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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue Implementation and Administration of California Renewables Portfolio Standard Program.	R.11-05-005

RESPONSE OF CALIFORNIA COMMUNITY CHOICE ASSOCIATION TO JOINT PETITION FOR MODIFICATION OF DECISION 13-05-034 BY PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) AND SOUTHERN CALIFORNIA EDISON COMPANY (U 338 E)

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Pursuant to Rule 16.4(f) of the Rules of Practice and Procedure of the California Public Utilities Commission's (Commission), the California Community Choice Association (CalCCA)[1] hereby submits this response to the Petition for Modification of Decision (D.) 13-05-034 by Pacific Gas and Electric Company (PG&E) and Southern California Edison Company (SCE) (collectively, the Utilities).

I. INTRODUCTION

The Utilities seek modification of D.13-05-034 to authorize the cost recovery of all existing and future Renewable Market Adjusting Tariff (ReMAT) contracts through the Public Purpose Program charge (PPPC).[2] They base their request on grounds that all customers benefit

[1] California Community Choice Association represents the interests of 24 community choice electricity providers in California: Apple Valley Choice Energy, Baldwin Park Resident Owned Utility District, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance, CleanPowerSF, Desert Community Energy, East Bay Community Energy, Lancaster Choice Energy, Marin Clean Energy, Peninsula Clean Energy, Pico Rivera Innovative Municipal Energy, Pioneer Community Energy, Pomona Choice Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Diego Community Power, San Jacinto Power, San José Clean Energy, Silicon Valley Clean Energy, Solana Energy Alliance, Sonoma Clean Power, Valley Clean Energy, and Western Community Energy.

[2] *See generally Joint Petition for Modification of Decision 13-05-034 by Pacific Gas and Electric Company (U 39 E) and Southern California Edison Company (U 338 E)*, Feb. 11, 2021 (noticed on Feb. 18, 2021) (Petition).

"equally" from these contracts. While the Utilities propose that costs be allocated to all customers, they propose to retain the resource adequacy (RA) and renewable portfolio standard (RPS) benefits for bundled customers.[3]

As an initial matter, the Petition lacks clarity. In one place the Petition requests that the "*all costs*" of these contracts be recovered through the PPPC,[4] yet elsewhere Petition requests PPPC recovery of "existing ReMAT contract *above-market costs* (and above-market costs of future ReMAT contracts)."[5] In addition, CalCCA continues to have concern about the ongoing trend of "de-vintaging" costs and which is slowly eroding the Power Charge Indifference Adjustment (PCIA) methodology by shifting IOU costs onto customers who have departed IOU service. Most troubling, however, the Utilities' proposal retains the prime benefits of these contracts – RA and RPS attributes[6] – for bundled customers while asking departing load customers to share the burden of above-market costs.

The Commission should reject the Petition. The PCIA was designed precisely to for this purpose: equitable recovery of the above-market costs of utility-procured resources, including RPS resources. ReMAT contracts are simply above-market RPS resources and thus are well-suited to PCIA recovery. In addition, not all customers benefit equally, as the Utilities suggest. The prime benefits of these resources – energy and Renewable Portfolio Standard (RPS) credit -- accrue to bundled customers. To ask all customers to pay the costs of the resources without sharing equally in the benefit effectuates a cost shift from bundled to departing load customers. On these and other grounds, Commission should reject or materially modify the Petition.

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[3] Petition at 11. The Utilities propose that bundled customers will pay the Power Charge Indifference Adjustment (PCIA) market price benchmark (MPB) for the attributes.

[4] Petition at 11.

[5] Petition at 6.

[6] Petition at 11.

If the Commission nonetheless grants the Utilities' request for PPPC recovery of ReMAT costs, it should make three important changes. First, the Commission should clarify that the PPPC would recover *all* ReMAT costs, not simply the above-market costs. Second, the Commission should ensure that all customers paying the costs of these resources benefit equally. Any ReMAT resource products or attributes – chiefly the RPS credit -- must be allocated on a long-term basis to all customers paying the PPPC. Third, the Commission should make ReMAT funding available to Community Choice Aggregators (CCAs) on behalf of their customers under the same terms and conditions that apply to the Utilities.

II. BUNDLED CUSTOMERS ARE THE PRIME BENEFICIARIES OF REMAT CONTRACTS

The Utilities' proposal rests squarely on premise that the ReMAT contracts benefit *all* customers *equally* because the contracts "serve California's broader public policy goals and irrespective of the Utilities' customers' needs."[7] CalCCA submits that ReMAT contracts do not provide unique policy benefits, and contract benefits are not shared equally.

