



**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
SUPPLEMENTAL GREENHOUSE GAS-FREE PROPOSAL AND ISSUES IN SCOPE**

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SUMMARY OF RECOMMENDATIONS

In response to party Opening Comments, CalCCA provides the following additional recommendations to:

- Reject Pacific Gas and Electric Company's (PG&E's) request to remove out-of-CAISO GHG-Free transactions from the calculation of the GHG-Free market price benchmark (MPB);
- Reject Southern California Edison's (SCE's) concerns regarding the GHG-Free MPB which ignore the identification by Energy Division Staff of GHG-Free attribute value in excess of the avoided cost value received in the California Independent System Operator Corporation (CAISO) market;
- Adopt the recommendations of Alliance for Retail Energy Markets and the Direct Access Customer Coalition to remove the minimum criterion of ten GHG-free transactions for the California Public Utilities Commission (Commission) to set a GHG-Free MPB;
- Reject PG&E's recommendation to adopt a requirement that the volume of GHG-Free transactions in the year exceed 3,500 gigawatt-hours (GWh), because the 3,500 GWh volume requirement: (1) is an arbitrarily chosen threshold that will likely result in the MPB being set at zero, depriving unbundled customers of the GHG-Free attribute value for which they pay in the power charge indifference adjustment (PCIA); and (2) will effectively allow the investor-owned utilities (IOUs) to ensure the GHG-Free MPB is always zero given that the IOUs own a majority of hydropower resources within CAISO;
- If the Commission sets a minimum threshold for the GHG-Free MPB, it should open the minimum to include transactions from non-CAISO connected (hydro and nuclear) resources and mandate an allocation if the minimum threshold is not met;
- Reject PG&E's recommendation to allow the IOUs to make their election after the Commission establishes the GHG-Free MPB as it ignores the need for long-term planning for unbundled customers; and
- Adopt SCE's recommendations to continue to allow allocations of nuclear to load-serving entities willing to take the allocation.

CalCCA takes no position at this time on the request by PG&E and SCE to place in scope the concept of a PCIA/PABA trigger.

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SUPPLEMENTAL GREENHOUSE GAS-FREE PROPOSAL AND ISSUES IN SCOPE**

California Community Choice Association¹ (CalCCA) submits these reply comments in response to the *Administrative Law Judge’s Ruling Requesting Comments on Supplemental Greenhouse Gas-Free Proposal and Issues in Scope*² (Ruling), dated March 3, 2023.

I. INTRODUCTION

CalCCA provides the following Reply in response to parties’ Opening Comments on the Ruling. In its Opening Comments, CalCCA recommends adoption of Energy Division Staff’s Supplemental GHG-Free Proposal attached to the Ruling (Supplemental Proposal) with modifications that: (1) limit the frequency of the investor-owned utilities’ (IOUs’) election of a greenhouse gas free (GHG-Free) allocation or market-price benchmark (MPB) to a one-time or multi-year election, rather than an annual election; and (2) order the continuance of the interim

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.

² *Administrative Law Judge’s Ruling Requesting Comments On Supplemental Greenhouse Gas-Free Proposal and Issues In Scope*, R.17-06-026 (Mar. 3, 2023):
<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M502/K987/502987675.PDF>.

allocations from non-Renewables Portfolio Standard (RPS)-eligible, GHG-Free non-hydropower (hydro) resources, including nuclear, while monitoring the market for non-RPS-eligible, GHG-Free non-hydro transactions and establishing a MPB for such resources if a market emerges.³ In addition, CalCCA recommends adding items to the proceeding scope, including: (1) the appropriate venue for determining re-vintaging when an IOU procurement contract is amended, renewed, or extended; and (2) issues regarding IOU accounting for the use of banked renewable electricity credits (RECs).⁴

In response to party Opening Comments, CalCCA provides herein the following additional recommendations to:

