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

R.17-06-026
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REPLY BRIEF OF THE
CALIFORNIA COMMUNITY CHOICE ASSOCIATION
ON TRACK 2 ISSUES

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## List of Acronyms

A. **Application**  
A&G **Administrative and General**  
**AB** Assembly Bill  
**AS** Ancillary Services  
**BCR** Bid Cost Recovery  
**BNI** Binding Notice of Intent  
**CAISO** California Independent System Operator  
**CAM** Cost Allocation Mechanism  
**CARB** California Air Resources Board  
**CCA** Community Choice Aggregation  
**CCGT** Combined Cycle Gas Turbine  
**CDWR** California Department of Water Resources  
**CEC** California Energy Commission  
**CPM** Capacity Procurement Mechanism  
**CPUC** California Public Utilities Commission  
**CRS** Cost Responsibility Surcharge  
**CT** Combustion Turbine  
**CTC** Competition Transition Charge  
D. **Decision**  
**DA** Direct Access  
**DG** Distributed Generation  
**DER** Distributed Energy Resources  
**DOE** US Department of Energy  
**DR** Demand Response  
**EE** Energy Efficiency  
**ERRA** Energy Resource Recovery Account  
**ESP** Electric Service Provider  
**GHG** Greenhouse Gas  
**GRC** General Rate Case  
**IEPR** Integrated Energy Resource Plan  
**IOU** Investor Owned Utility  
**LCBF** Least Cost Best Fit  
**LSE** Load Serving Entity  
**LTTP** Long Term Procurement Plan  
**MCP** Market Clearing Price  
**MPB** Market Price Benchmark  
**NBC** Non Bypassable Charge  
**NPC** Nevada Power Company  
**NPV** Net Present Value  
**NREL** National Renewable Energy Laboratory
O&M  Operations and Maintenance
PAM  Portfolio Allocation Methodology
PCIA  Power Charge Indifference Adjustment
PDP  Peak Day Pricing
PG&E  Pacific Gas and Electric Company
POLR  Provider of Last Resort
POU  Publicly Owned Utility
PPA  Power Purchase Agreement
PUC  Public Utilities Code
PUCN  Public Utility Commission of Nevada
PX  Power Exchange
R.  Rulemaking
RA  Resource Adequacy
RBY  Resource Balance Year
RFO  Request for Offer
RMR  Reliability Must Run
RPS  Renewables Portfolio Standard
SB  Senate Bill
SCE  Southern California Edison Company
SPA  Staggered Portfolio Auction
T&D  Transmission and Distribution
UOG  Utility Owned Generation
URG  Utility Retained Generation
Pursuant to Rule 13.11 of the California Public Utilities Commission’s Rules of Practice and Procedure, the Amended Scoping Memo and Ruling ofAssigned Commissioner issued March 2, 2018 in R.17-06-026, and Administrative Law Judge Roscow’s email directive of June 6, the California Community Choice Association (CalCCA) submits this reply brief.

I. INTRODUCTION AND EXECUTIVE SUMMARY

The solution adopted in this proceeding must resolve four key problems presented by the uneconomic resources accumulating in the Joint Utilities’ supply portfolios. It must:

1. Reduce the potential $50 billion of uneconomic portfolio costs forecast to arise over the next 13 years;

2. Calculate and allocate these uneconomic costs in a way that fulfills the Commission’s statutory obligation to prevent cost shifts between bundled and departing load customers;

3. Reduce the growing mismatch between the Joint Utilities’ supply portfolios and their bundled load; and

4. End the “double procurement” occurring because non-utility load-serving entities (LSEs) are unable to access PCIA-eligible resources.
CalCCA’s opening brief, amplified in this reply, explains why the two central competing visions -- (1) the Green Allocation Mechanism (GAM) and Portfolio Monetization Mechanism (PMM) supported by the Joint Utilities and ORA, and (2) the benchmark and sales approach advanced by The Utility Reform Network (TURN) -- cannot effectively solve the four key problems. These proposals fail in numerous ways:

- The Joint Utilities and TURN ignore the Legislature’s directives on establishing departing load cost responsibility.
- The Joint Utilities and TURN rely on valuation principles that fail to capture the full range of products and attributes held in the utility portfolios.
- Both parties erroneously value the long-term contracts and assets held in the Joint Utilities’ portfolios using prices intended to capture the value of only a limited supply of short-term products.
- The Joint Utilities’ mechanism for redistributing portfolio resources – the GAM -- is unlawful, undermines market valuation, maintains utility supply dominance despite declining load, and prevents CCAs from effectively planning their portfolios, procuring supply and managing risk.
- TURN’s proposed alternatives for redistributing and valuing portfolio resources – forward sales, voluntary retail seller subscription or auctions – improve on the GAM/PMM and share similarities with CalCCA’s proposed SPA but do not provide a sufficiently comprehensive solution to the structural problems.
- Neither party presents concrete options to reduce and slow the accumulation of uneconomic portfolio costs.
- The solutions proposed by the Joint Utilities and TURN cannot be implemented in the near term.

These proposals, if adopted, will understate portfolio value and overstate uneconomic costs, thereby overstating departing load cost responsibility and failing to prevent cost shifts between bundled and departing load customers.

CalCCA’s phased proposal is the most effective approach to solving the four key problems. Correcting the Current Methodology (Corrected Methodology) eliminates the
existing cost shift from bundled to departing load customers and provides a simple, implementable transition to a durable long-term framework. The Staggered Portfolio Auction (SPA) will facilitate that long-term vision by redistributing portfolio resources on a voluntary basis to load-serving entities (LSEs), creating a market that establishes reliable values for the assets, and ensuring that entities that most value the resources obtain them. These proposals are complemented by measures aimed to reduce uneconomic portfolio costs through securitization, contract buydown, improved forecasting and improved portfolio management.

For these reasons, CalCCA asks the Commission to adopt the Corrected Methodology, the SPA and complementary cost reduction measures.

II. THE JOINT UTILITIES AND TURN IGNORE THE STATUTORY FRAMEWORK FOR ALLOCATING DEPARTING LOAD COST RESPONSIBILITY AND PREVENTING COST SHIFTS.

The Scoping Memo, as the Joint Utilities observe, established as its “overarching goal” in this proceeding “to prevent customer harm from impermissible cost shifting.”\(^1\) The Joint Utilities also appropriately observe that the Commission’s obligation to prevent cost shifts arises from statute.\(^2\) Despite this understanding, they blur the “bright line statutory mandate,”\(^3\) applying “indifference” as a general principle of equity, without regard to the specific cost responsibility and cost shift language chosen by the Legislature. TURN adopts a similar interpretation.\(^4\)

\(^1\) Joint Utilities Opening Brief at 6.
\(^2\) See, e.g., id. at 4 (“California law prohibits cost shifts between customer groups as a consequence of departing load – in either direction.”); see also Id. at 19 (asserting a “statutory requirement that all customers remain indifferent to departing and migrating load.”).
\(^3\) Id. at 6; see also id. (“everyone must equitably share in the benefits and costs of procurement undertaken by the IOUs on their behalf”).
\(^4\) TURN Opening Brief at 4-5.
While the term “indifference” has been used by the Commission in prior
decisions,\(^5\) it does not appear in any of the statutes aimed to prohibit “cost shifts.”
“Indifference” is simply shorthand for the Legislature’s more detailed framework for
assessing cost responsibility for departing load. Indifference cannot be reduced,
however, to a generic form of equity, contrary to the contentions of the Joint Utilities.
The Legislature has provided detailed guidance, and requires more than an allocation, as
the Joint Utilities would have it, of “historical procurement costs,”\(^6\) using a tenet of
“fundamental fairness”.\(^7\)

In fact, the Joint Utilities’ application of this “fundamental fairness” doctrine has
led to unfair results. For example, Mr. Wan explained that the utilities will not change
their procurement or portfolio management strategy until departing load reaches between
10-20 percent of load.\(^8\) In other words, departure of a small amount of load like Marin
Clean Energy’s (Marin’s) 2010 departure of 0.1 to 0.2 percent\(^9\) had no impact on PG&E’s
procurement strategy.\(^10\) The costs of supply procured after PG&E became aware of
Marin’s departure thus cannot reasonably be attributed to departing customers. Similarly,
it fails the “fairness” test to allocate increasing uneconomic costs to a customer as prices
decline if the utility could have sold that customer’s supply share at higher prices at the
time of departure.\(^11\)

\(^5\) See, e.g., D.02-11-022; D.06-07-030; D.07-01-030.
\(^6\) See, e.g., Joint Utilities Opening Brief at 3, 6 and 44.
\(^7\) Id. at 6.
\(^8\) 1 Tr. 36:25-37:21 (Joint Utilities/Wan).
\(^9\) 5 Tr. 853:25- 854:4 (Joint Utilities/Lawlor).
\(^10\) 4 Tr. 823:14-19 (Joint Utilities/Lawlor).
\(^11\) See CalCCA Opening Brief at 105.
Despite this lack of fairness and the detailed parameters given by the Legislature to define cost responsibility, the Joint Utilities and TURN construct their proposals based on a more general statutory provision enacted through SB 350. The section provides:

Bundled retail customers of an electrical corporation shall not experience any cost increase as a result of the implementation of a community choice aggregator program. The commission shall also ensure that departing load does not experience any cost increases as a result of an allocation of costs that were not incurred on behalf of the departing load.12

The Joint Utilities boldly claim that theirs is “the only proposal that meets the overarching statutory requirement to prevent ‘any cost increases’ to remaining bundled service customers as a result of departing load.”13 TURN likewise focuses on the Legislature’s directive that bundled customers shall “not experience any cost increases” as a result of departing load.14

While CalCCA agrees that this statute is important and relevant, it cannot reasonably be read to render the Legislature’s more specific guidance on departing load costs as suddenly superfluous. The Legislature knew how to specify costs that must be included to avoid cost shifts. AB 1890 provided a very specific definition of the scope of costs to be included in transition costs, including the costs of then-existing utility-owned generation (Legacy UOG).15 AB 117, likewise, provided a detailed identification of the costs that must be recovered from CCA departing load to prevent cost shifts, including costs related to California Department of Water Resources (CDWR) obligations.16

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13 Joint Utilities Opening Brief at 6.
14 TURN Opening Brief at 4.
15 See Assembly Bill 1890 (Stats. 1996, ch. 854) (hereafter, AB 1890), § 840(f) (defining “Transition Costs”).
16 Id. §366.2(e).
business implementation costs\textsuperscript{17} and certain account balances.\textsuperscript{18} Relevant to this proceeding, the Legislature specifically identified the procurement costs that must be borne by CCA departing load to prevent cost shifts: the “estimated net unavoidable…purchase contract costs…attributable to”\textsuperscript{19} the departing load customer. The Legislature directed the Commission to reduce those costs by the “value of any benefits that remain with bundled service customers” in the utility portfolio.\textsuperscript{20} The Legislature has taken no action to expressly augment these obligations in the context of CCA cost responsibility.

