

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



**FILED**

11/07/22

04:59 PM

R1706026

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

R.17-06-026

**CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S  
COMMENTS ON ADMINISTRATIVE LAW JUDGE'S RULING REQUESTING  
COMMENTS ON GHG-FREE RESOURCES STAFF PROPOSAL AND OTHER ISSUES**

Evelyn Kahl,  
General Counsel and Director of Policy  
Leanne Bober,  
Senior Counsel  
CALIFORNIA COMMUNITY CHOICE  
ASSOCIATION  
One Concord Center  
2300 Clayton Road, Suite 1150  
Concord, CA 94520  
Telephone: (415) 254-5454  
E-mail: [regulatory@cal-cca.org](mailto:regulatory@cal-cca.org)

November 7, 2022

## TABLE OF CONTENTS

I.	INTRODUCTION .....	1
II.	CALCCA RESPONSES TO QUESTIONS .....	2
A.	Given the analysis in this staff proposal, do you agree that a GHG-Free MPB is preferable to an allocation, moving forward? Please support your reasoning, focusing on the implications for fairness / cost shifting, complexity, and transparency. ....	2
1.	If you prefer an allocation, please describe your proposal for allocations in detail, and indicate how each element of your proposed approach would match or differ from the WG3 co-chair proposal. ....	4
B.	Do you agree with staff’s finding that GHG-Free resources have a measurable value that is incremental to energy value? If not, please explain why not. ....	4
C.	Assuming staff correctly identified the incremental value of GHG-Free resources, is the value high enough to justify the time and resources needed to calculate a GHG-Free MPB each year, as opposed to simply relying on the PCIA true-up process for energy value?.....	5
1.	Do you expect that the value of GHG-Free resources will increase in the near future due to new regulatory requirements or other factors? .....	5
D.	Do you support staff’s proposal for how to calculate a GHG-Free MPB? If not, which aspects would you change, and how? Please be specific. ....	7
E.	Are there GHG-Free resource types aside from hydro and nuclear that should be considered in a GHG-Free MPB? Which resource types should be excluded, particularly in cases where LSEs purchase portions of an entire asset controlling supplier’s portfolio? .....	7
F.	Is there a commercially available index that could inform the calculation of a GHG-Free adder, in lieu of the staff proposal? If so, what is the cost of this index? .....	7
G.	Based on your experience and the analysis above, do you expect that respondents will be able to report incremental GHG-Free value (net of energy value and RA value) without the Commission needing to develop a method for calculating and extracting energy and/or RA value? In other words, are most GHG-Free transactions structured so that the incremental value is easily identifiable? .....	7

**Table of Contents continued**

1. If not, please describe how respondents would identify and remove energy and/or RA value. Please provide as much detail as possible. ....8

H. What modifications, if any, should be made to the draft data request template in the appendix? .....8

1. Is staff’s proposal that respondents report all purchases, plus any sales to non-LSEs, sufficient to capture the majority of relevant transactions without double-counting both sides of a transaction? .....8

III. THE COMMISSION SHOULD DEFER TO A.16-08-006 THE REALIZATION OF AND ACCOUNTING FOR GHG-FREE ENERGY VALUE ASSOCIATED WITH DIABLO CANYON OPERATIONS DURING THE SB 846 EXTENSION PERIOD .....8

IV. IF PG&E’S APPLICATION TO TRANSFER ITS NON-NUCLEAR GENERATION ASSETS TO PACIFIC GENERATION IS APPROVED, THE COMMISSION SHOULD REQUIRE PACIFIC GENERATION TO COMPLY WITH ITS RULINGS IN THIS PROCEEDING.....9

V. CONCLUSION.....9

**TABLE OF AUTHORITIES**

**Page**

**California Legislation**

Senate Bill 1020 ..... 6  
Senate Bill 846 ..... ii, 2, 8

**California Public Utilities Code**

365.2 ..... 2, 3  
366.2(g) ..... 2, 3, 5

**California Public Utilities Commission Proceedings**

A.16-08-006 ..... passim  
A.22-09-018 ..... iv, 2, 9  
R.17-06-026 ..... 1

**California Public Utilities Commission Rulings**

*Administrative Law Judge’s Ruling Requesting Comments on GHG-Free Resources Staff  
Proposal and Other Issues* ..... 1, 2  
*Procedural Email Granting Request to File Comments on September 12 Ruling* ..... 1

