BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Application of Pacific Gas and Electric Company for Adoption of Electric Revenue Requirements and Rates Associated with its 2023 Energy Resource Recovery Account (ERRA) and Generation Non-Bypassable Charges Forecast and Greenhouse Gas Forecast Revenue Return and Reconciliation. (U39E).	Application 22-05-029

CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S REPLY BRIEF

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On behalf of
California Community Choice Association

October 21, 2022

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- Enact the procedural recommendation in D.20-02-047 to create a more permanent crediting framework for banked renewable energy credits in the Power Charge Indifference Adjustment rulemaking, R.17-06-026.

- Adopt CalCCA's uncontested recommendations to adjust PG&E's revenue requirement to address (1) the sale of PG&E's San Francisco headquarters, (2) the correct on-peak and off-peak load weights, and (3) Witness Shuey's accounting methodology to reflect PG&E's Modified Cost Allocation Mechanism procurement.

- Adopt CalCCA's uncontested recommendation to transfer the final year of Energy Resource Recovery Account-PCIA Financing Subaccount amortization to the vintage 2020 consistent with Commission direction in D.22-02-002.

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CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S REPLY BRIEF

Pursuant to Rule 13.12 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission) and the July 25, 2022 Scoping Memo and Ruling setting the schedule for this proceeding,[1] California Community Choice Association[2] (CalCCA) hereby submits this Reply Brief regarding the *Application of Pacific Gas and Electric Company (PG&E) for Adoption of Electric Revenue Requirements and Rates Associated with its 2023 Energy Resource Recovery Account (ERRA) and Generation Non-Bypassable Charges Forecast and Greenhouse Gas Forecast Revenue Return and Reconciliation. (U39E)* (Application).[3]

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[1] Application (A.) 22-05-029, *Assigned Commissioner's Scoping Memo and Ruling* (August 4, 2022) (Scoping Ruling).

[2] 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.

[3] A.22-05-029, *Application of Pacific Gas and Electric Company for Adoption of Electric Revenue Requirements and Rates Associated with its 2023 Energy Resource Recovery Account and Generation Non-*

CalCCA Witness Shuey's prediction has come true;[4] PG&E's October 17, 2022 updated testimony (October Update) forecasts negative cumulative indifference amounts for four vintages: 2009, 2021, 2022, and 2023.[5] That means PG&E's refusal to follow Commission precedent, the law and sound ratemaking policy regarding the treatment of negative forecast indifference amounts will deny PCIA rate credits to *both* bundled (2023 vintage) and unbundled (2009, 2021 and 2022 vintages) customers.[6]

PG&E's proposal to set a PCIA rate floor would intentionally overcharge customers in 2023 on a forecast basis.[7] It would result in PG&E setting PCIA rates differently between vintages, using the forecasted indifference amounts for customers in twelve of its vintages (the Legacy and 2010-2020 vintages) but not for customers in its other four vintages.[8] It would also result in PG&E setting PCIA rates differently than Southern California Edison, which plans to implement its nine forecasted, negative cumulative indifference amounts in a lawful manner.[9] PG&E's proposal neither complies with D.18-10-019 nor the Commission's indifference framework, which has eliminated all limits on PCIA rate changes: the rate floor (D.18-10-019) and the rate cap (D.21-05-030).[10] It violates Public Utilities Code §451's requirement for just and reasonable rates and §453(c)'s prohibition against unjustifiably discriminatory ratemaking.[11] Direct Access Customer

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Bypassable Charges Forecast and Greenhouse Gas Forecast Revenue Return and Reconciliation (May 31, 2022) (Application).

4 Exh. CalCCA-01 at 27:5-30:16.

5 Exh. PGE-4 at 22-28.

6 CalCCA Opening Brief at 19-20.

7 *Id*. at 8-15.

8 *Id*. at 15-16.

9 *Id*.

10 *Id*. at 12-13.

11 *Id*. at 15-19.

Coalition's (DACC) Opening Brief agrees with CalCCA's position,[12] further underscoring the fact that to date no party or utility in the state except PG&E agrees with PG&E's position.

PG&E's opening brief reads restrictions into D.18-10-019 that do not exist. It offers no sound policy justification for the proposal. The utility appears to mistrust the Commission-approved Portfolio Allocation Balancing Account (PABA) true-up mechanism for rate credits, which has worked well for rate charges, without providing any evidence that mechanism is unfit for the task of addressing rate credits. As a potential justification for its proposal, PG&E points to the lack of what might be called a "PABA trigger" as a risk to its shareholders; but it ignores how customers carry the same risk, and they carry that risk without the access to debt and equity markets that PG&E enjoys. The brief requests authorization for the utility to create yet another balancing account in order to enact the proposal. None of that complexity is necessary. Only one balancing account is needed, and that is the already existing and functioning PABA.

