

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Application No. 23-06-001 A2306001

Application of Southern California Edison
Company (U338E) For Approval of Its 2024
ERRA Forecast Proceeding Revenue Requirement.

**OPENING COMMENTS OF
THE CALIFORNIA COMMUNITY CHOICE ASSOCIATION**

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SUMMARY OF RECOMMENDATIONS

- The Proposed Decision should be revised to avoid prejudging the Commission’s resolution of Southern California Edison’s (SCE’s) Petition for Modification of D.23-06-006, to correct the record with regard to the California Community Choice Association’s positions, and to avoid conflicting findings of fact, conclusions of law, and ordering paragraphs.
- The Proposed Decision makes conclusions the record does not support; it should be revised to require SCE to forecast the value of its energy storage assets based on the way all parties agree stored energy will be discharged, *i.e.*, during peak pricing periods to earn net revenue for SCE.

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Application No. 23-06-001

**OPENING COMMENTS OF
THE CALIFORNIA COMMUNITY CHOICE ASSOCIATION**

Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), the *Assigned Commissioner's Scoping Memo and Ruling* (Scoping Ruling),¹ and Judge Sisto's September 22, 2023, ruling,² the California Community Choice Association (CalCCA)³ hereby submits these Opening Comments regarding Judge Sisto's November 7, 2023, Proposed Decision (PD or Proposed Decision) resolving the *Application of Southern California Edison Company (U 338-E) (SCE) For Approval of Its 2024 ERRA Forecast Proceeding Revenue Requirement*, submitted on June 1, 2023 (Application).⁴

¹ Application (A.) 22-06-0001, *Assigned Commissioner's Scoping Memo and Ruling*, pp. 5-6 (Aug. 3, 2023) (Scoping Ruling).

² A.22-06-001, *Email Ruling Removing Evidentiary Hearing, Directing Future Motions, and Adjusting Procedural Schedule* (Sep. 22, 2023).

³ California Community Choice Association represents the interests of 24 community choice electricity providers in California: Apple Valley Choice Energy, Ava Community Energy, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance, CleanPowerSF, Desert Community Energy, Energy For Palmdale's Independent Choice, Lancaster 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.

⁴ A.23-06-001, *Application of Southern California Edison Company (U 338-E) for Approval of Its Forecast 2024 ERRA Proceeding Revenue Requirement* (June 1, 2023) (Application).

The Proposed Decision appropriately resolves the controversy surrounding the use of banked Renewable Energy Credits (RECs) to meet SCE's Renewable Portfolio Standard (RPS) obligations in 2024, adopting the same approach it adopted in last year's ERRA Forecast case via Decision (D.) 12-22-012. That solution prioritizes the use of post-2018 RECs until the SCE-caused controversy in a Petition for Modification (PFM) in Rulemaking (R.) 17-06-026 (SCE PFM) is resolved.⁵ However, a handful of corrections to the PD are needed to (1) remove statements that prejudge the outcome of SCE's PFM; (2) set the record straight with regard to CalCCA's position on D.23-06-006; and (3) resolve conflicting findings of fact and conclusions of law.

In its resolution of the second controversial issue in this proceeding, the PD errs by relying on facts that are not in evidence. Parties have agreed there is no value to discharging the resources *unless* they are discharged during peak. No party has established such resources may be called upon at other times of the day or that SCE needs encouragement beyond existing least-cost dispatch requirements to dispatch its storage resources in a prudent manner, *i.e.* to earn net revenue for SCE. Yet the PD relies on these two concepts to adopt SCE's methodology and depart from prior practice in valuing energy storage discharge from last year's decision, D.22-12-012. That conclusion will result in hundreds of millions of dollars of rate volatility (for no good reason). The Commission should revise the PD to require SCE to value the market revenues from its storage assets based on the way all parties agree stored energy will be discharged, *i.e.*, during peak pricing periods to earn net revenue for SCE.

⁵ R.17-06-026, *Southern California Edison Company's (U 338-E) Petition for Modification of D.23-06-006*, p. 5 (Sep. 11, 2023) (SCE PFM).

I. THE PROPOSED DECISION SHOULD BE REVISED TO AVOID PREJUDGING SCE'S PFM, CORRECT THE RECORD, AND AVOID CONFLICTING CONCLUSIONS.