## SUMMARY OF RECOMMENDATIONS

- ✓ The Commission should adopt the recommendations in the GHG-Free Data Analysis and Staff Proposal attached to the Ruling (Staff Proposal), including:
    - The finding that GHG-Free, non-Renewables Portfolio Standard (RPS)-eligible resources are undervalued in the Power Charge Indifference Adjustment (PCIA); and
    - The adoption of a GHG-Free Market Price Benchmark (MPB), incorporating the methodology set forth in the Staff Proposal, to ensure the Power Charge Indifference Adjustment (PCIA) calculation accounts for the market value of the GHG-Free resources in the investor-owned utilities' PCIA portfolios.
  - ✓ The California Public Utilities Commission (Commission) should defer to Application (A.) 16-08-006 (Aug. 11, 2016; reopened Sept. 9, 2022), the issues surrounding the realization of and accounting for GHG-Free energy value associated with Diablo Canyon Power Plant (Diablo Canyon) operations during the extension period contemplated by Senate Bill 846.
  - ✓ If the Application of Pacific Gas and Electric Company (PG&E) and Pacific Generation LLC (PacGen) to allow PG&E to transfer its non-nuclear generation assets to PacGen, A.22-09-018 (Oct. 3, 2022), is approved, the Commission should require as a condition of such approval that PacGen, as the new owner of PG&E's (non-nuclear) GHG-Free resources included in the PCIA portfolio, be subject to its rulings in this proceeding.
-

**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

**CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S  
COMMENTS ON ADMINISTRATIVE LAW JUDGE'S RULING REQUESTING  
COMMENTS ON GHG-FREE RESOURCES STAFF PROPOSAL AND OTHER ISSUES**

The California Community Choice Association<sup>1</sup> (CalCCA) submits these Comments in response to the *Administrative Law Judge's Ruling Requesting Comments on GHG-Free Resources Staff Proposal and Other Issues* (Ruling), issued on September 12, 2022, and *Procedural Email Granting Request to File Comments on September 12 Ruling* (Email Ruling), dated September 27, 2022.

**I. INTRODUCTION**

The "GHG-Free Data Analysis and Staff Proposal" attached to the Ruling correctly finds that GHG-Free resources are currently undervalued in the Power Charge Indifference Adjustment (PCIA).<sup>2</sup> The Staff Proposal therefore recommends the establishment of a GHG-Free Market Price Benchmark (MPB) to remove the incremental market value of GHG-Free resources from the PCIA calculation to ensure that unbundled customers do not pay for benefits they do

---

<sup>1</sup> California Community Choice Association represents the interests of 24 community choice electricity providers in California: Apple Valley Choice Energy, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance, CleanPowerSF, Desert Community Energy, East Bay Community Energy, Energy For Palmdale's Independent Choice, Lancaster Choice Energy, Marin Clean Energy, Orange County Power Authority, 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, Santa Barbara Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy.

<sup>2</sup> Ruling, Attachment (Staff Proposal), at 6.

not receive.<sup>3</sup> CalCCA has advocated throughout Phase 2 for an allocation of GHG-Free resources. However, the Staff Proposal’s establishment of a GHG-Free MPB is a workable alternative that will convey GHG-Free resource value to unbundled customers, while preventing cost shifting, as required by Public Utilities Code sections 366.2(g) and 365.2.

CalCCA’s comments offer responses to the “Questions for Parties” in the Staff Proposal, and provide the following recommendations:

- ✓ The California Public Utilities Commission (Commission) should adopt the Staff Proposal, including:
  - The finding that GHG-Free resources are undervalued in the PCIA; and
  - The adoption of a GHG-Free MPB, incorporating the methodology set forth in the Staff Proposal, to ensure the PCIA calculation accounts for the market value of the GHG-Free, non-Renewable Portfolio Standard (RPS)eligible resources in the investor-owned utilities’ (IOUs’) PCIA portfolios.
- ✓ The Commission should defer to Application (A.)16-08-006 the issues surrounding the realization of and accounting for GHG-Free energy value associated with Diablo Canyon Power Plant (Diablo Canyon) operations during the extension period contemplated by Senate Bill (SB) 846.
- ✓ If the Application of Pacific Gas and Electric Company (PG&E) and Pacific Generation LLC (PacGen) to allow PG&E to transfer its non-nuclear generation assets to PacGen<sup>4</sup> is approved, the Commission should require as a condition of such approval that PacGen as the new owner of PG&E’s (non-nuclear) GHG-Free resources included in the PCIA portfolio be subject to its rulings in this proceeding.

