BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Joint Application to Establish Non-Bypassable Charge ("NBC") for Above-Market Costs Associated with Tree Mortality Power Purchase Agreements ("Tree Mortality") in Compliance with Senate Bill 859 and Resolution E-4805. Application No. 16-11-005 (Filed November 14, 2016)

CLOSING BRIEF OF THE CALIFORNIA COMMUNITY CHOICE ASSOCIATION

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Pursuant to Rule 13.11 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”) and in accordance with the Scoping Memo and Ruling of Assigned Commissioner, dated May 30, 2018 (“Scoping Memo”), as clarified in an email from assigned Administrative Law Judge (“ALJ”) Doherty, dated July 23, 2018 (“Email Guidance”), the California Community Choice Association (“CalCCA”) hereby submits this opening brief. References to exhibits are to exhibits served by CalCCA and the joint investor-owned utilities (“Joint IOUs”). In accordance with the Email Guidance, CalCCA is concurrently filing and serving a motion to enter CalCCA’s previously served testimony into the evidentiary record.

I. INTRODUCTION AND SUMMARY

A. Description of CalCCA

CalCCA is a trade association representing operational Community Choice Aggregation (“CCA”) programs in California. In addition to being an active participant in the Power Charge Indifference Adjustment (“PCIA”) rulemaking proceeding (R.17-06-026), CalCCA has been an active participant in this proceeding. Among other things, CalCCA developed and submitted a presentation for the workshop held in this proceeding on December 12, 2017 (“CalCCA Presentation”). Also, in accordance with the Administrative Law Judge’s Ruling Entering
Energy Division Staff Proposal Into The Record And Seeking Party Comments, dated April 17, 208 (“ALJ Ruling”), CalCCA submitted opening and reply comments on the Energy Division staff proposal, attached as Appendix A to the ALJ Ruling (“Staff Proposal”). CalCCA also served prepared testimony, dated June 28, 2018 (Exhibit (“Ex.”) CalCCA-01), and rebuttal testimony, dated July 18, 2018 (Ex. CalCCA-02).

B. Description of the Tree Mortality NBC and PCIA Proceedings

This proceeding has been established “to establish a non-bypassable charge [\text{NBC}] for above-market costs associated with tree mortality power purchase agreements [\text{Tree Mortality NBC}] in compliance with Senate Bill [\text{SB}] 859 (Committee on Budget and Fiscal Review, 2016) and Commission Resolution E-4805.”\footnote{Scoping Memo at 1-2.} In a separate proceeding, the Commission has committed significant resources to examine the PCIA, which has been the NBC used by the Commission to value most of the investor-owned utilities’ (\text{IOUs}) generation resources. As stated by the Assigned Commissioner in the PCIA proceeding, the Commission is engaged in an extensive examination “to review, revise, and consider alternatives to the [PCIA].”\footnote{See Scoping Memo and Ruling of Assigned Commissioner, dated September 25, 2017 (as modified on November 22, 2017), in R.17-06-026 (“PCIA Scoping Memo”), at 2.}

As noted in the PCIA Scoping Memo, “[t]he PCIA is a mechanism adopted by the Commission…to ensure that when electric customers of the IOUs depart from IOU service and receive their electricity from a non-IOU provider, those customers remain responsible for costs previously incurred on their behalf by the IOUs — but only those costs.”\footnote{PCIA Scoping Memo at 2.} Included as a key

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1 Scoping Memo at 1-2.
3 PCIA Scoping Memo at 2.
part of the PCIA valuation methodology is the so-called “market price benchmark” (“MPB”), which consists of various elements that are generally intended to reflect the cost impact on the IOUs’ resource portfolio associated with departing load.4

