

**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.

R.17-06-026

**CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S
REPLY 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

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SUMMARY OF RECOMMENDATIONS

- The California Public Utilities Commission (Commission) should maintain the existing Renewable Portfolio Standard (RPS) market price benchmark (MPB) methodology without change. Proposals to incorporate long-term fixed-price contracts into the RPS MPB calculation, while responsive to the Commission’s directive in Decision 19-10-020, are incongruent with the determination of other MPBs, vulnerable to a wide range of inaccuracy, and impose an increased administrative burden.
- The Commission should recognize greenhouse gas free (GHG-Free) value in the investor-owned utility (IOU) Power Charge Indifference Adjustment (PCIA) portfolios in a way that ensures all customers – bundled and unbundled customers alike – share this value in proportion to their responsibility for PCIA costs. While California Community Choice Association (CalCCA) prefers the existing interim GHG-Free energy allocation process as administered by Pacific Gas and Electric Company (PG&E) and Southern California Edison Company, the Staff’s proposed MPB is also a workable solution.
- The Commission should adopt a modified version of the Joint IOUs’ June 13, 2022 proposal to apply a portfolio weight to the Energy Index MPB. The Joint IOUs have agreed to provide the portfolio weighting factors as part of their May 15 Energy Resource Recovery Account (ERRA) applications and provide data to facilitate a review of the three-year historical average calculations in the ERRA Forecast cases. Further modifications to the Joint IOU proposal, to remove or add resources from historical California Independent System Operator data, should be rejected except to reflect removal of the Diablo Canyon Power Plant from PG&E’s PCIA-eligible resource portfolio.

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The California Community Choice Association¹ (CalCCA) submits these Reply 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, *Procedural Email Granting Request to File Comments on September 12 Ruling* (September 12 Email Ruling), dated September 27, 2022, and *Procedural Email Regarding September 12 Ruling Reply Comments*, dated November 18, 2022 (November 18 Email Ruling).

I. INTRODUCTION

CalCCA appreciates the Energy Division Staff's efforts to resolve outstanding questions regarding the Power Charge Indifference Adjustment (PCIA) calculation. Proposals offered by Staff and other stakeholders, along with the targeted workshops, enabled parties to reach a

¹ 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.

common understanding of the issues and focus on a narrower range of differences. With the benefit of these insights, CalCCA offers three recommendations.

First, the Commission should recognize greenhouse gas free (GHG-Free) value in the investor-owned utility (IOU) PCIA portfolios in a way that ensures all customers – bundled and unbundled customers alike – share this value in proportion to their responsibility for PCIA costs. While CalCCA prefers the existing interim GHG-Free energy allocation process as administered by Pacific Gas and Electric Company (PG&E)² and Southern California Edison Company (SCE),³ the Staff’s proposed market price benchmark (MPB) is also a workable solution. Either approach would ensure the PCIA calculation conforms to the requirements of Public Utilities Code sections 366.2(f) and 365.2. If the Commission declines to adopt either approach, finding either that there is no GHG-Free value or that this value cannot be quantified, it must ensure that all customers receive equal treatment by denying the IOUs the use of GHG-Free attributes for any purpose.

Second, the Commission should maintain the existing Renewable Portfolio Standard (RPS) MPB methodology without change. Proposals to incorporate long-term fixed-price (LTFP) contracts into the RPS MPB calculation, while responsive to the Commission’s directive in Decision (D.) 19-10-020, are incongruent with the determination of other MPBs, vulnerable to a wide range of inaccuracy, and impose an increased administrative burden.

Third, as explained in CalCCA’s Comments on the Joint IOU Energy Index (EI) MPB proposal, the Commission should adopt a modified version of the Joint IOUs’ June 13, 2022,

² See Resolution E-5046, *Request by Pacific Gas and Electric to Modify its 2014 Conformed Bundled Procurement Plan* (May 7, 2020).

