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**BEFORE THE PUBLIC UTILITIES COMMISSION**
**OF THE STATE OF CALIFORNIA**

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| Application of San Diego Gas & Electric Company (U902E) for Authority to Implement Optional Pilot Program to Increase Customer Access to Solar Generated Electricity. | A.12-01-008 |
| And Related Matters. | A.12-04-020<br>A.14-01-007 |

# RESPONSE OF CALIFORNIA COMMUNITY CHOICE ASSOCIATION TO PETITION FOR MODIFICATION OF DECISION 15-01-051 AND DECISION 16-06-006 OF THE COALITION FOR COMMUNITY SOLAR ACCESS


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Pursuant to Rule 16.4(g) of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, the California Community Choice Association[1] (CalCCA) hereby submits this response to the *Petition For Modification Of Decision 15-01-051 And Decision 16-05-006 Of The Coalition For Community Solar Access* (Petition), filed June 17, 2021.

## I. INTRODUCTION

The Petition of the Coalition for Community Solar Access (CCSA) seeks to modify the Enhanced Community Renewables (ECR) rate structure to replace the Power Charge Indifference Adjustment (PCIA), Solar Value Adjustment (SVA), and other components with

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[1] California Community Choice Association represents the interests of 22 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, Sonoma Clean Power, and Valley Clean Energy.

20-year levelized values from the Commission's Avoided Cost Calculator (ACC). CCSA aims its proposal toward three objectives:

1) Meet the legislative mandate for cost indifference;

2) Remain consistent with the guidance provided by the legislature and Commission in prior decisions and rulings; and

3) Enable a financially viable program that can live up to its legislative intent and play a pivotal role in meeting California's state energy goals.[2]

While CCSA's aim is in the right direction, its proposed modifications do not meet these objectives and would discriminate against other bundled customers and customers of other load-serving entities (LSEs). For these reasons, the Petition should not be granted, or, at a minimum, CCSA's proposals should be modified to address three shortcomings.

First, the proposal may shift costs from ECR customers to bundled and Community Choice Aggregators' (CCAs') unbundled customers by removing the PCIA charge from the tariff. The PCIA charge elimination is grounded in the implicit – but erroneous – assumption that PCIA charges are avoidable.[3] In fact, the PCIA is designed to recover net *unavoidable* costs,[4] and all customers, including ECR customers, should bear this cost proportionally.

Second, the proposal is inconsistent with a prior Commission determination[5] and provides the investor-owned utilities an unjustified competitive advantage. CCSA proposes to confer the value of avoided transmission, distribution, and greenhouse gas (GHG) costs on ECR customers in setting Green Tariff Shared Renewables (GTSR) rates.[6] While these avoided costs should be accounted for in a variety of settings, the Commission has previously rejected their use

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2 Petition at 4.

3 Petition at 7 ("ACC provides a more comprehensive long-term value/cost calculation for renewable energy and prevents unreasonable cost shifting.").

4 *See* D.18-10-019 at 129.

5 See D.16-05-006 at 31-32.

6 Petition, Table 2 at 7.

in setting GTSR rates[7] for reasons that remain unchanged. Further, despite years of consideration in pending proceedings, compensation for these avoided costs is not available to the customers of CCAs under CCA "green" tariffs. Rather than reject this proposal, however, the Commission should move forward to cement these values and make them available to all customers and the LSEs that serve them. In addition, any transmission and distribution ACC values conferred on ECR customers should be conveyed as an offset to distribution, not generation, rates.

Third, as the Commission previously determined, avoided GHG costs cannot be considered until the Commission can ensure that they will be valued and conferred consistently across programs.[8] Today these values are not used for compensation or valuation; their use is limited to measuring cost effectiveness. Importantly, the Commission has refused to use the ACC or any other proxy to value avoided GHG emissions in the IOUs' PCIA portfolios.[9] If the Commission permits the IOUs to confer avoided GHG costs on ECR customers, it must *contemporaneously* incorporate the same value into the PCIA calculation.

