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

OPENING COMMENTS OF CALIFORNIA COMMUNITY CHOICE ASSOCIATION ON THE FINAL REPORT OF WORKING GROUP 3 CO-CHAIRS SOUTHERN CALIFORNIA EDISON COMPANY (U 338E), CALIFORNIA COMMUNITY CHOICE ASSOCIATION, AND COMMERCIAL ENERGY

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March 13, 2020

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Pursuant to the January 22, 2020 Administrative Law Judge's ("ALJ") Ruling Modifying Proceeding Schedule, the California Community Choice Association ("CalCCA")[1] respectfully submits these Opening Comments on the Final Report of Working Group 3 submitted by Co-Chairs CalCCA, Southern California Edison Company ("SCE"), and Commercial Energy.

I. INTRODUCTION AND SUMMARY

CalCCA thanks its Co-Chairs for their diligence, collegiality, and commitment to the process of creating consensus proposals that will benefit all customers. As noted in the Final Report, the Co-Chairs met regularly for many months, and shared and discussed numerous straw proposals. The result of this effort is a set of consensus proposals to help resolve the difficult issues addressed in this proceeding. CalCCA urges the Commission to adopt the consensus proposals put forward by the Working Group, which if adopted, will effect a significant improvement over the status quo and a large step toward meeting the Commission's goals of optimizing Investor-Owned Utility ("IOU") portfolios and reducing costs for all customers.

[1] California Community Choice Association represents the interests of 19 community choice electricity providers in California: Apple Valley Choice Energy, CleanPowerSF, Clean Power Alliance, Desert Community Energy, East Bay Community Energy, Lancaster Choice Energy, Marin Clean Energy, Monterey Bay Community Power, Peninsula Clean Energy, Pioneer Community Energy, Pico Rivera Innovative Municipal Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Jacinto Power, San Jose Clean Energy, Silicon Valley Clean Energy, Solana Energy Alliance, Sonoma Clean Power, and Valley Clean Energy.

However, more can be done to increase the value of these proposals. CalCCA urges the Commission to implement changes as soon as possible and to increase transparency of IOU operations so that all load-serving entities ("LSEs") have confidence that these changes will achieve the Commission's objectives for Working Group 3. These comments expand on and clarify the proposals put forward by CalCCA that did not achieve consensus in the working group. Specifically, CalCCA recommends the Commission:

- ✓ Allocate RA Attributes and RPS energy as soon as possible, through an interim procedure pending full implementation;
- ✓ Clarify that the IOUs' actions and inactions with respect to the Request for Interest ("RFI") and solicitation process for contract assignments and modifications are subject to disallowance risk;
- ✓ Require the IOUs to file their reports on the RFI and solicitation process annually in their respective Energy Resource Recovery Account ("ERRA") compliance application to enable regular review of optimization activities;
- ✓ Apply the Commission-approved Power Charge Indifference Adjustment ("PCIA") rate cap to additional costs associated with Commission approved Renewable Portfolio Standard ("RPS") buy-outs, assignments or terminations, recognizing that the IOUs' obligation to optimize their portfolio is not new;
- ✓ Allocate all Local Resource Adequacy ("RA") to all LSEs, based on load share, with no market offer.

II. CONSENSUS PROPOSALS ARE A SIGNIFICANT WIN FOR ALL CUSTOMERS WHO BEAR THE BURDEN OF THESE COSTS

A. Allocation of RA, RPS and GHG-free Energy Based on Load Share Equitably Transfers IOU Attributes and Energy to the Customers Who Paid for Them and Preserves Non-IOU LSE Autonomy

CalCCA strongly encourages the Commission to adopt the Co-Chairs' consensus proposals for allocation of RA, RPS and greenhouse gas ("GHG")-free energy based on each LSE's load share to ensure equitable cost sharing among all LSEs, and to transfer the value of PCIA-eligible energy and attributes to the non-IOU LSEs who have borne the costs for these products. Allocation of these PCIA-eligible attributes and energy is superior to an "excess sales" approach because it eliminates the need to address the complex issues of whether the IOUs should retain any of these attributes, and if so, how much, to serve as "buffers" or "uncertainty tranches." Allocation as proposed also solves disagreements regarding the timing of any such excess sales. The market offer construct proposed for System and Flex RA and RPS energy also creates additional opportunities for the IOUs to optimize the value of these attributes, and reflects the effect of LSEs' reporting and compliance obligations on the likely market for these attributes.

