

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



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Order Instituting Rulemaking to Review,
Revise, and Consider Alternatives to the
Power Charge Indifference Adjustment.

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

**CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S REPLY COMMENTS
IN RESPONSE TO E-MAIL RULING REQUESTING COMMENTS ON MARKET
PRICE BENCHMARK ISSUE DATE**

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On behalf of
California Community Choice Association

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The California Community Choice Association¹ (“CalCCA”) submits the following comments in reply to parties’ responses to the questions posed in Administrative Law Judge (“ALJ”) Wang’s August 25, 2021 E-mail Ruling (“Ruling”) in the above-captioned proceeding.² The questions address further analysis from Energy Division Staff’s (“ED”) May 20, 2021 proposal to revise the publication date for the Power Charge Indifference Adjustment (“PCIA”) Market Price Benchmarks (“MPBs”) from November 1 to October 1 of each year (“Staff Proposal”).³

CalCCA agrees with ED that “[t]he November Update is a compressed timeframe conceived when the ERRRA proceeding was far less complex – never intended for the depth and

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 Authority, 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 Authority, Sonoma Clean Power Authority, and Valley Clean Energy.

² Rulemaking (“R.”) 17-06-026, *E-mail Ruling Requesting Comments On Market Price Benchmark Issue Date* (August 25, 2021).

³ R.17-06-026, Energy Division Staff, *Revision of the Power Cost Indifference Adjustment Market Price Benchmarks Calculation Date from November 1 to October 1 of each year* (May 20, 2021) (“Staff Proposal”).

complexity of the data and calculations of the modern PCIA.”⁴ As such, CalCCA welcomes changes to the November Update that serve to increase transparency and accuracy, and thereby fulfill the purpose of the ERRA update process.

CalCCA supports ED’s proposal to move the ERRA update to October 1, provided the remaining procedural schedule, including the ERRA Application date, is also moved forward. Similarly, CalCCA supports Pacific Gas and Electric Company’s (“PG&E”) proposal to permit flexibility in the timing of the gas and electric forward price curve used in its production cost forecasting, provided a date certain is established in advance.

However, CalCCA urges the Commission to reject PG&E and Southern California Edison Company’s (“SCE”) proposals to change the basic inputs into the Brown Power MPB, which would constitute a major change to the structure of the PCIA and requires analysis and a process for review and consideration of its impacts. CalCCA also urges the Commission to reject PG&E’s proposal to update the PCIA rates in its annual electric true-up (“AET”) process, as opposed to relying on the PCIA rates from its approved ERRA forecast. This would, in effect, constitute a “December Update,” and thus would require the procedural safeguards and reviews that apply to the current, already time-compressed November update.

I. CALCCA SUPPORTS ED’S PROPOSAL TO MOVE THE ERRA UPDATE TO OCTOBER 1, PROVIDED THE REMAINING PROCEDURAL SCHEDULE IS ALSO MOVED FORWARD.

CalCCA has throughout this proceeding emphasized that ED’s proposal to move the update forward by one month will seriously impact the already truncated, pre-update process in

⁴ California Public Utilities *Commission Energy Division Workshop on the PCIA Market Price Benchmark Release Date* (June 4, 2021) at 6.

the ERRA proceedings, unless the IOUs' ERRA Application dates are also moved forward.⁵ CalCCA has also previously listed the important policy considerations addressed in recent ERRA proceedings, and the importance of the ERRA procedure and review process to all ratepayers.⁶ That attention and review has resulted in the identification of hundreds of millions of dollars' worth of errors and unfair methodologies for calculating PCIA rates. The reviews necessary to ensure just and reasonable rates in these over-burdened proceedings are anything but "formulaic and mechanical" as the IOUs prefer to claim.⁷

Because the ERRA applications require a thorough examination during an already truncated period, the loss of a month of pre-update litigation will undermine parties' ability to address these issues and, in turn, diminish the adequacy of the record upon which the Commission relies to address them. Thus, CalCCA reiterates that this process would be irreparably harmed if the forecast update is moved to October 1, unless the original application date and the remaining procedural schedule is also moved up commensurately.