## II. THE PETITION PROPOSES TO MODIFY KEY ELEMENTS OF THE ECR CALCULATION

### A. The Existing ECR Calculation

The tariff today requires an ECR customer to pay duplicative generation rates: (1) "all regular charges applicable under the customer's OAS" (otherwise applicable rate schedule) plus (2) a Renewable Power Rate (RPR) to recover the energy generated at the applicable ECR facility.[10] To eliminate this duplication of generation rates, the tariff then credits the customer for

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7 *See* D.15-01-051 at 98; *see also* Resolution E-5028 at 41-42 and D.16-05-006 at 31-32.

8 *See* D.16-05-006 at 31-32.

9 Rulemaking (R.) 17-06-026, Exh. CalCCA 1, *Prepared Direct Testimony of the California Community Choice Association,* at 2B-10.

10 PG&E Electric Schedule E-ECR Sheet 1, Rates.

"the average generation rates for the OAS class of service."[11] By including the OAS as both a charge and credit, the customer's generation charges net out to the ECR facility generation charges, referred to as the "Solar Charge."[12] As a result, after these ratemaking acrobatics required by statute, the customer pays on a net basis the generator's energy charge rather than a specific tariffed rate.

On top of these generation charges and credits, the ECR customer pays a vintaged PCIA.[13] This is consistent with the Commission's determination in D.15-01-051:

> Because GTSR customers are credited the class average commodity cost, a corresponding charge must be applied to ensure that GTSR customers continue to share in the above market costs for resources that were already procured on their behalf.[14]

The Commission concluded among other reasons that the PCIA is the correct way to ensure customer indifference because (1) it is already in place and required no new analysis; (2) it is designed to take into account the cost of procurement for a customer no longer taking service from the same procurement service as other bundled customers; and (3) the Commission and stakeholders all have experience with the PCIA and its annual adjustment.[15] None of these facts have changed.

In addition, the program rates include a "Solar Value Adjustment (SVA)," which can be either a charge or a credit. The SVA meets the requirement of Section 2833(k) for "a renewables

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[11] *Id.*, Sheet 2, Generation Credit. Public Utilities Code §2833(k) requires that ECR customers "receive bill credits for the generation of a participating eligible renewable energy resource using the class average retail generation cost as established in the participating utility's approved tariff for the class to which the participating customer belongs."

[12] The Solar Charge is offset in the applicable PPA by an equal Solar Credit, to ensure that the customer pays the charge only once: through the ECR tariff. *See id.*, Sheet 1, Solar Charge and Credit.

[13] PG&E Electric Schedule E-ECR Sheet 2, Power Charge Indifference Adjustment.

[14] D.15-01-051 at 100 (citing TURN Opening Brief).

[15] *Id.* at 102-103.

adjustment value representing the difference between the time-of-delivery profile of the eligible renewable energy resource used to serve the participating customer."[16]

Finally, the ECR rate calculation includes additional charges for the California Independent System Operator (CAISO) charges, Western Renewable Energy Generation Information System (WREGIS) fees, program administration and marketing, renewables integration, and resource adequacy.[17] None of these rate elements are addressed in this Response. The calculation can be simplified as follows:[18]

| | Charges | | Credits |
|---|---|---|---|
| + | OAS Generation Rate | - | OAS Generation Rate |
| + | Renewable Power Rate | - | Solar Value Adjustments |
| + | Power Charge Indifference Adjustment | - | ACC True-Up |
| + | CAISO Charges | | |
| + | WREGIS Charges | | |
| + | Resource Adequacy Charges | | |
| + | Program Administrative and Marketing Charges | | |
| + | Renewables Integration Charge | | |
| + | Renewables Integration Charge | | |

The red text in the table above identifies the elements the Petition proposes to remove, and the green text identifies new elements of the calculation, as discussed in Section B below.

16 *See* D.15-05-051 at 121-122.

17 The resource adequacy rate element is under consideration in the *Joint CCAs' Petition for Modification of Decision 15-01-051*, May 17, 2021. CalCCA thus supports retention of the RA component of the ECR until the Joint CCAs' Petition is resolved.