B. RPS and System and Flex Voluntary Allocation and Market Offers Preserve LSE Flexibility and Autonomy

Under the consensus proposal, LSEs may elect to either receive their share of PCIA-eligible System and Flex RA and RPS energy directly, or have customers receive economic consideration for these products through PCIA rates. The voluntary allocation of these products will be followed by a market offer of volumes declined. This voluntary allocation and market offer construct ("VAMO") provides an equitable means by which LSEs can elect to receive System and/or Flex RA and RPS energy directly as an allocation, have their customers receive economic consideration through PCIA rates, or choose a blend of the two options to suit their specific needs.

In addition to removing the challenges presented by buffers, uncertainty tranches, and sales timing encountered with the excess sales approach, the VAMO approach will provide liquidity to the market and is designed to help keep PCIA rates approximately where they are today. This approach also permits LSEs the flexibility to manage their procurement activities by choosing the volume of the IOUs' RA attributes and RPS energy to procure at the market price benchmark ("MPB") through an allocation.

Establishing the Spring market offer for System and Flex RA allows LSEs to fill a portion of their RA procurement volumes well in advance of compliance deadlines. Thus, demand should be high, as will revenues realized. Unsold attributes from the Spring market offer, together with any declined allocation volumes, will also be offered for sale in a Fall market offer. All unallocated RPS energy for the prompt year will also be offered for sale through an annual market offer process to be held by the IOU, who will be required to include in the market offer up to 35% of each LSEs' annual declined allocation share as long-term sales. Under the proposals the IOUs are able to participate in these market offers, and protections are built in to ensure the IOUs do not receive an undue advantage relative to other market participants.

The market offers proposed will ensure the sales of unallocated volumes of System and Flex RA and RPS energy and are designed to increase the markets for these attributes and to maximize their value. This will result in higher revenues, and therefore reduce PCIA rates for all customers.

1. Voluntary Allocation of GHG-free Energy Transfers Power Content Label and Clean Net Short Credit to Non-IOU LSEs, and the Allocation Should Be Tradeable

Because GHG-free energy resources are being paid for through the PCIA and the energy revenues are being realized by PCIA-paying customers, CalCCA supports a voluntary allocation of these attributes to PCIA-paying customers' LSEs. GHG- free energy will be allocated annually to LSEs who may choose to take their forecasted, vintaged, annual load share of either or both of two pools of GHG-free energy, nuclear and non-nuclear. Since not all LSEs can accept nuclear energy, CalCCA also supports the split of these resources into two pools, and the option for LSEs to choose allocation from either or both pools. LSEs accepting their allocations may claim the GHG-free energy deliveries on their Power Content Label ("PCL") and may claim credit toward their Clean Net Short ("CNS") procurement requirement.

There will be no market offer for unallocated GHG-free energy. Any rejected allocations will be reallocated proportionally to those LSEs who elect to receive their allocations. CalCCA urges the Commission to adopt its proposal that accepted allocations of GHG-free energy may be traded or sold, including the right to claim the benefits on PCL. The ability to trade or sell allocations will increase LSE flexibility in managing portfolios, and will also ensure that the full value of this energy is realized.

2. Full Allocation of Local RA Eliminates Complexity and Market Power

While the Local RA allocation proposal calls for full allocation, and is therefore less flexible for LSEs, the proposed allocation of Local RA avoids the complexities arising from the existing constraints and potential market power issues that might exist in certain Local RA-constrained geographical areas, particularly in disaggregated local areas. Because the allocation will be tradeable, however, LSEs will maintain flexibility and autonomy as they may choose either to use their allocations for compliance, or monetize their allocation by trading their allocated Local RA in the secondary market.

