

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

Order Instituting Rulemaking to Review, Revise, and
Consider Alternatives to the Power Charge Indifference
Adjustment.

Rulemaking 17-06-026
(Filed June 29, 2017)

**CONSOLIDATED REPLY COMMENTS OF THE
INDEPENDENT ENERGY PRODUCERS ASSOCIATION
ON THE PROPOSED DECISION (PD) AND ALTERNATE
PROPOSED DECISION (APD)**

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Dated: September 13, 2018

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Pursuant to the E-mail Ruling of Administrative Law Judge (ALJ) issued September 7, 2018, the Independent Energy Producers Association (IEP) respectfully submits its consolidated reply comments on the Proposed Decision (PD) and the Alternate Proposed Decision (APD) in this proceeding related to the Power Charge Indifference Adjustment (PCIA). IEP has not taken a position on the PCIA methodology, including inputs into the market price benchmark (MPB) used to calculate the PCIA. Overall, however, IEP supports a framework that ensures that departing customers remain responsible for certain costs, specifically power purchase costs incurred on their behalf by their utility, without being subject to costs that were not incurred on their behalf.¹

I. Importance of Bilateral Contracting/Sanctity of Contracts

Investment in the State of California's energy infrastructure is premised on long-term financial commitments, including long-term power purchase agreements that support electric generation and alternative supply resources. To ensure the integrity of these types of

¹ Alternate Proposed Decision, p. 2.

investments, the Commission must ensure that reasonably incurred costs of contracts, once approved, are fully recovered by the electric utilities. To do otherwise is to risk undermining the core foundations of California's market design with negative ramifications for future electric infrastructure investment.

While neither the PD or the APD appear to undermine the sanctity of contracts directly, the duration of the cost recovery period for which the utilities may recover costs is fundamental to the sanctity issue and, thus, fundamental to the question of California's market design. The Commission must be cognizant of this relationship as it moves forward with PCIA reform.

II. Establishing Principles for Phase II

The PD and the APD each contemplate a second phase of this Rulemaking to enable parties to develop long-term solutions regarding portfolio optimization and cost reduction for future consideration by the Commission. The PD and the APD each propose a Working Group to develop such solutions. IEP does not oppose enabling a Phase II in this proceeding to address long-term solutions, and we plan to participate in any Working Groups engaged in such matters.

It has been recommended that the PD and/or APD be modified to adopt a set of specific principles to guide Phase II implementation.² While IEP does not take a position at this time on the specific principles proposed by parties in response to the PD or APD, IEP is concerned that the Commission should not pre-judge outcomes in Phase II by stipulating key principles in this pending decision. The goal of Phase II is to develop long-term solutions. Parties should be afforded time to consider and comment on which, if any, principles ought to govern the long-term solutions, and this process of review and comment ought to occur in the beginning of Phase II rather than as a by-product of comments on the APD.

² See *Opening Comments on the Alternate Proposed Decision*, Commercial Energy of California, September 6, 2018, pp. 2-3.

Respectfully submitted September 13, 2018 at San Francisco, California.

A handwritten signature in black ink that reads "Steven Kelly". The signature is written in a cursive style with a large, sweeping flourish at the end of the name.

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