## II. CALCCA RESPONSES TO QUESTIONS

- A. Given the analysis in this staff proposal, do you agree that a GHG-Free MPB is preferable to an allocation, moving forward? Please support your reasoning, focusing on the implications for fairness / cost shifting, complexity, and transparency.**

Throughout Phase 2 of this proceeding, CalCCA has advocated for an allocation of GHG-Free resources to load-serving entities (LSEs) on behalf of unbundled customers. An allocation

---

<sup>3</sup> Staff Proposal at 6.

<sup>4</sup> A.22-09-018 (Oct. 3, 2022).

would allow an LSE to utilize the full value of those GHG-Free resources in reporting on its Power Content Label (PCL) with the California Energy Commission (CEC), and to utilize the resources in Integrated Resource Plan (IRP) planning. In fact, as noted in the Staff Proposal, both PG&E and Southern California Edison (SCE) have allocated such resources to LSEs, including community choice aggregators (CCAs), on an “interim” basis while the Commission determines whether GHG-Free resources are under-valued in the PCIA methodology.<sup>5</sup>

After receiving responses to data requests on GHG-Free resource transactions, the Staff Proposal finds that GHG-Free resources *are* currently undervalued in the PCIA given the market that exists for such resources.<sup>6</sup> Instead of making permanent the “interim” allocations, however, the Staff Proposal recommends adopting a GHG-Free MPB given that a market price for GHG-Free transactions is attainable, “significantly” less complicated, and requires “comparatively less effort” than an allocation.<sup>7</sup>

The option provides a workable alternative to an allocation, as it meets the goals of avoiding cost shifting, minimizing complexity, and providing transparency. By conveying the *value* of GHG-Free resources to unbundled customers, the proposal prevents cost shifting in compliance with Public Utilities Code sections 366.2(g) and 365.2.<sup>8</sup> Calculating a market value

---

<sup>5</sup> Staff Proposal at 1-2. The “interim allocations” have allowed PCIA-eligible LSEs to receive GHG-Free energy from one or both buckets of nuclear and non-nuclear energy. *Id.* at 2.

<sup>6</sup> *Id.* at 5-6.

<sup>7</sup> *Id.* at 6.

<sup>8</sup> Public Utilities Code §§ 366.2(g) and 365.2 work together to ensure that all IOU bundled customers and departed load customers get their proportional benefits from their PCIA payments, either by: (1) a direct allocation of the benefits, or (2) valuing the benefits provided to bundled customers and crediting that value against stranded costs. See Public Utilities Code § 366.2(g) (requiring that “[e]stimated net unavoidable electricity costs paid by the customers of a [CCA] shall be reduced by the value of any benefits that remain with bundled service customers, unless the customers of the [CCA] are allocated a fair and equitable share of those benefits”); *see also* Public Utilities Code § 365.2 (preventing inequitable cost shifting between IOU bundled customers and departed customers by ensuring “that bundled retail customers of an electrical corporation do not experience any cost increases as a result of retail customers of an electric corporation electing to receive service from other providers” and “that

for GHG-Free resources also presents less complexity than maintaining a framework of annual allocation, transacting, and accounting for these resources. The GHG-Free MPB will also prevent the need to account for allocated resources in the IRP proceeding. Finally, the methodology proposed by the Staff Proposal to calculate the GHG-Free MPB provides the same level of transparency provided by the methodology for valuing all other resource attributes.

As a result, CalCCA supports the adoption of a GHG-Free MPB as set forth in the Staff Proposal.

**1. If you prefer an allocation, please describe your proposal for allocations in detail, and indicate how each element of your proposed approach would match or differ from the WG3 co-chair proposal.**

As set forth in Section A. above, CalCCA supports the Staff Proposal's recommendation to establish a GHG-Free MPB.

**B. Do you agree with staff's finding that GHG-Free resources have a measurable value that is incremental to energy value? If not, please explain why not.**

Yes. Members of CalCCA have procured GHG-Free energy through third-party transactions, paying a separately stated value for the GHG-Free attribute. CCAs likewise have taken their allocations under PG&E's and SCE's "interim" GHG-Free energy allocation programs. GHG-Free energy has value to LSEs both in determining carbon intensity for the PCL and in other marketing efforts with customers.

---

departing load does not experience any cost increases as a result of an allocation of costs that were not incurred on behalf of the departing load").

