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**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 2024 Energy Resource Recovery Account (ERRA) and Generation Non-Bypassable Charges Forecast and Greenhouse Gas Forecast Revenue Return and Reconciliation<br><br>(U 39 E) | Application No. 23-05-012<br>(Filed May 15, 2023) |
| Expedited Application of Pacific Gas and Electric Company Pursuant to the Commission's Approved Energy Resource Recovery (ERRA) Trigger Mechanism.<br><br>(U 39 E) | Application No. 23-07-012<br>(Filed July 28, 2023) |

# CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S REPLY BRIEF

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**TABLE OF CONTENTS**

I. CONTESTED ISSUE: PG&E ERRONEOUSLY CONFLATES THE RPS COMPLIANCE RULES WITH THE MINIMUM RETAINED RPS REQUIREMENT .................................. 3

II. UNCONTESTED ISSUE: PG&E'S OCTOBER UPDATE INDICATES IT INTENDS TO REVERT TO ITS EXISTING ESA COST ALLOCATION METHODOLOGY FOR THE PURPOSES OF 2024 RATESETTING ..................................................................... 6

III. CONCLUSION ........................................................................................................ 7

## TABLE OF AUTHORITIES

**Commission Decisions**

D.11-12-020 .... 4
D.18-10-019 .... 2
D.20-02-047 .... 4
D.22-11-021 .... 5

**Commission Rules of Practice and Procedure**

Rule 13.12 .... 1

## SUMMARY OF RECOMMENDATIONS

The Commission should direct Pacific Gas and Electric Company (PG&E) to apply banked Renewable Energy Credits towards its 2024 Minimum Retained Renewable Portfolio Standard requirement on a "first-in first-out" basis consistent with the California Community Choice Association's (CalCCA) proposed methodology, and to make correcting entries to the 2023 Portfolio Allocation Balancing Account to reflect that methodology;

The Commission should defer making any findings, conclusions or orders with respect to PG&E's proposal to modify its methodology for allocating Electric Supply Administration costs until after the Commission decision targeted for the December 14, 2023, meeting, consistent with the Administrative Law Judge's Ruling Regarding Fixed Generation Costs issued on October 9, 2023.

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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 and the schedule adopted in the Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo),[1] the California Community Choice Association[2] (CalCCA) hereby submits this reply brief in the above-captioned *Application of Pacific Gas and Electric Company*

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1 Scoping Memo at 6 (Aug. 3, 2023).

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 (EBCE), Energy for Palmdale's Independent Choice, Lancaster Choice Energy, Marin Clean Energy (MCE), Orange County Power Authority, Peninsula Clean Energy (PCE), 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 (SJCE), Santa Barbara Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy.

*(PG&E) for Adoption of Electric Revenue Requirements and Rates Associated with its 2024 Energy Resource Recovery Account (ERRA) and Generation Non-Bypassable Charges Forecast and Greenhouse Gas Forecast Revenue Return and Reconciliation* (Application).

The parties' Opening Briefs demonstrate CalCCA and PG&E agree on the majority of the issues in this case, reflecting the fact that five years since Decision (D.) 18-10-019, most implementation details of the Commission's revised framework for the Power Charge Indifference Adjustment (PCIA) have been settled.[3] Even on the single remaining contested issue—PG&E's proposed methodology to apply Renewable Energy Credits (RECs) generated in prior years towards its Minimum Retained Renewable Portfolio Standard (RPS) requirement in 2024—CalCCA and PG&E agree on several key details (including that the REC transfer should be priced at the benchmark for the year in which the REC is used towards bundled customer compliance). CalCCA and PG&E disagree, however, on the sequence in which PG&E should use its excess RECs from prior years; whereas PG&E proposes a Last-In/First-Out (LIFO) approach; CalCCA supports a First-In/First-Out (FIFO) approach.

No matter which method the Commission ultimately approves, the *total value* of banked RECs that PG&E would use to cover its 2024 Retained RPS shortfall would remain the same. The only difference would be the *specific vintages* of customers that receive a credit. CalCCA's proposal produces a fair result because customers would be credited in the order in which they paid for PG&E's excess RPS procurement. PG&E's proposal, in contrast, favors more recent vintages and keeps customers who paid for banked RECs in earlier years waiting longer for a

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[3] CalCCA notes parties' positions may change, and contested issues may emerge, following review of PG&E's recently filed Fall Update. CalCCA will address that Fall Update in comments on November 1, 2023, consistent with the procedural schedule adopted in the Assigned Commissioner's Scoping Memo and Ruling.

credit. Contrary to PG&E's argument, nothing in the RPS compliance rules compels this illogical result. The Commission should therefore approve CalCCA's proposal and direct PG&E to apply banked RECs towards its Minimum Retained RPS requirement on a FIFO basis.

