

**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
(Filed June 29, 2017)

**ADDITIONAL BRIEF OF THE
CALIFORNIA COMMUNITY CHOICE ASSOCIATION**



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Pursuant to Rule 13.11 of the California Public Utilities Commission’s Rules of Practice and Procedure, the Amended Scoping Memo and Ruling of Assigned 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 additional brief.

I. JOINT UTILITIES’ POSITION THAT GAM/PMM IS COMPLETELY AND IMMEDIATELY IMPLEMENTABLE IS BASELESS.

The Joint Utilities have argued that GAM/PMM is the only proposal that is “immediately implementable.”¹ They also state that GAM/PMM is “completely implementable”, and would use the existing ERRA and other existing Commission ratemaking frameworks to “seamlessly transition from the existing PCIA to GAM/PMM on January 1, 2019.”² GAM/PMM, they argue, is fully scalable to all levels of departing load, and is, they claim, also fully scalable if and when load returns to the IOUs’ bundled service.³

¹ Joint Utilities Reply Brief at 8.

² *Id.* at 42.

³ *Id.*

CalCCA agrees with AReM/DACC, who state these claims are “nonsense.”⁴ CalCCA has described at length the numerous flaws in the GAM/PMM proposal and gaps that would have to be filled before this proposal could be implemented and function as the Joint Utilities claim. Not only is the GAM/PMM not able to be implemented in the near-term, it also is not viable even if the early implementation issues are addressed. The GAM/PMM is a fundamentally flawed methodology that is severely disruptive to the energy market, CCA procurement decisions and planning, and not workable as proposed.

First, changes would be required to the Power Content Label rules to ensure the proper accounting for resources subject to GAM/PMM.⁵ These issues are not within the scope of this Commission’s jurisdiction, but instead lie within the Energy Commission’s discretion.⁶ As TURN has correctly observed, the CEC’s Power Source Disclosure Program “is not currently configured to address the possible complications resulting from this approach” thus presenting “another wrinkle.”⁷ The Joint Utilities have still not explained how the GAM allocation would be treated under this program or what process would be required to effectuate the program.

In addition, also as TURN points out, in order to preserve allocated REC’s compliance value under Section 399.13(b) under GAM/PMM, the Commission would have to ignore the “unbundling” of those REC’s from the underlying resource. The Commission would also, presumably magically, have to deem the allocated unbundled REC’s to be REC’s of the *recipient LSE*.⁸ Assuming this were possible, even the Joint

⁴ AReM/DACC Reply Brief at 9.

⁵ Exh. IOU-1 at 4-45.

⁶ 2 Tr. 302:17-21.

⁷ TURN Opening Brief at 23.

⁸ Cal. Pub. Util. Code §399.13(b); *see* TURN Opening Brief at 20-21.

Utilities acknowledge that the allocated RECs would not retain the long-term, bundled characteristics if the recipient LSE traded them in the market⁹—an attribute required under state law to comply with the RPS.

This is particularly damaging and problematic to older CCAs that have procured long-term to comply with state policy goals and Commission rules. Such CCAs have already procured to meet their long-term RPS contracting requirements. GAM would thus force “devalued” RECs on these CCAs while charging CCAs and their customers the price of a fully bundled REC, thus raising significant concerns of cost-shifting to CCA customers. This inequity cannot be rectified in the short-term and represents a fundamental flaw in the Joint Utilities proposal and implementation claims.

Not least of all, the Joint Utilities’ proposal for REC allocations raises concerns about consistency with law under Pub. Util. Code Section 399.16(b). As such, the GAM proposal likely will require legislative action. This further deconstructs the Joint Utilities’ claims of simple and immediate implementation.

There are other barriers to “complete and immediate” implementation. For example, the GAM/PMM proposal does not clearly address the legal and regulatory basis for allocating banked RECs from the utility portfolios to other LSEs’ portfolios. Multiple recalculations of GAM RA amounts, as proposed, would also hardly ease the planning process for meeting RA requirements, and would effectively preclude responsible hedging by CCAs.¹⁰ The complex rules for replacement and substitution of RA resources that is proposed would pose a significant administrative burden to the Commission, as well as to IOUs and other stakeholders. Even the Joint Utilities acknowledge that a

⁹ 2 Tr. 367: 3-10. (Cushnie/Joint Utilities).

¹⁰ Exh. IOU-1 at 4-25:19 to 4-26:22.

stakeholder process will be required, prior to implementing GAM/PMM, to determine how to avoid stranding import RA.¹¹

Finally, the PMM auction would itself require the resolution of many issues before it could be implemented, including the utilities' potential placement on both sides of certain transactions. The possibility that the PMM auctions could be subject to gaming would also require serious consideration and, possibly, the adoption of preventive protocols.

As AReM/DACC has pointed out, although the Joint Utilities argue that their proposal can be implemented immediately, they go on to say that the implementation will involve the following steps:

- management of their respective generation portfolios through a *multitude of regulatory and commercial actions;*"
- the execution of "*sales transactions involving different types of energy products;*" and
- the conduct of "multi-year forward sales of RA capacity" that would occur twice a year.¹²

CalCCA echoes AReM's comment that "[i]f this is "simple" and can be done "immediately," it would be interesting to see what the Joint Utilities believe to be complex.¹³

Completely ignored by the Joint Utilities is the inability of the LSEs to modify the contents of existing and planned resources in their portfolios that could become excess under the construct. The Joint Utilities have failed to make any meaningful provisions for the management of these resources in a way that allows the LSEs to plan for the needs

¹¹ *Id.* at 4-49:23-33.

¹² AReM/DACC Reply Brief at 11, quoting Joint Utilities Opening Brief at 63.

¹³ AReM/DACC Reply Brief at 11.

of their customers efficiently and cost effectively, and to effectively mitigate their portfolio risk. No provisions are made for short-term or real-time resource availability or scheduling information for allocated resources that would be needed for the LSEs to balance and hedge their short-term positions. No provisions are made to allow the LSEs to depend on these resources past the current year for meeting the 65 percent long-term requirement for RECs under state law. No apparent consideration was given to what would be required by the LSEs to modify their risk policies and/or procurement to accommodate the resources or settlements that would be allocated to the LSEs. No calculation of the financial consequences to LSE customers has been presented by the Joint Utilities. The Joint Utilities' haphazard allocation proposal risks severely prejudicing CCAs through changes that would shift significant costs and force dramatic modifications to existing and planned portfolios to accommodate GAM allocations. CalCCA reiterates that the shifting of risk to unbundled customers as proposed in GAM/PMM would effectuate a cost shift that is not allowed by law.

The GAM/PMM proposal would require significant action by the Commission and the legislature, as well as by all stakeholders, and would result in unquantified cost and risk to departing load customers. Statements to the contrary are incorrect and misleading.

Respectfully submitted,



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