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**Re CalCCA Comments on Draft Resolution E-4998**

To Energy Division – Tariff Unit:

The California Community Choice Association (CalCCA) submits these comments pursuant to Draft Resolution E-4998 (Draft Resolution), which approves with modifications Pacific Gas and Electric Company (PG&E) Advice Letter (AL) 5473-E.

**I. INTRODUCTION AND SUMMARY**

PG&E proposed in AL 5473-E to update its Bundled Procurement Plan (BPP) in response to likely changes in its position as a result of implementation of the Power Charge Indifference Adjustment (PCIA) Decision (D.) 18-10-019 and the Resource Adequacy (RA) program in Rulemaking (R.) 17-09-020. Among other things, PG&E requested authority to:

- (1) limit sales of certain RA products to delivery terms not to exceed two years forward unless offered to a central buyer; (2) require RA product sales to principally originate through PG&E-held solicitations; and (3) utilize standard contracting terms.<sup>1</sup>

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<sup>1</sup> AL 5473-E at

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PG&E further asks the Commission to approve PG&E's proposal not to "post collateral to support PG&E's sales of RA."

The Draft Resolution, in part, grants PG&E's requests.<sup>2</sup> It grants PG&E's request to sell products "principally" through PG&E-held solicitations. It further authorizes PG&E to "issue standard contract terms under its proposed Sales Framework," but acknowledges that it is a reasonable practice for PG&E to respond to proposals for modification of the contract terms.

In other respects, the Draft Resolution rejects or raises concerns regarding PG&E's requests. Granting CalCCA's request, the Draft Resolution requires PG&E to "offer resource adequacy capacity from resources located in Local Reliability Areas for delivery periods covering all three years in the multiyear framework adopted in D.19-02-022."<sup>3</sup> It further raises a concern regarding PG&E's proposed solicitation schedule. While it does not fully resolve these schedule concerns, it recognizes the uncertainty associated with PG&E's approach:

Recognizing this uncertainty, we nevertheless expect that PG&E will, to the extent possible, attempt to schedule solicitations between the dates when LSEs receive relevant requirements (and credit allocations) and the dates when subsequent RA filings are due. Finally, PG&E should revise the solicitation schedule to incorporate delivery terms of local RA capacity that align with the multiyear requirements adopted in D.19-02-022. We will direct PG&E to revise its RA solicitation schedule to address these issues in the ordering paragraphs below.<sup>4</sup>

Unfortunately, its solution for these solicitations lacks clarity. Finally, and critically, the Draft Resolution acknowledges CalCCA's suggestion that PG&E's practice of retaining a "buffer" for bundled load may be causing withholding of Local RA products. It concludes, however, that "[t]his assertion implies a deeper discussion than we can address in a resolution."<sup>5</sup>

While CalCCA appreciates the Energy Division's acknowledgment of its concerns regarding PG&E's sales practices, CalCCA encourages bolder steps in two respects. The Commission

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<sup>2</sup> Draft Resolution at 6-7.

<sup>3</sup> Draft Resolution, Ordering Paragraph 2.b at 9.

<sup>4</sup> Id. at 7.

<sup>5</sup> Id. at 8.

should require PG&E to launch a solicitation for 2020 RA products within 10 business days following the effective date of the final resolution. The Commission further should urgently develop a methodology to determine PG&E's excess products for sale, pending a longer-term resolution in R.17-06-026 Track 3. Finally, the Commission should not entirely relieve PG&E from having to consider how offering collateral would create terms less favorable for their counterparties.

## II. PROPOSED MODIFICATIONS TO DRAFT RESOLUTION

### A. The Commission Should Direct PG&E to Launch a 2020 Solicitation Not Later Than 10 Business Days Following the Effective Date of the Final Resolution.

The Draft Resolution acknowledges concerns over PG&E's proposed solicitation schedule but does not clearly resolve the concern. Requiring PG&E to "schedule solicitations between the dates when LSEs receive relevant requirements...and the dates when subsequent RA filings are due"<sup>6</sup> does little to encourage PG&E to get its excess products to market on a timely basis. Technically, this language permits the utility to wait until October 30 to issue an RFO, since the compliance deadline is October 31. In fact, the Appendix S schedule submitted by PG&E contemplates the first 2020 solicitation in "September/October 2019."<sup>7</sup> The Commission should substantially tighten this requirement to accommodate compliance by other LSEs who rely on PG&E's excess Local RA to meet their requirements.

CalCCA requests that the Commission direct PG&E to issue its first solicitation for 2020 RA products within 10 days of the issuance of this modified Resolution. In future years, utility RA solicitations should take place in the Spring of the year preceding the reliability year (e.g. May 1, 2020 issuance for 2021 RA). In fact, a more accelerated year-ahead solicitation schedule is under consideration in R.17-06-026 Working Group #3. Applying a consistent schedule with reasonable lead time will prevent a scramble by LSEs for RA and facilitate adequate functioning of the Commission's RA program.

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<sup>6</sup> Id. at 7.

<sup>7</sup> AL 5473-E, PDF 93 of 105.

**B. The Commission Should Immediately Develop Clear Guidance for Determining the Amount of Excess RA in PG&E's Portfolio.**

CalCCA's protest contends that "PG&E's Sales Framework implicates its practices of withholding 'buffer' products to prevent penalties and to enable substitution in the event a resource is unavailable."<sup>8</sup> There currently are no requirements, other than general reasonableness requirements associated with PG&E's BPP, regarding how much of a "buffer" to hold to assure bundled customer compliance. And, as the Draft Resolution acknowledges: "we recognize the significant position PG&E holds in California's energy and capacity markets and expect PG&E not to wield that position towards anticompetitive ends."<sup>9</sup> Despite these circumstances, the Draft Resolution fails to provide any guidance, only suggesting that the issue is too complex for the resolution.

While CalCCA acknowledges that there is no specific methodology before the Commission to address this concern, CalCCA requests that the Commission emphasize the critical importance of assessing excess RA long before the 2020 compliance deadline. CalCCA recommends that the Commission set a workshop within 10 days following the effective date of the Draft Resolution to explore methodologies that will ensure that the excess RA finds its way to the market before the end of the compliance period. In anticipation of this workshop, and for market knowledge and transparency CalCCA requests that the CPUC provide aggregate data for the three IOUs (PG&E, SDG&E, SCE) from data found on LSEs RA filings. Specifically, for both the Year Ahead and Month Ahead (All months currently filed for the 2019 compliance year), the aggregate data found in Table 2 and 3 of the "Summary Year Ahead" tab, and the aggregate data found in Table 2, 3, 5, and 6 of the "Summary Month Ahead" tab.

**C. PG&E should not be alleviated of all collateral requirements.**

PG&E has repeatedly cited to the importance of investment-grade credit when entering into transactions with counter-parties. Posting collateral is common practice in market transactions, and is correlated with the creditworthiness of the counterparty and contract length. To now grant PG&E a special exclusion from having to consider offering collateral would create terms less favorable for their counterparties and subject those counterparties' customers to unnecessary risk.

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<sup>8</sup> CalCCA Protest to PG&E Advice Letter E-5473, at 2.

<sup>9</sup> Draft Resolution at 8.

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### III. CONCLUSION

For all of the foregoing reasons, CalCCA requests that the Commission modify the Draft Resolution as requested herein.

Respectfully submitted,



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