³ See Resolution E-5095, *Request of Southern California Edison and Clean Power Alliance of Southern California for an Interim Mechanism for Voluntary Allocations of Greenhouse Gas Free Energy* (Aug. 25, 2020).

proposal to apply a portfolio weight to the EI MPB. The Joint IOUs have agreed to provide the portfolio weighting factors as part of their May 15 Energy Resource Recovery Account (ERRA) applications and provide data to facilitate a review of the three-year historical average calculations in the ERRA Forecast cases. Further modifications to the Joint IOU proposal, to remove or add resources from historical California Independent System Operator (CAISO) data, should be rejected except to reflect removal of the Diablo Canyon Power Plant (Diablo Canyon) from PG&E's PCIA-eligible resource portfolio.

Collectively, these recommendations will increase the accuracy and fairness of the PCIA calculation for all customers.

II. THE COMMISSION MUST PROVIDE THE ACKNOWLEDGED VALUE OF GHG-FREE RESOURCES TO UNBUNDLED CUSTOMERS TO MEET STATUTORY REQUIREMENTS AND PREVENT COST SHIFTING

A. Public Utilities Code Sections 366.2 and 365.2 Require the Commission to Provide Bundled and Unbundled Customers the Benefit of IOU Portfolio Resources Purchased on Their Behalf and Thereby Avoid Cost Shifts Between These Customers

The current PCIA calculation will no longer comply with applicable statutes once the existing interim GHG-Free allocation programs terminate at the end of 2023. The Commission has two, if not three, avenues to address this shortcoming.

Public Utilities Code section 366.2(g) establishes a foundational principle of fairness and equity for recovery of PCIA portfolio costs from community choice aggregators (CCAs):

Estimated net unavoidable electricity costs paid by the customers of a community choice aggregator shall be reduced by the value of any benefits that remain with bundled service customers, unless the customers of the community choice aggregator are allocated a fair and equitable share of those benefits.

As a result, the Commission may provide CCA customers either an offset against costs for the value of the resources retained by the IOU (i.e., through application of the MPBs) or an allocation (i.e., a “fair

and equitable share”) of the benefits. In addition, section 365.2 is intended to prevent inequitable cost shifting between IOU bundled customers and unbundled customers:

The commission shall ensure that bundled retail customers of an electrical corporation do not experience any cost increases as a result of retail customers of an electrical corporation electing to receive service from other providers. The commission shall also ensure that 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.

Failing to confer the GHG-Free value in the IOUs’ PCIA portfolios to unbundled customers through either an MPB or attribute allocation increases value to bundled customers at a cost to unbundled customers; bundled customers are forced to buy GHG-Free products at a premium in the market while bundled customers receive this value for free. The result is a straightforward shift of costs from bundled to unbundled customers in violation of sections 366.2(g) and 365.2.

The Commission thus must find a methodology for providing GHG-Free resource value to unbundled customers. There are three ways for the Commission to meet its statutory mandate:

- 1) Introducing a GHG-Free MPB into the PCIA calculation to account for the value of GHG-Free Energy retained by bundled customers, as Staff proposes;
- 2) Directly allocating the attribute to unbundled customers, as the IOUs do today through the interim allocation program; or
- 3) Denying bundled customers and unbundled customers alike the right to claim or use the attributes in any way, including inclusion in the Power Content Label (PCL), marketing, and any other public facing use.

Any of these approaches will ensure that bundled and unbundled customers receive comparable value for the GHG-Free resources in the IOUs’ PCIA portfolios. While CalCCA prefers a simple extension of the existing interim GHG-Free programs administered by PG&E and SCE, CalCCA also supports the Staff Proposal.

B. GHG-Free Resources Carry an Attribute Value in Excess of the Avoided Cost Value Received in the CAISO Market That is Not Accounted for in the PCIA

Staff's report focuses primarily on determining whether GHG-Free resources carry a unique and valuable attribute and whether that value can be discerned in the market. Staff and the IOUs generally acknowledge a unique GHG-Free resource value that is not captured in CAISO market prices or otherwise in the current PCIA methodology. Questions appear to center primarily on how to determine that value.