II. PROPOSALS FOR A LOAD WEIGHTED ENERGY INDEX CALCULATION IN THE BROWN POWER MPB REQUIRE AND DESERVE FURTHER ANALYSIS.

While CalCCA appreciates the efforts of the IOUs to increase accuracy in ERRA forecasting, the proposed change in the MPB calculation is not appropriate at this time. SCE and PG&E claim that changing to a load-weighted energy index calculation can mitigate the "lack of

⁵ R.17-06-026, *California Community Choice Association's Comments in Response to Staff's ERRA Timing Proposal* (June 15, 2021) ("CalCCA June 15 Comments") at 6; R.17-06-026, *California Community Choice Association's Comments in Response to E-Mail Ruling Requesting Comments on Market Price Benchmark Issue Date* (September 13, 2021) ("CalCCA September 13 Comments") at 10.

⁶ CalCCA June 15 Comments at 8-9; CalCCA September 13 Comments at 11-12.

⁷ R.17-06-026, *Joint Opening Comments of Southern California Edison Company (U 338 E) and Pacific Gas and Electric Company (U 39 E) on the Energy Division Staff Proposal Concerning the Timing Of The Market Price Benchmarks* (June 15, 2021) at 1-2, n. 2.

accuracy” in the MPB resulting from ED’s proposal to move the issue date forward.⁸ However, neither utility has provided any numerical analysis demonstrating the ultimate impact of their proposals on PCIA rates, *i.e.*, the same shortcoming for which SCE and San Diego Gas & Electric Company (“SDG&E”) criticize ED’s proposal in their opening comments.⁹

The change proposed by the IOUs, while potentially beneficial to all customers, deserves significant analysis and consideration. This important structural change in the calculation of the PCIA would eliminate transparency into a major PCIA component and thereby increase uncertainty. This potential cause of “rate shock” should not be adopted based on unsubstantiated comments made in response to the ALJ’s ruling. This issue belongs in a later phase in this or another proceeding.

A. The impact of PG&E and SCE’s Load-Weighting Proposals on the MPB is More Uncertain than ED’s Proposal to Shift the MPB calculation from October to September.

PG&E bases its proposal for a load-weighted energy index calculation on the claim that “utilization of each IOU’s respective PCIA supply portfolios when determining a monthly on peak/off peak weightings, rather than customer load, will improve the precision of the forecasted brown power index. . . . Such methodological improvement would be helpful to mitigate any increased forecasting inaccuracy caused by an energy MPB date change.”¹⁰ Similarly, SCE

⁸ R.17-06-026, *Opening Comments of Pacific Gas and Electric Company (U 39 E) on Market Price Benchmark Issue Date* (September 13, 2021) (“PG&E Opening Comments”) at 5; R.17-06-026, *Response of Southern California Edison Company (U 38 E) to Administrative Law Judge’s Ruling Requesting Comments on the Market Price Benchmark Issue Date* (September 13, 2021) (“SCE’s Opening Comments”) at 2.

⁹ SCE Opening Comments at 3-4; R.17-06-026, *San Diego Gas & Electric Company (U 902 E) Comments on Ruling Regarding Market Price Benchmark Issue Date* (September 13, 2021) at 2-3.

¹⁰ PG&E Opening Comments at 5.

proposes that “The forecast Energy Index MPB should be calculated based on the investor-owned electric utility’s (IOU’s) generation profile shapes, not its customer load shapes.”¹¹

Making this straightforward but important structural change in the Energy Index MPB will go a long way to counterbalancing the potential degradation to forecast accuracy the proposed change from October to September will introduce¹²

ED’s original analysis is based on some assumptions regarding the decrease in accuracy that may result from moving the issue date farther from the date to be forecast.¹³ However, even making such assumptions, ED’s analysis concludes there would be minimal impact to the PCIA from making this change.¹⁴ In fact, PG&E agrees that “by using September forwards instead of October forwards, forecasting accuracy will diminish by a limited amount as a result of the timing change.”¹⁵

Nonetheless, both IOUs claim the change they propose will help mitigate the “degradation in accuracy” caused by moving the MPB issue date to October. Neither IOU provides any support or analysis regarding the scope or impact of this “degradation” in accuracy. Likewise, neither have come forward either with data or analysis to support the claim that a change to the energy index calculation would mitigate this perceived issue.