18 Petition at 7.

## B. The Petition Replaces Several Important Elements with an Avoided Cost Adjustment

The Petition aims to eliminate four components of the existing ECR calculation: the PCIA, Resource Adequacy, Renewables Integration Charge, and the SVA. It would replace these elements with the "ACC True-Up," "the simple delta between any differences between the Class Average Generation Rates, required in statute, and the leveled ACC calculated value which represents the value of distributed generation and preserves ratepayer indifference."[19] If the ACC value is less than the class average, it appears it will reduce the level of generation credit provided in the current calculation. Conversely, if the ACC value is higher than the class average, it will increase the generation credit.[20] While not explicit, the net result of the changes is to replace the current OAS + solar value credit with a credit for the full DER avoided cost – a change that would not meet the requirements of Public Utilities Code Section 2833(k)[21].

The net effect of the proposed changes – increase or decrease in the ECR rate – is masked by the Petition's use of illustrative data and the lack of even a rough sense of where SVA values may fall. Assuming this aim of the Petitioner is to lower the ECR rate, the Petition achieves this reduction by removing the PCIA from the ECR charges and by crediting previously excluded value – avoided transmission, distribution, and GHG emissions – in setting the GTSR rate.

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19 Petition at 9.

20 The Petition creates some ambiguity around this interpretation by using a "negative" ACC True Up value in Table 4. Based on the arithmetic in the table, however, it appears this true-up was intended to be positive.

21 Unless otherwise noted, all code references are to the Public Utilities Code.

## III. ECR CUSTOMERS MUST EXPLICITLY BEAR THEIR PROPORTIONAL RESPONSIBILITY FOR PCIA RESOURCE COSTS

Today, the PCIA is a net positive charge applied in the GTSR rate calculation.[22] This charge ensures that the Commission meets its obligation under Section 2831(h) to ensure the indifference of non-participating bundled service, direct access, and CCA customers. CCSA proposes, however, to remove the PCIA charge from the calculation, contending that the ACC True-Up somehow will account for these costs.

CalCCA disagrees. The ACC True-Up is designed to account for *avoidable* costs – a range of costs that, in theory, could be avoided through the installation of new distributed energy resources (DERs). In high contrast, the PCIA accounts for net *unavoidable* costs of the PCIA resource portfolio; these costs are not avoided by the installation of DER. Any approach adopted to replace the current methodology must recognize this key difference and must be designed to ensure the full value of the PCIA is recovered from ECR customers like all other customers as required by D.15-01-051.[23] Any other solution would violate ratepayer indifference.

### A. The Costs Recovered through the PCIA Are Not Avoidable and Thus Cannot Be Replaced by ACC Values

As noted in Section II.B, the fundamental premise of the CCSA petition is that certain elements of the ECR rate calculation can be replaced by an ACC True-Up, including the PCIA. The proposal rests further on the conclusion that crediting customers for the avoided cost of their generation alternative avoids cost shifting to other customers thereby meeting the statutory

[22] In effect the PCIA appears to be charged twice and credited once. The PCIA is charged through the customer's payment of its OAS and through its explicit PCIA charge. The PCIA is then credited once through the OAS credit. This results in a net positive PCIA.

[23] D.15-05-051 at 100.

requirement of non-participating ratepayer indifference.[24] "Replacing" the PCIA with ACC values, however, is like replacing apples with oranges; the ACC avoided cost values do not encompass the unavoidable PCIA costs.

The Commission most recently made clear that the PCIA is designed to recover unavoidable costs in the IOUs' resource portfolios. Guiding Principle 1h. in Phase 1 of R.17-06-026 directed that the PCIA "[s]hould only include legitimately unavoidable costs."[25] In other words, when a customer leaves bundled service – for whatever reason – bundled customers do not avoid PCIA costs. Accordingly, the Commission has required these costs -- sunk costs of utility owned generation and long-term Power Purchase Agreement commitments – to be recovered from all customers on whose behalf they were procured. There is thus no reasonable "credit" that can or should be applied to offset these costs in the ECR rate calculation.