Staff has demonstrated that a value can be determined through an analysis of market transactions in the same way market values for RPS and Resource Adequacy (RA) MPBs today are determined. While some parties have raised questions regarding Staff's methodology, their concerns do not change the fact that parties – indeed CCAs – have placed a value on these attributes whether through their support of an interim allocation or purchase. And even if Staff's valuation were unsound (which it is not), the Commission could derive a clear market value if the IOUs were required to offer their GHG-Free energy to the market.

1. IOUs Acknowledge and Have Claimed GHG-Free Attribute Value

The IOUs have directly and implicitly acknowledged that GHG-Free resources have a unique value in excess of the avoided cost value these resources yield in the CAISO market. This excess value arises when a load-serving entity (LSE) can claim the GHG-Free attribute for public facing purposes, such as the PCL and other marketing efforts (Attribute Value).

No party disagrees that the CAISO market-clearing price structure confers a financial benefit on GHG-Free resources during many hours of the year. GHG-Free resources avoid GHG compliance costs under the Air Resources Board's cap-and-trade program. When an emitting resource sets the CAISO market-clearing price, the price reflects that unit's GHG compliance

costs; the market-clearing price thus may compensate GHG-Free resources for the value of avoided GHG compliance costs.

Most parties also acknowledge the incremental Attribute Value, including SCE, which acknowledged the value during the November 18 workshop. Other clear evidence of this value can be found in the IOU PCLs and marketing materials. PG&E's PCL for 2021 claims as follows:

As a leader in the fight against climate change, PG&E delivers some of the nation's cleanest energy. Using the California Energy Commission's methodology, PG&E's Power Content Label is approximately 91% greenhouse gas free.⁴

Approximately 43 percent of PG&E's Base Plan resources are hydro and nuclear resources, contributing significantly to the lower carbon content of its portfolio. For 2020, PG&E claimed its portfolio was 85 percent carbon free, with nuclear and hydro resources making up 53 percentage of the resource total.⁵ Critically, before the Commission implemented the existing interim GHG-Free allocation program, PG&E reported that its PCL is "100 greenhouse gas free," with hydro and nuclear resources constituting 77 percent of its Base Plan resources.⁶ PG&E's marketing materials⁷ and reports to shareholders also highlighted this value.⁸ SCE similarly focuses on GHG emissions in its marketing efforts.⁹

⁴ https://www.pge.com/pge_global/common/pdfs/your-account/your-bill/understand-your-bill/bill-inserts/2022/1022-Power-Content-Label.pdf.

⁵ https://www.pge.com/pge_global/common/pdfs/your-account/your-bill/understand-your-bill/bill-inserts/2021/1021-PowerContent.pdf.

⁶ https://www.pge.com/pge_global/common/pdfs/your-account/your-bill/understand-your-bill/bill-inserts/2020/1220-PowerContent-ADA.pdf.

⁷ https://www.pge.com/en_US/about-pge/environment/what-we-are-doing/clean-energy-solutions/clean-energy-solutions.page.

⁸ https://s1.q4cdn.com/880135780/files/doc_financials/2020/ar/PCG012AR_2020_AR_Web.pdf at 19.

⁹ Southern California Edison, "[Reducing Greenhouse Gases](#)": "During the past five years SCE has partnered with our customers to save nearly 7.6 billion kWh, enough energy to power over 1.1 million homes for a year. These savings reduce GHG emissions by 3.2 million metric tons, the equivalent of removing 684,000 cars from the road."

In addition, investors and financial markets are increasingly factoring in an entity's climate change risk in their evaluations. This includes proposed reporting requirements from the United States Securities and Exchange Commission (SEC) about "climate-related risks that are reasonably likely to have a material impact on [an entity's] business" that "would also include disclosure of a registrant's greenhouse gas emissions, which have become a commonly used metric to assess a registrant's exposure to such risks."¹⁰

The Attribute Value is not captured in CAISO market-clearing prices but is incremental to the avoided GHG cost value of GHG-Free resources, as demonstrated in Staff's analysis.