Trades or sales of LSEs' allocated RA also enables LSEs to manage their portfolios and act in the best interest of their customers. This may permit LSEs to sell their share of the PCIA Showing without having to sell other procured RA positions. Thus, trading also reduces the risk of stranding RA with an LSE who is long, and the risks that either Local RA is used for less valuable purposes, such as System or Flexible RA showing requirements, or simply remains unutilized. While recognizing the increased complication and administrative burden of a secondary market for trading RA, CalCCA urges the Commission to adopt this proposal, which creates a valuable tool for all LSEs, and ensures a valuable asset is used to full effect.

C. The RFI Process and Solicitation for Contract Assignments and Modifications Mandates IOU Action to Reduce High-Cost Contracts

The consensus proposal for the IOUs' RFI for contract assignments and IOUs' solicitation of proposals for contract modifications are proactive methods to achieve reductions in IOU contract costs. While opportunities for contract assignments and modifications may occur organically, CalCCA urges the Commission to adopt these proposals. The effect will be to ensure mass outreach to the IOUs' contracted generators and potentially spark creative thinking on the part of those sellers to propose mutually beneficial transactions. These processes will also allow other LSEs an opportunity to contract directly with generators currently bound by IOU contracts.

This consensus proposal essentially provides two "open seasons" for contract restructuring, and also provides for reporting and therefore greater visibility into the actions taken. CalCCA notes that the potential for these proposals to result in large reductions to outstanding contract costs, thereby benefiting all customers, greatly outweighs the cost of resources to implement the proposals. The Co-Chairs' proposal limits the number of negotiations each IOU is required to enter into with respect to each RFI, which addresses IOU concerns regarding the resources that may have to be devoted to these efforts.

D. The Ratemaking Proposals are Equitable and Align with the Structure Established in Phase 1

1. Ratemaking Proposal for System and Flex RA and RPS Energy Is Equitable, Requiring Payment at the Benchmark for Attributes and Energy Received, But Valuing Unsold As Sales at $0

CalCCA initially proposed the ratemaking option that eventually became the consensus proposal. Under this treatment, the existing PCIA framework established by Decision18-10-019 is maintained. The inputs to the calculation, however, are modified to reflect allocation shares of System and Flex RA and RPS energy as purchases by those PCIA-eligible LSEs of the allocated volumes at the otherwise applicable MPB. In this way, the sales revenues received by the IOU for these allocations will offset the MPB value assigned to the products, minimizing any impact on the PCIA.

In the event that either System or Flex RA or RPS energy remains after the conclusion of the VAMO processes, those will be re-distributed among all LSEs at no cost and on a pro-rata basis according to their forecasted, vintaged, annual load shares (peak load shares, in the case of System and Flex RA). These re-allocated volumes will be treated as sales at $0/MWh ($0/kW-mo. in the case of System and Flex RA) and will be reported, along with the volumes re-allocated, by the IOUs to the Energy Division for the purposes of establishing the respective

MPBs. This reallocation ensures that all LSEs receive the value associated with the unsold attributes, since all will pay the PCIA increase resulting from the zero valuation of unsold volumes. The unsold attributes should be incorporated into the MPB at zero to ensure that the MPB appropriately reflects the market value of the attributes. LSEs can choose to use the unsold volumes for their own compliance purposes or may choose to sell the attributes in the secondary market themselves.

2. The Market Price Benchmark for Local RA Should Be Eliminated to Ensure Full Cost Recovery

The MPB for Local RA should be eliminated. Because all LSEs will receive the value of Local RA products through their allocated share of the attributes, there is no longer a need to reflect the value in the PCIA, either through a MPB valuation or sales credit against PCIA costs. Eliminating the MPB simplifies cost recovery and ensures full costs are recovered. A consequence of eliminating the MPB associated with Local RA is that PCIA rates may rise. While CalCCA advocates for the application of the rate cap to all PCIA increases, CalCCA recognizes that this increase in PCIA rates is unique. In exchange for the higher PCIA, each LSE receives a concrete benefit in the Local RA allocation. Because each LSE will receive a tangible, valuable benefit, a one-time adjustment to the PCIA rate cap to exclude the impacts of this change in the Local RA MPB methodology is justified. This is a unique situation and should not be precedential for other potential increases to the PCIA rate.

