March 21, 2023

VIA ELECTRONIC MAIL

Ms. Leuwam Tesfai
Deputy Executive Director, Energy and Climate Policy
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: California Community Choice Association's Protest of Pacific Gas and Electric Company's Tier 3 Advice Letter 6870-E: Establish the Diablo Canyon Transition and Relicensing Memorandum Account and the Diablo Canyon Extended Operations Balancing Account in Compliance with Decision 22-12-005

Dear Ms. Tesfai,

Pursuant to the California Public Utilities Commission's (Commission's) General Order (GO) 96-B,[1] the California Community Choice Association[2] (CalCCA) hereby submits this protest of Pacific Gas and Electric Company's (PG&E) Tier 3 Advice Letter 6870-E[3]: *Establish the Diablo Canyon Transition and Relicensing Memorandum Account and the Diablo Canyon Extended Operations Balancing Account in Compliance with Decision 22-12-005* (Advice Letter). CalCCA files this protest to propose modest changes to certain language within PG&E's proposed preliminary statements to clarify the accounting procedures tied to the cost recovery of extended operations of Diablo Canyon Power Plant (DCPP).

BACKGROUND

PG&E filed the Advice Letter on March 1, 2023, in response to Decision (D.) 22-12-005,[4] which ordered PG&E to file a Tier 3 Advice Letter to provide a detailed and complete

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[1] References to "General Rules" are to the general rules identified in General Order 96-B: https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M023/K381/23381302.PDF.

[2] California Community Choice Association represents the interests of 24 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, Energy For Palmdale's Independent Choice, Lancaster Choice Energy, Marin Clean Energy, 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] PG&E's Advice Letter 6870-E: *Establish the Diablo Canyon Transition and Relicensing Memorandum Account and the Diablo Canyon Extended Operations Balancing Account in Compliance with Decision 22-12-005*, Mar. 1, 2023: https://www.pge.com/tariffs/assets/pdf/adviceletter/ELEC_6870-E.pdf.

[4] D.22-12-005, *Decision Implementing Senate Bill 846*, Application 16-08-006 (Dec. 6, 2022): https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M499/K622/499622197.PDF.

accounting structure of the associated costs and recovery of DCPP under Senate Bill (SB) 846. That structure consists primarily of two balancing accounts: the Diablo Canyon Transition and Relicensing Memorandum Account (DCTRMA) and the Diablo Canyon Extended Operations Balancing Account (DCEOBA).[5] Prior to filing the Advice Letter, PG&E held a meet and confer with CalCCA and other parties on February 6, 2023, regarding the contents of the Advice Letter, and PG&E appended CalCCA's comments on the meet and confer to the Advice Letter itself. Also relevant to the Commission's disposition of the Advice Letter, the Commission issued an order instituting Rulemaking (R.) 23-01-007 to address implementation of SB 846 OIR.[6]

PROTEST

CalCCA protests the Advice Letter pursuant to Section 7.4.2(6) of GO 96-B, which allows protests on the grounds the relief requested in the advice letter is unreasonable. While the Advice Letter largely and appropriately addresses a number of issues CalCCA raised, the DCEOBA preliminary statement requires two small changes to bring it in line with reasonable accounting practices (and likely, also in line with PG&E's intent).

1. Two Changes to PG&E's Preliminary Statements Will More Clearly Align PG&E's Proposed Accounting Practices

There are two small issues that require clean up prior to disposition of the Advice Letter. First, the Extended Operations Subaccount accounting procedure in the DCEOBA allows for a debit entry equal to incurred replacement power costs.[7] It should also allow for a credit entry to reverse replacement power costs (and transfer them to the Liquidated Damages Subaccount) if incurred during outages where PG&E is found not to have met the reasonable manager standard. The Liquidated Damages Subaccount already allows for the debit side of this transfer, as written,[8] so it appears PG&E intended for a corresponding credit to be recorded to the Extended Operations Subaccount. Modifications to accomplish this end are:

EXTENDED OPERATIONS SUBACCOUNT (Six Sub-Accounts):

…

c. <u>A credit entry equal to incurred replacement power costs as directed by the Commission;</u>

…

[5] *Id.,* at Ordering Paragraph 4.
[6] *Order Instituting Rulemaking to Consider Potential Extension Of Diablo Canyon Power Plant Operations in Accordance With Senate Bill 846*, R.23-01-007 (Jan. 12, 2023) (SB 846 OIR).
[7] Advice Letter at Electric Preliminary Statement Part JR, Extended Operations Subaccount, Section 5.d.
[8] Advice Letter at Electric Preliminary Statement Part JR, Liquidated Damages Subaccount, Section 5.b.