CalCCA agrees with SCE in not supporting changes to the PCIA unless such changes are sufficiently justified.¹⁶ Thus, CalCCA strongly urges the Commission to consider any proposed changes to the energy index to a phase, or proceeding, where more analysis can be performed and a full record established.

¹¹ SCE Opening Comments at 8-9.

¹² *Id.* at 2.

¹³ See *Energy Division Staff Analysis of Changes to Market Price Benchmarks Resulting from the Staff Proposal in R.17-06-026* (attached to Email Ruling August 25, 2021) at 8.

¹⁴ *Ibid.*

¹⁵ PG&E Opening Comments at 3.

¹⁶ SCE Opening Comments at 4.

B. PG&E and SCE’s Proposals Would Eliminate Transparency in the MPB Calculation and Unnecessarily Confuse MPB implementation.

One of the benefits of the current energy index calculation is its transparency. If, instead, the current calculation is replaced by each utility’s forecast of wholesale market revenue based on its own production cost modeling, this benefit will be lost. Stakeholders will not have access to the data driving the ultimate calculation until the final calculation is presented to them, removing any ability to plan for changes to the PCIA.

In addition, because each utility may prepare its forecast using different inputs, and different production cost models, each IOU will presumably apply different price curves, and use different timelines for running its models. Instead of a uniform method for determining the relevant MPB, each IOU would in effect create its own methodology. As a result, all reviewers, including Staff, will need more time, not less, to review the process undertaken and the resultant PCIA calculations. Whatever decrease in “accuracy” Staff’s proposed change of the MPB issue date may incur does not outweigh the complexities and lack of transparency that would result from PG&E and SCE’s proposal.

C. PG&E and SCE’s Proposals Are Out of Scope and Deserve Consideration in a Later Phase.

Although presented as such by PG&E and SCE, the IOUs’ proposals to revise the method for establishing the “energy index” MPB are not a simple change to the benchmark’s calculation methodology. The proposals, if adopted, would constitute a major change such that the “Brown Power Index” of the MPB would no longer even be an “index” benchmark at all. These proposals go far beyond commenting on the issuance date or calculation date of the MPB, and are thus out of the scope of comments requested by ALJ Wang’s Ruling.

To support its proposal to change the MPB inputs by one month (which would be tried up, in any case, but for the “lost” September data for balance-of-year transactions in the forecast

MPB calculation), ED conducted data analysis and presented its findings through workshops and this opportunity to comment. By contrast, SCE and PG&E propose a major change to the Brown Power benchmark calculation, and recommend the Commission accept this proposal without further analysis or comment. The PCIA was litigated over three years, including detailed analysis and discussion of each component of the MPB. The proposed changes to the design of the Brown Power benchmark should not be made via comments in response to this Ruling. Any such change should be adopted only with significant analysis of its impact on the resultant PCIA calculation, and stakeholders' opportunity to review and consider its implications.

III. CALCCA SUPPORTS PG&E'S PROPOSAL TO ADD FLEXIBILITY TO THE FORWARD PRICE CURVES USED IN FORECASTING, PROVIDED A DATE CERTAIN IS SET IN ADVANCE.

PG&E proposes that if the November Update date is moved to October, it be allowed "increased flexibility in selecting forward curve dates to produce PG&E's Prepared Testimony and Testimony Update"¹⁷ so that market data on gas and electric forward prices may be calculated no greater than 45 days prior to the filing date.¹⁸ CalCCA supports PG&E's ability to perform modelling closer to the actual day of filing testimony.

However, to ensure certainty in the process and avoid any potential gamesmanship, PG&E should be required to pick a date certain on which the price calculation will take place, balancing the use of a date closer to the submittal of testimony with the time it takes PG&E to run its updated figures. For example, PG&E could set the timing for the forward price curve as "30 days prior to the November Update deadline." Once that day is selected, this day would then be used in proceedings going forward. The Commission would determine whether

¹⁷ PG&E Opening Comments at 7.