III. THERE SHOULD BE AN INTERIM ALLOCATION OF RA ATTRIBUTES AND RPS ENERGY TO TAKE EFFECT BEFORE ALL NECESSARY STEPS FOR FULL IMPLEMENTATION CAN BE COMPLETED

A. RPS Should be Allocated as Soon as Practical Following the Final Decision

The Co-Chairs aligned on a full implementation schedule that is based in part on changes needed in the IOUs’ RPS Procurement Plan to incorporate the RPS VAMO process and the Commission’s need to confirm a modified timeline for LSEs to submit and the CPUC and/or

CEC to calibrate LSEs' vintaged, annual load forecasts. The Co-Chairs have urged adoption of the modified timeline in Rulemaking19-11-009 in the second quarter of 2021.

However, given the value of the RPS energy in question and the length of time necessary to accomplish these steps, the Co-Chairs also proposed that an interim RPS voluntary allocation approach be pursued. In this interim process, RPS would be offered to LSEs for allocation on the basis of LSEs' actual, vintaged, annual load shares. There would be no market offer process. The Co-Chairs requested the Commission specify that during this transition period excess RPS generation, excluding banked Renewable Energy Credits ("RECs"), may be valued at $0/MWh for purposes of the PCIA only to the extent that it (i) is offered for sale by the IOU, (ii) remains unsold, and (iii) is in excess of the IOU's interpolated annual RPS compliance target.

SCE contends that even interim RPS energy allocations cannot commence before 2022 based on the need for updates to the IOUs' RPS Procurement Plans and to allow time "for the market to prepare for the new requirements."[2] CalCCA questions what preparation is required for an immediate allocation of energy based on each LSEs' proportional load share. CalCCA also questions the motives for seeking a delay. Since declined allocations will remain with the IOU, and each LSE, including the IOUs, will be entitled to their proportional load share of RPS energy, the IOUs' abilities to meet their RPS compliance requirements seem extremely unlikely to be "jeopardized" by an earlier interim allocation as claimed by SCE.[3] Thus, CalCCA urges the Commission to instead require the IOUs to amend their RPS Procurement Plans via motions to update, which could be requested as soon as practical following the Working Group 3 Final Decision. Allocations could commence 30 days following approval of the motions, thus permitting allocations to begin in 2021. In this way an equitable distribution of valuable RPS energy could be achieved almost immediately, to the benefit of all customers.

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[2] Final Report at 63.
[3] *Id*.

B. RA Should be Allocated in 2021 for Compliance Year 2022 for System and Flex, and for Compliance Year 2023 and 2024 for Local RA

Due to the length of time anticipated for the regulatory decisions required for full implementation of the Local and System and Flex RA proposals, the Co-Chairs suggested that the VAMO for System and Flex RA commence in 2022 for the 2023 compliance year. The Co-Chairs propose that Local RA allocation also be implemented in the 2022 filing year, but only for the 2024 and 2025 compliance years due to the complexities of the multi-year Local RA requirement.

CalCCA, together with Commercial Energy, urges the Commission to adopt an interim implementation timeline for Local and System and Flex RA to allow for allocation beginning in 2021 for the 2022 System and Flex RA compliance year and 2021 for the 2023 and 2024 Local RA compliance years ("Interim Proposal"). As detailed in the Final Report,[4] CalCCA and Commercial Energy put forth a detailed timeline for this interim allocation. The proposed process calls for PCIA-eligible LSEs and the IOUs to agree on each LSE's vintaged, monthly peak load forecasts for each of their vintages. LSEs would have five business days to submit their System and Flex RA allocation elections following notification by the IOUs of the LSE's estimated eligible RA allocation volumes. Local RA allocations would be mandatory, as will be the case once the proposals are fully implemented.