The Proposed Decision makes clear its intention to leave the issue of valuing pre-2019 banked RECs to the Commission's resolution of SCE's PFM. It expressly adopts the D.22-12-012 interim process and reserves any determination regarding the value of pre-2019 banked RECs for the Commission to resolve in the PFM.⁶ It "denies reconsideration of issues associated with the valuation of banked Renewable Energy Certificates that were addressed in prior Decisions (D.)23-06-006 and D.19-10-001."⁷ It concludes "[t]he issues raised in SCE's PFM to D.23-06-006 are therefore not addressed in this proceeding."⁸

However, the Commission should make four sets of corrections to the PD to ensure this intention is accomplished and to ensure no conflicting conclusions remain in the final decision. First, the Proposed Decision includes statements and conclusions that not only address SCE's PFM but also would prejudge the Commission's resolution of it. Two specific sections of the Proposed Decision are problematic; and both the underlined and italicized language below should be deleted:

Page 53: "We agree with SCE that the Commission has not, to this date, found that SCE's bundled service customers owe credits to Departing Load customers for the use of pre-2019 banked RECs and that D.19-10-001 does not imply that each former bundled service customer should retain

⁶ A.23-06-001, Proposed Decision of Administrative Law Judge Sisto, pp. 53, 59 (Nov. 7, 2023) (Proposed Decision) (stating "we direct SCE to continue to apply this interim process in its next ERRA forecast application, until or unless a decision is reached on the PFM before its 2025 ERRA forecast application is due in May 2024... We also identify that the current scope of SCE's PFM to D.23-06-006 focuses on the valuation of pre-2019 banked RECs, so we do not address this contested issue here.").

⁷ *Id.* at 4-5.

⁸ *Id.* at 60.

some ‘lifetime ownership right’ to the bank of RECs in the IOUs’ portfolio.”⁹

Page 58: “D.23-06-006 confirmed that IOUs should apply the MPB for the year in which they use the banked REC, pursuant to D.19-10-001, which addresses RECs procured and banked after vintage 2018.”

The underlined portions of these statements directly address the question SCE raised in its PFM and should be taken out of the PD. SCE’s PFM contends the guidance set forth in D.23-06-006 does not apply to pre-2019 banked RECs.¹⁰ Consequently, SCE argues that bundled service customers owe no credit to Departing Load customers who previously paid for pre-2019 banked RECs but will now receive no RPS compliance benefit from those RECs.¹¹ The underlined statements go to the heart of what SCE requested in its PFM, appearing to suggest D.23-06-006 does not apply to pre-2019 banked RECs and thereby taking SCE’s position on the PFM in a different proceeding from the one in which the PFM was filed. To avoid this outcome, and to ensure these issues are reserved for the PFM, the underlined text should be removed from the PD.

Second, no party has suggested in this proceeding that a “lifetime ownership right” to RECs exists, and the italicized language above should also be deleted. The PD’s citation for the quoted language is D.22-12-012, but that decision does not include that language. The only place this issue is discussed in this case is in SCE’s opening brief, which erroneously suggests CalCCA made

⁹ *Id.* at 53.

¹⁰ SCE PFM at 9-10.

¹¹ *Id.*

that claim while simultaneously misinterpreting CalCCA's position in another case.¹² That is, SCE's opening brief is rebutting the wrong argument in the wrong proceeding. The final decision should not repeat SCE's mistake. REC ownership is a red herring. It should not be addressed in the PD. The italicized language above should be deleted.

Third, the PD states "CalCCA argued that D.23-06-006 did not address the outstanding issue of how Departing Load customers should be credited for the value of RECs that were procured and banked prior to 2019 that are used for SCE's RPS compliance in future years."¹³ This appears to be a typo since CalCCA argued the opposite. Exhibit CalCCA-01 demonstrates why D.23-06-006 *does* address the outstanding issue of how Departing Load customers should be credited for pre-2019 RECs.¹⁴ While the PD correctly concludes this issue no longer needs to be resolved in this case, on account of its adoption of the interim solution from D.22-12-012, the record should be set straight on CalCCA's prior arguments.

Finally, the PD includes misstatements in Finding of Fact 44 and Conclusion of Law 6 that would enact conclusions opposite to those in the body of the PD. They should be revised as follows (these changes are also included in Appendix A, attached hereto):

Finding of Fact 44: SCE should retire RECs banked ~~prior to~~ in or after 2019 to meet its forecasted bundled customer 2024 RPS compliance requirements in order to align with D.19-10-001 and the interim process adopted in D.22-12-012.