Section 5.n states: "A debit or credit entry, as appropriate, to record the transfer of amounts to or from other accounts, upon approval by the Commission." While Section 5.n may be a "catch-all" to address the issue CalCCA raises here, it is clearer to include a corresponding credit if the debit is expressly provided for within the Liquidated Damages Subaccount.

Second, the following underlined language should be added to the Volumetric Performance Fee Subaccount accounting procedure 5.b: "A credit entry equal to net revenues and charges received in the CAISO market related to the extended operation of the Diablo Canyon Power Plant, to the extent such net revenue and charges are in excess of the amount recorded to the Extended Operations Subaccount." [9] The addition clarifies the "waterfall" for applying CAISO market revenues against different types of costs discussed in Section 3 of this protest.

2. PG&E Addresses the Impact the SB 846 OIR Will Have on the Advice Letter

PG&E responded to a number of concerns raised in CalCCA's comments. Most importantly, PG&E acknowledges:

> [T]he draft preliminary statements for the DCTRMA and DCEOBA are subject to change through CPUC action in R.23-01-007. PG&E concurs that the DCEOBA specifically is subject to change based on the CPUC's action in R.23-01-007 and has included this language above in the "Overview" of the DCEOBA section included within Tariff Updates.[10]

This language addresses a key risk from two parallel processes. The first process is where PG&E filed the Advice Letter, for Commission disposition. The second process is in the pending SB 846 OIR where the relief requested in the Advice Letter may be modified.

For example, removing DCPP from the Power Charge Indifference Adjustment is likely to change how PG&E's procurement department costs are allocated, an issue currently not reflected within the Advice Letter. Another issue relates to the "standard overheads" in the Advice Letter. Currently, PG&E treats DCPP as its own subfunction of PG&E's electric line of business general rate cases (GRC). As a result, PG&E allocates to DCPP a portion of corporate administrative and general (A&G) overhead costs when determining revenue requirement related to DCPP. If PG&E continues to operate DCPP, and the mechanism for recovering DCPP costs changes, then corporate A&G overhead costs should continue to be allocated to DCPP. The Advice Letter does not appear to reflect that continued allocation currently. These issues may be

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[9] Advice Letter at Electric Preliminary Statement Part JR, Volumetric Performance Fee Subaccount, Section 5.b.

[10] Advice Letter at 7.

addressed in the SB 846 OIR, and the cost recovery language in the Advice Letter may need to change based on the SB 846 OIR's outcome.

3. PG&E's Advice Letter Clarifies Important Details of DCPP Subaccounts

The utility also provides further clarity on the accounting "waterfall" applied to market revenues from the California Independent System Operator. It states such revenues would be credited first to Extended Operations subaccount, the balance of which is paid by customers of all load-serving entities (LSEs) in California, and then to the Volumetric Performance subaccount, which is paid only by LSEs in PG&E's service territory.[11] PG&E further clarifies that no CAISO market revenues will be recorded to the Liquidated Damages Subaccount. CalCCA agrees with both treatments.

In response to CalCCA's comments, PG&E also defines "incremental costs" as "costs that are incremental to what is authorized for cost recovery through another proceeding such as PG&E's GRC proceeding or PG&E's Nuclear Decommissioning Cost Triennial proceeding."[12] CalCCA does not object to this definition.

CONCLUSION

CalCCA thanks the Energy Division for its review of this protest, and respectfully requests it order PG&E to modify the preliminary statements to reflect the issues raised in this protest.

Respectfully,

Evelyn Kahl

CALIFORNIA COMMUNITY CHOICE ASSOCIATION

Evelyn Kahl
General Counsel and Director of Policy

cc via email:
Energy Division Tariff Unit (EDTariffUnit@cpuc.ca.gov)
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Service Lists: A.16-08-006, A.21-12-007, A.22-02-016, R.20-05-003 and R.23-01-007

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11 Advice Letter at 8.
12 Advice Letter at 7.