The Legislature’s next directive on cost shifts arose in SB 350, which specified a new, well-defined category of CCA departing load costs, procurement under the Integrated Resource Plan (IRP):

\begin{quote}
To the extent that additional procurement is authorized for the electrical corporation in the integrated resource plan or the procurement process authorized pursuant to Section 454.5, the commission shall ensure that the costs are allocated in a fair and equitable manner to all customers consistent with 454.51, that there is no cost-shifting among customers of load-serving entities, and that community choice aggregators may self-provide renewable integration resources consistent with Section 454.51.\textsuperscript{21}
\end{quote}

SB 350 also included the language relied upon by the Scoping Memo and Joint Utilities, quoted above, prohibiting a “cost increase” to either bundled or departing load customers as a result of load departure.

\textsuperscript{17} Cal. Pub. Util. Code § 366.2(c)(17).
\textsuperscript{18} Id. § 366.2(f)(1).
\textsuperscript{21} Cal. Pub. Util. Code § 454.52(c)
The “cost increase” language of Section 366.3 must be harmonized with existing statutes and harmonized internally with other SB 350 provisions. 22 Nothing in SB 350 suggests legislative intent to override the more specific directives of AB 117 or Section 454.52(c). Moreover, interpreting Section 366.3 as broad authority 23 to impose any and all utility categories of costs on departing load renders these more specific legislative directives surplusage, a result that must be avoided. 24 To harmonize the statute—internally and with other existing provisions—it must be read as a simplified restatement of the more specific guidance and, more importantly, clarification that cost shifts are prevented in both directions.

III. SCOPE OF PCIA ELIGIBLE COSTS


Most of the active parties in the rulemaking build their proposals on the assumption that Legacy UOG costs will continue to be recovered from nearly all departing load customers. The only class of customers exempted from these costs would be pre-2009 Direct Access customers.25 CalCCA’s opening brief explained in great

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23 While AB 117 provided the Commission with discretion to determine costs, that discretion was set in the context of a specific cost category: “the share of the electrical corporation’s estimated net unavoidable electricity purchase contract costs attributable to the customer, as determined by the commission.” Cal. Pub. Util. Code § 366.2(f)(2).


25 AReM/DACC Opening Brief at 5.
detail that under applicable statutes, Legacy UOG costs cannot be allocated to CCA departing load customers – a point that has not to this point been legally challenged.\textsuperscript{26} And to exempt pre-2009 DA customers while imposing these costs on CCA customers would result in undue discrimination.\textsuperscript{27} Nothing in the parties’ opening briefs alters these conclusions.

B. No Reasonable Grounds Exist to Modify the 10-Year Limitation on Fossil Resource Cost Recovery.

The Joint Utilities seek to lift the 10-year cost recovery limitation for post-2002 fossil generation resources.\textsuperscript{28} CalCCA’s opening brief argues that nothing has changed since the limitation was imposed beginning in 2003 to warrant the limitation’s removal.\textsuperscript{29} Again, nothing in the parties’ opening briefs alters CalCCA’s conclusion.

As CalCCA has noted previously, the Commission created a very limited exception from this limitation, which was to be applied on a case-by-case basis in the application for approval of the resources.\textsuperscript{30} The Commission expected the utilities to manage their portfolios in a way that would address the presence of these resources.\textsuperscript{31} Despite voicing repeated concerns that the IOUs are likely to lose 85% or more of their bundled load, the Joint Utilities spent considerable time and effort in this proceeding attempting to justify the retention of a generation portfolio that could be 500% or more in

\textsuperscript{26} CalCCA Opening Brief at 29-36.
\textsuperscript{27} Id.
\textsuperscript{28} Joint Utilities Opening Brief at 24-25.
\textsuperscript{29} CalCCA Opening Brief at 37-42.
\textsuperscript{30} Id. at 38.
\textsuperscript{31} See, e.g., D.08-09-012 at 54-55.
excess of their needs.\textsuperscript{32} The Joint Utilities’ seeming inability to tailor a portfolio to reasonable expectations over the past decade\textsuperscript{33} is not a sufficient reason to permit continued cost recovery.

\section*{IV. PORTFOLIO VALUATION METHODOLOGIES}

CalCCA replies to two of the parties’ contentions regarding portfolio valuation:

- The dubious and illogical assertion that there is no inherent long-term value in the Joint Utilities’ portfolios of long-term supply resources, a position which is undermined by the Joint Utilities’ own witnesses and has already been rejected by the Commission; and

- The unsupportable contention that the only way to attain a reasonable valuation of the Joint Utilities’ portfolios is through a “receipt” from the CAISO from actual sales.

Neither of these contentions is true. They highlight a fundamentally flawed viewpoint on markets and asset values, as well as an abdication of the Joint Utilities’ responsibility to maximize portfolio value on behalf of all customers. They also presage devaluation of the Joint Utilities’ supply portfolios to justify the flawed GAM/PMM proposal over better alternatives and impose higher stranded cost charges on departing load customers. The Commission, as it has before, should reject these unfounded assertions. Instead, it should focus on implementing approaches, such CalCCA’s proposal, that both recognize and work to extract the highest long-term value of the Joint Utilities portfolios for the benefit of all customers.

\textsuperscript{32} Under the scenario often cited in this proceeding, in which 85\% of load departs utility service, and therefore in which up to 85\% of the Joint Utilities pre-departure supply is excess to their bundled load of 15\% (85\% / 15\% = 567\%).

\textsuperscript{33} See CalCCA Opening Brief at 97-115.
A. Long-Term Value for a Wider Range of Products and Attributes Must Be Used to Value the Joint Utilities’ Portfolios.

CalCCA proposes the use of long-term values for a wider range of products and attributes to adequately reflect the characteristics of the Joint Utilities’ portfolios of long-term resources.\(^{34}\) Ratepayer advocates do not all agree, although UCAN and POC share similar views, rejecting the use of value measures that do not capture the full value of portfolio resources. ORA, while not fully committing, acknowledges that “[i]t is possible that there is additional value for long term RA and RPS products not reflected in the short-term market.”\(^ {35}\) TURN, based on the same faulty assumptions used by the Joint Utilities, does not support the recognition of additional values in the portfolio.

UCAN, in stark contrast to TURN, recognizes “the value stack for long-run PPAs and utility assets must reflect the full set of values these units provide, which are traditionally recognized in planning and procuring for the future….”\(^ {36}\) It identifies numerous attributes of value in the utility portfolios\(^ {37}\) that go far beyond the scope of attributes valued by the Current Methodology and even the benchmarks recommended by CalCCA. UCAN also recognizes the need for long-term value measures in valuing the utility portfolios, stating:

Comparable valuation matches the time frames of services/products and market referents or metrics. Accordingly long run PPAs should be valued in comparison to similar long run metrics, and certainly not compared to short-run metrics.\(^ {38}\)

\(^ {34}\) See generally CalCCA Opening Brief at 42-52.

\(^ {35}\) ORA Opening Brief at 10.

\(^ {36}\) Id.

\(^ {37}\) Id. at 17-18.

\(^ {38}\) UCAN Opening Brief at 23.
Though admitting that such may be challenging to measure, UCAN contends that proper valuation must incorporate not only at intrinsic resource value, but extrinsic (long-term) value,\textsuperscript{39} including hedge value and the value of optionality.\textsuperscript{40} It contends:

There is always a price premium paid to reduce long-term uncertainty, which is a major part of the hedge value inherent in bilateral contracts; spot (physical) prices have little if any hedge value, so would systematically understate bilateral contract value.\textsuperscript{41} UCAN concludes that “[w]ith extrinsic value added to intrinsic value, the portfolio value is substantially increased.”\textsuperscript{42}

In its Opening Brief section entitled “Best-Practice Valuation Metrics and Appropriate Time Frames – a Calibration to Market Principles,” UCAN spells out a set of "market principles" which are perhaps better described as cost evaluation perspectives that differ between the utilities and the CCAs.\textsuperscript{43} But according to UCAN’s “market principles,” the utilities could maximize their asset valuation through a combination of better portfolio management and transacting more vigorously with CCAs. CalCCA's SPA proposal would achieve these objectives the most directly among the proposals.