¹⁸ *Id.* at 8.

circumstances justify a change to that specified date. This avoids the potential for PG&E to select among different forward price curves (*e.g.*, comparing a curve forecasted 15 days prior to the deadline with a curve that had been forecasted 25 days prior) with an eye towards picking the curve that would result in the PCIA rates more favorable to bundled customers.

IV. A “DECEMBER UPDATE” SHOULD NOT BE ADOPTED.

Suggesting this proposal would mitigate the perceived inaccuracy that would result from the proposed change to the MPB issue date, PG&E proposes to implement rates, including PCIA rates, in its annual electric true-up (“AET”) process using its latest available balancing account balances, and not those forecast balances utilized in PG&E’s ERRR Forecast update.¹⁹ PG&E claims this approach “would improve ratemaking accuracy and mitigate the accuracy lost through the implementation of an October Update.”²⁰

However, the risks of this proposal far outweigh any perceived increase in forecast accuracy. Indeed, permitting PG&E to update PCIA rates in its AET using its latest account balances would require a stakeholder and Commission review and approval. This review would have to be performed by Staff and all stakeholders in an even more compressed timeframe than the current status quo the change in the MPB issue date was intended to alleviate. The Commission should reject this proposal for what would, in effect, constitute a “December Update.”

The Staff Proposal intends to address current problems encountered by a time-compressed review schedule. PG&E’s proposal, however, would result in even less notice to stakeholders and ED staff of the balances subject to the PCIA, and therefore the total effective

¹⁹ *Id.* at 9.

²⁰ *Ibid.*

PCIA charge, than there exist currently. With such a decrease in transparency, stakeholders' ability to plan for changes to the PCIA would also be seriously impacted. The already-problematic potential for rate shock that currently exists would be even greater under PG&E's approach.

As CalCCA has also repeatedly stressed, the process for obtaining from PG&E data and information needed to perform the review required in the current ERRA process is difficult. As we detailed extensively in our opening comments, discovery in these cases is time-consuming and frequently disputed.²¹ Because there are no formal discovery rights in the advice letter process, stakeholders frequently engage in time-consuming disputes to obtain the information they need from PG&E. Even if such disputes are ultimately successful, the level of effort and amount of time devoted to it is eye-opening.²²

In addition, and as we have continued to raise, advice letter dockets are not procedurally amenable to resolving fact-based questions that rely on confidential information.²³ There is no formal discovery process, exchange of testimony or evidentiary hearing in an advice letter process. A party's ability to review confidential information depends on the willingness of the IOU to agree to a nondisclosure agreement, and to do so in a timely fashion that enables the reviewing representative sufficient time to perform the review needed.

²¹ CalCCA September 13 Comments at 11.

²² For example, understanding the causes of a \$590 million undercollection in a recent ERRA compliance case required disputing submission of over 325 discrete discovery questions, a motion to compel (withdrawn after production), three submissions by PG&E of revised or supplemental testimony, and three requests for schedule revisions, the last of which was granted. R.19-06-001, *Opening Comments of the Joint Community Choice Aggregators* (February 13, 2020) at 11-12.

²³ A.20-02-009, *Opening Comments of Joint Community Choice Aggregators on Proposed Decision Resolving Phase One of Pacific Gas and Electric Company's Energy Resources Recovery Account (ERRA) Compliance Application for the 2019 Record Year* (June 30, 2021) at 11.

PG&E's proposal would add another step to the process and another update that is subject to error, would require review and, inevitably, would lead to disputes regarding requests for data and further information. PG&E's proposal highlights current impediments to effective discovery and, therefore, review of the matters intended for review under the ERRA process. Approving this proposal would further erode stakeholders' ability to perform an effective review.

V. CONCLUSION.

CalCCA thanks the Commission for the opportunity to file these comments, and respectfully requests the Commission adopt the recommendations herein.

Respectfully submitted,



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