On August 1, 2018, the Commission issued the Proposed Decision of ALJ Roscow in the PCIA proceeding (“PCIA Proposed Decision”). The PCIA Proposed Decision spans well over one hundred pages, and reflects an extensive evidentiary and procedural record.5 As summarized in the PCIA Proposed Decision, “[i]n [the PCIA Proposed Decision] the Commission adopts revised inputs to the market price benchmark that is used to calculate the [PCIA], the rate intended to equalize cost sharing between departing load and bundled load. The revised methodology will be used to calculate the PCIA that takes effect as of January 1, 2019.”6 The PCIA Proposed Decision “review[s] each of the three components that make up the MPB….”7 With respect to so-called “brown” power (i.e., underlying energy), the proposed methodology remains the same as the current PCIA methodology: “the Brown Power Index….shall be calculated and made available by the Commission’s Energy Division as is currently done….8 The other two components of the MPB (the RPS and RA adders), which CalCCA has referenced and pointed to as part of this proceeding, will be changed.

4 See PCIA Scoping Memo at 8.
5 See PCIA Proposed Decision at 10-12 (describing the procedural background leading to the PCIA Proposed Decision). During oral comments at the Commission’s August 9 Business Meeting, Commissioner Peterman indicated that she would be issuing an alternate proposed decision. An alternate proposed decision would expand an already extensive examination of the PCIA.
6 PCIA Proposed Decision at 3.
7 PCIA Proposed Decision at 38 (referencing the so-called brown power, resource adequacy (“RA”) capacity and renewables portfolio standard (“RPS”) MPBs).
8 PCIA Proposed Decision at 76.
The PCIA Proposed Decision adopts The Utility Reform Network’s (“TURN”) “approach for estimating the RPS Adder.”

As described in the PCIA Proposed Decision, “[t]he RPS Adder shall be calculated using the reported prices of purchases and sales of renewable energy by the IOUs, CCAs and ESPs during the year two years prior to the forecast year (“year n-2”) for delivery in the forecast year (‘year n’). For example, the RPS Adder for 2020 would be calculated using data from 2018.”

With respect to the RA adder, the PCIA Proposed decision “adopt[s] TURN’s proposal for estimating the RA Adder, which shall be calculated using reported purchase and sales prices of IOU, [Community Choice Aggregators], and [Electric Service Provider (“ESP”)] [(collectively, “Retail Sellers”)] transactions made during (year n-1) for deliveries in (year n).” In summary, under the PCIA Proposed Decision the RPS and RA adders will be based on actual, reported prices paid by Retail Sellers.

C. Summary of Positions and Recommendations

The following is a summary of CalCCA’s principal positions and recommendations, as further described below:

- The Commission should use the MPB components from the PCIA Proceeding to determine the Tree Mortality NBC. As described below, this recommendation should not be construed as CalCCA’s support for the MPB components in the PCIA Proposed Decision, since CalCCA is still actively litigating matters in the PCIA proceeding and has various concerns with the PCIA Proposed Decision. Rather, CalCCA’s recommendation is based on its interest in consistent process and good practice.

- The Commission should use the RPS adder from the PCIA proceeding to determine the Renewable Energy Credit (“REC”) value for the Tree Mortality NBC.

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9 PCIA Proposed Decision at 76.
10 PCIA Proposed Decision at 76 (internal footnote omitted).
11 PCIA Proposed Decision at 76 (internal footnote omitted).
The Commission should use the RA adder from the PCIA proceeding to determine the capacity value for the Tree Mortality NBC.

CalCCA does not object to the Joint IOUs’ proposed use of the Public Purpose Program (“PPP”) Charge to apply the Tree Mortality NBC.

II. ARGUMENTS

A. The Commission Should Use The Market Price Benchmark Components From The PCIA Proceeding To Determine The Tree Mortality NBC

In this proceeding, CalCCA has stated that the “PCIA valuation methodology should be used across all cost allocation processes, be they PCIA or policy-mandated procurement.”

Moreover, CalCCA has stated that “[i]t is not efficient or appropriate for any party to duplicate cost allocation or resource valuation analysis efforts across two proceedings simultaneously.”