POC likewise aligns with CalCCA’s view on portfolio valuation. POC observes that “bundled load continues to extract the full value of long-term contracts retained in the utilities’ portfolios, while departing load is credited only the more limited value associated with short-term sale of resources held under those contracts.”\textsuperscript{44} Like UCAN, POC proposes that any valuation methodology should “ensure that departing load is

\textsuperscript{39} Id. at 27-28.
\textsuperscript{40} Id.
\textsuperscript{41} Id. at 20.
\textsuperscript{42} Id. at 28.
\textsuperscript{43} Id at 4.
\textsuperscript{44} POC Opening Brief at 26.
credited for hedging and optionality values associated with long-term contracts as well as premiums associated with delivery of energy from greenhouse gas free resources.”

The Joint Utilities oppose valuing additional attributes or placing a long-term value on the attributes in the portfolio. The Joint Utilities contend that there is no long-term value that is not already captured by “short-term sales of the underlying energy.” They assert that “CalCCA’s proposal turns basic economic theory on its head, agreeing with the Coalition of California Utility Employees (CUE) that to assume that there is long-term value is “a basic economic error.” They also “…agree with the common-sense conclusion expressed by TURN and CUE that the value of an asset that an entity no longer needs is determined by what market participants are willing to pay for it.” (Interestingly enough, the Joint Utilities are not proposing to dispose of or retire permanently assets “that an entity no longer needs”—apparently those assets still have value to the Joint Utilities.)

If an asset’s value is determined by the willingness of market participants to pay for it, why not offer up the asset to the market on a long-term basis as proposed by CalCCA, rather than liquidate that asset in short-term markets as proposed by the Joint Utilities? If there is no long-term value in long-term contracts, why doesn’t the

45 Id.
46 Joint Utilities Opening Brief at 33.
47 Id. at 36. Both CUE and the Joint Utilities selectively misquote and mischaracterize CalCCA’s testimony regarding the relationship between resource cost and market value. Following is the full quote to put CalCCA’s position in proper context: “As explained in Chapter 2B, §II, the current capacity benchmark reflects only the annual unavoidable costs of maintaining a combustion turbine available to provide capacity – a short-term value measure. The value placed on capacity in the long run, as demonstrated by Commission-adopted capacity values, must reflect all costs of that resource, including the development and construction costs.” Exh. CalCCA-1 at 2A-3.
48 Joint Utilities Opening Brief at 33.
Commission simply allow the utilities to rely on the spot market for all of their needs, as they did in the late 1990s? Relying solely on the spot market would risk inadequate supply, price volatility and increased costs and a failure to comply with RPS and RA requirements.\(^49\) Moreover, the Commission itself has already expressly rejected proposals by the Joint Utilities in other contexts to use short-term prices to determine the value of their RPS portfolios in favor of long-term valuation metrics.\(^50\)

In fact, the Joint Utilities admit to long-term portfolio value.

- Mr. Wan stated that it was appropriate to use a 10-year forward price curve to value a 10-year asset.\(^51\)
- Mr. Cushnie admitted that long-term RPS contracts could be devalued if traded in the short-term market as an unbundled REC.\(^52\)
- Mr. Wan admitted that optionality (which includes the hedge properties of long-term contracts) has value.\(^53\)
- The IOUs maintain hedge policies\(^54\) and hedge to “stabilize price volatility.”\(^55\)
- PG&E maintains hedge limits with upper and lower boundaries for both energy and RA,\(^56\) meaning a specified percentage of “bundled load is covered with existing resources or contracts.”\(^57\)
- The Joint Utilities’ opening brief admits that a “natural hedge” exists in a fixed price contract.\(^58\)

\(^{49}\) Exh. CalCCA-1 at 2B-4-5.
\(^{50}\) CalCCA Opening Brief at 48.
\(^{51}\) 1 Tr. 34:16-23 (Joint Utilities/Wan).
\(^{52}\) 2 Tr. 255:6-15 (Joint Utilities/Cushnie).
\(^{53}\) 1 Tr. 60:6-21 (Joint Utilities/Wan).
\(^{54}\) 1 Tr. 135:26-28 (Wan/Joint Utilities/Wan).
\(^{55}\) 1 Tr. 48:25-27 (Wan/Joint Utilities/Wan).
\(^{56}\) See generally 1 Tr. 177:10-12 (Joint Utilities/Lawlor/Confidential).
\(^{57}\) 1 Tr. 164:17-25 (Joint Utilities/Lawlor/Confidential).
\(^{58}\) Joint Utilities Opening Brief at 37-38.
While the Joint Utilities challenged the use of the current Green Adder, a long-term value measure, their challenge was not based on the long-term nature of the measure. 59

In addition, PG&E’s own portfolio management document approved by the Commission explicitly seeks to justify continuing to hold existing RPS power purchase agreements (PPAs) without liquidating in spite of falling short term market prices. 60 None of these statements and actions makes sense if the utilities believed that the entire value of their physical generation assets was captured solely in short-run market indicators.

The Joint Utilities argue that the appropriate method of valuing these assets is the CAISO spot energy market, the short-term RA market and the short-term REC market. At the same time, they are striving to hold onto and control these long-lived assets in the utility portfolio, doling out limited attributes into short-term markets, without conveying long-term value to the recipient. The utilities should be glad to hand over complete control and responsibility of those assets to CCAs for the spot market prices if they believed their own claims. Yet instead we see offers that are for highly constrained products for limited duration making little or no effort to flatten their long-term surplus supply positions. 61 The Joint Utilities clearly value something in these assets they continue to hold, and there is an obvious value to these assets outside the short-term spot market prices.

CalCCA agrees that real market derived transaction prices are the preferred method of valuing the IOU portfolios, but only under the conditions identified in Section B, below. Consistent with that view, CalCCA proposes to require the utilities

59 Exh. IOU-1 at 2-15 to 2-18.
60 5 Tr. 901:10-902:1 (CalCCA/McCann) (quoting PG&E’s draft renewable energy procurement plan at page 19).
61 See 4 Tr. 837: 22-26 (Joint Utilities/Lawlor).
sell the portfolio contents in a market will be capable of recognizing and pricing all attributes and characteristics of each asset or contract.

B. “Receipts” for Product or Attribute Sales Do Not Fairly Represent the Value of the Joint Utilities’ Portfolios Under Current Conditions.

Calculating the uneconomic costs that must be shouldered by bundled and departing load customers requires a comparison of portfolio costs and portfolio value. CalCCA rejects the premise that the use of “receipts” is the only approach to the valuation of long-lived assets. “Receipts” may be a reasonable valuation measure, however, under three conditions: (1) the receipts are used only to value products actually sold; (2) the products are sold in a manner that maximizes their value; and (3) the market in which the receipt is produced fully reflects the value of the resource. CalCCA contends that these conditions are not and will not be present unless and until a comprehensive solution aimed to create these conditions, such as CalCCA’s Staggered Portfolio Auction (SPA), is implemented. Moreover, adoption of the GAM/PMM, by circumventing market valuation, would ensure that these conditions never occur.

A receipt for a product sold from the utility’s portfolio would logically, under most circumstances, reflect the value of that product. The receipt could not generally be used, however, to value other portfolio products: a receipt for sale of one-month of RA would not fairly represent the long-term value of capacity, as the Joint Utilities acknowledge.62 A single month of RA compliance is simply not the same product as a long-term right to control capacity. Likewise, as the Commission observed in the 2017 Padilla Report, the price for sale of a small volume of product cannot reasonably be used to value a large unsold volume of the same product if it is unlikely that the total volume

62 See CalCCA Opening Brief at 75.
could be replaced at that price.\(^{63}\)

In addition, for a receipt to be used as a value measure, the product must be sold in a way that maximizes value. For example, the price a utility will get in the market for the sale of a product will depend upon when the product is sold, the length of the term of the product and other terms and conditions.\(^{64}\) A product could easily be sold in a way that the receipt does not fairly represent the product’s value.

Finally, a receipt for sale of a product only represents the product’s value if there is an appropriate market for that product.\(^{65}\) The Joint Utilities have acknowledged that “a market does not exist that would provide additional revenues to compensate for the full capacity value of post-2002 UOG resources.”\(^{66}\) In other words, there is currently not a market that will produce a receipt that can be used to reasonably represent the value of capacity.

The Joint Utilities’ GAM/PMM proposal does not create an environment in which a receipt from a sale into the market reasonably represents the value of all of the products in the portfolio—the Joint Utilities propose to bypass markets entirely for RPS attributes and the majority of RA attributes. A large portion of capacity needed for an LSE to meet its RA requirement—up to 44 percent\(^ {67}\)—would be allocated through the Cost Allocation Mechanism (CAM) and GAM combined, and would, therefore, reduce the amount of

\(^{63}\) CalCCA-106, The Padilla Report: Costs and Savings for the Renewables Portfolio Standard in 2016, May 1, 2017, at 12 (short-run avoided costs was not a reasonable value measure for RPS resources because “it seems unlikely that the large IOUs would be able to procure 20% or more of their portfolios accounted for by the RPS program under short-term contracts”).

\(^{64}\) CalCCA Opening Brief at 114.

\(^{65}\) See Exh. CalCCA-1 at 2B-4.

\(^{66}\) Exh. IOU-1 at 5-9.

\(^{67}\) See CalCCA Opening Brief at 85.
capacity that is actually traded in and valued by the market. Likewise, the GAM would remove the vast majority of RECs from market trading and valuation. Assuming the program could be implemented, nearly all of the RECs needed to meet an LSE’s 33 percent RPS requirement would be allocated, rather than sold in a market. Moreover, a large percentage of the RECs allocated through the GAM could not be sold by the receiving LSE without a substantial loss of value. The GAM/PMM would make sure that receipts for RA or RECs do not fairly represent the value of the underlying products and would prevent the development of markets for these products.

