities.

Second, it puts us on the record as supporting equal treatment for all of our ratepayers. The proposed rate increase is not affordable, does not have any precedent, and is unreasonable. In addition, it is not an equitable solution for SCE's projected loss as it does not take into consideration the overcollections that CCE customers in SCE territory overpaid in 2018.

The chart below shows the original timeline to the ERRA proceedings and the potential changes to the timeline that may occur due to SCE filing an expedited trigger application. SCE's rate and PCIA proposal are still subject to approval by the California Public Utilities Commission, which is expected before the end of the year.

November 2018

Original Timeline: *CPA sets Phase 1-3 rates based on ERRA proposal*

December 2018

Original Timeline: *ERRA Decision (Rates and PICA)*

Proposed Changes: *ERRA decision delayed due to SCE filing expedited trigger application.*

January 2019

Original Timeline: *SCE adopts 2019 rates, CPA calibrates accordingly.*

Proposed Changes: *Trigger application could push SCE rate adoption out to February or later.*

February 2019

Original Timeline: *CPA adopts Phase 4 rates.*

PUBLIC OUTREACH/INTEREST:

After analysis, staff determined that public outreach was not required for this issue. Concurrently, staff has updated the City's website with updated information on Clean Power Alliance at www.citymb.info/cleanpoweralliance <<http://www.citymb.info/cleanpoweralliance>>.

ENVIRONMENTAL REVIEW

Participation of the City in CPA will shift 22% of the City's utility source generation to clean renewable energy, thereby reducing its overall greenhouse gas emissions and better positioning the City to achieve Climate Action goals.

LEGAL REVIEW

The City Attorney has reviewed this report and determined that no additional legal analysis is necessary.

Attachment:

1. Proposed Letter to the California Public Utilities Commission