

**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

**OPENING COMMENTS ON THE PROPOSED DECISION OF THE
CALIFORNIA COMMUNITY CHOICE ASSOCIATION**

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On behalf of
California Community Choice Association

December 5, 2022

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**OPENING COMMENTS ON THE PROPOSED DECISION OF THE
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I. INTRODUCTION

The California Community Choice Association¹ (CalCCA) submits these comments on the *Proposed Decision Adopting the Electric Revenue Requirements and Rates Associated with the 2023 Energy Resource Recovery Account and Generation Non-Bypassable Charges Forecast and Greenhouse Gas Forecast Revenue Return and Reconciliation and the 2023 Electric Sales Forecast for Pacific Gas and Electric Company* (PG&E) (PD) pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission and the procedural schedule established in the Assigned Commissioner’s August 4, 2022 Scoping Memo and Ruling.²

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, CleanPower SF, 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.

² Application (A.) 22-05-029, Assigned Commissioner’s Scoping Memo and Ruling (Aug. 4, 2022).

As CalCCA explained in its testimony and briefs submitted in this proceeding,³ Power Charge Indifference Adjustment (PCIA) rates include two components: the first based on the cumulative forecasted “Indifference Amount”⁴ for the relevant customer vintage in the test year; and the second based on the year-end balance in the Portfolio Allocation Balancing Account (PABA) for the current year. While PG&E allows the second component of PCIA rates (the “true-up”⁵) to fall below zero (where the year-end PABA balance reflects an actual negative Indifference Amount), PG&E refuses to implement a PCIA rate credit where it forecasts a negative cumulative forecasted Indifference Amount for a given vintage in the test year.⁶ The PD, while correctly rejecting PG&E’s proposal to apply a rate floor in the PCIA,⁷ misses this nuance. In doing so, it creates confusion over exactly what it requires PG&E to do.

CalCCA therefore requests that the Commission clarify that PG&E (1) must not apply a rate floor to the cumulative forecast Indifference Amount, and (2) must implement PCIA rate credits resulting in payments to customers if their total PCIA rate, inclusive of the true-up, is negative. CalCCA also requests that the Commission include findings, conclusions, and ordering paragraphs directing the development of a crediting framework for banked renewable energy credits (REC) in the PCIA rulemaking (R.17-06-026) consistent with the parties’ agreement on this issue.

³ Exh. CalCCA-01 at 7:15-18:5; CalCCA Opening Br. at 9.

⁴ The “Indifference Amount” is the difference between the cost of the utility’s supply portfolio and the market value of that portfolio. The utility’s Indifference Amount is updated annually in each utility’s ERRA Forecast proceeding and is the basis for PCIA rates. Exh. CalCCA-01 at 5:3-6.

⁵ The PABA—which the Commission created in D.18-01-019—is a rolling true-up between the forecasted costs and revenues used to determine the Indifference Amount and the actual costs and revenues PG&E realizes (related to its PCIA-eligible resource portfolio) during the current year.

⁶ Exh. CalCCA-01 at 29:13-22; CalCCA Opening Br. at 12-13.

⁷ PD at 25, OP6.

II. COMMENTS

A. **The PD Correctly Rejects PG&E’s Proposed PCIA Rate Floor, but the Order Should Clarify that PG&E is Directed to Implement PCIA Rate Credits for all Vintages With Cumulative Forecasted Negative Indifference Amounts.**

Where the cumulative forecasted Indifference Amount for a given customer vintage is negative in the test year, PG&E proposes to implement a “floor” for that vintage and artificially set the rate for that component of PCIA rates to zero.⁸ Under PG&E’s imbalanced approach, a customer would only receive a PCIA payment (credit, rather than a charge) if a negative Indifference Amount *actually* accrues to PABA by the end of the year, but would not receive a payment where the *forecast* Indifference Amount is negative.