PG&E should be required to implement rate credits for all vintages where cumulative forecasted negative indifference amounts exist. Beyond this contested Scoping Issue 5, and the question of whether a Commission decision in this case can determine the proceeding in which a permanent banked REC crediting framework should be developed,[13] PG&E and CalCCA appear to largely agree on the issues in this case to date. CalCCA respectfully requests the Commission follow the recommendations set forth in both its Opening Brief and this Reply Brief. Further, CalCCA continues to review, and has issued discovery regarding, PG&E's October Update and

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12 A.22-05-029, *Opening Brief of the Direct Access Customer Coalition*, p. 2 (October 14, 2022) ("DACC Opening Brief").

13 CalCCA Opening Brief at 20-23 (Commission precedent and common sense dictate it should be developed in the PCIA proceeding; nothing prevents the Commission for making that determination as part of this case).

will address any outstanding issues that may arise from that on-going analysis in its November 1, 2022 comments.

I. PG&E MUST IMPLEMENT PCIA RATE CREDITS FOR BUNDLED AND UNBUNDLED CUSTOMERS ON A FORECAST BASIS.

A. D.18-10-019 Rendered a PCIA Rate Floor Obsolete.

Contrary to PG&E's assertions, the Commission's indifference framework does not conflict with the concept of PCIA rate credits,[14] only apply to "above-market" portfolio costs,[15] or create a restriction on PCIA rates tied to what PG&E can demonstrate in its recorded balances.[16] PG&E admitted via discovery that D.18-10-019 and D.19-10-001 rendered obsolete the rate floor currently in its Electric Schedule CCA-CRS.[17] Commission precedent eliminated all limits on PCIA rate changes, including the rate floor and the rate cap.[18] Decision 18-10-019 specifically states that "the PCIA rate should be able to go negative and should credit departing customers when IOU portfolio value exceeds costs."[19] The Commission designed the indifference framework to incorporate rate credits, when the value of a utility's portfolio is forecasted to exceed its costs, without restriction.[20]

The context of that decision makes clear that neither Conclusion of Law 21 nor Finding of Fact 20 creates the restrictions PG&E tries to read into those provisions.[21] The juxtaposition of

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14 A.20-05-029, *Opening Brief of Pacific Gas and Electric Company (U 39 E)*, pp. 3, 13, 32-34 (August 14, 2022) ("PG&E Opening Brief").

15 PG&E Opening Brief at 33 (citing to D.18-10-019 at COLs 10-12).

16 PG&E Opening Brief at 33.

17 A.20-05-029, *California Community Choice Association's Opening Brief*, p. 12 (August 14, 2022) ("CalCCA Opening Brief").

18 CalCCA Opening Brief at 12-13.

19 D.18-10-019 at 88.

20 *Id*. at 88, COL 21 and FOF 20; D.21-05-030 at Ordering Paragraph 1.

21 CalCCA Opening Brief at 14-15.

the complexity of PG&E's proposal in this case, with the lack of discussion surrounding a proposal of its kind in the body of D.18-10-019, makes this clear. The rate floor PG&E suggests exists is quite nuanced. It would apply to only one component of the PCIA revenue requirement (a negative forecasted cumulative indifference amount), but not the other (the year-end true-up balance).[22] As proposed in PG&E's October Update and opening brief, it would require the creation of an entirely new balancing account outside of the PABA.[23] As DACC's Opening Brief notes,[24] it would be odd for the Commission to create such a nuanced rate floor in a Conclusion of Law and a Finding of Fact with no discussion of establishing that rate floor in the body of the decision. The Commission never intended there to be any rate floor; it intended for there to be rate credits when customers are owed them. [25]

B. Timely Recovery of Costs Does Not Permit PG&E to Overcharge Customers.

PG&E's rationale that timely recovery of costs justifies overcharging customers and creating rate inconsistencies is incorrect. PG&E cites Section 454.5(d)(3)'s requirement that the Commission "[e]nsure timely recovery of prospective procurement costs incurred pursuant to an approved procurement plan," concluding PCIA rate credits would "fundamentally conflict" with the timely recovery of procurement costs.[26] There is no "fundamental conflict" between rate credits and PG&E's timely recovery of costs because ratepayers' only obligation is to pay rates based on forecasted revenue requirements. The timely recovery of costs does not mean PG&E can set rates to earn more than what is owed. If anything, PG&E's proposal to not apply PCIA rate

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22 *Id*. at 12-13.

23 Exh. PGE-4 at 24:17-25:4; PG&E Opening Brief at 36.

24 DACC Opening Brief at 2.

25 D.18-10-019 at 88, COL 21 and FOF 20; D.21-05-030 at Ordering Paragraph 1.

26 PG&E Opening Brief at 34-35.

credits runs directly counter to the very mechanism—rates based on forecasted revenue requirements—that ensures timely recovery of costs. The only amounts ratepayers owe to PG&E is a PCIA revenue requirement based on a forecasted indifference amount. PG&E's brief itself exhibits as much, citing to D.11-10-012 to discuss how PG&E sets it rates based on *forecasted* procurement costs:[27]

> The utility submits a forecast of its procurement expenses for the following year to the Commission for review and approval. The utility's forecast is based on its best estimate of such factors as its projected sales and load, natural gas and power prices, etc., during the forecast year. <u>The adopted forecast value is used to establish procurement related rates</u>, but it does not determine which procurement-related costs are eligible for cost recovery.

