SB 612: A Ratepayer Equity Bill

CalCCA is sponsoring new legislation, SB 612, which aims to ensure all California ratepayers have fair and equal access to benefits associated with investor-owned utility (IOU) legacy energy resources and that the resources are actively managed to maximize their value. The bill is authored by State Sen. Anthony Portantino (D-La Cañada-Flintridge) and has 23 co-authors and counting. SB 612 stems from a consensus proposal that was developed in the California Public Utilities Commission's Working Group 3 phase of the Power Charge Indifference Adjustment (PCIA) proceeding. Background on the WG3 consensus proposal can be found here.

What Problem is SB 612 Addressing?

Over the last decade, more than 11 million utility customers have transitioned from IOU electric service to Community Choice Aggregators (CCAs), local publicly-owned energy providers that purchase electricity for their communities. As part of this transition, CCA customers continue to share with IOU customers cost responsibility for power supply commitments entered into by IOUs prior to their departure for CCA service. These include expensive long-term renewable energy contracts with third parties and capital-intensive utility-owned generation facilities (e.g. nuclear, natural gas, hydroelectric plants). So-called "legacy" resources account for billions of dollars in above-market costs in IOU (Pacific Gas & Electric, San Diego Gas & Electric, and Southern California Edison) energy portfolios – IOUs' forecast above-market costs for 2021 amount to $3.9 billion combined – and IOUs rely on California ratepayers to pay the costs. CCA customers continue to pay for legacy resources through the PCIA fee.

Legacy resources are a burden because the electricity they generate is very expensive compared to today’s market prices, resulting in billions of dollars in above-market costs that accrue to all ratepayers. However, there are also valuable products associated with the electricity produced by legacy resources – such as resource adequacy, RPS attributes, and GHG-free attributes – that can be used by energy providers to meet their clean energy goals and reliability requirements. But under the current structure, these products are retained by IOUs. So, while CCA customers must pay their fair share for legacy resources, CCA customers do not have access to all of the beneficial products they are paying for. There is no good policy rationale for this inequitable treatment of CCA customers versus their IOU counterparts.

Items of Value in IOUs’ PCIA Portfolios

	Renewables PPAs	Utility-Owned Nuclear	Utility-Owned Hydro	Utility-Owned Fossil
Resource Adequacy	X	X	X	X
RPS Attributes	X			
GHG-Free Attributes		X	X	

How is SB 612 a Solution?

SB 612 resolves the inequities by ensuring all customers have access to the benefits of the resources they are paying for, and that the costs to all ratepayers are minimized. The bill does this by:

- Providing IOU, CCA, and direct access customers equal right to receive, on a voluntary basis, legacy resource products that were procured on their behalf in proportion to their load share if they pay the full cost of those products
- Requiring 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
- Requiring IOUs to offer any remaining excess legacy resource products not taken by IOU, CCA, or direct access customers to the wholesale market through regular solicitations