**C. Assuming staff correctly identified the incremental value of GHG-Free resources, is the value high enough to justify the time and resources needed to calculate a GHG-Free MPB each year, as opposed to simply relying on the PCIA true-up process for energy value?**

*Any* value within the PCIA portfolio must be provided to PCIA-paying customers through a MPB or allocation – Public Utilities Code section 366.2(g) provides no value threshold. In addition, the dollar value of the MPB does not necessarily reflect the significant value overall of GHG-Free resources in the IOUs’ PCIA portfolios. The PCIA true-up process will not address or incorporate the value of the GHG-Free attribute, as recognized in the Staff Proposal:

[t]he data collected by Energy Division suggest that there is currently a premium for GHG-Free resources, which respondents were able to identify and which is perhaps associated with the usefulness of those resources in PCL counting or in meeting individual LSEs’ GHG reduction goals.<sup>9</sup>

GHG-Free attributes are not directly conveyed by the California Independent System Operator Corporation (CAISO) market. In fact, purchases from the CAISO receive a default emissions rate for GHG reporting purposes. The existence of a separate market for this attribute, as highlighted in the Staff Proposal, further emphasizes this point.<sup>10</sup> Consequently, the energy value true-up will not account for GHG-Free value, leaving a cost shift from bundled to unbundled customers without action.

**1. Do you expect that the value of GHG-Free resources will increase in the near future due to new regulatory requirements or other factors?**

Yes. Several factors will likely increase the value of GHG-Free resources. First, the availability of GHG-Free energy is likely to decline, and reduced supply typically leads to higher prices. The availability of a limited set of hydro resources is likely to decline over time due to

---

<sup>9</sup> Staff Proposal at 5.

<sup>10</sup> *Id.* at 6.

drought conditions and climate change.<sup>11</sup> In addition, to the extent GHG-Free transactions involve GHG-Free hydro resources outside of the CAISO, other balancing areas have their own carbon-free goals and targets which may result in reduced GHG-Free resource imports into the CAISO. Specifically, the availability of large-scale hydro energy from the Pacific Northwest is likely to decrease due to increased local demand.

Second, while supply declines, the need for GHG-Free energy likely will increase. The recently enacted 100% Clean Electric Grid bill, SB 1020 (2022), adds interim targets to require renewable energy and GHG-Free resources to supply 90 percent of all retail electricity sales by 2035, and 95 percent of sales by 2040. The interim targets establish goals to reach the SB 100 objective of zero carbon electricity by 2045. The 90 percent requirement must be met through a combination of a minimum of 60 percent RPS-eligible energy and up to 30 percent GHG-Free energy. As the amount of non-RPS GHG-Free energy available is relatively fixed, most LSEs will likely need to reach their 90 percent GHG-Free target by acquiring additional RPS-eligible resources beyond the 60 percent requirement. The cost of these RPS-eligible resources is therefore likely to be the marginal compliance cost for meeting GHG-requirements. Binding targets currently being considered in the IRP proceeding may also increase demand for GHG-Free energy.

---

<sup>11</sup> See “Climate, Drought, and Sea Level Rise Scenarios for California’s Fourth Climate Change Assessment,” California Energy Commission (Aug. 2018) at iv (“[m]ean annual precipitation is projected to increase modestly in the northern part of the state, but year-to-year variability is also projected to increase, leading to a greater incidence of dry years in future decades, which may affect state hydropower generation”), available at [https://www.energy.ca.gov/sites/default/files/2019-11/Projections\\_CCCA4-CEC-2018-006\\_ADA.pdf](https://www.energy.ca.gov/sites/default/files/2019-11/Projections_CCCA4-CEC-2018-006_ADA.pdf); see also “The Effects of Climate Change on Interregional Electricity Market Dynamics on the U.S. West Coast,” *Advancing Earth and Space Science* (Dec. 7, 2021) at 1 (a warmer climate is expected to increase summer cooling (electricity) demands and shift the average timing of peak streamflow (hydropower production) away from summer to the spring and winter, depriving power systems of hydropower when it is needed the most”), available at <https://agupubs.onlinelibrary.wiley.com/doi/full/10.1029/2021EF002400>.

**D. Do you support staff’s proposal for how to calculate a GHG-Free MPB? If not, which aspects would you change, and how? Please be specific.**

Yes. The Staff Proposal’s calculation generally adheres to the same methodology used by Staff for calculating other PCIA MPBs, including data requests and the MPB calculation schedule adopted for the RPS MPB.<sup>12</sup>

**E. Are there GHG-Free resource types aside from hydro and nuclear that should be considered in a GHG-Free MPB? Which resource types should be excluded, particularly in cases where LSEs purchase portions of an entire asset controlling supplier’s portfolio?**

As noted in Table 1 of the Staff Proposal, hydro, nuclear and “other” resource types (mixes of hydro and nuclear, hydro and wind, or portions of the entire portfolio of Asset Controlling Suppliers (ACS)) should all be included in a GHG-Free MPB.<sup>13</sup> Also as noted in Table 1, hydro resource transactions will likely make up the majority of transactions used to calculate the MPB.