CalCCA reaffirms these views, particularly in light of the recent issuance of the PCIA Proposed Decision. For efficiency, consistency and fairness, the PCIA valuation methodology should be used across all cost allocation processes, including the valuation methodology used to determine the Tree Mortality NBC. This recommendation, however, should not be taken as an endorsement for the outcomes set forth in the PCIA Proposed Decision. Indeed, CalCCA has various concerns with the PCIA Proposed Decision, and CalCCA will be expressing those concerns in due course as part of the PCIA proceeding. Rather, as stated previously, for efficiency, consistency and fairness, the PCIA valuation methodology should be used across all cost allocation processes.

The PCIA Proposed Decision was released on August 1, 2018, and the cover letter accompanying the PCIA Proposed Decision indicates that the PCIA Proposed Decision may be

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12 Ex. CalCCA-01 at 3 (citing CalCCA Presentation at 4).
13 Ex. CalCCA-01 at 3-4 (citing CalCCA Presentation at 9).
heard at the Commission’s September 13 Business Meeting. As such, it is highly likely that a final proposed decision in the PCIA proceeding will be issued prior to or in the fourth quarter 2018, and that the revised MPB methodology will be employed for use as of January 1, 2019. Given the procedural schedule set forth in this proceeding, it is unlikely that a final decision will be issued until the first quarter of 2019. “Due to the complexity and number of issues in this proceeding,” however, a final decision may not be issued until later in 2019. Accordingly, components from the revised MPB methodology used for the PCIA can, as a practical matter, and should, as a policy matter, be used to determine the Tree Mortality NBC.

B. The Commission Should Use The RPS Adder From The PCIA Proceeding To Determine The Renewable Energy Credit Value For The Tree Mortality NBC

As described by the Joint IOUs, “under the IOU proposal, the estimated monetary value of the RECs [associated with the Tree Mortality PPAs], determined by a market index price for Portfolio Content Category 1 RECs or a $10/REC proxy value, would be netted against costs recovered from all benefiting customers.” The Joint IOUs further explain that “given the limited volumes associated with the [Tree Mortality] contracts and the lack of an approved REC allocation methodology, the Joint IOUs recommend

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14 As noted above, during oral comments at the Commission’s August 9 Business Meeting, Commissioner Peterman indicated that she would be issuing an alternate proposed decision, but that the alternate proposed decision would be issued along a timeline that would allow for consideration of the alternate proposed decision at the Commission’s September 13 Business Meeting.

15 See PCIA Proposed Decision at 3 (“The revised methodology will be used to calculate the PCIA that takes effect as of January 1, 2019.”)

16 See Scoping Memo at 7. See also Rule 14.2 (issuance of recommended decision).

17 See Scoping Memo at 8.

18 Ex. Joint IOU-02 at 8-9.
relying on Platt’s Daily to approximate market value or on the $10/MWh adopted in D.16-05-006, at p.23.”

CalCCA opposes the Joint IOUs’ proposal. The value of RECs associated with the Tree Mortality PPAs should be based on the REC value set in the PCIA proceeding. Under the PCIA Proposed Decision, the value of RECs will be determined as follows: “The RPS Adder shall be calculated using the reported prices of purchases and sales of renewable energy by the IOUs, CCAs and ESPs during the year two years prior to the forecast year (“year n-2”) for delivery in the forecast year (‘year n’). For example, the RPS Adder for 2020 would be calculated using data from 2018.”

The approach taken in the PCIA Proposed Decision is similar to the approach examined by ALJ Doherty in this proceeding. On July 9, 2018, ALJ Doherty issued Administrative Law Judge’s Ruling Seeking Additional Information From Parties On Pricing Of Renewable Energy Credits (“REC Price Ruling”). In the REC Price Ruling, ALJ Doherty directed the IOUs to serve “information on the prices for RECs established as part of the IOUs’ 2018 solicitations for the sale of RPS-eligible generation and associated RECs.” ALJ Doherty issued the REC Price Ruling “[b]ecause this process results in a series of arms-length transactions for RECs that leads to the establishment of a price for those RECs, the prices for the RECs revealed by these transactions may be useful in constructing an administrative benchmark value for the