The ACC, in contrast, is designed to look at future costs that can be avoided. The 2016 ACC User Manual explains that "the model produces an hourly set of values over a 30-year time horizon that represent costs that the utility would avoid if demand-side resources produce energy in those hours."[26] The ACC does not address existing sunk costs. In fact, the Petition acknowledges that "the PCIA was never developed for use in valuing distributed energy resources."[27] Consequently, the ACC itself is not relevant in addressing or offsetting PCIA costs. Notably, the Petition provides no other reason for eliminating the PCIA other than its vague reference to "indifference." Moreover, excluding a subset of ratepayers from the PCIA

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24 Pub. Util. Code §2831(h) and §2833(q) ("The commission shall ensure that charges and credits associated with a participating utility's green tariff shared renewables program are set in a manner that ensures nonparticipant ratepayer indifference for the remaining bundled service, direct access, and community choice aggregation customers and ensures that no costs are shifted from participating customers to nonparticipating ratepayers.").

25 *See* D.18-10-019 at 129.

26 *Avoided Cost Calculator User Manual* (2016) at 1.

27 Petition at 12.

would be a gross violation of ratepayer "indifference" by shifting these customers' proportional share of PCIA-related costs onto to the other ratepayers who still bear the PCIA burden.

### B. The Petition Does Not Justify Departure from the Current Indifference Methodology

The Petition correctly points out that the Commission agreed to *consider* an ACC-based indifference approach in Resolution E-5028.[28] Notably, however, it concluded that in late 2019 "the PCIA mechanism remains a reasonable and best-available proxy to retain the ratepayer indifference mandated by SB 43."[29] No party has demonstrated that the ACC provides a better tool to address indifference; the Petition's recommendation is no more than a bare conclusion. Further, as discussed above, upon consideration, the Commission will find that the ACC cannot be substituted for an indifference calculation because it ignores the sunk costs of the PCIA portfolio.

The Commission cannot allow ECR customers to avoid PCIA as it would violate Section 2831(h). Customers of other load-serving entities offering comparable green tariffs are bound to pay the PCIA consistent with a line of prior Commission decisions. There is no reason to exempt ECR customers. These customers, regardless of any other adopted uses of the ACC, should continue to pay the PCIA as an explicit, net positive charge.

## IV. THE COMMISSION SHOULD PERMIT THE USE OF THE FULL ACC IN THE TRUE-UP ONLY IF IT CONTEMPORANEOUSLY MAKES ACC VALUE AVAILABLE TO OTHER CUSTOMERS AND THE LSES WHO SERVE THEM

The Petition proposes to employ the ACC True-Up as a replacement for the resource adequacy, renewables integration and PCIA charges and the SVA credit in the ECR calculation.

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28 Resolution E-5028 at 34.
29 *Id.* at 33.

The generation portion of the ACC may have some use in substituting for the SVA, since the SVA is designed to represent:

> [T]he difference between the time-of-delivery profile of the eligible renewable energy resources used to serve the participating customer and the class average time-of-delivery profile and the resource adequacy (RA) value, if any, of the resources contained in the GTSR portfolio.[30]

The remainder of the ACC elements, however, should be excluded from the ECR rate calculation. The ACC values the Petition appears to contemplate are complex approximations of avoided costs, which have not been examined closely in the context of the GTSR program. In addition, the benefit of the values for distribution, transmission, and GHG emissions avoided costs are not available to any other customers – bundled or unbundled – and to CalCCA's knowledge have not been used as "compensation" or even valuation in any other program to date. Consequently, if the Commission authorizes the use of these values in the ECR calculation, it must extend the benefits in a diversity of other settings.

### A. ACC Values Are Complex and Encompass a Wide Range of Attributes

The ACC calculates a range of avoided cost values, including Generation Capacity, Energy, Ancillary Services, GHG Emissions, GHG Value, Transmission, Distribution, and High Global Warming Potential Gases.[31] These values are specified by IOU service territory and by Climate Zone within the territory and are provided as hourly and monthly values. The Petition proposes to employ ACC values as "the levelized 20-year rates averaged across the climate zones for each IOU territory, with three technology options: 1) fixed tilt; 2) tracking; and 3) tracking + storage solar profiles." It will further adjust these values to "provide a levelized rate

30 D.15-05-051 at 121.

31 *See* CPUC 2021 ACC Documentation, Table 1 at 2.

for peak hours and a different levelized rate for non-peak hours."[32] It is unclear from the Petition and 2021 ACC documentation precisely where those values can be found or whether they would have to be separately developed in an additional proceeding. Even if the values themselves were clear, they are overly broad in scope. They go beyond generation-related elements – the focal point of the ECR tariff.