- Reject Pacific Gas and Electric Company's (PG&E's) request to remove GHG-Free transactions from outside of the California Independent System Operator (CAISO) market from the calculation of the GHG-Free MPB;
- Reject Southern California Edison's (SCE's) concerns regarding the GHG-Free MPB which ignore the identification by Energy Division Staff of GHG-Free attribute value in excess of the avoided cost value received in the CAISO market;
- Adopt the recommendations of Alliance for Retail Energy Markets and the Direct Access Customer Coalition (AReM/DACC) to remove the minimum criterion of ten GHG-free transactions for the California Public Utilities Commission (Commission) to set a GHG-Free MPB;
- Reject PG&E's recommendation to adopt a requirement that the volume of GHG-Free transactions in the year exceed 3,500 gigawatt-hours (GWh), because the 3,500 GWh volume requirement: (1) is an arbitrarily chosen threshold that will likely result in the MPB being set at zero, depriving unbundled customers of the GHG-Free attribute value for which they pay in the power charge indifference adjustment (PCIA); and (2) will effectively allow the IOUs to ensure the GHG-Free MPB is always zero given that the IOUs own a majority of hydro resources within CAISO;
- If the Commission adopts any minimum threshold for the GHG-Free MPB, it should open the threshold to include transactions from non-CAISO (hydro and nuclear) connected resources and mandate an allocation if the minimum threshold is not met;

³ CalCCA Opening Comments at 5-8.

⁴ *Id.* at 8-15.

- Reject PG&E’s recommendation that the IOUs make their election after the Commission establishes the GHG-Free MPB, as such a methodology ignores the need for long-term planning for unbundled customers; and
- Adopt SCE’s recommendations to continue to allow allocations of nuclear to load-serving entities (LSEs) willing to take the allocation.

Finally, CalCCA takes no position at this time on the request by PG&E and SCE to place in scope the concept of a PCIA/Portfolio Allocation Balancing Account (PABA) trigger.

II. PG&E’S AND SCE’S CONCERNS WITH THE ESTABLISHMENT OF A GHG-FREE MPB IGNORE ENERGY DIVISION STAFF’S FINDINGS IDENTIFYING INCREMENTAL GHG-FREE VALUE

A. PG&E’s Request to Remove Out-of-CAISO GHG-Free Transactions From the Calculation of the GHG-Free MPB Should be Rejected

By repeating its request to limit the calculation methodology to include only in-CAISO GHG-Free transactions, PG&E’s Opening Comments ignore the findings of Energy Division Staff of incremental GHG-Free value outside of any charges incurred for delivering power into the CAISO system.⁵ While PG&E may not like that finding, Energy Division Staff specifically confirmed on two occasions that the incremental value reported by LSEs in response to the Energy Division data request is “exclusive of [Resource Adequacy (RA)] value, energy value, or other values.”⁶ Most recently, Staff reconfirmed the incremental GHG-free value:

In early 2023, staff followed up again with the LSEs that had confirmed reporting incremental GHG-Free value to understand how they arrive at those values. In all cases for which staff received a response, the LSEs confirmed that their contracts had defined incremental GHG-Free values, either as the price of a standalone GHG-Free product or as the GHG-Free “plus” portion of an index-plus price structure ...⁷

⁵ See PG&E Opening Comments at 3-4.
⁶ Supplemental Proposal at 1 (emphasis added).
⁷ *Id.* (emphasis added).

Therefore, whether the source of the transaction is within or outside of CAISO, the GHG-Free incremental value has been isolated by Staff and must be allocated to unbundled customers or valued within the PCIA. PG&E's request to remove out-of-CAISO transactions from the GHG-Free MPB methodology should therefore be rejected.