2. The Staff Proposal Recognizes the Incremental Attribute Value and Provides a Methodology to Quantify this Value

Staff undertook a detailed analysis of GHG-Free resource transactions from 38 LSEs to assess whether a market price could be derived for use in a GHG-Free MPB.¹¹ It concluded that there is a separate, discernible value:

The 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 more broadly.¹²

Staff further observed that the value may increase in the future:

Given the state's Senate Bill 100 goals and the development of a long-term, compliance-oriented reliability and GHG reduction procurement program in the Integrated Resource Plan (IRP) proceeding, it is reasonable to expect that the incremental value of GHG-Free resources will remain steady or increase in the coming years.¹³

¹⁰ United States Securities and Exchange Commission, "The Enhancement and Standardization of Climate-Related Disclosures for Investors," Proposed Rule Amendments to 17 CFR 210, 229, 232, 239, and 249 (Apr. 11, 2022).

¹¹ GHG Data Analysis and Staff Proposal, at 2-6.

¹² *Id.* at 5.

¹³ *Id.*

Staff's careful analysis should end the inquiry of whether GHG-Free energy has a unique market value.

Several parties, however, have suggested that they need to see the Staff's data to assess the validity of its conclusions.¹⁴ Like all MPB source data, however, market participants (including the IOUs) are prohibited from reviewing the transaction data without a reviewing representative. Moreover, the detailed description of the types of transactions reviewed and the analytical methodology described in the Staff Proposal should provide sufficient information to conclude that these transactions do, in fact, represent incremental Attribute Value.

In addition, much of California's remaining hydroelectric resources are owned by various publicly-owned utilities (e.g., Los Angeles Department of Water and Power, Sacramento Municipal Utility District, Imperial Irrigation District) that are in their own non-CAISO balancing authorities. Thus, it is not surprising that many of the reported transactions in the Staff's analysis are from outside the CAISO. Contrary to PG&E's assertion that the reported value calculated by Staff may reflect additional transmission or scheduling costs,¹⁵ all of these California hydro resources are delivered to the CAISO using the publicly-owned utilities' own transmission systems and paying the same CAISO transmission access charge as any other transaction. This further supports Staff's conclusions that the incremental value identified in its review of contracts reflects the incremental benefit of the GHG-Free resource and not hidden or additional transmission costs as PG&E asserts.

¹⁴ See R.17-06-026, *Opening Comments of Southern California Edison Company (U 338-E) on Administrative Law Judge's Ruling Requesting Comments on GHG-Free Resources Staff Proposal and Other Issues* (Nov. 7, 2022), at 7; *Comments of Pacific Gas and Electric Company (U 39 E) to Administrative Law Judge's Ruling Requesting Comments on GHG-Free Resources Staff Proposal and Other Issues* (Nov. 7, 2022) (PG&E GHG-Free Opening Comments), at 4-5.

¹⁵ PG&E GHG-Free Opening Comments, at 5.

Even if these transactions somehow were not a valid reflection of the Attribute Value, the reason the market for these attributes is not larger lies in the existing interim allocation program. The IOUs, and particularly PG&E, hold the vast majority of GHG-Free resources in the CAISO balancing authority area. Today, non-IOU LSEs' share of Attribute Value of these resources is available through a voluntary allocation process.¹⁶ To the extent that not all CCAs and Electric Service Providers (ESPs) take their full allocation, the Attribute Value falls back to the IOU at no cost;¹⁷ the IOU is under no obligation to sell the attributes in the market. In other words, the GHG-Free energy market is constrained – today, reasonably – by the existing allocation program and the absence of an obligation for the IOU to sell the Attribute Value. *If*, however, the allocation program is not continued *and* the IOUs are obligated to monetize the full value of these resources through market offers, transactions available for value discovery would multiply significantly. Consequently, a solution for continued doubt of the Staff's conclusions would be to require the IOUs to monetize the Attribute Value through a market offer of all of their GHG-free energy.