ORA and TURN similarly assert that portfolio valuation should only be based on “realized” market values. Ignoring the fact that most generation assets are not “sold” into the market, but rather are scheduled to meet the LSE’s load, this principle has a bizarre implication. As the market evolves to eliminate fossil fuels through compliance with state law, reliability requirements will increasingly be met by distributed local resources. If the CAISO energy market clearing price (MCP) falls to $0 (or even becomes negative, which is already occurring in a number of hours), the utilities sign no new RPS-eligible PPAs, and a large capacity surplus drives short-term RA prices to zero, then the portfolio valuation would be $0 under the premise put forward by ORA and TURN. Could anyone seriously believe that the utilities’ portfolios, while still providing services to their bundled customers, would have no value? It becomes obvious that the value of the utilities’ generating portfolios exceeds any short-run metrics.

68 Id.
69 See id. at 83-84.
70 2 Tr. 367: 6-10.
71 ORA Opening Brief at 8.
72 TURN Opening Brief at 5.
73 Id. at 8. TURN asserts that the current surplus capacity has a value of zero.
Otherwise, ORA and TURN should be contending that the utilities’ assets are no longer used and useful, and should be retired immediately.

The SPA creates conditions under which receipts for product sale could be used to value any residual portfolio. The SPA would sell products, to the extent possible, that mirror the products in the utility portfolio in term and other key terms and conditions.\(^{74}\) It would also offer for sale over time all RPS and GHG-free contracts and products, rather than just the product surplus. Taking this approach provides the opportunity to fully realize the value of the portfolio products and attributes.\(^{75}\) The SPA, by placing even the Joint Utilities in a position to purchase from the auction for bundled load, ensures the development of a deeper, more liquid market that will more reasonably reflect product value.\(^{76}\)

C. No Value Measure Will Be Perfect, and Commission-Approved Administrative Benchmarks Provide Reasonable Proxies for Portfolio Valuation Pending Implementation of the SPA.

The Joint Utilities assert that administratively determined benchmarks should not be used to value their portfolios.\(^{77}\) They argue:

Administratively-determined benchmarks not trued up to actual market transactions and portfolio volumes can never satisfy the statutory requirement that all customers remain indifferent to departing and migrating load. This is because administratively-set benchmarks, by definition, rely on incomplete information about markets and will therefore deviate, often substantially, from actual market outcomes.\(^{78}\)

\(^{74}\) Exh. CalCCA-1 at 4-4: 1-3.
\(^{75}\) CalCCA Opening Brief at 75.
\(^{76}\) Id. at 50-51.
\(^{77}\) Joint Utilities Opening Brief at 23.
\(^{78}\) Id. at 9.
They further argue that no party proposed RA or RPS benchmarks that accurately reflect the market value of those resources.\textsuperscript{79}

CalCCA acknowledges that no benchmark for departing load responsibility will be perfect. Dr. Barkovich summarized the problem the Commission faces in this proceeding:

My conclusion is there's room for improvement definitely, but that there is no perfect solution that makes everybody perfectly indifferent. There are too many variables here.\textsuperscript{80}

It appears the Legislature was aware of this challenge and did not expect precision. AB 117 placed cost responsibility on CCA departing load for “estimated” net unavoidable costs.\textsuperscript{81} The Commission is thus left to choose a reasonably representative set of metrics to value the Joint Utilities’ portfolios.

The Joint Utilities claim administratively determined benchmarks cannot meet the statutory indifference requirement, characterizing those benchmarks as “imprecise and risk-fraught.”\textsuperscript{82} As CalCCA explained in its opening brief, the Commission has extensive experience in developing administrative values and relies on these values for critical decisionmaking.\textsuperscript{83} Moreover, the same characterization – imprecise and risk-fraught – could be applied to the Joint Utilities’ reliance on short-term market values to calculate the cost shift and cost responsibility under the PMM. As discussed in Section IV, the “market” values the Joint Utilities embrace are incapable of measuring portfolio value under current conditions.

\textsuperscript{79} See generally id. at 12-16, 17-21.
\textsuperscript{80} 3 Tr. 519:18-22 (CLECA/ Barkovich).
\textsuperscript{82} Joint Utilities Opening Brief at 88.
\textsuperscript{83} CalCCA Opening Brief at 42-43.
Under these circumstances, a true-up would serve little purpose. The Joint Utilities acknowledge that a true-up of REC prices would be challenging.\(^{84}\) For RA, however, it proposes to true-up an unrepresentative RA forecast “market” value with another unrepresentative “market” value.\(^{85}\) Moreover, while there may be a better foundation for true-up of energy revenues, testimony shows no meaningful impact of a true-up over the past five years. Mark Fulmer, on behalf of AReM/DACC, concluded that “[e]xcept for 2015, the two MPB and CAISO averages have been within ~15% of each other. 2015 is an outlier, with the CAISO prices falling from 2014 by over 30%.”\(^{86}\) The MPB was lower than actual prices in 2013 and 2014 and higher in 2015-16 and roughly the same in 2017.\(^{87}\) These differences are insufficient to justify the uncertainty and potential volatility a true up of energy revenues could bring.

There is no easy answer, and the Commission must reject the Joint Utilities’ attempts to oversimplify the indifference calculation. It must determine, for each product and attribute in the Joint Utilities’ portfolios, the most reasonably representative value under current conditions, with an eye toward a more comprehensive solution.

V. PROPOSED ALLOCATION METHODOLOGIES

A. The Joint Utilities’ GAM/PMM is Unlawful and Unsound Policy

CalCCA’s opening brief concluded that the GAM/PMM is unlawful because it forces products into CCA portfolios,\(^{88}\) unreasonably maintains utility dominance in the face of

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\(^{84}\) See Joint Utilities Opening Brief at 84-85.

\(^{85}\) Exh. AReM/DACC-1, Prepared Direct Testimony of Mark Fulmer at 12, Figure 1.

\(^{86}\) Id. at 11.

\(^{87}\) Id. Figure 1 at 12.

\(^{88}\) CalCCA Opening Brief at 81-86.
declining bundled load\textsuperscript{89} and devalues portfolio resources.\textsuperscript{90} CalCCA further concluded that the GAM/PMM is not a suitable long-term solution, yet is too complex to implement in the near term.\textsuperscript{91} The Joint Utilities’ Opening Brief, along with viewpoints expressed by TURN, CLECA and others, only reinforce these conclusions.

The Joint Utilities argue that the GAM/PMM “ensures complete customer indifference, because all customers pay for the costs and receive the benefits of the historical resources procured on their behalf….\textsuperscript{92} While the GAM/PMM may fulfill the Joint Utilities’ fluid, one-way vision of indifference, it does not suit the framework enacted by the Legislature. The GAM/PMM, through mandatory product allocation, impairs a CCA’s statutory right “to be solely responsible for all generation procurement activities on behalf of” the CCA’s customers.\textsuperscript{93} The Joint Utilities’ observation that the products being allocated were procured when the CCA’s customers were bundled customers\textsuperscript{94} does not alter this conclusion. The forced allocation forecloses autonomous procurement by the CCA to the extent of the allocation.

The GAM/PMM also infringes on a CCA’s procurement of RA and RPS for its customers. It would foreclose procurement (and cause overprocurement) for RPS resources. For example, on the SCE system the allocation will account for vast majority of resources necessary to meet a CCA’s 2020 requirement.\textsuperscript{95} The Joint Utilities’

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\textsuperscript{89} \textit{Id.} at 86-88.  \\
\textsuperscript{90} \textit{Id.} at 88-94.  \\
\textsuperscript{91} \textit{Id.} at 94-97.  \\
\textsuperscript{92} Joint Utilities Opening Brief at 43.  \\
\textsuperscript{94} Joint Utilities Opening Brief at 5.  \\
\textsuperscript{95} See CalCCA Opening Brief at 83.
\end{flushright}
The proposed combined CAM and GAM allocation would also approach half of a CCA’s obligation.\textsuperscript{96}

There are limited exceptions to the mandate that CCAs be “solely responsible” for their procurement, but the exceptions themselves must be mandated.\textsuperscript{97} Thus, the GAM allocation is not supported by statute.

Other parties reach similar conclusions.\textsuperscript{98} TURN’s criticisms of the GAM/PMM focus on critical implementation problems. The GAM/PMM would require the Commission, contrary to prior decisions, to ignore the unbundling of RECs from the underlying long-term resources.\textsuperscript{99} Effectively, in order to preserve the compliance value of the allocation, the Commission must magically reclassify unbundled RECs as bundled RECs. The Commission must also somehow deem the unbundled RECs so allocated as the recipient LSE’s “contracts of 10 years or more in duration” or “its ownership or ownership agreements” for long-term resources to maintain the RECs’ compliance value under Section 399.13(b).\textsuperscript{100} Even if the Commission could transform the products by proclamation, the Joint Utilities acknowledge that the allocated RECs would not retain the long-term, bundled characteristics if the recipient LSE traded them in the market.\textsuperscript{101} Under these circumstances, as Mr. Cushnie acknowledged, the underlying resource could

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\textsuperscript{96} Id. at 85.
\textsuperscript{97} Cal. Pub. Util. Code § 366.2(g).
\textsuperscript{98} See AREM/DACC Opening Brief at 26 ([T]he IOU allocation of RA and RPS attributes based on the proposed GAM threatens to frustrate all that careful planning by informing an ESP or CCA long after its portfolio has been designed and implemented that certain of its renewable and RA acquisitions were unnecessary and/or superfluous); LACCE/Coachella/WRCOG Opening Brief at 4-5; Shell Opening Brief at 11.
\textsuperscript{99} TURN Opening Brief at 19-20.
\textsuperscript{100} Cal. Pub. Util. Code §399.13(b); see TURN Opening Brief at 20-21.
\textsuperscript{101} 2 Tr. 367: 3-10. (Cushnie/Joint Utilities).
\end{flushleft}
be devalued.\textsuperscript{102} In other words, the “market value” of the key attributes would be stripped from the asset for the recipient LSE, and the value of those attributes would redound back to bundled customers. Costs would be shifted from bundled to departed customers, contrary to state law.