The Utilities argument that ReMAT "benefits" all customers rests on the claim that ReMAT procurement "serves California's broader public policy goals." CalCCA does not disagree that the contracts serve public policy goals, but these benefits are not unique and these benefits are not the only benefits of these resources. The Utilities' argument ignores CCA RPS procurement – procurement that often goes beyond the minimum compliance requirements – which also serves California's goals. CCAs likewise have their own unique requirements, such as accelerated RPS and GHG-free energy procurement requirements.[8] CCA procurement and

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[7] Petition at 6.

[8] For example, Peninsula Clean Energy's board has adopted requirements of 100% carbon free energy by 2021 and 100% renewable by 2025. (see https://www.peninsulacleanenergy.com/wp-content/uploads/2020/06/PCE-Strategic-Guide-Online-W.pdf?utm_source=strategy_page&utm_medium=website_innnerclick&utm_campaign=PDF_Tracker)

tariffs, like ReMAT contracts, "serve California's broader public policy goals," but the CCAs' customers alone bear cost responsibility. Moreover, if "public benefit" were the only requirement to justify allocating costs to all customers, all RPS procurement in the Utilities' portfolios would qualify. The rationale is not sound and would effectively unravel the existing PCIA methodology.

The Utilities' argument that the benefits are "equal" similarly misses the mark. Bundled customers and departing load customers ***do not*** share equally in the benefits of ReMAT contracts. Because these contracts are part of the PCIA portfolio, Utilities have the "right of first refusal" to receive the energy, RA, and RPS credit associated with these contracts, as they do for all PCIA resources. The resources can be retained to serve bundled load or sold in the market, at the utility's discretion. Furthermore, the IOU argument that these resources are procured indifferent to bundled customer need ignores the fact that IOUs are fully capable of planning their RPS and RA procurement in light of these contracts in their portfolios. Departing load customers who are equally obligated to pay the above-market costs of these resources do not share in this benefit. They have access to these valuable attributes only if the Utilities decide they do not need these attributes for bundled customers. Even then, the access may be only short-term, while the Utilities' have a long-term call on the resources. The Utilities do not propose in the Petition to give up these benefits but seek to retain the RA and RPS attributes associated with the contracts.[9] Beyond a doubt, bundled customers alone receive the ***direct*** benefits of these contracts.

Not only do the Utilities fail to call out these bundled benefits, but they are not accounted for in the costs identified in the Petition. The Petition states:

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[9] Petition at 11.

> To date, SCE's and PG&E's customers have paid $31 million and $27 million, respectively, under these contracts. For SCE and PG&E, the expected costs of these contracts over their remaining terms is $149 million and $96 million, respectively.[10]

PG&E further forecasts that over a 20-year period, "the total cost exposure would be approximately $665 million" for additional contracts.[11] Nowhere in the Petition do the Utilities quantify the imputed benefits of these contracts to bundled customers. So while they are seeking recovery of "above-market" costs, they appear to be using "total costs" for persuasive effect.

The unique benefits of the ReMAT program are questionable, and bundled and departing load customers do not benefit equally from ReMAT contracts. CalCCA urges the Commission on these grounds to reject the Petition. The vintaged PCIA methodology is designed to address contracts like ReMAT contracts, and the costs should remain in the PCIA.

III. ABOVE-MARKET RPS COSTS BELONG IN THE PCIA

Today, all above-market RPS costs are recovered through the PCIA, and ReMAT costs are no different. The fact that the procurement was mandated does not change the analysis; the costs are still simply above-market RPS costs. There are no reasonable grounds for distinction.

If the Utilities' real complaint is that the ReMAT causes overprocurement, there are other tools to address this problem. The Utilities can adjust their procurement to compensate for the ReMAT products in their portfolios. Critically, a proposal in R.17-06-026 by Working Group 3[12] would directly address this problem by allowing the allocation of RPS energy to LSEs whose

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10 Petition at 6.

11 *Id.* at 8

12 *See* R.17-06-026, *Final Report of Working Group 3 Co-Chair: Southern California Edison Company (U-338 E), California Community Choice Association, and Commercial Energy*, Feb. 21, 2020 (WG 3 Proposal), §V.D. at 32-40 https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M335/K710/335710541.PDF

customers pay the above-market costs of RPS contracts. If this were the problem, however, the Utilities would not be proposing to retain the resource attributes.

CalCCA submits, however, that the Utilities' complaint can boiled down to the fact that they no longer like the operation of the PCIA in the face of a declining load. They consequently are seeking, in a piecemeal fashion, to unravel the PCIA – first with the Bioenergy Market Adjusting Tariff (BioMAT)[13] and now with ReMAT. The Petition at its heart would change the rules for what belongs in and out of the PCIA.