III. THE COMMISSION SHOULD REJECT RECOMMENDATIONS TO INCLUDE LONG-TERM FIXED PRICE CONTRACTS IN THE RPS MPB CALCULATION

As set forth in CalCCA's Comments on the ALJ Ruling requesting input on including LTFP in the RPS MPB,¹⁸ the Commission should reject the proposals by Staff and The Utility Reform

¹⁶ See *GHG Analysis and 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.").

¹⁷ See Resolution E-5095 (Aug.25, 2020) at 3 ("SCE will retain the proportional allocation for its bundled customers, as well as any allocations that Eligible Parties do not accept within the 30-day confirmation window"); Resolution E-5046 (May 7, 2020) at 13 ("We agree with PG&E that requiring PG&E to offer rejected Allocation Amounts to other Eligible LSEs in a second round of allocations would be burdensome and likely unnecessary for the interim process....").

¹⁸ R.17-06-026, *Administrative Law Judge's Ruling Requesting Comments on Long-Term Renewables Portfolio Standard Transactions* (Aug. 4, 2022).

Network (TURN) to include LTFP transactions in the RPS MPB. Including such transactions is conceptually and mechanically flawed, and likely to lead to an overly complex and inaccurate calculation of the RPS MPB. Rather than repeat its arguments, CalCCA offers a link to the comments below¹⁹ and highlights the following two observations.

A. Introducing LTFP Contracts for the RPS Component of the PCIA Calculation Takes the PCIA in a Fundamentally Different Direction

The Commission’s stated goal in calculating the components of the PCIA, including the RPS MPB, is to capture the benefits or value of the utilities’ PCIA portfolio *in any given year*.²⁰ The PCIA methodology today is premised on summation of *current* market prices for the individual products encompassed in the portfolio. The proposed method to derive RPS prices from LTFP contracts departs from this approach; it tells us nothing about the value of any individual products bundled in the contract and, more importantly, nothing about the price the product would garner in today’s market.

Through the true-up, the PCIA relies on actual short-term CAISO energy prices for the calculation period, derived from CAISO data. Likewise, it looks at actual RA-only and RPS portfolio content category (PCC) 1 “index plus” transactions, which tend to provide a near-term price for each portfolio attribute. In each case, we generally can assume that if comparable products from the IOU portfolio were sold into the market today, these are the prices they would garner.

¹⁹ R.17-06-026, *California Community Choice Association’s Comments on Administrative Law Judge’s Ruling Requesting Comments on Long-Term Renewables Portfolio Standard Transactions* (Aug. 26, 2022), [496630162.PDF \(ca.gov\)](#).

²⁰ D.18-10-019, *Decision Modifying the Power Charge Indifference Adjustment Methodology*, R.17-06-026 (Oct. 11, 2018), at 129; D.19-10-001, *Decision Refining the Method to Develop and True Up Market Price Benchmarks*, R.17-06-026 (Oct. 10, 2019), at 6.

In contrast, extracting a residual RPS value from an LTFP contract tells us nothing about the *current* value of that particular attribute for the delivery year. The bundled price tells us only what the purchaser determined was a reasonable value for the *bundle* of products *over the contract period* and often *on a levelized basis*. That value thus has little if any relevance to the price at which any particular attribute or product is trading today.

The Staff and TURN residual calculation proposals depart from the current approach of looking at prices in today's market for individual portfolio products, taking the PCIA in a different direction. Moreover, calculating these values adds substantial complexity to the PCIA calculation.

B. Calculating RPS Values Residually Adds Substantial Complexity to the PCIA Calculation

Whether useful or not, calculating the RPS value embedded in an LTFP contract is not a straightforward exercise. Unlike single-attribute transactions, the residual calculation involves understanding and valuing uniquely the products and operating profiles of each generating facility. Even if this calculation could yield an accurate result, no party has demonstrated that the time and effort required to perform these calculations is outweighed by improved accuracy in the PCIA calculation.