TURN correctly observes that the CEC’s Power Source Disclosure Program “is not currently configured to address the possible complications resulting from this approach” thus presenting “another wrinkle.”\textsuperscript{103} CalCCA agrees. The Joint Utilities have not explained how the GAM allocation would be treated under this program or what process would be required to effectuate the program.

Similarly, the Joint Utilities have failed to explain how the GAM would interact with the Clean Net Short (CNS) methodology adopted in R.16-02-007.\textsuperscript{104} Under the CNS, GHG emissions are attributed to each LSE based on the energy it has contracted to serve its load. If a CCA procures a zero-emitting resource on a bundled basis, the CCA will get GHG credit under the CNS for each hour in which the resource produces electricity. It appears that under the GAM, however, the CCA would receive the RECs, but brown energy would be attributed during the hours when the REC is created because the utility, not the CCA, would retain the associated energy.\textsuperscript{105} Moreover, forcing the RECs into the CCA’s portfolio without the associated energy would foreclose the CCA from buying bundled products that would provide both RECs and zero emitting energy.

\begin{footnotes}
\item[102] See id.
\item[103] TURN Opening Brief at 23.
\item[105] See Joint Utilities Opening Brief at 43.
\end{footnotes}
The CNS is a key policy measure in the state’s efforts to reduce GHG emissions in the electricity sector, and the GAM would undermine the operation and success of the CNS.

Several other parties raise concerns about the GAM/PMM. Though CLECA provides only very limited analysis, it concludes that GAM/PMM risks understating capacity value.106 UCAN appropriate points out that the GAM/PMM “do not capture the long-run attributes of bilateral contracts….”107 Commercial Energy opposes the GAM/PMM, among other reasons, because:

[T]he lack of price transparency for PCIA-eligible IOU resources before they are allocated or sold through the GAM or PMM will perpetuate the greater uncertainty and risk for LSEs that currently permeates the PCIA process. Only the IOUs truly know the value of their resources; under the GAM/PMM the LSEs would continue to be unable to value the assets with actual market data.108

Commercial Energy also points out that the under the Joint Utilities’ proposal, “there is no predictability and LSEs will be deprived of a realistic planning horizon for both their own procurement needs and the PCIA cost responsibility….”109 Finally, Southern California CCAs suggest that GAM/PMM would result in a “substantial disruption of CCA formation, implementation and procurement….”110

B. TURN’s Proposals Do Not Provide a Viable Solution.

TURN, like CalCCA, offers both a near term and a longer term solution. Its near-term solution, which retains and modifies the Current Methodology, would perpetuate the existing cost shift from bundled to departing load customers. Moreover, it is based on the

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106 CLECA Opening Brief at 14-16.
107 UCAN Opening Brief at 31.
108 Commercial Energy Opening Brief at 34.
109 Id.
110 LACCE/Coachella/WRCOG Opening Brief at 6.
unsupportable “receipt” method of portfolio valuation embraced by the utilities.\footnote{111} As discussed above, TURN’s proposal could easily lead to the portfolios having no “value” contrary to the reality that these assets continue to serve (bundled) customers.

TURN’s longer-term solutions are headed in the right direction. They “are focused on providing opportunities for LSEs to acquire valuable products from the utility portfolios that can be used to serve their retail customers,” avoiding involuntary utility allocations of “tradable attributes that have dubious real-world value.”\footnote{112} While conceptually CalCCA and TURN appear to align around the longer term goal of making sure the Joint Utilities sell “valuable” product, these parties do not agree on a solution. None of TURN’s three alternatives—forward sales, retail seller subscription and auction—can provide the liquidity needed to derive true market values, which requires full participation by all market players including the Joint Utilities. CalCCA’s proposals, which contemplate a much broader sale process, remedy these shortcomings.

**C. TURN’s Near-Term Modification of the Current Methodology Will Increase the Cost Shift from Bundled to Departing Load Customers**

In the near term, TURN proposes to retain and modify the Current Methodology,\footnote{113} proposing changes to the RA values and the Green Adder values used in the calculation. While an element of TURN’s Green Adder modification—a broadening of data used to establish the Green Adder—merits consideration, the remaining proposals will only increase the cost shift from bundled to departing load.

\footnotesize{\begin{itemize}
\item \footnote{111} 5 Tr. 1078:22-1079:5 (TURN/Woodruff).
\item \footnote{112} TURN Opening Brief at 25-26 (emphasis supplied).
\item \footnote{113} TURN Opening Brief at 2.
\end{itemize}}
1. Capacity Value

TURN’s proposal to value RA based on the Commission’s annual Resource Adequacy Report developed by the Energy Division also fails to acknowledge long-term capacity value. As an initial matter, TURN relies on a dated RA Report that reflects 2016 recorded transactions. In addition, the reported prices value short-term RA sales, which are not the same product as the long-term capacity embedded in the portfolio. Moreover, TURN’s proposal ignores:

- The insufficiency of the capacity market to reflect the “full value” of the portfolio resources, as the Joint Utilities acknowledge; \(^{114}\)
- The limited scope of products reflected in the RA Report, ignoring the value of bilateral contracts, the CAM allocation, the CAISO CPM and the CAISO RMR mechanisms; and \(^{115}\)
- The lack of depth in the report, which represents only 19.7 percent of 2016 RA; most RA is “procured via long-term PPAs rather than via short-term transactions.” \(^{116}\)

While the RA Report may be useful for some purpose, it should not be used to value the capacity of long-term utility resources.

TURN exacerbates its RA undervaluation by proposing to assign “a zero or *de minimis* price for capacity expected to remain unsold.” \(^{117}\) This proposal, again, ignores the longer term value of the capacity, ignores the possibility that the utility may retain RA as a hedge to protect bundled load and prevent non-compliance, and ignores the fact that the timing and manner of selling RA will influence the utility’s ability to sell the product

\(^{114}\) Exh. IOU-1 at 5-9:21-23 (“Thus, a market does not exist that would provide additional revenues to compensate for the full capacity value of post-2002 UOG resources.”).

\(^{115}\) Exh. CalCCA-3 2B-3:12-17.

\(^{116}\) "Id. at 2B-3:17-21.

\(^{117}\) TURN Opening Brief at 2.
and the price obtained.\textsuperscript{118} As CalCCA’s opening brief pointed out “waiting until the last minute to make short-term RA sales inevitably leads to the realization of little or no value because the value of RA declines precipitously at (or just before) the deadlines occur.”\textsuperscript{119}

TURN boldly suggests that “[t]here is no dispute that [the RA Report] accurately reflects recent and current conditions for these RA products and illustrates the expected prices that would be paid by any LSE seeking to obtain the product from the IOUs.”\textsuperscript{120} CalCCA respectfully disagrees. While the RA Report prices may reflect the prices for a limited subset of RA compliance instruments unrelated to physical assets, procured on a short-term basis, the products are not the same product that is held in the utility portfolio. Clearly, a different value measure is required.

2. **Green Adder**

TURN, like most other parties, proposes to remove the DOE component of the Green Adder,\textsuperscript{121} replacing it with data gathered from all LSEs. All LSEs, presumably including CCAs, would “submit (under seal) price, volume and quantity data for purchases and sales of renewable energy….”\textsuperscript{122} In addition, TURN would change the measurement window, using only transactions “occurring in the prior year that include deliveries in the forecast year.”\textsuperscript{123} This is a change from the currently methodology, which examines prices for “newly delivering” contracts in the forecast year, regardless of

\textsuperscript{118} See CalCCA Opening Brief at 107-109; see 1 Tr. 67:7-21 (Joint Utilities/Wan).
\textsuperscript{119} Id.
\textsuperscript{120} TURN Opening Brief at 8.
\textsuperscript{121} Id.
\textsuperscript{122} Id.
\textsuperscript{123} Id.
execution date. TURN also proposes an annual true up “to reconcile the forecast and actual sales prices and volumes.”

Broadening the scope of data used to calculate the Green Adder may be a reasonable approach, but only under certain conditions. First, CalCCA proposes that CCAs be permitted to aggregate RPS data for use by Commission staff to avoid unnecessary disclosure of transaction detail. A common template and instructions could be developed through a workshop that would accommodate this approach. Second, any use of non-utility contract prices should be for the procurement of power from new projects (not existing projects) with contract terms that are commensurate with the long-lived resources that are being valued in the PCIA-eligible portfolios (i.e., no use of short-term trades from existing projects). Third, the prices being gathered and reported should not be limited to new transactions just in the past year, as TURN proposes. To ensure a large enough data set, CalCCA proposes the inclusion of contracts executed in the past five years for resources that will be newly delivering in the forecast year. Indeed, aggregating CCA procurement costs by year would highlight what CCAs spent – and what IOUs could have earned had they disposed of unneeded resources at that time. If this approach were considered the prices should be weighted by volume, and it should be recognized that the timing (e.g., year) and duration (contract length) impact price. Fourth, this approach should be a transition approach, limited in time until SPA is implemented, at which point the auction prices would be used to establish any needed benchmarks.