The Interim Proposal provides for the IOUs and LSEs to align on forecasts and calls for allocation based on the best estimates for Local RA volumes available. This is a reasonable approach that will ensure that LSEs who have paid for Local RA attributes through the PCIA are able use these attributes in a timely fashion. Transferring attributes out of the IOUs' portfolios as soon as possible, so that other LSEs can utilize or monetize the attributes, is an important aspect of the Commission's stated goals for Phase 2 of the PCIA proceeding, which are to optimize the IOUs' portfolios and reduce costs.[5] In addition, an interim full allocation of Local RA will mitigate the impact of market power issues that may already be arising in certain Local

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4 Final Report at 61-62.

5 D.18-10-019 at 97.

RA-constrained geographical areas. Leaving Local RA in the IOUs' portfolios for a further number of years, when a reasonable method of establishing allocations exists, is counterproductive and contrary to D.18-10-019.

IV. CURRENT STANDARDS SUBJECT THE IOUS TO DISALLOWANCE RISK BASED ON ACTIONS NOT TAKEN IN RESPONSE TO THE RFI AND SOLICITATION FOR CONTRACT ASSIGNMENTS AND MODIFICATIONS

A. IOUs Are Required to Manage Their Portfolios, Including Actions Taken and Not Taken in Response to RFIs, Pursuant to Standard of Conduct 4

The Commission holds authority to oversee and make disallowances based on both an IOU's action and its inaction under the proposed RFI and solicitation processes for contract assignments and modifications pursuant to Assembly Bill 57[6] ("AB 57") through the application of Standard of Conduct 4 ("SOC 4"). SOC 4 requires: "The utilities shall prudently administer all contracts and generation resources and dispatch the energy in a least-cost manner."[7] The "reasonable manager standard" applies to review of that administration.[8] Prudent administration involves not only making sure that the IOU complies with the terms and conditions of each contract, but that the IOU makes efforts to manage its *overall* portfolio by taking other actions such as buy-outs, buy-downs and other contract modifications when the contracts are no longer needed or economic to serve bundled customers.

SCE contends that there are no "upfront, achievable standards" that obligate the IOU to accept, or pursue, or otherwise decline an offer from a counterparty to modify or terminate an existing procurement contract already approved for cost recovery. SCE further contends that absent such upfront, achievable standards, the IOU bears no disallowance risk under the prudent manager standard for declining to accept or pursue an offer from a counterparty to modify or terminate an existing procurement contract. To the extent the IOU reasonably administers its

6 Assembly Bill 57 (Stats. 2002, Ch. 835).
7 D.02-10-062 at 52.
8 D.05-01-054 at 15.

approved contracts pursuant to their terms and conditions, AB 57 guarantees the IOU cost recovery.

SCE claims the only standard applicable is that of Section 454.5(h),[9] which states, "[n]othing in this section alters, modifies, or amends . . . the commission's existing authority to investigate and penalize an electrical corporation's alleged fraudulent activities, or to disallow costs incurred as a result of gross incompetence, fraud, abuse, or similar grounds." This argument fails to consider the rest of Section 454.5, which includes exhaustive requirements for procurement planning. Subsection (h) does not limit the Commission's ability to disallow costs under other applicable standards.

Standard of Conduct 4 clearly applies. SOC 4 requires both prudent contract administration and least-cost dispatch in a two-part standard. The Commission specifically clarified SOC 4, stating, "[i]n administering contracts, the utilities have the responsibility to dispose of economic long power and to purchase economic short power in a manner that minimizes ratepayer costs."[10] The Commission has upheld the reasonable manager standard for review of utility procurement plans through compliance review.[11] Citing D.02-12-069, the Commission has further elaborated that "[u]nder SOC 4, . . .compliance would consist of a showing of prudence for contract administration (for which the reasonable manager standard would apply) and a showing that resources were dispatched in a least cost manner."[12]