Isolating the current PCC 1 Renewable Energy Credit (REC) value of an LTFP transaction residually would require several steps. Local, system, and flexible RA values would be removed based on the location and characteristics of the contract unit. The greater challenge comes in the deduction of a reasonable energy value. The energy value of LTFP contracts cannot be determined simply using generic forward power index prices; the location and generating profile for each unit

would need to be assessed and the energy prices properly weighted to that profile. Results could vary widely based on assumptions, as the IOUs pointed out in their comments:²¹

Table 1: Illustrative Implied REC Value

	Contract Price ³	Implied REC Value (\$/MWh) ⁴			
		High Energy ⁵ & High RA ⁶	High Energy & Low RA ⁷	Normal Energy ⁸ & High RA	Normal Energy & Low RA
Solar PV ⁹	\$35 ¹⁰ /MWh	\$0.53	\$1.54	\$10.53	\$11.54
Geothermal ¹¹	\$95/MWh	\$5.31	\$18.63	\$15.31	\$28.63

The variability of the potential outcomes demonstrates the serious challenge of deriving a reasonable value. Moreover, the divergence of REC value between solar and geothermal suggest that all of these solutions are incorrect; a REC is fungible, and technology should not be relevant.

Getting the calculation “right” would be a serious challenge and could result in unintended cost shifting if the derived values are off the mark.

C. TURN’s Recommendation to Adopt Two MPBs for Short-Term and Long-term RPS Contracts Does Not Address the Methodological Concerns with this Approach and Would Only Further Increase Complexity

The proposal TURN presented during the November 18 workshop – to weight a short-term MPB with a long-term MPB in calculating the RPS value of the PCIA portfolios – does nothing to solve the methodological concerns with how the MPB is calculated. Moreover, it adds yet another dimension of complexity.

For example, the methodology as proposed does not make clear what contract term would be considered “long term.” In fact, the question arose in the Voluntary Allocation and Market Offer in the RPS context which contracts in the IOU portfolio would be treated as long-term and

²¹ R.17-06-026, *Opening Comments of the Joint Utilities on the Ruling Requesting Comments on Long-Term Renewables Portfolio Standard Transactions* (Aug. 26, 2022), at 3.

which as short-term. TURN's view,²² adopted by the Commission,²³ was that any resource with less than ten years remaining would be considered "short term" regardless of its original term.

These and other questions add complexity and would require further development.

IV. THE IOUS RECOMMENDATION TO REMOVE OR ADD RESOURCES FROM THE FORECAST ENERGY MPB CALCULATION SHOULD ONLY BE ADOPTED WITH RESPECT TO DIABLO CANYON

As explained in CalCCA's Comments on the Joint IOU Energy Index MPB proposal, the Commission should adopt a modified version of the Joint IOUs' June 13, 2022 proposal to apply a portfolio weight to the Energy Index MPB. The Joint IOUs have agreed to provide the portfolio weighting factors as part of their May 15 ERRA applications and provide data to facilitate a review of the three-year historical average calculations in the ERRA Forecast cases.²⁴ Further modifications to the Joint IOU proposal, to remove or add resources from historical CAISO data, should be rejected except to reflect removal of Diablo Canyon from PG&E's PCIA-eligible resource portfolio.

The objective of the proposed Energy Index modification is to better reflect the temporal value of the IOUs' unique resource portfolio mixes. SCE asserts that the penetration of solar and wind resources in its PCIA-eligible portfolio means a high proportion of its portfolio output is during low price periods in the CAISO market.²⁵ This resource generation profile may be significantly different from the customer load-based profile currently used to weight on- and off-

²² D.21-05-030, *Phase 2 Decision on Power Charge Indifference Adjustment Cap and Portfolio Optimization*, R.17-06-026 (May 20, 2021), at 21-22.

²³ *Id.* at 22.

²⁴ R.17-06-026, *Opening Comments of the Joint Utilities on Power Charge Indifference Adjustment Energy Price Benchmark Methodology Proposals* (July 8, 2022) (Joint IOU EI MPB Proposal Comments), at 3.