124 Id.
CalCCA opposes the other two aspects of TURN’s proposal: changes in the measurement window and the true-up of forecast to actual data. TURN proposes to rely on contracts executed in the past year that will begin delivering in the forecast year – a position for which TURN provides little explanation. TURN’s proposal would substantially reduce the data set and drive the Green Adder toward short-term prices, which reflect annual regulatory compliance requirements rather than asset values. In fact, new contracts for physical assets would be almost entirely ignored since few generation resources can be built on such short turnaround. As explained in CalCCA’s testimony, the Current Methodology’s reliance on the prices of “newly delivering” contracts remains sound. Newly delivering contracts reflect the price that would have to be paid to acquire a physical generating resource that is capable of delivering in the forecast window, not just a compliance showing. Second, the true-up approach for RPS unnecessarily undermines certainty and predictability, and reflects another extension of the “receipt” approach. The suggestion that there would be a value significant enough to offset the resulting uncertainty is untested.

3. TURN’s Three Alternatives Cannot Reasonably Be Implemented Any More Quickly than CalCCA’s More Comprehensive Solution

TURN’s opening brief covers the waterfront of voluntary options, including forward sales by the utilities, retail seller subscription and an auction of utility resources. While interesting, these concepts cannot be implemented in the near term. In 2018 the Joint Utilities began, for the first time, to experiment with forward sales (although

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nothing has prevented them from undertaking such sales in the past).\footnote{126} In fact, to date, the utilities have not sold forward contracts of any significant length.\footnote{127} Moreover, none of the Joint Utilities outline a significant forward sales strategy in testimony or during hearing. Nothing in the record suggests that they have a coherent strategy for selling resources on a long-term basis. Given these circumstances, and understanding that the Joint Utilities’ actions put customers in the current strained position, it is unrealistic to expect that the Joint Utilities can suddenly produce a sales strategy that maximizes portfolio value. Thus, TURN’s alternatives must be considered longer term solutions.

D. The Joint Utilities’ Criticisms of CalCCA’s Proposals Are Unfounded

The Joint Utilities reject CalCCA’s proposals on many fronts, relying mainly on unsubstantiated claims, and ignoring obvious facts.

1. Reassessing RA Value

The Joint Utilities’ urge rejection of CalCCA’s proposal to use CPM and the long term capacity value in place of the current benchmark for capacity value. Although without legislative support for the proposition, the Joint Utilities assert that the long term values proposed have “no connection to actual market values,” and erroneously introduce long-run capacity value into an RA benchmark “intended to capture short-run capacity value.”\footnote{128} This assertion ignores the revenues the utilities could potentially obtain for capacity from Cost Allocation Mechanism (CAM), Reliability Must Run (RMR) contracts, the Capacity Procurement Mechanism (CPM), bilateral contracts, asset sales and other potential non-short term RA market sales.

\footnote{126} See generally 4 Tr. 805:5-809:7 (Joint Utilities/Cushnie, Lawlor).
\footnote{127} Id. 807:19-28.
\footnote{128} Joint Utilities Opening Brief at 19
As the Joint Utilities would admit, many of their resources are necessary for reliability and therefore could generate CAM, RMR, CPM or other revenues. Moreover, the record in this proceeding demonstrates that multiple CPM and RMR transactions were entered into for 2018.\textsuperscript{129} On that basis and given that both generators and LSEs use the CMP price as a benchmark for their negotiation of RA prices in bilateral transactions, the short-term value of RA in 2018 clearly is more reasonably represented by the CPM price than by the reported value of a limited and stale set of transactions. If, as the Joint Utilities assert, value is equal to receipts, these receipts should be included in any calculation of RA “value.”

2. \textbf{Continuation of 10-Year Limitation on Post 2002 UOG Recovery}

The Joint Utilities assert that the presumption of a 10-year limit on PCIA recovery of post 2002 UOG was “arbitrary” and should be eliminated.\textsuperscript{130} In fact, that limitation was heavily litigated and lobbied for. It was the result of a compromise by which the Commission provided some guaranteed cost recovery to the IOUs while the IOUs were attempting to invest in a hybrid, competitive market for new resources. If the Commission does consider lifting the 10-year limit, it may also want to consider whether IOU ROE on those resources should be eliminated, as well.

3. \textbf{Proposed $25/MWh GHG-Free Adder}

The Joint Utilities also assert that the concept of a GHG-free adder “ignores the basic structure of GHG regulation in California and resulting CAISO market

\textsuperscript{129} Exh. CalCCA-1 at 2B-8.
\textsuperscript{130} \textit{Id.} at 25.
operations.” Because GHG-emitting resources include their compliance costs in the bids they submit to the CAISO, the Joint Utilities argue, market prices realized through the CAISO already reflect the cost of GHG compliance. However, this argument completely fails to recognize that compliance cost is not the same as a GHG-free value. A resource mix that is all fossil (paying the appropriate compliance cost) is not the same as a GHG-free portfolio, either from a regulatory standpoint, a policy standpoint, a pollution standpoint, an advertising standpoint or a market price standpoint.

Finally, to clarify a point the Joint Utilities raised, CalCCA in its testimony regarding the uneconomic cost of the legacy UOG states a 2018 value of PG&E’s hydro and nuclear of $44.93/MWh. The implied GHG adder would be the difference between PG&E's $85/MWh benchmark for GHG-free generation from the Diablo Canyon proceeding, and the 2018 PCIA MPB values for brown energy and RA. This figure is much higher than the PCIA benchmark, which CalCCA’s witness Mr. Kinosian suggested at the time of the Diablo Canyon proceeding. It also suggests a GHG adder of $40/MWh ($85-$44.93/MWh).

E. CLECA’s Observation Regarding the Existence of Three “Flavors” of Resource Adequacy While Correct Cannot Be Addressed.

CLECA recommends that the Commission “allow for differentiation of the types of RA for the capacity benchmark.” The recommendation rests on Dr. Barkovich’s testimony that there are “three flavors of resource adequacy, which are system, local, and

131 Id. at 39.
132 Id.
133 CalCCA-1 at 2B-21, table 2B-1.
134 CLECA Opening Brief at 12.
flexible.”  \(^{135}\) CalCCA agrees with the underlying conclusion that there are functionally three different types of capacity required to support grid reliability and security. Making this observation, however, is not the same as offering a solution.

Increasingly, as exhibited in the 2016 RA Report, short-term prices for resource adequacy compliance products are differentiated by “flavor.” As CalCCA continues to emphasize, however, short-term RA is not the same product as long-term capacity, regardless of “flavor.” Moreover, even finding a “market price” for long-term local capacity may be challenging. As CalCCA witness Kinosian pointed out, using PG&E’s Humboldt plant as an example:

> [T]here are no alternative facilities that could provide the needed generation at a lower price, and absent Commission regulation, PG&E could charge any price it wanted for Humboldt’s output.\(^{136}\)

In addition, the nature of local RA is changing, with SCE and PG&E increasingly relying on energy storage and a mix of distributed energy resources.\(^{137}\) For these reasons, CalCCA proposed a single capacity value – neither system, local or flexible – that should adequately reflect the long-term value of resources underlying these short-term products.

**F. CalCCA’s Corrected Methodology Is Moderate and Reasonable.**

CalCCA’s near-term solution retains and corrects the Current Methodology. The heart of the corrections is: (1) reassessment of the value of capacity; (2) addition of a GHG-free energy value; and (3) limited modification of the Green Adder. The Joint Utilities\(^{138}\) and TURN oppose these corrections.\(^{139}\) CalCCA has responded to these

\(^{135}\) 3 Tr. 526 (CLECA/Barkovich).


\(^{137}\) Id. at 2B-7, n. 5.

\(^{138}\) See Joint Utilities Opening Brief at 33-42 (opposing CalCCA proposals for correction to the capacity value, Green Adder and the addition of a GHG-free value).
criticisms above, but summarizes the range of alternative values advanced in the proceeding to provide context for the Commission’s decisionmaking.

CalCCA proposes to replace the Current Methodology’s short-term capacity value with a long-term capacity measure for capacity held in the portfolio, and a short-term value for surplus capacity. \(^{140}\) Placing the proposal in the range of values put forward in this proceeding in Table 1 below shows that both the proposed short-term ($76/kW-year) and long-term ($111/kW-year) values are moderate and reasonable.

Table 1

<table>
<thead>
<tr>
<th>Capacity Valuation Benchmark</th>
<th>Range of Alternative Values ($ per kW-year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint Utilities Cost-Shift Analysis B</td>
<td>$24</td>
</tr>
<tr>
<td>Joint Utilities Cost-Shift Analysis A</td>
<td>$37</td>
</tr>
<tr>
<td>2016 RA Report Average</td>
<td>$58</td>
</tr>
<tr>
<td>Current PCA Benchmark</td>
<td>$76</td>
</tr>
<tr>
<td>CalCCA Short-Term Benchmark</td>
<td>$111</td>
</tr>
<tr>
<td>CalCCA Long-Term Benchmark</td>
<td>$124</td>
</tr>
<tr>
<td>Average of RA &amp; CAM (per CalCCA)</td>
<td>$153</td>
</tr>
<tr>
<td>UCAN CPUC RPS Calculator</td>
<td>$233</td>
</tr>
<tr>
<td>AREM/DACCC CEC Cost of New Entry</td>
<td>$233</td>
</tr>
</tbody>
</table>

While CalCCA’s proposal is on the higher end of values discussed for GHG-free value, the array of values confirms that the value is not zero, as shown in Table 2. GHG-free energy is simply not equivalent in value to brown energy.

\(^{139}\) See TURN Utilities Opening Brief at 8-12 (opposing corrections to capacity value and Green Adder corrections).