Moreover, the Commission has established that SOC 4 has a broad scope, as "the Commission's intent is to review contract administration, including least-cost dispatch."[13] It is clear SOC 4 review is not limited to dispatch decisions. In fact, the Commission has stated that "[SOC 4] 'involves management of the whole portfolio, including whether the dispatchable contracts were utilized in an optimum manner as compared to other utility resources,'"[14] and

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9 Unless otherwise stated, all code sections refer to the California Public Utilities Code.
10 D.02-12-074, Ordering Paragraph 24b.
11 D.02-12-069 at 62, *modified on other grounds by* D.03-12-003.
12 D.05-01-054 at 15.
13 *Id*. at 12 (emphasis added).
14 D.03-06-076 at 25, *citing* ORA Response to Applications for Rehearing of D.02-12-074 at 3.

finding that this standard applies "to utility retained generation (URG) and pre-existing power contracts, and to new resources obtained pursuant to the approved procurement plans."[15]

B. If the Commission Determines that Standard of Conduct 4 Does Not Apply, The Commission Should Specify a Prudent Manager Standard for IOU Action and Inaction In Response to Contract Assignments and Modifications

While CalCCA contends that the applicability of SOC 4 is clear, if the Commission determines otherwise, it should in any case adopt a standard of review for IOU actions and inactions with respect to contract assignment and modification offers. Contrary to what the IOUs assert, Section 454.5(h) need not be the only applicable standard. This is not the first time the utilities have challenged the validity of SOC 4 in the context of other standards, and the Commission has dismissed these arguments in the past.[16] The Commission frequently imposes and administers standards for utilities that work in concert with each other. The Commission demonstrates this point when discussing the responsibilities of utilities under both Section 454.5 and the least-cost dispatch element of SOC 4:

> The main focus of the statute is "procurement transactions" and "procurement contracts." (See, e.g., §§ 454.5(c)(3), 454.5(d)(2).) The legislative history of section 454.5(d)(2) indicates that the Legislature's intent in enacting the statute was only to eliminate after-the-fact review of the procurement contracts themselves. (See, e.g., Assem. Floor Analysis, Assem. Bill No. 57 (2001-2002 Reg. Sess.) as amended June 24, 2002.) Nothing in the statute, nor its legislative history, indicates that the Legislature intended the statute to apply to dispatch of energy. Thus, any subsequent review of dispatch is not precluded by section 454.5(d)(2).[17]

There is no reason the longstanding "prudent manager" standard should not apply to IOU decisions with respect to action and inaction regarding contract assignments and modifications, in concert with the existing standards of Section 454.5(h). Under the prudent manager standard, "a utility has the burden to affirmatively prove that it reasonably and prudently operated and

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15 *Id*.

16 *See, e.g.,* D.03-06-076.

17 D.03-06-076 at 25.

managed its system."[18] Proposals submitted by generators or other sellers to either assign or modify the IOUs' existing contracts, to the benefit of all rate paying customers, surely deserve serious consideration by the IOUs. Just as surely, ratepayers deserve the IOUs act prudently regarding both accepting and rejecting these proposals.

Though CalCCA continues to assert that SOC 4 applies, if the Commission declines to apply it here, the Commission should adopt a standard specific to the IOUs' action and inactions with respect to contract assignments and modifications to make clear the IOUs must do more than merely avoid gross incompetence or fraud.

V. THE COMMISSION SHOULD REQUIRE THE IOUS TO FILE REPORTS ON THE RFI PROCESS ANNUALLY IN THEIR ERRA COMPLIANCE APPLICATION

The Co-Chairs were unable to reach consensus on the issue of where the IOUs should be required to file their respective reports on the RFI and solicitation processes. CalCCA believes that in order to guarantee full transparency for LSEs, this report should be filed in each IOU's ERRA Compliance Application. The ERRA process is a well-established Commission process with well-established standards of review. Parties will naturally look to the ERRA Compliance Application for details of each IOU's portfolio optimization activities, and the results of the RFI process proposed in the Final Report should likewise be housed in that application. Finally, it is imperative to CCAs and other interested parties that the report filed be subject to discovery and rules pertaining thereto. Again, the ERRA Compliance process has an established discovery process and is the best fit for the filing of this report.