# I. CONTESTED ISSUE: PG&E ERRONEOUSLY CONFLATES THE RPS COMPLIANCE RULES WITH THE MINIMUM RETAINED RPS REQUIREMENT

PG&E forecasts it will have insufficient RECs to meet its bundled customer Minimum Retained RPS compliance requirement in 2024.[4] To cover its shortfall, PG&E proposes to apply excess "banked" RECs from prior years towards its 2024 Minimum Retained RPS requirement.[5] PG&E further proposes to compensate customers who previously paid for those banked RECs by crediting the corresponding PABA vintages at the 2024 RPS Adder.[6] CalCCA supports Commission approval of each of those proposals.

CalCCA and PG&E diverge, however, on the sequence in which PG&E should use its banked RECs. Whereas PG&E proposes to apply a LIFO methodology once it exhausts RECs from its current RPS compliance period (2021 and 2022 RECs), CalCCA recommends PG&E apply a more logical FIFO methodology such that customers are credited in the order in which they paid for PG&E's excess RPS procurements.[7]

PG&E disagrees with CalCCA's proposal because the utility believes a FIFO method "is inconsistent with RPS compliance rules."[8] PG&E erroneously conflates the RPS compliance rules with the Minimum Retained RPS requirement. The RPS compliance rules establish PG&E's

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[4] PG&E Opening Brief at 22.

[5] *Id*.

[6] PG&E-01 at 9-28:1-3.

[7] CalCCA Opening Brief at 8-16.

[8] PG&E Opening Brief at 25.

obligations with respect to the RPS program, which is not at issue in this proceeding. The Minimum Retained RPS requirement is conceptually related to the RPS program—in that PG&E is required to retain RECs corresponding to its annual RPS targets[9]—but the requirement is a function of PCIA ratemaking and not governed by the RPS compliance rules. Whereas PG&E's Opening Brief ignores that distinction, the utility acknowledges that distinction in its responses to CalCCA discovery requests, where it states:

> PG&E clarifies that the concept of the "Minimum Retained RPS Requirement" is an aspect of Power Charge Indifference Adjustment (PCIA) ratemaking initially created in 2019 for PG&E's 2020 ERRA Forecast decision, D.20-02-047, and has not been directly addressed in RPS compliance rules or statutes . . . PG&E is not aware of an RPS compliance rule which specifically requires excess from prior period RECs be utilized according to a last-in/first-out sequence.[10]

Thus, while the RPS compliance rules may require that PG&E use excess RECs from its current RPS compliance period before using any accumulated RPS banked volumes to cover a current period *RPS compliance* shortfall,[11] neither the RPS rules nor Commission decisions compel such a sequence with respect to PG&E's Minimum Retained RPS compliance requirement. The Commission can adopt CalCCA's more logical FIFO approach without running afoul of the RPS rules.

PG&E also incorrectly suggests that CalCCA's proposal requires PG&E to apply Unsold RPS volumes towards its Retained RPS shortfall *prior to* using banked RECs.[12] PG&E

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9 D.20-02-047 at pp. 13-14 (establishing the annual RPS target quantities provided in D.11-12-020 for calculating the RPS compliance period requirement serve as appropriate minimum quantities for PG&E to consider for its annual retained RPS volumes as a part of the PABA true-up).

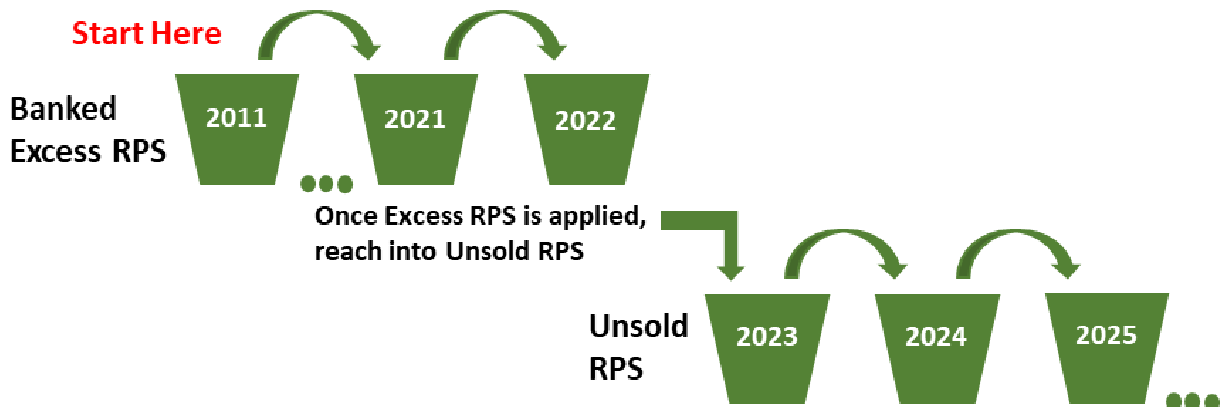
10 CalCCA-02 (PG&E response to CalCCA data request 6.06).