PG&E does not get to decide it will use an "adopted forecast value" to set rates in one instance, but not in another, because the result may look less risky on its balance sheet.

PG&E's Opening Brief raises concerns about the uncertain nature of forecasts, *i.e.*, whether net market revenues will actually materialize,[28] recent year-end balances arising from high energy prices in California,[29] and the high percentage of departed load in its service territory.[30] These characteristics, the utility alleges, make reliance on the Commission's true-up mechanism risky for the company's shareholders.[31]

All of this hand-waving, however, amounts to a concern that the true-up will not work for undercollections tied to rate credits the way it works for overcollections or other types of

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27 *Id*. at 5-6 (emphasis added).

28 *Id*. at 35.

29 *Id*.

30 *Id*. at 36.

31 *Id*. at 35-36.

undercollections. Not only does PG&E provide no evidence in support of that assertion (only conjecture within a legal brief),[32] it also ignores the simple mechanics of the true-up, which are the same for both positive and negative PCIA rates. Nothing about the PCIA/PABA framework changes if the PCIA is above-market or below-market. Projected costs are offset by projected wholesale revenue, and the net is recovered from customers.[33] With a positive PCIA rate that is set too low, the utility under-collects and needs to recover those costs the following year.[34] The same is true for a negative PCIA rate, *i.e.*, a PCIA rate credit. A credit that is too high will cause an undercollection that PG&E would need to recover in the following year.[35] In both cases, moneys collected in PABA over the course of the year will fall short of the revenue requirement, the resulting under-collected year-end balance will be recorded to PABA, and PCIA rates will increase the following year (all other things equal).[36] This mechanism has worked since being implemented after D.18-10-019.

PG&E incorrectly argues "D.21-05-030 removed the cap-and-trigger mechanism applicable to departing load customer rates, removing PG&E's recourse to adjust departing load customer rates during within [*sic*] 2023 … ."[37] While PG&E is correct that there is no "PCIA trigger" based on under- or over-collected PABA balances, that fact has nothing to do with D.21-05-030. Rather, PG&E is discussing the Portfolio Undercollection Balancing Account (PUBA)

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32 Commission ratemaking proceedings must be based on substantial evidence. CalCCA Opening Brief at 5-6.

33 *See* Exh. CalCCA-01 at 7:8-14.

34 *See id*.

35 *See id*.

36 Moreover, PG&E's argument that wholesale revenue may not materialize could also be made when the PCIA is positive. Yet, the commission still nets projected wholesale revenue against costs before determining the amount due from customers.

37 PG&E Opening Brief at 36.

mechanism, which was tied to balances resulting from the rate cap, *i.e.*, it was tied to balances in the PUBA and not the PABA. The PUBA trigger would not have addressed PG&E's concerns in the unlikely hypothetical the utility is discussing.

PG&E's argument does identify a real problem if *its* proposal is adopted. PG&E is correct that the Commission has only approved an ERRA Trigger and not a PABA trigger, but, in this case, that hurts customers more than the utility. Customers in vintages with negative indifference amounts have no trigger to help them if the balance owed to them builds and builds, *i.e.*, there is no "PCIA Trigger" to give them relief for their overpayments to PG&E. That means an inaccurately forecasted indifference amount carries just as much risk for customers as for PG&E, except customers do not have access to debt and equity markets like PG&E. Their only recourse for being overcharged is to reduce their purchases of electricity. The Commission should avoid this consumer protection issue by rejecting PG&E's proposal.

II. CONCLUSION

For the foregoing reasons, and those stated in CalCCA's Opening Brief, CalCCA respectfully requests the Commission:

- Reject PG&E's position and adopt PCIA rate credits for vintages where the forecasted, cumulative indifference amount is negative.
- Enact the procedural recommendation in D.20-02-047 to create a more permanent crediting framework for banked renewable energy credits in the Power Charge Indifference Adjustment rulemaking, R.17-06-026.
- Adopt CalCCA's uncontested recommendations to adjust PG&E's revenue requirement to address (1) the sale of PG&E's San Francisco headquarters, (2) the correct on-peak and off-peak load weights, and (3) Witness Shuey's accounting methodology to reflect PG&E's Modified Cost Allocation Mechanism procurement.
- Adopt CalCCA's uncontested recommendation to transfer the final year of Energy Resource Recovery Account-PCIA Financing Subaccount amortization to the vintage 2020 consistent with Commission direction in D.22-02-002.

CalCCA reserves the right to modify these recommendations based on updated information presented in PG&E's October Update, and to address other issues raised therein, via comments on the October Update, or any further process the Commission may adopt.

Respectfully submitted,

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