²⁵ R.17-06-026, *Reply Comments of the Joint Utilities on Power Charge Indifference Adjustment Energy Price Benchmark Methodology Proposals* (July 22, 2022) (Joint IOU EI MPB Proposal Reply Comments), at 3-4.

peak market price inputs to the Energy Index. Indeed, the Joint IOU presentation at the June 29, 2022, workshop on PCIA Energy Index Proposals showed that the proposed revisions to the Energy Index MPB have an outsized impact on SCE’s PCIA revenue requirements compared to PG&E and SDG&E.²⁶

In reply comments the Joint IOUs state they were “mindful of the additional work that may be necessary” to calculate the portfolio weighting and therefore added “*one* additional calculation to the Energy Index methodology.”²⁷ However, the Joint IOU proposal continues to evolve and increase in complexity. For example, a footnote in the Joint IOU Opening Comments stated that, in response to questions received at the June 29, 2022 workshop, the revised Energy Index MPB calculation should not include the historical revenues of resources that will no longer be in the portfolios in the forthcoming year.²⁸ In response to ALJ Wang’s Ruling Requesting Comments on GHG-Free Resources Staff Proposal and Other Issues, the Joint IOUs expanded their proposal to remove or add to the three-year historical dataset resources that are at least 100 megawatts in size and expected to be removed from or added to the PCIA-eligible portfolio for more than six months in the forthcoming year.²⁹ Then, during the November 18, 2022 workshop, the IOUs proposed to update the portfolio weighting calculation in the ERRA Forecast October Update to capture new resources procured during the pendency of the proceeding. These seemingly ad-hoc revisions to the Joint IOU proposal significantly increase the complexity of the

²⁶ R.17-06-026, June 29, 2022 Workshop, Joint IOU presentation, slide 23.

²⁷ Joint IOU EI MPB Proposal Reply Comments, at 2 (emphasis in original).

²⁸ Joint IOU EI MPB Proposal Comments, at 4, n. 3.

²⁹ R.17-06-026, *Joint Response of Pacific Gas and Electric Company (U 39-E), Southern California Edison Company (E-338-E), and San Diego Gas & Electric Company (U 902-E) for Supplemental Analysis to Joint Proposal on an Energy Index Market Price Benchmark Calculation Pursuant to Administrative Law Judge’s Ruling* (Nov. 8, 2022), at 2.

proposed portfolio weighting calculation and increase the burden on Energy Division Staff and other parties who wish to verify the IOU calculations, with little to no additional accuracy.

Appendix A to the Joint Response for Supplemental Analysis presents revised portfolio weighting factors for PG&E and SCE after adjusting the historical dataset for new and retiring resources (San Diego Gas & Electric provided only revised MPB and revenue requirements, not portfolio weights, in the supplemental analysis). Comparing the revised portfolio weighting factors to those included in the original Joint IOU proposal shows little impact after removing or adding resources from the historical data:

	PG&E		SCE	
3-Year Avg	Original	Supplemental	Original	Supplemental
2022	1.01	1.00	0.88	0.87
2021	1.02	1.01	0.87	0.86
2020	1.02	1.02	0.91	0.90

The additional complexity involved with adjusting historical CAISO market data, in particular for new resources lacking any historical performance data, clearly does not overcome the minor impact to the Joint IOU proposal. CalCCA continues to support adoption of the Joint IOUs’ original proposal to calculate a portfolio weighting factor using a rolling three-year average of historical CAISO market data. A rolling three-year average captures changes to the resource mix due to retiring or newly added resources and reflects the actual value of the IOU resource portfolios. Because of its size and the statutory direction to remove Diablo Canyon from the PCIA portfolio in the near future, CalCCA supports one exception of allowing PG&E to adjust the historical three-year average by removing Diablo Canyon from its PCIA-eligible resource portfolio beginning with the 2025 forecast year.

V. CONCLUSION

CalCCA appreciates the Commission's consideration of the recommendations advanced herein and requests their adoption.

Respectfully submitted,

A handwritten signature in blue ink that reads "Evelyn Kahl". The signature is written in a cursive, flowing style.

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

November 30, 2022