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19 Ex. Joint IOU-02 at 11.
20 PCIA Proposed Decision at 76 (internal footnote omitted). See also Appendix 1 of the PCIA Proposed Decision (describing the revised formula for the PCIA MPB).
21 REC Price Ruling at 3 (referencing, among other things, information presented by Pacific Gas and Electric Company (“PG&E”) in PG&E’s Advice Letter 5294-E, filed on May 16, 2018.)
RECs at issue in this proceeding.” The PCIA Proposed Decision arrives a similar conclusion, holding that “actual market transactions” should be the basis for setting the MPB to reflect the value associated with REC attributes. The Commission should likewise arrive at a similar conclusion in this proceeding, holding that actual market transactions are the most reliable, fair means of determining above-market costs.

C. The Commission Should Use The RA Adder From The PCIA Proceeding To Determine The Capacity Value For The Tree Mortality NBC

With respect to “capacity” or RA value, the Joint IOUs do not propose to monetize this value and net this monetized amount from overall costs to determine above-market costs associated with the Tree Mortality PPAs. Instead, the IOUs propose that “each retail seller would receive its proportional share of the RA credit arising from each of the [Tree Mortality PPAs].” The IOUs justify this approach as follows: “As there is not an established RA market for capacity, in contrast to the established energy market, this proposal is fair and relatively easy to administer, as the Joint IOUs use this method for the [Cost Allocation Methodology (“CAM”)].” As described above, the Joint IOUs’ proposal for determining RA value differs from the Joint IOUs’ proposal for determining REC value, where the Joint IOUs propose to monetize the value. The Joint IOUs justify these differing approaches as follows: “The proposal for the IOUs to monetize and retain the value of the REC attributes rather than allocate them to benefiting [load-serving entities (“LSEs”)] is the most administratively efficient solution to share the benefits of the renewable procurement, given the limited duration

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22 REC Price Ruling at 3 (emphasis added).
23 See PCIA Proposed Decision at 74 (referencing TURN’s proposal) (emphasis added).
24 Ex. Joint IOU-02 at 8.
of the contracts (5-years) and small size of the procurement relative to the Joint IOUs total portfolio.”

CalCCA objects to the Joint IOUs’ approach for determining the capacity or RA value from the Tree Mortality PPAs. Rather than direct distribution, the value of RA credits should be monetized and included in the cost-benefit calculation associated with the Tree Mortality NBC. For purposes of monetizing the RA value associated with the Tree Mortality PPAs, the RA valuation methodology in the PCIA Proposed Decision should be used.

With respect to the RA adder, the PCIA Proposed decision “adopt[s] TURN’s proposal for estimating the RA Adder, which shall be calculated using reported purchase and sales prices of [Retail Seller] transactions made during (year n-1) for deliveries in (year n).” In this regard, the PCIA Proposed Decision relies on actual market transactions.

1. **There Is Little Or No Practical Way To Make Use Of RA Credits From The Tree Mortality PPAs**

   In order for the IOUs’ RA valuation proposal to provide *any* benefit to CCA customers, the proposed transfer of RA credits to Community Choice Aggregators must occur in time to be used for compliance purposes by Community Choice Aggregators. RA credits are applied on a month-ahead and year-ahead basis. As detailed by the Joint IOUs, the Tree Mortality PPAs