CalCCA explained that PG&E’s approach is flawed for several reasons—among them, that it violates Decision (D.)18-10-019 (which eliminated all PCIA rate limits and specifically made clear that customers should receive rate credits when the Indifference Amount is negative⁹); violates Public Utilities Code § 453(c)’s prohibition against unreasonable differences in charges; and is unjust and unreasonable in violation of Public Utilities Code § 451.¹⁰ Importantly, CalCCA explained that PG&E’s proposal is not even-handed, and violates the Commission’s indifference framework by implementing forecasted PCIA *charges* in a timely manner, but failing to implement forecasted PCIA *credits* in a timely manner.¹¹ CalCCA further observed that the true-up mechanism created by D.18-01-019 protects PG&E in the event that a forecasted negative Indifference Amount does not actually materialize.¹²

⁸ Exh. CalCCA-01 at 29:17-22; CalCCA Opening Br. at 12-13.

⁹ D.18-10-019 at 88; FOF 20 at 155; COL 21 at 158.

¹⁰ See CalCCA Opening Br. at 3-20; CalCCA Reply Br. at 2-8.

¹¹ CalCCA Opening Br. at 18.

¹² *Id.* at 18-19.

The PD thoughtfully analyzes this issue. It weighs both PG&E’s as well as bundled and unbundled customers’ interests and correctly identifies the fundamental question underlying the issue: “Should PG&E now have to pay customers based on a forecast, just as previously the customers had to pay based on a forecast?”¹³ Having considered that question, the PD correctly finds that the current ERRA ratesetting mechanisms “fully protect PG&E and ensure its recovery of reasonable costs” and observes that “PG&E should be financially indifferent to having or not having a floor.”¹⁴

The PD errs, however, where it describes PG&E’s proposal as a “rate floor for the [PCIA] rate.”¹⁵ That characterization misses an important nuance: PG&E proposes to implement a rate floor for the component of PCIA rates that reflects the cumulative forecasted Indifference Amount, but does not implement a rate floor for the “true-up” component or for PCIA rates as a whole. In other words, PG&E agreed, at least in theory, to apply PCIA rate credits to customer bills if the true-up component of PCIA rates falls below zero, but refused to do so where the cumulative forecast Indifference Amount for a given customer vintage falls below zero. *This* practice—implementing a floor on the forecast—violates prior Commission decisions, statute, and sound policy. The Commission correctly recognized this nuance in Southern California Edison’s (SCE) 2023 ERRA Forecast case, where it states: “SCE’s generation portfolio is “below market” for 2023, which requires a PCIA credit on departed load customers’ bills . . .”¹⁶

CalCCA requests that the Commission reflect this subtle distinction in its Order to avoid any confusion over exactly what the Commission requires PG&E to do going forward.

¹³ *Id.* at 18.

¹⁴ *Id.* at 18-19.

¹⁵ *Id.* at 16; 25, OP6.

¹⁶ A.22-05-014 et al., *Application of Southern California Edison Company (U338E) For Approval of its 2023 ERRA Forecast Proceeding Revenue Requirement*, D.22-12-012 at 54.

CalCCA's specific requested modifications to the findings of fact, conclusions of law, and ordering paragraphs in the PD are listed in Appendix A to these comments.

B. The Order Should Direct the Development of a Crediting Framework for Banked Renewable Energy Credits in the Power Charge Indifference Adjustment Rulemaking, Which No Party Opposes.

In this proceeding, PG&E proposed to apply excess 2021 and 2022 Renewable Portfolio Standard credits (Renewable Energy Credits or RECs) to meet its obligations for the 2023 forecast year.¹⁷ CalCCA did not dispute PG&E's proposal, but all parties agreed that PG&E's proposal should only be approved as a temporary solution for 2023.¹⁸ CalCCA however recommended that the Commission require a more permanent framework to credit banked RECs in the PCIA rulemaking, R.17-06-026 in order to ensure that all RPS energy is appropriately valued in the PCIA.¹⁹ PG&E agreed with CalCCA's recommendation in its reply brief²⁰ and no other party addressed this issue.

The PD notes the parties' agreement that the Commission should order the development of a crediting framework for banked RECs in the PCIA rulemaking.²¹ But the PD stops short of actually ordering the development of such a framework. In the interest of clarity, CalCCA requests that the final Order include findings, conclusions and ordering paragraphs directing the development of such a framework, as listed in Appendix A to these comments.