CalCCA urges the Commission to stop allowing the Utilities to unravel the PCIA without examining the principles their choices embody. The Utilities have presented no clear argument to remove these costs from the PCIA, and the Commission should reject the Petition.

IV. IF THE COMMISSION PERMITS PPPC RECOVERY OF THE REMAT COSTS, IT MUST MODIFY THE UTILITIES' PROPOSED METHODOLOGY

As the Utilities note, the Commission has allowed "unique benefit" cost recovery previously in the case of the tree mortality nonbypassable charge (TM NBC) for biomass energy procurement and the BioMAT program. If the Commission once again accepts the Utilities' arguments for offloading more costs onto CCA customers, the CCA customers paying for the program must receive equal benefits. The Commission should allow CCA customers to receive their share of direct benefits of the resources they fund, and their CCAs must be able to participate in the ReMAT program.

First, if the Commission determines that the ReMAT contracts are uniquely in the public interest, *all* ReMAT costs should be recovered through the PPPC not simply the above-market costs. The Commission took a similar approach in adopting tree mortality nonbypassable charge (TM NBC) for biomass energy procurement in D.18-12-003. The TM NBC was designed to

[13] *See generally* D. 18-12-003.

cover the "net" costs of the procurement, after sales of energy and associated Renewable Energy Credits.[14] Similarly, the BioMAT program received PPPC recovery of "net costs" from all customers, after the sale of attributes of value.[15]

CalCCA propose an alternative approach, consistent with the PCIA Working Group 3 proposal. The costs recovered in the PPPC would be net of energy revenues, but the RA and RPS value would be allocated on a *long-term* basis to all LSEs whose customers pay the PPPC. This approach also is similar to the treatment of RA value under the Cost Allocation Mechanism, where customers pay the net costs of reliability resources and receive an allocation of RA attributes. If ReMAT contracts are deemed to have been procured on behalf of CCA customers, then CCAs should receive the direct benefits of the resources for which their customers are paying.

Second, if CCA customers are required to pay for the ReMAT program, then CCAs must be allowed to fully participate in the program. The Commission has determined that broad allocation of costs to all customers through distribution rates is only appropriate where all customers are offered a fair and equitable share of benefits from the program. Where a program benefits only bundled customers or is available only to bundled customers, the costs of such program should be recovered in the IOUs' generation rates.[16] Similar programs, such as the BioEnergy Renewable Auction Mechanism (BioRAM) program under the tree mortality

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14 D.18-12-003 at 22.

15 D.20-08-043 at 15-16

16 *See, e.g.,* D.12-12-004 at 52-53 ("requiring the customers of CCAs and ESPs, who cannot enroll in SDG&E's dynamic pricing tariffs, to pay the costs of implementing those tariffs, is not consistent with cost causation principles, and would not be reasonable. . . For these reasons, we require that the costs of SDG&E's dynamic pricing decision be recovered from all bundled customers through generation rather than distribution rates."). See also D.13-03-032 at 70-71 (agreeing that distribution projects should be recovered through distribution rates, but requiring costs of a pilot that solely benefits bundled customers to be recovered through generation rates).

nonbypassable charge,[17] or the DAC-GT and CS-GT programs[18] provide for CCAs to participate under these programs for which CCA customers pay. In both cases, "both groups of customers pay for the program" so "the potential benefits of the program should not be limited based on the retail energy choice of customers."[19] This model of at minimum expanding eligibility of CCAs to participate in programs their customers pay for is already proving successful in the DAC-GT and CS-GT program in which several CCAs have moved forward with their own programs.

Given this precedent, establishing a similar structure here would represent a continuation of this equal access approach. Although there remain implementation details to be developed, the existence of several other similar programs should make this a relatively straightforward process to develop program requirements and procedures.

V. CONCLUSION

The California Community Choice Association appreciates the opportunity to submit this response and urges the Commission to reject or, in the alternative, substantially modify the Utilities proposed cost recovery methodology.

Respectfully submitted,

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March 15, 2021

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[17] *See* Resolution E-4977 at 13 ("If an IOU is unable to execute a new or amended contract with an eligible seller pursuant to this section, we find that a CCA may enter into a contract with that seller, and the procurement expenses incurred therein may be collectible through the Tree Mortality non-bypassable charge, if such contracts conform to all of the terms and conditions of BioRAM 2, including the rules and conditions established through this Resolution.").

[18] D.18-06-027. (approving CCA participation that the funds for the program " are *intended* to benefit both bundled and unbundled customers. Consistent with this, it is reasonable for CCA customers to be eligible for a comparable CCA DAC-Green Tariff.")(emphasis added.)

[19] D.18-06-027 at 90.