**F. Is there a commercially available index that could inform the calculation of a GHG-Free adder, in lieu of the staff proposal? If so, what is the cost of this index?**

No. However, an index likely will develop over time with an increasing emphasis on GHG-Free procurement.

**G. Based on your experience and the analysis above, do you expect that respondents will be able to report incremental GHG-Free value (net of energy value and RA value) without the Commission needing to develop a method for calculating and extracting energy and/or RA value? In other words, are most GHG-Free transactions structured so that the incremental value is easily identifiable?**

As noted in the Staff Proposal, LSEs were generally able to identify an incremental value for their GHG-Free resource transactions.<sup>14</sup> In addition, the Staff Proposal’s recommendation

---

<sup>12</sup> Staff Proposal at 7.

<sup>13</sup> *Id.* at 4, Table 1.

<sup>14</sup> *Id.* at 6.

that LSEs only report the incremental GHG-Free value of their transactions (without including energy or Resource Adequacy (RA) value) will contribute to accurate data being collected for calculation of the MPB. This approach is similar to the MPB-setting for RA, which relies on RA-only transactions, and to the use of “index plus” transactions to calculate the RPS MPB.

- 1. If not, please describe how respondents would identify and remove energy and/or RA value. Please provide as much detail as possible.**

Not applicable.

- H. What modifications, if any, should be made to the draft data request template in the appendix?**

No modifications are recommended at this time.

- 1. Is staff’s proposal that respondents report all purchases, plus any sales to non-LSEs, sufficient to capture the majority of relevant transactions without double-counting both sides of a transaction?**

The Staff Proposal’s recommendation regarding reporting of purchases, plus sales to non-LSEs, appears to be reasonable to ensure accurate reporting of GHG-Free transactions.

### **III. THE COMMISSION SHOULD DEFER TO A.16-08-006 THE REALIZATION OF AND ACCOUNTING FOR GHG-FREE ENERGY VALUE ASSOCIATED WITH DIABLO CANYON OPERATIONS DURING THE SB 846 EXTENSION PERIOD**

The Staff Proposal correctly notes that regardless of whether Diablo Canyon retires by 2025 or gets extended as provided by SB 846, it will no longer be PCIA-eligible past its retirement date. Rather, operational costs will be recovered from customers of all LSEs subject to the Commission’s jurisdiction on a non-bypassable basis. While no longer subject to PCIA rate treatment, the same principle that those customers who pay for a resource should receive their proportional share of the resource’s benefits is equally applicable to Diablo Canyon’s post-PCIA treatment. Therefore, any decisions on treatment of the realization of and accounting for GHG-

Free energy value associated with Diablo Canyon operations during the SB 846 extension period should be deferred to the proceeding handling that extension, A.16-08-006.<sup>15</sup>

**IV. IF PG&E’S APPLICATION TO TRANSFER ITS NON-NUCLEAR GENERATION ASSETS TO PACIFIC GENERATION IS APPROVED, THE COMMISSION SHOULD REQUIRE PACIFIC GENERATION TO COMPLY WITH ITS RULINGS IN THIS PROCEEDING**

PG&E and PacGen recently filed an Application to allow PG&E to transfer its non-nuclear generation assets to PacGen.<sup>16</sup> These assets currently are part of PG&E’s PCIA portfolio, and their transfer should not result in a departure from the Commission-approved accounting under the PCIA. If the Application is approved, the Commission should require as a condition of such approval that PacGen as the new owner of PG&E’s (non-nuclear) GHG-Free resources be subject to its rulings in this proceeding.

**V. CONCLUSION**

For all the foregoing reasons, CalCCA respectfully requests adoption of its recommendations herein.

Respectfully submitted,



Evelyn Kahl,  
General Counsel and Directory of Policy  
CALIFORNIA COMMUNITY CHOICE  
ASSOCIATION

November 7, 2022

---

<sup>15</sup> A.16-08-006, *Application of Pacific Gas and Electric Company for Approval of the Retirement of Diablo Canyon Power Plant, Implementation of the Joint Proposal, and Recovery of Associated Costs Through Ratemaking Mechanisms* (Aug. 11, 2016; reopened Sept. 9, 2022).

<sup>16</sup> A.22-09-018 (Oct. 3, 2022).