11 PG&E-03 at 21:30-33.

12 PG&E Opening Brief at 23-24.

misunderstands CalCCA's proposal. CalCCA does not recommend PG&E apply Unsold RPS quantities toward its 2024 Minimum Retained RPS requirement prior to applying banked RECs towards that requirement—the graphic at page 14 of CalCCA witness Shuey's testimony,[13] and reproduced below, amply reflects that fact.

**Figure 1: CalCCA Banked REC application methodology proposal[14]**




CalCCA observes, however, that the FIFO approach CalCCA supports "allows a more natural transition to using PG&E's 2023 Unsold RPS after all previously banked excess RECs have been applied."[15] In other words, both PG&E and CalCCA *agree* Unsold RPS can count towards the Minimum Retained RPS quantity for PCIA ratemaking purposes once previously retained excess RPS volumes have been exhausted;[16] the only difference is the sequence in which PG&E uses banked RECs before applying Unsold RPS quantities. Therefore, nothing about CalCCA's proposal compels the valuation of Unsold RECs in 2024 or is otherwise at odds with D.22-11-021, contrary to PG&E's assertions. The Commission should reject PG&E's misplaced criticisms of

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13 CalCCA-01 at 14:1.

14 *Id.*

15 *Id.* at 13:11-13.

16 *See id.* at Attachment B (PG&E response to CalCCA data request 2.22 (acknowledging "Unsold RPS will be eligible to count toward the Minimum RPS quantity for the PCIA in a future period once all of the past, previously retained excess RPS volumes have been drawn upon.")).

CalCCA's proposal and adopt a FIFO approach because it would credit customers in a more logical, reasonable and fair manner than a LIFO approach.

## II. UNCONTESTED ISSUE: PG&E'S OCTOBER UPDATE INDICATES IT INTENDS TO REVERT TO ITS EXISTING ESA COST ALLOCATION METHODOLOGY FOR THE PURPOSES OF 2024 RATESETTING

The Administrative Law Judge's October 9 Ruling clarified PG&E's proposal to change the methodology for allocating Electric Supply Administration (ESA) costs, identified as Issue 9a in the Scoping Memo, will not be addressed in the decision targeted for the Commission's December 14, 2023 voting meeting.[17] Accordingly, in its Opening Brief, CalCCA recommended the Commission direct PG&E to revert to its existing methodology for allocating ESA costs for the purposes of 2024 rates.[18]

In its recently filed Fall Update, PG&E states it "anticipates providing a Supplement to this Fall Update . . . to reflect revisions to ESA allocation and other common costs based on a net revenue requirement methodology."[19] CalCCA will review that testimony and address it as necessary in its comments and/or reply comments on the Fall Update. Assuming PG&E appropriately reverts to allocating ESA costs based on a net revenue requirement methodology for the purpose of 2024 rates, the Commission would no longer need to issue a directive to that effect. CalCCA maintains its recommendation that the Commission defer making any findings, conclusions or orders with respect to PG&E's proposal to modify its methodology for allocating ESA costs until after the Commission decision targeted for the December 14, 2023 meeting, consistent with the Administrative Law Judge's Ruling Regarding Fixed Generation Costs issued on October 9, 2023.

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[17] Administrative Law Judge's Ruling Regarding Fixed Generation Costs at 2 (Oct. 9, 2023).

[18] CalCCA Opening Brief at 23.

[19] PG&E Fall Update Testimony at 9.

## III. CONCLUSION

For the foregoing reasons, CalCCA respectfully requests the Commission adopt the recommendations in CalCCA's Opening Brief. CalCCA continues to reserve its right to modify its recommendations based on updated information presented in PG&E's recently filed October Update, and to address other issues raised therein, via comments on the October Update or any further process the Commission may adopt.

Dated: October 23, 2023

Respectfully submitted,

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