### B. The ACC True-Up Should Include Avoided Transmission or Distribution Costs *Only if* this Value is Made Available to Other Bundled Customers, Unbundled Customers, and LSEs Who Install DERs

The proposed ACC True-Up includes value for avoided distribution and transmission costs resulting from installation of new DER. While CalCCA supports use of the ACC in this and other settings, if the Commission grants this benefit to ECR customers, it must contemporaneously make it available to other customers and their LSEs who develop projects producing similar benefits. Without this equitable distribution of the value, the Commission will give IOUs a competitive advantage over other LSEs and discriminate against these LSEs' customers in favor of ECR customers.

The Commission has previously rejected conferring the value of avoided transmission and distribution costs in setting GTSR rates.[33] Further, despite years of consideration in pending proceedings, compensation for these avoided costs is not available to the customers of CCAs under CCA "green" tariffs. Rather than reject this proposal, however, the Commission should move forward to cement these values and make them available to customers of all LSEs. In

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[32] Petition at 9.

[33] *See* D.15-01-051 at 98; *see also* Resolution E-5028 at 41-42. While the Commission did not consider the topic independently in D.16-05-007, it did consider it in the context of GHG reduction, rejecting the consideration of the benefit because it wanted consistency methodology across programs; D.16-05-006 at 31-32.

addition, any transmission and distribution ACC values conferred on ECR customers should be conveyed as an offset to distribution, not generation, rates.

### C. If the Commission Permits Inclusion of Avoided GHG Costs, It Must Employ the Same Value in Determining the Value of the GHG-Free Resources in the IOUs' PCIA Resource Portfolios

The proposed ACC True-Up includes value for avoided GHG emissions resulting from installation of new DER. While CalCCA supports use of the ACC in this and other settings, if the Commission grants this benefit to ECR customers, it must contemporaneously make it available to other customers and their LSEs with projects that produce similar benefits. This approach aligns with the Commission's previous determination that avoided GHG costs cannot be considered in the ECR calculation until the Commission can ensure that they will be valued and conferred consistently across programs.[34]

GHG value is not consistently conferred across programs. Importantly, in Phase 1 of the PCIA proceeding, R.17-06-026, CalCCA discussed the possibility of using the avoided GHG value from the ACC as an element of the PCIA calculation. Witness Kinosian testified:

> The Commission also has recognized the value of GHG-free products, apart from the RPS. The Commission values GHG-free energy efficiency at a price above that of compliant brown power in evaluating energy efficiency cost effectiveness, using $66.37/metric ton in 2018 in the Integrated Distributed Energy Resources proceeding. The Commission directed that this value be used as an input to the E3 Calculator and could similarly be applied to all output from all GHG-free, non-RPS resources in the utility portfolio, as well as for distributed energy resources and energy efficiency.[35]

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[34] *See* D.16-05-006 at 31-32.

[35] R.17-06-026, Exh. CalCCA 1, *Prepared Direct Testimony of the California Community Choice Association,* at 2B-10.

While CalCCA ultimately proposed a more moderate value, the Commission rejected inclusion of even a reduced avoided GHG emissions valuation for PCIA resources.[36] The issue arose again in D.21-05-030, where the Commission stated that it still did not have a sufficient record to support a GHG value in the PCIA calculation.[37]

If the Commission permits the IOUs to confer avoided GHG cost value on ECR customers, it must *contemporaneously* incorporate the same value into the PCIA calculation and consider other effective uses.

## V. CONCLUSION

The California Community Choice Association appreciates the opportunity to submit this response.

Respectfully submitted,

Evelyn Kahl

Evelyn Kahl
General Counsel to the
California Community Choice Association

July 19, 2021

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36 D.18-10-019 at 150-151.
37 D.21-05-030 at 53.