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26 Ex. Joint IOU-02 at 9; note 14.
27 See Ex. CalCCA-01 at 4 (citing CalCCA Presentation at 6).
28 PCIA Proposed Decision at 76 (internal footnote omitted).
29 See PCIA Proposed Decision at 74 (referencing TURN’s reliance on transactions reflected in the Commission’s Energy Division’s RA Reports).
began delivering energy as early as February 1, 2017 and as late as December 2, 2017.31 As such, for the period from February 1, 2017 until the first compliance month in which the RA credits can be used by Community Choice Aggregators, RA credits from the Tree Mortality PPAs will have no value at all to Community Choice Aggregators (and CCA customers). As noted above, given the procedural schedule set forth in this proceeding, it is unlikely that a final decision will be issued until the first quarter of 2019, at the earliest.32 Moreover, after the issuance of a final decision, certain implementation activities must also occur in order to transfer RA credits.33 As such, for practical purposes, it is unlikely that the Joint IOUs would be able to transfer RA credits for year-ahead purposes until compliance-year 2020.34 By this time, the Tree Mortality PPAs will not have a duration of five years, but in some cases will only have a remaining duration of slightly over two years.

The Joint IOUs rely “on the limited duration of the [Tree Mortality PPAs] (5-years)” as a basis for recommending monetization of REC value.35 While this is persuasive with respect

31 See Exhibit Joint IOUs-02; Appendix A-1.
32 See notes 16 and 17, above.
33 For example, with respect to RA credits associated with CAM resources, the Commission’s Energy Division must first determine each LSE’s pro-rata share of CAM allocations for use in compliance filings, and must transmit this information via a letter to each LSE. Presumably this process or a similar one would be followed if the Commission were to adopt the IOUs’ RA valuation proposal.
34 As noted above, in order to be useful for year-ahead purposes, the RA credits must be allocated and available for the October 31 compliance filing. (See note 30, above, referencing the RA Guide at 4.) As such, since a final decision in this proceeding is not expected to be implemented prior to October 31, 2018 (for compliance-year 2019), the first compliance year is 2020 that RA credits could be allocated and available.
35 See note 26, above (referencing Exhibit Joint IOU-02 at 9; note 14).
to contracts having a duration of five years, it is even more persuasive with respect to contracts having a remaining duration of two years. The Commission should consider the extremely limited remaining duration of the Tree Mortality PPAs when it determines how to value RA attributes. This consideration will, in CalCCA’s view, lead to a conclusion that RA value should be determined by monetizing the RA attributes, not by transferring RA credits to Community Choice Aggregators. In any event, even if the Commission determines that RA credits should be transferred for the remaining duration of the Tree Mortality PPAs, an RA value must be determined by monetization during the period from February 1, 2017 through the first compliance period in which the RA credits have practical effect.

2. **Actual RA Transaction Values Exist And Should Be Used For Purposes Of Setting The Tree Mortality NBC, With Due Consideration Of The Rising Cost Of RA**

As described above, CalCCA believes that using the PCIA methodology for valuing RA under the Tree Mortality PPAs is the best approach. However, CalCCA is not opposed to using alternative means of identifying current RA prices for valuation and monetization purposes. Various sources of information on current RA prices are available. First, the final decision in this proceeding could order the Joint IOUs to provide current RA prices to the Energy Division. In this regard, the order would be similar to the REC Price Ruling. In the REC Price Ruling, ALJ Doherty directed the IOUs to serve “information on the prices for RECs established as part of the IOUs’ 2018 solicitations for the sale of RPS-eligible generation and associated RECs.”

CalCCA observes that the IOUs have similarly submitted various advice letters in 2018

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36 REC Price Ruling at 3 (referencing, among other things, information presented by Pacific Gas and Electric Company (“PG&E”) in PG&E’s Advice Letter 5294-E, filed on May 16, 2018.
describing, under seal, information on RA prices that have resulted from “arms-length transactions” for RA. CalCCA notes that the following RA-related advice letters were filed in 2018 and that, similar to REC transactions, the prices for RA revealed by these transactions may be useful in constructing an administrative benchmark value for RA in this proceeding.

- On March 15, 2018, PG&E submitted Advice Letter 5252-E relating to RA cost responsibility associated with an RA transaction between PG&E and Silicon Valley Clean Energy Authority.  

- On April 16, 2018, PG&E submitted Advice Letter 5275-E relating to RA cost responsibility associated with an RA transaction between PG&E and King City Community Power.