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[18] D.18-07-025 at 3.

VI. ADDITIONAL COSTS ASSOCIATED WITH COMMISSION APPROVED RPS BUY-OUTS, ASSIGNMENTS OR TERMINATIONS SHOULD BE SUBJECT TO THE COMMISSION-APPROVED CAP ON THE PCIA RATE

A. IOUs Are Already Required to Optimize Their Portfolios and These Efforts Are Subject to the PCIA Rate Cap

Contract termination payments should not be excluded from the $0.005/kWh annual PCIA rate increase cap established by D.18-10-019. SCE and Commercial do not believe the upfront cost of buying out contracts was intended to be factored into the cap, based on the fact that these costs could increase the PCIA cost to customers and potentially trigger the cap every year. SCE and Commercial believe this is not what the Commission intended.

CalCCA disagrees. An IOU's responsibility to optimize its portfolio through the RFI is no more onerous than the requirement to optimize their portfolios today under AB 57 and the Standards of Conduct. In fact, SCE took pains to explain the scope of existing IOU portfolio optimization efforts.[19] These contract buy-outs or terminations are no different than other portfolio optimization efforts currently undertaken by the IOUs. These efforts are, of course, subject to the rate cap.

Because the IOUs continually perform these types of portfolio optimization activities, the Commission was fully aware of the potential for buy-outs or buy-downs when it adopted the cap in D.18-10-019. That the Commission chose not to make such transactions an exception from the cap demonstrates that it intended no exception. Thus, if the IOUs want to propose an exception to the cap on the PCIA rate increases due to these contract modifications, buy-outs or terminations, it should seek modification of the decision the Commission issued in Phase 1 of this proceeding.

Finally, CalCCA observes that there are other ways of addressing significant buy-out or buy-down costs. CalCCA proposed securitization of any such costs in its Phase 1 testimony.[20]

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[19] *See, e.g.*, Final Report, Appendix D- Presentation of PCIA Phase 2- Working Group Three, Workshop No. 4, December 11, 2019, at slide 23.

[20] *See* Direct Testimony of Paul Sutherland, Barry Abramson, Joseph S. Fichera, and Hyman Schoenblum (CalCCA-1, Exhibits 3-A-D).

VII. LOCAL RA SHOULD BE ALLOCATED TO ALL LSEs BASED ON LOAD SHARE, WITH NO MARKET OFFER

Commercial Energy proposes a voluntary allocation of Local RA followed by a market offer of the unallocated Local RA[21] attributes declined. CalCCA and SCE propose instead a mandatory allocation of Local RA. CalCCA's and SCE's proposal achieves the goal of optimizing the IOU's PCIA-eligible portfolio through the proportional allocation of products and value to all customers – bundled and departed load – that bear cost responsibility.

LSEs expressed concerns throughout the Working Group 3 process about the IOUs not making sufficient Local RA capacity available to the market. If a full allocation model is adopted, potential market power issues that could arise in certain Local RA-constrained geographical areas are eliminated. A full allocation of all Local RA based on each LSE's proportional load share also removes from the equation consideration of how to deal with unallocated volumes, including if and when to hold a market offer.

CalCCA is cognizant that a full allocation model is less flexible for all LSEs. However, due to the unique conditions in the Local RA markets, the full allocation model is the most straightforward method to ensure all LSEs receive their proportional share of attributes, and costs. In addition, because Local RA allocations are tradeable in the secondary market, the perceived rigidity of the full allocation is mitigated. Any LSE that so desires can monetize its PCIA-eligible Local RA. CalCCA urges the Commission to adopt the full allocation model for Local RA.

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[21] Final Report at 30.

VIII. CONCLUSION

CalCCA appreciates the opportunity to submit these comments and requests adoption of the recommendations proposed herein.

Respectfully submitted,

/s/ Ann Springgate

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March 13, 2020

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