\(^{140}\) CalCCA Opening Brief at 53.
Table 2

GHG-Free Premium Valuation Benchmark
Range of Alternative Values
($ per MWh)

Table 3

RPS Premium Valuation Benchmark
Range of Alternative Values
($ per MWh)

CalCCA’s proposed Green Adder, while producing a value at the high end of the range of discussed values as shown in Table 3, is based on a sound methodology and actual market price data for long-term transactions. The transactions involve resources that are actually part of the Joint Utilities’ portfolios and thus most reasonably represent the value of the resources in the portfolio.
As discussed in Section IV, there are no precise, uncontestable values for most portfolio products and attributes. The Commission must, as it does regularly in other proceedings, exercise its best judgment in valuing the Joint Utilities’ PCIA-eligible portfolios. CalCCA submits that the values in its proposals are backed by a considered approach and analysis, and represent the most accurate and reasonable cost determination put forward by the parties.

VI. COST REDUCTION & PORTFOLIO OPTIMIZATION

A. The Commission Should Direct the Joint Utilities to Undertake All Reasonable Cost Reduction and Portfolio Optimization Measures.

Nearly all parties focused their case on slicing the PCIA pie, with little if any focus on the size of the pie. However, CalCCA, as a ratepayer advocate for its members’ customers, identified two material opportunities for reducing the total PCIA cost: securitization of UOG assets and contract buydowns.141 Aside from the Joint Utilities, other active parties supported one or both measures. TURN supports the pursuit of both measures, although questioning the potential value of contract buydown transactions.142 CLECA lends support for securitization.143 ORA proposes a working group on securitization.144 CalCCA continues to stress that the Commission should direct the Joint Utilities to undertake all reasonable cost reduction measures.

The Joint Utilities acknowledge that securitization “may reduce portfolio costs, potentially benefitting both bundled service and departing load customers, and merits

141 Id. at 115-132.
142 TURN Opening Brief at 30-33.
143 CLEAN Opening Brief at 26-27.
144 ORA Opening Brief at 13-14.
They attempt to defer the discussion, however, questioning whether CalCCA’s proposal is the “highest and best use” of funds from securitization and instead contemplate using those proceeds for additional infrastructure.\footnote{Joint Utilities Opening Brief at 68.}

The Joint Utilities discourage the Commission from taking action in this proceeding, concluding that “such consideration must occur outside the instant proceeding.”\footnote{Id. at 69.} Their reticence to identify and advance cost reduction measures in this proceeding is striking. As noted in CalCCA’s opening brief, the Joint Utilities’ data forecast stranded costs of nearly $50 billion through 2041.\footnote{CalCCA Opening Brief at 1.} The Commission and stakeholders should not take this forecast lightly and defer consideration of valuable measures to uninitiated proceedings. While the Joint Utilities may not be able to implement these options quickly, the Commission should direct active pursuit of these and all other cost-reducing measures that can reduce the total PCIA cost for all customers.

Portfolio optimizing could yield additional cost savings as well as to reduce the potential for “double procurement.” Scoping Memo issue 6 asks: “Should the Commission require and verify optimization of IOU portfolio management (e.g., contract extensions and contract renegotiation) in order to minimize above-market costs?” The Joint Utilities’ opening brief offers virtually no proposals\footnote{Joint Utilities Opening Brief at 62-63.} for portfolio optimization aside from the GAM/PMM, suggesting a complete lack of understanding of the problem they have fostered.
It is difficult to see the conditions giving rise to this rulemaking as unforeseeable, unexpected or out of the Joint Utilities’ control. As chronicled in CalCCA’s opening brief, current conditions are in large part a result of the Joint Utilities’ conscious disregard of (not to mention opposition to) CCA formation and their failure to reduce their portfolios in the face of falling demand and generation costs over the past 16 years. Consider that when CDWR assumed responsibility for procuring long-term resources, it relied on a forecast with 3000 MW of departing load, which was not attached to any identified customers, yet the Joint Utilities refuse to forecast the possibility of CCA departing load in their long-term forecast unless and until they have a binding notice of intent in hand. The Joint Utilities further failed to take (and continue to take) any direct action in response to departing load. They have also had very clear warnings over time regarding the need for careful portfolio management, including AB 1890’s expectation that Legacy UOG would be water under the bridge by 2005, and the Commission’s repeated instruction that cost recovery from departing load for post-2002 UOG would be limited to 10 years. The overall picture painted by this inaction calls into question whether the Joint Utilities’ prudently managed their portfolios with due regard for all of the information available to them.

The failed portfolio management has had real consequences. For example, these practices saddled MCE customers with an allocated share of 1.7 GW of new generation capacity that was procured after PG&E had clear knowledge that MCE customers would

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150 See generally *id.* at 97-111.
151 *See D.03-04-030* at 54.
152 *CalCCA Opening Brief* at 98.
153 *Id.* at 104-106.
154 *D.95-12-063* at 58.
155 *See CalCCA Opening Brief* at 37-38.
depart. Indeed, more than 600 MW, for which MCE customers have decades of financial responsibility, was procured after those customers departed.\(^{156}\) Similarly, had the Joint Utilities acted on departing load as it occurred by actively managing their portfolios, customers who departed when prices were higher than they are today would be paying far less than they pay today for the PCIA. Finally, if the Joint Utilities had built flexibility into their procurement planning and decisions to recognize the growing departing load, as CalCCA proposes, they could have accommodated the departing load customers’ choice to have the CCAs procure their future resource needs and obviated significant costs. These actions have damaged not only departing load, but all customers. The utilities have failed to adhere to the clear Commission requirement that they “dispose of economic long power and to purchase economic short power in a manner that minimizes ratepayer costs.”\(^{157}\)

The Commission should adopt the measures advanced in CalCCA’s opening brief, requiring more active portfolio management and less conservative departing load forecasting.\(^{158}\) In addition, the Commission should recognize the extent to which closer oversight is required. CalCCA witness Hoekstra proposed that, in evaluating any new resource commitment:

The Commission should make three explicit determinations: (1) the expected effect of the commitment on the PCIA rate for all vintages of departing load; (2) whether the utility’s forecast of departing load was reasonable at the time the resource commitment was made; and (3) to which vintages of departing load the commitment is attributable.\(^{159}\)

\(^{156}\) Id. at 99.


\(^{158}\) CalCCA Opening Brief at 104-115.

\(^{159}\) CalCCA-1 at 5-2:18-22.
Finally, the Commission should consider, in a separate phase of the proceeding, the need to modify vintaging where costs currently paid by departing load are not reasonably attributed to them and could have been avoided by the utility.

VII. OTHER ISSUES

A. The Joint Utilities’ Proposal to Make Select Resources “Non-Vintaged” Is Unreasonable

The Joint Utilities propose to eliminate “vintaging” of resources that have been procured as a result of “Commission mandated procurement irrespective of whether the IOU needs the resources to serve its load.”\(^ {160}\) The Joint Utilities call out the Renewable Market Adjusting Tariff (ReMAT), the Bioenergy Market Adjusting Tariff (BioMAT) and Renewable Auction Mechanism (RAM).\(^ {161}\) CalCCA opposes this proposal.

CalCCA witnesses pointed out that these programs are not designed to be incremental to RPS requirements, but are mandated tools for the Joint Utilities to use to meet their compliance obligations.\(^ {162}\) They further pointed out that “[w]hile costs may be higher, they are no different than procurement of an RPS resource under a different type of RPS solicitation.”\(^ {163}\) The Commission, with respect to the JointUtilities, and the Legislature have “authority to dictate how the utilities meet their RPS requirements, and they have exercised this authority in mandating procurement under RAM, ReMAT and BioMAT.”\(^ {164}\) Local authorities are in the same position with respect to CCAs, and CCAs are undertaking similar programs without mandates. CCAs have begun to implement

\(^{160}\) Joint Utilities Opening Brief at 88.
\(^{161}\) Joint Utilities Opening Brief at 88-89.
\(^{162}\) Exh. CalCCA at 7-1:13-16.
\(^{163}\) Id. at 7-2:6-7.
\(^{164}\) Id. at 7-2:11-13.
“targeted programs tailored to their communities’ needs to meet their RPS compliance obligations – programs whose costs are not spread to bundled customers.”

In addition, imposing costs for procurement entered into after a customer departs would fail to provide adequate notice of departing load obligations, counter to long-standing state policy. CalCCA’s witness explained that “departing load charges followed the practice of grandfathering customers that had departed prior to the notice of potential cost responsibility.” He further explained “[t]o changes the rules in the middle of the game, imposing these costs without any notice of the obligations for these charges when a customer departs, would fail to provide reasonable notice.”

For all of these reasons, the Commission should reject the Joint Utilities proposal.

B. The Commission Should Accommodate Requests for Rate Caps on a Case-by-Case basis in the ERRA Forecast Proceedings.

AREM/DACC, TURN and others offer proposals to cap the PCIA rate on a year-to-year basis, while the Joint Utilities oppose any such caps. CalCCA agrees that circumstances could arise where a rate cap would be reasonable to protect customers. LSEs should thus have the right, on a case-by-case basis, to propose rate caps in the ERRA forecast proceedings. This approach is similar to rate capping in General Rate Cases, where the Commission decides on case-by-case basis whether a rate cap is needed to prevent rate shock.

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165 *Id.* at 7-4:7-9 (providing examples of Sonoma Clean Power and Marin Clean Energy programs aimed at small resource development).

166 *Id.* at 7-3:5-7.

