

**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.

Rulemaking 17-06-026  
(Filed June 29, 2017)

**RESPONSE OF CALIFORNIA COMMUNITY CHOICE ASSOCIATION  
TO PACIFIC GAS AND ELECTRIC COMPANY,  
SOUTHERN CALIFORNIA EDISON COMPANY, AND  
SAN DIEGO GAS AND ELECTRIC COMPANY'S  
PETITION FOR MODIFICATION**

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September 8, 2020

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Pursuant to Rule 16.4 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the California Community Choice Association (“CalCCA”) hereby submits this response to the Petition for Modification (“PFM”) of Decision (“D.”) 18-10-019 by Pacific Gas and Electric Company (“PG&E”), Southern California Edison Company (“SCE”), and San Diego Gas and Electric Company (collectively, the “Joint Utilities”).

CalCCA does not oppose the PFM’s request to modify the treatment of line losses in calculating Power Charge Indifference Adjustment (“PCIA”) rates. Today, the investor-owned utilities (“IOUs”) apply line loss factors to first determine a utility’s total portfolio cost at the customer meter, and then they reverse that application of line losses to determine total portfolio value at the generation meter. The difference between total portfolio cost and market revenue comprises the “indifference amount” component of the PCIA revenue requirement for a given year.

The PFM proposes, instead, to use forecasted generation volumes to calculate both the total portfolio cost of energy and the total portfolio value of energy at the generation meter

instead of at the customer meter. This approach would eliminate a mathematical error that currently exists when line losses are applied by removing line losses from the equation altogether when calculating the indifference amount. It would also avoid the application of a line loss factor to capacity, which the IOUs allege is inappropriate. The Joint Utilities' proposed methodology appears correct.

However, if the Commission should act on the PFM, CalCCA respectfully requests the Commission clarify that the shift away from forecasted retail sales volumes to generation volumes will not replace the use of load forecasts in other components of the PCIA methodology. IOU load forecasts are a key input through the methodology and should continue to be used, for example, (1) to determine the billing determinants used to allocate the PCIA revenue requirement; (2) in the cost production modeling that results in forecasted generation volumes; and (3) when validating that Retained RPS amounts meet or exceed the IOUs' annual RPS compliance targets.

**I. CALCCA DOES NOT OPPOSE THE PFM PROVIDED MINOR CLARIFICATIONS ARE MADE.**

The PFM addresses a common workpaper template adopted in D.17-08-026 that is included in each utility's calculation of the indifference amount in the ERRA forecast proceedings.<sup>1</sup> The indifference amount is the difference between the forecasted cost of a utility's generation portfolio and the forecasted market value of the generation portfolio for the target year. It is one of two key components when calculating the revenue requirement underlying the PCIA rates that departing customers pay, with the other component being the forecasted year-end

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<sup>1</sup> R.17-06-026, *Petition for Modification of Decisions 17-08-026 and 18-10-019 of Pacific Gas and Electric Company (U 39 E), Southern California Edison Company (U 338 E) and San Diego Gas & Electric Company (U 902 E)*, p. 5 (Aug. 7, 2020) ("PFM").

balance in the Portfolio Allocation Balancing Account (“PABA”) for the year in which the forecast proceeding takes place.

The PFM asserts the common template contains two errors. The first is the application of line losses when calculating the value of procured Resource Adequacy (“RA”) capacity in the indifference amount, and the second is a math error that occurs when the line losses are used to scale down and scale back up energy volumes measured at the generation meter.<sup>2</sup> The Joint Utilities seek to resolve those errors by using forecasted generation volumes to set the indifference amount, thereby removing line loss factors from the indifference calculation and ensuring such factors are not applied to RA capacity.<sup>3</sup> The Joint Utilities argue the language and appendices in D.17-08-026 and D.18-10-019 should be revised to achieve this result.<sup>4</sup> CalCCA does not oppose this request.

With the adoption of generation energy volumes as the proper input for calculating portfolio costs and market value, the Commission should clarify that use of generation volumes should be limited to revising the calculation of the indifference amount within the specific common workpaper template that calculates the vintaged indifference amount, *i.e.* Appendix A to the PFM.<sup>5</sup> Modifications to D.17-08-026 and D.18-10-029 should not include replacing the use of utility forecasts of customer-metered volumes in other parts of the PCIA calculation. The PFM is unclear on this point, suggesting at one point that “generation volumes be used to calculate the PCIA.”<sup>6</sup>

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<sup>2</sup> *Id.* at 2-4, 12-13.

<sup>3</sup> *Id.* at 12-13.

<sup>4</sup> *Id.* at 13-15.

<sup>5</sup> *See id.* at Appendix A.

<sup>6</sup> *Id.* at 12.

While perhaps unintentional, that language suggests a broader revision to the PCIA calculation beyond the common template and indifference amount calculation. Calculating the PCIA involves much more than just the indifference amount. Once the indifference amount is calculated, it is added to the forecasted year-end PABA overcollection (or undercollection) to form the revenue requirement underlying PCIA rates. That revenue requirement is then allocated among both bundled and unbundled customers based on their vintage, *i.e.*, the year unbundled customers left a utility's service,<sup>7</sup> and their rate class using the allocation factors from the utility's most recently approved general rate case.<sup>8</sup>

Utility load forecasts should continue to be used to determine the billing determinants resulting from those allocation factors.<sup>9</sup> The Commission also should make clear that IOU load forecasts predicting customer usage at the customer meter for the forecast year will continue to be a key input in the cost production modeling that results in forecasted generation values.<sup>10</sup> Finally, load forecasts are an important factor in validating the Retained RPS amounts the utilities forecast will be needed to meet or exceed the IOUs' annual RPS compliance targets because they form the basis of those compliance targets.<sup>11</sup>

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<sup>7</sup> R.07-05-025, D.11-12-018, p. 9 (December 1, 2011).

<sup>8</sup> D.18-10-019, p. 122 and Ordering Paragraph 4 (October 11, 2018).

<sup>9</sup> See, e.g., A.20-07-004, SCE Prepared Testimony, *Energy Resource Recovery Account (ERRA) 2021 Forecast of Operations*, at 10:8 to 13:6 (July 1, 2020) (describing the sales forecast used for rate setting and the methodology used to set that forecast).

<sup>10</sup> See, e.g., *id.* at 25:15-18; A.18-06-001, PG&E Exh. 1 at 3-6:29-32 (June 3, 2018) (stating that all of the generation resources and loads in a utility's bundled electric portfolio are modeled within PG&E's economic dispatch modeling).

<sup>11</sup> See D.20-02-047 at pp. 13-16 (describing how retail sales are multiplied by a utility's annual RPS compliance target to determine a minimum amount of Retained RPS that must be included in each year's forecast).

## II. CONCLUSION

While not a comprehensive list of areas in which load forecasts are used within the ERRA forecast proceedings, these three examples illustrate the importance of limiting the PFM's effects to the common workpaper template and the calculation of the indifference amount. CalCCA appreciates the opportunity to provide this Response to the PFM and suggests that if the Commission act upon the PFM, it include such clarifications to appropriately limit the PFM's effect.

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Respectfully submitted,



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