Second, the Energy Division routinely collects pricing information on RA-related transactions. An aggregated summary of this pricing information is usually provided in so-called annual RA Reports. On August 2, 2018, the Energy Division provided notice that the 2017 RA Report is available. Prices for RA revealed in the 2017 RA Report may be useful in constructing an administrative benchmark value for RA in this proceeding. A cautionary note is appropriate, however. The Energy Division issued a paper earlier this year that describes various trends with respect to RA, some of which portends an increase in RA costs in 2018 and

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37 PG&E Advice Letter 5252-E was approved by the Energy Division on April 18, 2018, effective March 15, 2018.
38 PG&E Advice Letter 5275-E was approved by the Energy Division on May 14, 2018, effective April 16, 2018.
39 SCE Advice Letter 3801-E was approved by the Energy Division on June 14, 2018 in a non-standard disposition letter.
40 The annual RA Reports are available at [http://cpuc.ca.gov/RA/](http://cpuc.ca.gov/RA/).
The Energy Division Report describes the following trend with respect to RA, observing that deficiencies in RA are beginning to emerge:

Prior to the 2018 year ahead RA process, LSEs had only ever filed two local waivers with CPUC. However, in September and October of 2017 several LSEs began contacting Energy Division staff regarding the inability to procure adequate local and system capacity. Of the twenty-seven LSEs that submitted year ahead 2018 RA filings on October 31, 2017, eleven filed waiver requests to cover local deficiencies totaling roughly 270 MW. In addition, the year ahead filings identified a collective deficiency of around 40 MW in system capacity.  

Presumably these deficiencies will result in increases to RA prices. As such, the Commission should exercise caution in taking RA-related pricing information in the 2017 RA Report and simply extrapolating that information.

Finally, CalCCA understands that Community Choice Aggregators recently provided pricing and contract information to the Energy Division in response to data requests from the Energy Division. (CalCCA understands that other LSEs also provided this information.) The distribution of this information under seal was facilitated by the issuance in R.17-09-020 of a ruling, dated May 18, 2018, authorizing that certain RA-related pricing and contract information may be submitted by Community Choice Aggregators under seal and kept confidential. CalCCA believes that pricing and contract information recently provided to the Energy Division could be used by the Commission in this proceeding to determine an administrative benchmark. In fact, given the pricing trends noted above, CalCCA believes that

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43 Energy Division Report at 43.

the more recent pricing information is likely to be more reflective of the value associated with RA from the Tree Mortality PPAs.

D. CalCCA Does Not Object To The Joint IOUs’ Proposed Use Of The PPP Charge To Apply The Tree Mortality NBC

As described by the Joint IOUs, “[t]he Joint IOUs propose[] that the [Tree Mortality] NBC be collected from all retail electricity customers in the IOUs’ service areas through the PPP charge because this renewable energy program was developed for the express purpose of addressing a statewide public safety issue, and all Californians stand to benefit from the [Tree Mortality] procurement program.”45

According to the Joint IOUs, “the PPP [charge] provides an established, effective mechanism by which [the Tree Mortality PPA] costs should be recovered.”46

CalCCA does not object to the IOUs’ proposed use of the PPP charge to implement the Tree Mortality NBC. CalCCA generally believes that this approach is reasonable given that the financial amount at stake is not large enough to significantly change the PPP charge. In this regard, CalCCA understands that the incremental increase to the current PPP charge associated with the Tree Mortality NBC would be between 3 and 6 percent.47 Other issues should be examined if additional or other generation-related charges are proposed for inclusion in the PPP charge.

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45 Ex. Joint IOUs-02 at 12.
46 Ex. Joint IOUs-02 at 12.
47 See Ex. CalCCA-01; Attachment 1 (incorporating discovery responses from the IOUs).
III. CONCLUSION

CalCCA thanks Commissioner Guzman-Aceves and Administrative Law Judge Doherty for their thoughtful consideration of this opening brief and the matters addressed herein.

Dated: August 13, 2018

Respectfully submitted,

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