167 *Id.* at 7-3:20-22.
The Joint Utilities\textsuperscript{168} and TURN\textsuperscript{169} assert that a rate cap violates the cost indifference. Yet, the Commission constantly shifts revenue requirements through balancing accounts and no party asserts a violation of cost indifference principles that exist across many programs and rates, not just the PCIA. And carrying this to the logical conclusion, even “forecast then true up” violates this "principle" since the costs would be out of balance during the year. The Commission should reject this specious, opportunistic argument.

C. CalCCA’s Forecasting Methodology is the Only Reasonable Approach to Enable LSEs to Forecast Their Customers’ Future Departing Load Obligations

CalCCA proposes to require the Joint Utilities to provide a “reasonable, transparent, and repeatable process for forecasting long-term PCIA rates….”\textsuperscript{170} CalCCA proposes that, with the continued us of the Modified Nondisclosure Agreement, the Commission can build off of the data framework developed for this proceeding. The Joint Utilities would be required to update in each forecast ERRA proceeding a subset of the data contained in the “ALJ Data Matrix” framed by the Administrative Law Judge in this proceeding.

The Joint Utilities ignore CalCCA’s proposal by focusing on the nature of the forecast—REC and RA allocation—that would be required if the GAM/PMM is adopted.\textsuperscript{171} As CalCCA proposes, the Commission should rely on the framework developing in this rulemaking for ongoing PCIA rate forecasting to provide critically needed transparency and predictability for future PCIA obligations. CCAs need these

\textsuperscript{168} Joint Utilities Opening Brief at 70.

\textsuperscript{169} TURN Opening Brief at 33.

\textsuperscript{170} See CalCCA Opening Brief at 142-43.

\textsuperscript{171} Joint Utilities Opening Brief at 83-84.
data to understand the nature and magnitude of their PCIA cost responsibility to effectively conduct planning, procurement and risk management.

D. The Joint Utilities’ Resistance to Including Uneconomic Costs as a Line Item on Bundled Customer Bills is Unjustified and Unsupportable

CalCCA proposes that the Joint Utilities present the PCIA rate or other uneconomic cost representation on bundled customer bills for greater rate and bill transparency. Requiring explicit identification of these costs would ensure that all customers, regardless of their supplier, have the same information about the nature of the utility’s uneconomic cost of service. The Joint Utilities oppose adoption of this measure at this time, justifying their position only by suggesting to “hold one or more workshops in 2019 to identify the impacts of this change on existing GRC Phase 2 settlements and the Joint Utilities’ tariff and billing systems.”

The Joint Utilities have provided little to no explanation or justification of their contention of a potential settlement violation or problem with billing systems. However, they have indicated that “more transparency is better.” The issue was presented in CalCCA’s opening testimony, and the Joint Utilities’ failure to adequately address this issue should not prevent the Commission from adopting a simple, obvious change in bill presentation. The Commission should mandate the creation of a separate line item for the PCIA rate on all bills, for both bundled and departed customers.

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172 Joint Utilities Opening Brief at 85-86.
173 3 Tr. 494:10-22 (Joint Utilities/Everett).
E. Prepayment Should Be Permitted Subject to Review.

CalCCA\textsuperscript{174} and AReM/DACC,\textsuperscript{175} proposed the development of a methodology that could be used by LSEs and their customers interested in prepaying their future departing load obligation. A prepayment option would allow departing load customers to gain certainty and predictability in their uneconomic cost obligation. The Joint Utilities oppose prepayment on grounds that it would create forecast-related market risk, volumetric risk, and regulatory risk.\textsuperscript{176}

This Commission has approved prepayment options in the past, and prepayment has been used in other states in similar circumstances.\textsuperscript{177} Moreover, not just bundled customers would assume risk; as the Joint Utilities agreed, the transaction could fall to the benefit of either bundled or departing load customers.\textsuperscript{178} Indeed, under some circumstances \textit{not} doing a prepayment transaction when available could be imprudent from the standpoint of bundled customers. Managing the risk of forward obligations is something the Joint Utilities do each and every time they procure a resource and in making decisions regarding how to manage existing resources. A prepayment arrangement is no different.

CalCCA’s SPA will also increase certainty in the prepayment process. CalCCA witness Marrinan explained: “[t]he Staggered Portfolio Auction could provide valuable information to determine the current market value; for the full host of attributes contained in

\begin{footnotes}
\item[174] CalCCA Opening Brief at 133.
\item[175] AReM/DACC Opening Brief at 33.
\item[176] Joint Utilities Opening Brief at 87.
\item[177] Exh. CalCCA-1 at 7-3;7-7-4:14.
\item[178] 3 Tr. 455:5-456:25 (Joint Utilities/Everett). LSEs entering into the transaction would bear a significant risk, since they likely would have no recourse in the event of further load departures that leave them holding the prepayment bag.
\end{footnotes}
in various categories of resources with varying terms.” Effectively, a prepayment transaction price could be set based on reliable market values, in the same way other resources sales are transacted in the SPA.

There may be circumstances in which prepayment makes economic sense to the utility and the departing load. The Joint Utilities acknowledge that “it is possible to calculation a pre-payment option that results in symmetrical risk….” Foreclosing the possibility of prepayment thus makes little sense. The Commission should, instead, permit prepayment on a case-by-case basis, subject to its review and approval.

VIII. MECHANICS/IMPLEMENTATION

CalCCA’s proposal presents the simplest near-term solution, retaining the Current Methodology but substituting alternative values to correct portfolio valuation. In the longer term, CalCCA’s proposal offers the most comprehensive and effective long-term solution, addressing the growing mismatch between the Joint Utilities’ supply portfolio and bundled demand.

CalCCA proposes to correct and add attributes in calculating the benchmarks under the Current Methodology, requiring no methodological changes. This approach can easily be implemented effective for 2019 and, along with AReM/DACC’s proposal, is the only approach that reasonably enables near-term implementation. The Corrected Methodology would serve as a bridge to CalCCA’s proposed SPA or a similar mechanism.

CalCCA’s proposed SPA, a two-year auction mechanism, will take longer to fully develop and implement. CalCCA has acknowledged that the SPA is a conceptual

179 Exh. CalCCA-1 at 7-5: 9-11.
180 Exh. IOU-3 at 7-16.
framework and will require further analysis and dialogue to be developed into a fully implementable solution that meets the Commission’s needs and policy preferences. The issues could be addressed in a new phase of this proceeding. Shortly after the issuance of a final decision, the Commission would initiate a series of workshops to develop and structure the auction, culminating in a final proposal supported by the affected parties by the end of June 2019. An Administrative Law Judge, who would generally oversee the process, would then issue a proposed decision adopting the SPA by the end of August 2019. A final decision would be issued by early October, providing two to three months of preparation for the first auction. The first auction would occur in January 2020, with seven additional auctions quarterly until the last auction occurs in September 2021.181

Several issues must be addressed to facilitate the SPA. As an initial matter, the Commission must resolve the question of Provider of Last Resort to remove any uncertainty in resource procurement. In addition, the following issues must be explored and resolved:

*Who will conduct the auction?* A neutral third party is the best solution. The Joint Utilities, who will be purchasers in the auction, should not also be placed in the position of running the auction.

*What will the Joint Utilities’ roles be in the auction from a credit perspective?* To the extent possible, CalCCA would prefer full assignment of contracts; if the contract or counterparty prevents that result, the output would need to be transferred to third-party purchasers, preferably by a back-to-back transaction that mirrors the original contract between the utility and generator.

*To what extent can supply be auctioned in whole contracts and, to the extent infeasible, how should the remaining portfolio products and attributes be packaged for sale?* It may be infeasible to sell some of the larger contracts intact, requiring the development of products from those contracts that maximize value retention.

181
What percentage of eligible supply should be sold in each auction? CalCCA has initially proposed an equal distribution across the eight auctions, although market conditions could suggest a different approach.

Should contracts and products be sold for their full term, or should the length of the term be shorter? To the extent possible, CalCCA supports a term that reflects the term of the underlying resource.

What outside expertise should the Commission retain to assist in structuring the commercial details of the auction? It would be optimal for the Commission to seek outside assistance with structuring the commercial aspects of the auction, including product offerings, timing and size of auctions, adjustments to product offerings based on initial auction result and other details.

Another important issue is the allocation of supply and costs from resources not included in the auction. CalCCA recommends that the resources remain physically with the Joint Utilities’ bundled load, with their “above market” costs allocated to other LSEs. The benchmark used to inform the allocation would be calculated, to the extent possible, calculated using values produced in the auction.

Program development and auction timelines are attached as Exhibits A and B.

IX. CONCLUSION

For all of the foregoing reasons, CalCCA recommends adoption of the Corrected Methodology, the Staggered Portfolio Auction and the complementary cost reduction and portfolio optimization measures.

Respectfully submitted,

Evelyn Kahl
Counsel to the California Community Choice Association

June 15, 2018
Staggered Portfolio Auction
Program Development

- R.17-06-026 Final Decision
- Implement Modified PCAI
- Proposed Decision
  - Advice Letters
- CPUC Conducts Auction Workshops
  - Submission of Joint Proposal
  - Final Decision

Timeline:
- Sep-18
- Oct-18
- Nov-18
- Dec-18
- Jan-19
- Feb-19
- Mar-19
- Apr-19
- May-19
- Jul-19
- Aug-19
- Sep-19
- Oct-19
- Nov-19
Exhibit B
Staggered Portfolio Auction
Auction Timeline

1st Quarterly Auction
Jan-20

3rd Quarterly Auction
Jul-20

5th Quarterly Auction
Oct-20

7th Quarterly Auction
Jan-21

Benchmark Update
Apr-21

2nd Quarterly Auction
Jul-21

4th Quarterly Auction
Oct-21

6th Quarterly Auction
Jan-21

8th Quarterly Auction
Apr-21