B. SCE's Concerns Regarding the GHG-Free MPB Ignore Energy Division Staff's Identification of the GHG-Free Attribute Value in Excess of the Avoided Cost Value Received in the CAISO Market

SCE's continued insistence that all customers already receive a market value "adder," or higher CAISO revenues, for GHG-Free resources ignores both the attribute value of GHG-Free resources and the identification of that value by Energy Division Staff in both the September 12 Staff Proposal⁸ and the Supplemental Proposal.⁹ The IOUs have also 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.¹⁰ This excess value arises when an LSE can claim the GHG-Free attribute for public facing purposes, such as the California Energy Commission's (CEC's) Power Content Label (PCL) and for other marketing purposes.¹¹ As set forth above, Energy Division Staff went to great lengths to confirm that the GHG-Free value identified by LSEs in response to the data request was incremental to either the CAISO revenues or any other costs,

⁸ See Attachment 2, *GHG-Free Data Analysis and Staff Proposal*, Administrative Law Judge's Ruling Requesting Comments on GHG-Free Resources Staff Proposal and Other Issues, R.17-06-026, (September 12, 2022) (hereinafter September 12 Staff Proposal).

⁹ See SCE Opening Comments at 2-3.

¹⁰ As CalCCA noted in its Reply Comments to the ALJ's Ruling on the September 12 Staff Proposal, even SCE acknowledged during the November 18, 2022 workshop that GHG-Free attributes provide value incremental to LSEs. See *California Community Choice Association's Reply Comments on Administrative Law Judge's Ruling Requesting Comments on GHG-Free Resources Staff Proposal and Other Issues*, R.17-06-026 (Nov. 30, 2022) (hereinafter CalCCA Reply to Sept. 12 Ruling), at 5. In addition, as explained in detail in CalCCA's Reply to Sept. 12 Ruling, the IOUs utilize GHG-Free resources to highlight the low carbon content of their portfolios. *Id.* at 5-7.

¹¹ *Id.*

which LSEs repeatedly confirmed in response to inquiries from Staff. As such, SCE's concerns are misplaced and should be rejected.

III. CALCCA SUPPORTS AREM/DACC'S RECOMMENDATION TO REMOVE ANY MINIMUM CRITERION FOR CALCULATING THE GHG-FREE MPB

CalCCA supports the recommendation of AReM/DACC to remove the Supplemental Proposal's minimum criterion of ten transactions (or any other minimum criterion, as discussed below) for a MPB to be set at anything other than zero.¹² AReM/DACC are correct in that there is no rationale for setting such an arbitrary threshold, either in the Supplemental Proposal or elsewhere.¹³ AReM/DACC contend, and CalCCA agrees, that even with limited transactions (or even one transaction), incremental value is established and can be the basis for a GHG-Free MPB.¹⁴ AReM/DACC are also correct that GHG-Free attributes will likely only increase in value as a result of Senate Bill 100 and other clean energy compliance requirements. Therefore, any minimum criterion for setting the GHG-Free MPB should be removed.

IV. PG&E'S PROPOSAL TO SET THE MINIMUM CRITERION FOR CALCULATING THE GHG-FREE MPB AT 3,500 GWH SHOULD BE REJECTED

PG&E's proposal that the criterion for adopting a MPB be contingent upon a minimum transacted volume of 3,500 GWh of large hydro resources sourced from within the CAISO (rather than a minimum number of transactions as proposed in the Supplemental Proposal) for that year should be rejected. Under PG&E's proposal if in a year the volume transacted is less than 3,500 GWh, the MPB will be set at zero (and therefore if an IOU elects the MPB, unbundled customers will receive no value and no allocation for the GHG-Free resources they pay for). As set forth below, given that PG&E and SCE own the majority of in-CAISO hydro,

¹² See AReM/DACC Opening Comments at 5.

¹³ *Id.*

¹⁴ *Id.*

PG&E's arbitrary minimum criterion of 3,500 GWh will effectively allow the IOUs to ensure the GHG-Free MPB is always zero by limiting the volume of GHG-Free transactions.