C. Technical Corrections

CalCCA offers two technical corrections to the PD, both related to the order of magnitude of certain line items in PG&E's authorized revenue requirement:

¹⁷ Exh. PGE-01 at 11-13 – 11-21.

¹⁸ CalCCA Opening Br. at 20.

¹⁹ Exh. CalCCA-01 at 24:10-25:4; CalCCA Opening Br. at 20.

²⁰ PG&E Reply Br. at 14-15.

²¹ PD at 20.

- Ordering Paragraph 1.k) states that PG&E is authorized to recover Utility-Owned Generation (UOG) costs of (\$2,349,491). The correct value for UOG costs is (\$2,349,491,000).²²
- Ordering Paragraph 1.l) states that PG&E is authorized to recover an ERRA – PFS balance of \$82,790. The correct value for the ERRA – PFS balance is \$82,790,000.²³

III. CONCLUSION

CalCCA appreciates the Administrative Law Judge’s efforts in resolving the complex issues in this proceeding and respectfully requests that the Commission adopt the revisions discussed in these comments and detailed in Appendix A.

Respectfully submitted,



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²² See *id.* at 6 (summarizing PG&E’s 2023 ERRA Revenue Requirement request).

²³ See *id.* (summarizing PG&E’s 2023 ERRA Revenue Requirement request).

APPENDIX A

Pursuant to Rule 14.3(b) of the Commission’s Rules of Practice and Procedure, CalCCA provides this Appendix setting forth proposed changes to the *Proposed Decision Adopting the Electric Revenue Requirements and Rates Associated with the 2023 Energy Resource Recovery Account and Generation Non-Bypassable Charges Forecast and Greenhouse Gas Forecast Revenue Return and Reconciliation and the 2023 Electric Sales Forecast for Pacific Gas and Electric Company*, including proposed changes to the findings of fact, conclusions of law and ordering paragraphs. CalCCA’s proposed revisions appear in underline and strike-through.

Findings of Fact

- Modify Finding of Fact 8 as follows: “For 2023, PG&E forecasts that the PCIA rate cumulative forecasted indifference amount for some vintages of customers will be negative.”
- Modify Finding of Fact 10 as follows: “Current market conditions may reverse in the future, and the negative PCIA rate cumulative forecasted indifference amount for some PG&E customers may become positive.”
- Add following Findings of Fact:
 - If PG&E experiences a Renewable Energy Certificate shortfall in future years similar to the one it forecasts for 2023, PG&E may not have sufficient excess RECs within the RPS compliance period to meet its retained RPS requirement in those years.
 - The Commission has previously stated that under the current PABA framework, it cannot be determined whether retired RECs in PABA were unsold or retained for compliance.
 - A crediting framework within PABA and mechanisms to value banked RECs at the end of the compliance period will help ensure that all RPS energy is appropriate valued in the PCIA.

Conclusions of Law

- Add the following Conclusion of Law: “Pacific Gas and Electric Company should implement PCIA rate credits for those vintages of customers with negative cumulative forecast indifference amounts.”
- Add the following Conclusions of Law: “The Commission should direct the development of a framework to credit banked RECs in the PCIA rulemaking, R.17-06-026.”

Ordering Paragraphs

- Modify Ordering Paragraph 1.k) as follows: “The Utility-Owned Generation – Related Costs of ~~(\$2,349,491)~~ (\$2,349,491,000).”
- Modify Ordering Paragraph 1.l) as follows: “The ERRA – PFS of ~~\$82,790~~ \$82,790,000.”
- Modify Ordering Paragraph 6 as follows: “Pacific Gas and Electric Company’s proposal to implement a rate floor for the cumulative forecasted indifference amount component of the Power Charge Indifference Adjustment rate is denied. Pacific Gas and Electric

Company is directed to implement PCIA rate credits for those vintages of customers with negative cumulative forecasted indifference amounts.”

- Add the following Ordering Paragraph: “The Commission shall develop a framework to credit banked RECs in the PCIA proceeding, R.17-06-026.”