



CITY OF CARSON

Legislation Text

File #: 2019-379, Version: 1

Report to Mayor and City Council

Monday, April 08, 2019

Discussion

SUBJECT:

DIRECT STAFF AND THE CITY ATTORNEY TO BEGIN THE PROCESS TO PROTEST WITH THE UTILITY COMMISSION THE PROPOSED DOUBLE DIGIT RATE INCREASE BY SOUTHERN CALIFORNIA EDISON FOR 2019 (CITY COUNCIL)

I. SUMMARY

This item was requested by Councilwoman Davis-Holmes and Mayor Pro Tem Hicks at the April 2, 2019 City Council meeting. They requested that the City undertake an effort to protest an impending large rate increase request to the California Public Utilities Commission (CPUC) by Southern California Edison (SCE) for 2019. This was generated by several complaints by residents that they were seeing recent increases in their bills.

On January 31, 2019, the CPUC approved SCE's request to recover part of its costs related to its \$825 million 2018 undercollection from departing Clean Power Alliance of Southern California (CPA) customers through the Power Charge Indifference Adjustment (PCIA); this \$825 million recovery of undercollection from 2018 is called the Energy Resource Recovery Account (ERRA). This retroactive cost recovery is known as the "trigger." Implementation of the trigger by SCE will result in a one-year increase to the PCIA. It is therefore necessary for CPA to adjust its rates to maintain its Board approved bill comparison targets.

This SCE request was already approved on January 31. The City Attorney's office will need to research the options available to the City and its residents, and the City, as a member of the CPA, should coordinate its efforts in challenging the implementation of this increase with the CPA.

Carson joined the CPA and all residential customers are automatically enrolled. If a customer wants to leave CPA and remain an Edison customer they must affirmatively opt out. SCE continues to provide the billing to all customers, however.

The Board of Directors of the CPA considered modifying electrical rates for all CPA customers on April 4, 2019. The proposed rate changes are necessary because SCE is set to begin including the recovery of its \$825 million undercollection from 2018 under ERRA,

in its rates starting in April 2019. The recovery will result in a large increase to the PCIA and a corresponding increase to SCE generation rates, so that all customers, regardless of whether they are SCE bundled customers or CPA customers, will see the same rate increase of approximately 5-7%. SCE is also including other changes in this round of generation rate changes related to balancing account adjustments. By updating rates at the same time as SCE in April, CPA will maintain the discount/premium ranges that have been approved by the CPA Board in previous months.

SCE is expected to file an additional set of rate changes to implement the CPUC's final decision on ERRA. This will include the updated PCIA with the brown power true up and updated ERRA generation rates. CPA staff will bring corresponding changes to the CPA Board at the May or June Board meeting depending on the timing of SCE's advice letter seeking approval of the new rates.

II. RECOMMENDATION

1. DISCUSS and PROVIDE Direction.

III. ALTERNATIVES

1. Do not discuss and provide direction.
2. TAKE another action the City Council deems appropriate and consistent with the requirements of the law.

IV. BACKGROUND

The proposed CPA rate adjustments are driven mainly by SCE's rate increase to all customers due to its 2018 Energy Resource Recovery Account (ERRA) undercollection of \$825 million. The rate change will manifest as an increase to the generation rate for SCE bundled customers and an increase to the PCIA for CPA customers. This proposed rate adjustment will also account for SCE rate changes related to various other revenue balancing accounts. Phase 1 and 2 customers are charged a different PCIA by SCE than Phase 4 customers because they were enrolled with CPA during different "vintage" years. This difference is accounted for in CPA's rates so that all customers on the same rate schedule pay the same net rate after taking into account the PCIA.

ERRA Trigger

On January 31, 2019, the CPUC approved SCE's request to recover part of its costs related to its \$825 million 2018 undercollection from departing CPA customers through the PCIA. This retroactive cost recovery is known as the "trigger." Implementation of the trigger by SCE will result in a one-year increase to the PCIA. It is necessary for CPA to adjust its rates to maintain its Board approved bill comparison targets.

Balancing Account and Delivery Rate Changes

Included with SCE's rate change are adjustments to rates to collect or refund revenue from a variety of balancing accounts. The most significant balancing account changes result in rate reductions on the delivery portion of customer bills. These reductions will be part of SCE's April 4th rate changes and will largely offset the trigger-related rate increase in generation and PCIA rates.

Additional Anticipated Rate Adjustment

CPA staff anticipates bringing forward additional rate updates when SCE implements its approved 2019 ERRRA forecast, so that rates for CPA customers can continue to remain within the Board approved bill comparison targets. SCE is expected to implement these rate changes in June, meaning this next rate update will come before the CPA Board at its May or June Board meetings.

V. FISCAL IMPACT

None.VI. EXHIBITS

1. Proposed Resolution No. 19-04-005 - adjusted 2019 rates for Phases 1 & 2 non-residential customers (pgs. 4-21).
2. Proposed Resolution No. 19-04-006 - rates for Phase 4 non-residential customer (pgs. 22-35).
3. Proposed Resolution No. 19-04-007 - adjusted 2019 rates for Phase 3 residential customers (pgs. 36-38).

Prepared by: Reata Kulcsar, Sustainability Administrator