The Commission should reject PG&E's proposal for a minimum criterion. However, if the Commission adopts PG&E's recommendation for a minimum criterion, it should then open the minimum to include transactions from non-CAISO connected large hydro resources, as well as non-hydro (i.e., nuclear resources), within and outside of California. Finally, if the Commission adopts a minimum criterion, it should mandate an allocation of GHG-Free resources if the minimum threshold to establish a MPB is not met. Also as discussed below, it should be noted that two important factual assertions by PG&E regarding both the September 12 Staff Proposal and the Supplemental Proposal are misrepresented in PG&E's Opening Comments, and therefore should not be relied upon by the Commission.

A. PG&E's Recommended Minimum Criterion of 3,500 GWh Should be Rejected as an Arbitrary Proposal to Deny Unbundled Customers the Value of the GHG-Free Attributes

PG&E's recommended minimum volume criterion of 3,500 GWh of hydro transacted should be rejected as an arbitrary number that will effectively allow the IOUs to ensure that the GHG-Free MPB is always zero. While markets generally look to the volume of transactions to indicate whether a published index price is indicative of market conditions, those assessments are made by market entities in deciding to value a product. In this case and under PG&E's proposal, it will not be market players but rather Commission Staff that will take an arbitrary volume of transactions that the Commission sets as a sufficient sample to indicate the market price index is indeed representative of the true value. PG&E's proposal to set this arbitrary number should be rejected as it will lead to ascribing no value to the GHG free attribute if the volume is below that number despite the finding of GHG-Free incremental value by Energy Division Staff, and the

acknowledgment by the IOUs that there is incremental value for GHG-Free attributes for PCL and marketing purposes.¹⁵

B. PG&E’s Recommended Minimum Volume Criterion Will Effectively Allow the IOUs to Ensure the GHG-Free MPB is Always Zero

Furthermore, through the establishment of the 3,500 GWh minimum threshold, PG&E will effectively ensure in all but limited cases that the GHG-Free MPB is set at zero. In the CAISO, 83 percent of interconnected installed capacity from large hydro facilities are owned by PG&E, the California Department of Water Resources (CDWR), and SCE.¹⁶ In addition, CDWR’s website states that it serves half of its own load from its own GHG-Free hydro generating facilities, and that its load ranges from 6,000 to 9,500 GWh.¹⁷ The CAISO lists 3,457 megawatts (MW) of capacity for CDWR, and given weather patterns and typical capacity factors for large hydro, it is apparent that CDWR uses all or nearly all of its owned hydro production to satisfy its own energy needs. Thus, CDWR does not generally make sales of its hydro facilities to the market.

Assuming then that no GWh of hydroelectric energy from CDWR will be sold to LSEs seeking GHG-Free attributes, and excluding sales from the two IOUs for the moment, this leaves 17 percent of the available fleet for sales. While CalCCA cannot pinpoint the GWh of sales of large hydroelectric interconnected to the CAISO only, the CEC does provide GWh of energy from all California located large hydroelectric facilities.¹⁸ This total amount will therefore include resources that are connected to transmission systems other than the CAISO system within California, and as such will over-state the amount of energy that can come from the PG&E

¹⁵ See *infra.*, n. 10.

¹⁶ See oasis.caiso.com > Atlas Reference > Master Control Area Generating Capability List including hydroelectric generators of 30 megawatts of capacity or greater (as of Mar. 20, 2023).

¹⁷ <https://water.ca.gov/What-We-Do/Power>.

¹⁸ <https://www.energy.ca.gov/data-reports/energy-almanac/california-electricity-data/electric-generation-capacity-and-energy>.

proposed fleet of large hydroelectric generators to set the MPB. In half of the years in the most recent ten years of data from the CEC, if all the resources owned by entities other than CDWR, PG&E, and SCE were sold, the volume of such sales would not have exceeded the PG&E recommended 3,500 GWh of sales. In the remaining five years, the amount in excess of the 3,500 GWh minimum was as low as 247 GWh and as high as 2,566 GWh. Keeping in mind that these sales include non-CAISO connected large hydroelectric generation, the numbers only within CAISO are likely lower and the number of years in which sales by PG&E, SCE, and CDWR could single-handedly ensure that the 3,500 GWh could not be met would increase. In short, the 3,500 GWh minimum volume of sales recommended by PG&E as the criterion on which a MPB will be established will enable the IOUs in all but limited cases to ensure that there is no MPB for GHG-Free attributes. For these reasons, the Commission should reject the proposal put forth by PG&E.

C. If the Commission Sets a Minimum Threshold for the GHG-Free MPB, it Should Open the Minimum to Include Transactions from Non-CAISO Connected Resources and Mandate an Allocation if the Minimum Transaction or Volume Threshold is Not Met

If the Commission decides to nevertheless establish a minimum criterion, such a minimum should include transactions from non-CAISO connected large hydroelectric resources, as well as non-hydro (i.e., nuclear resources), within and outside of California. In addition, if the Commission adopts either the minimum transaction or volume criteria, it should mandate the IOUs offer an allocation of GHG-Free resources if the minimum threshold to establish a MPB is not met. Taking these actions will allow a reasonable probability that transactions with entities without a vested interest in the establishment of a MPB will be counted. In addition, it will afford all customers paying the cost of the PCIA resources to obtain the GHG-Free value through an allocation if a suitable MPB cannot be calculated.

D. PG&E’s Misrepresentations of Facts Within the September 12 Staff Proposal and the Supplemental Proposal Should Not be Relied Upon by the Commission

It should be noted that PG&E mischaracterizes and misstates two important factual items in the September 12 Staff Proposal and the Supplemental Proposal. First, PG&E states that it “continues to question the market robustness of the dataset and has concerns with the number of transactions, particularly volumes transacted, which the September 12, 2022 Staff Report itself stated is “quite low.””¹⁹ While PG&E fails to provide a citation to where in the September Staff Proposal it takes its quote, the only time the September 12 Staff Proposal uses the term “quite low” is when it describes the number (and not the volume) of reported transactions for the year 2022 (12 transactions as compared to 2021’s 87 transactions):

The weighted average value [for the 2022 Forecast GHG-Free MPB] is lower than the 2022 Final RA and RPS MPBs. In addition, the number of reported transactions [for 2022] is quite low.²⁰

Despite the description of the number of reported transactions in 2022 being low as compared to 2021, staff then state in the paragraph immediately following that the data collected on 2021 and 2022 transactions demonstrate a “consistent heightened value for GHG-Free resources” which may warrant the establishment of a GHG-Free MPB.²¹ PG&E’s description of the number of transactions, and “particularly volumes transacted,” as “quite low” to support its argument that the minimum criterion should be based on volume rather than number of transactions is therefore a mischaracterization of the September 12 Staff Proposal.

Second, in arguing for a minimum criterion based on volume rather than number of transactions, PG&E misstates the data presented in the Supplemental Proposal. PG&E states:

¹⁹ PG&E Opening Comments at 4.
²⁰ September 12 Staff Proposal at 5.
²¹ *Id.* at 5-6.

The updated analysis in [the Supplemental Proposal] shows that nine (9) transactions for 2,023 GWh occurred in 2022. By contrast 58 transactions for only 1,310 GWh occurred in 2021.²²

While the Supplemental Proposal does find nine transactions for 2,023 GWh for 2022, the 2021 data is for 29 (and not 58) transactions for 3,689 (and not 1,310) GWh for 2021.²³ Therefore, PG&E’s statement that “this subset of reported transactions in 2021 represent nearly six times the number of reported transactions in 2022 with approximately 35 percent lower GWh volumes transacted” is misleading and not based on the data provided in the Supplemental Proposal. In fact, the 2021 reported transactions only represent nearly three times the number of reported transactions in 2022, while representing higher volumes. Therefore, the actual data presented in the Supplemental Proposal are not as extreme as PG&E presents and should not be relied upon by the Commission.

V. PG&E’S RECOMMENDATION TO ALLOW THE IOUS TO MAKE THEIR ELECTION AFTER THE COMMISSION ESTABLISHES THE GHG-FREE MPB SHOULD BE REJECTED AS IT IGNORES THE NEED FOR LONG TERM PLANNING FOR UNBUNDLED CUSTOMERS

PG&E requests that it only be required to make its annual election in October for the following year after Staff has made a determination that the minimum criterion has been met and calculated the forecasted GHG-free MPB.²⁴ PG&E’s request should be rejected as it fails to take into account the long-term planning needs of community choice aggregators (CCAs) to understand if they will be receiving a GHG-Free allocation or if the value will be provided through an MPB. As set forth in CalCCA’s Opening Comments, even the annual allocation in the May timeframe for the following year fails to provide adequate time for CCA long-term

²² PG&E Opening Comments at 4.

²³ Supplemental Proposal at 2 (Table 1) (emphasis added).

²⁴ PG&E Opening Comments at 6.

planning.²⁵ CalCCA continues to request that the Commission order the IOUs to make one permanent, or at the very least a multi-year, election.

PG&E posits that its October proposal for the annual election is in line with the timing of the release of the other PCIA MPBs for RA and RPS, and that it should be acceptable for CCA planning because the option to offer an interim allocation is made in October for the 2022 and 2023 timeframes. PG&E's arguments are inapposite. For the RA and RPS MPBs, CCAs know well in advance that an MPB will be set – there is no election being made between allocations and the MPB for RA and RPS. For the GHG-Free election, if a CCA does not plan for its GHG-Free needs well in advance and the IOU makes an MPB election instead of an allocation in October for the following year, a CCA may well fall short of its GHG-Free needs. With respect to the interim allocations, the timeframe set for a decision on such allocations was agreed to with the understanding that the PCIA proceeding will permanently address GHG-Free value – i.e., the current process is not intended to be the basis for the permanent GHG-Free methodology. As a result, PG&E's request for an October timeframe for declaring its annual election should be rejected, and CalCCA's request for a permanent election (or at least a multi-year election) should be adopted.

VI. SCE'S RECOMMENDATION FOR VOLUNTARY ALLOCATIONS OF NUCLEAR SHOULD BE ADOPTED

If an IOU elects to provide allocations (rather than the MPB), the Commission should adopt SCE's recommendation to require the IOU to offer both hydro and nuclear resource allocations.²⁶ As noted by SCE, LSEs can decline the nuclear allocation and accept the hydro allocation, or accept or decline both, to enable customers to receive the benefits they are paying

²⁵ CalCCA Opening Comments at 5-6.

²⁶ See SCE Opening Comments at 3-4.

for.²⁷ CalCCA agrees with SCE's recommendation and urges the Commission to require the IOUs to offer both hydro and nuclear resources as part of their allocation.

VII. PROPOSED SCOPING ITEMS

PG&E and SCE both request, as did CalCCA in its Opening Comments, that the Commission consider a REC accounting framework within the proceeding scope.²⁸ CalCCA continues to request the Commission add the REC accounting issue to the proceeding scope, along with addressing CalCCA's September motion to include in scope the consideration of the appropriate venue for determining vintaging changes when an IOU procurement contract is amended, renewed, or extended. Finally, both PG&E and SCE also raise the concept of the Commission considering a PCIA/PABA trigger prior to this proceeding being closed.²⁹ CalCCA takes no position on this additional proposed scoping item.

VIII. CONCLUSION

For all the foregoing reasons, CalCCA respectfully requests consideration of this Reply and looks forward to an ongoing dialogue with the Commission and stakeholders.

Respectfully submitted,



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March 24, 2023

²⁷ *Id.*

²⁸ *See* PG&E Opening Comments at 7-9; SCE Opening Comments at 4.

²⁹ *See* PG&E Opening Comments at 9-13; SCE Opening Comments at 4.