Conclusion of Law 6: SCE should continue retiring ~~pre-2019 banked~~ RECs banked in or after 2019 to comply with RPS in its 2025 ERRRA Forecast Application until/unless its

¹² A.23-06-001, *Reply Brief and Comments of the California Community Choice Association*, pp. 14-16. (Nov. 2, 2023) ("SCE's second laundry list starts with the false premise that 'CalCCA appears to claim that departing load customers have an ownership interest in pre-2019 banked RECs. SCE does not provide a reference for this statement, and the statement is odd since CalCCA has not addressed this issue on the record at all in this proceeding. The utility may be referring to a section of CalCCA's response to the SCE PFM; however, if that is the case, SCE misconstrues that section.'").

¹³ Proposed Decision at 59.

¹⁴ Exh. CalCCA-01C at 11-18.

PFM to D.23-06-006 is resolved by the Commission.

These four changes will ensure a final decision that comports with the PD's clear intention and resolves any conflicting conclusions currently therein.

II. THE EVIDENCE IN THIS PROCEEDING DOES NOT SUPPORT THE PROPOSED DECISION'S CONCLUSIONS ON THE OPERATION OF STORAGE RESOURCES.

The Proposed Decision commits legal error when it relies on two facts not in evidence to find SCE's treatment of storage resources is reasonable.¹⁵ SCE's proposal must meet the substantial evidence standard in this proceeding, which requires the Commission's final decision be "supported by the findings," and those findings be "supported by substantial evidence in light of the whole record," *i.e.*, they are based on the record or inferences reasonably drawn from the record. The Scoping Ruling categorized this proceeding as ratesetting.¹⁶ The Commission has previously determined that Section 1757 of the Public Utilities Code applies to ratesetting, establishing that the Commission's final decision must be "supported by the findings," and those findings must be "supported by substantial evidence in light of the whole record," *i.e.*, they are based on the record or inferences reasonably drawn from the record.¹⁷ However, the Proposed Decision relies on two inferences that cannot be drawn from the record of this proceeding.

Those inferences make up the only two reasons the PD gives for adopting SCE's proposed accounting treatment and abandoning the treatment of dispatched energy it relied on in D.22-12-

¹⁵ Proposed Decision at 26.

¹⁶ Scoping Ruling at 7.

¹⁷ Cal. Pub. Util. Code § 1757; *see, e.g.*, D.20-05-027 at 5-6 (Order Denying Rehearing of D.18-06-027, stating "As an initial matter, SDG&E cites to the wrong statute, because Public Utilities Code section 1757.1 does not set forth the applicable standards for a ratesetting proceeding like this one. Rather, section 1757 provides the appropriate standard and requires a finding as to whether the Commission's findings are not supported by substantial evidence in light of the whole record.").

012. First, the PD states “[w]e agree that the discharging price should not, on the whole, be valued at SCE’s on-peak pricing costs, because the resource could be called upon at other times of the day.”¹⁸ However, the Proposed Decision does not cite to where in the record the idea that “the resource may be called upon at other times of the day” has been demonstrated;¹⁹ a gap that likely results from the fact it is not on the record. CalCCA acknowledges it is theoretically possible the California Independent System Operator could force dispatch of the resources, but it has not been established that such a result would be common, would result in prices near the Energy Index, or that it would comply with least-cost dispatch principles and prudent utility management.

In fact, a close examination of the record reveals the opposite of what the PD claims has been established. In its rebuttal testimony, SCE states it “agrees that [valuing net exports at the Energy Index] does not truly represent the benefits of energy storage which, as identified, is charging during relatively low-price hours, and discharging during relatively high-price hours.”²⁰ That is, there is no benefit to discharging the resources *unless* they are discharged during peak. As such, it is not true, based on this record, that the resource would discharge at other times of the day.

Second, the record has not established that the forecasted value of a resource would “encourage” charging batteries during off-peak hours or discharging them during on-peak hours.²¹ No party argued SCE needs encouragement beyond existing least-cost dispatch requirements to dispatch its storage resources in a prudent manner. Indeed, it is least-cost dispatch requirements,

¹⁸ Proposed Decision at 55.

¹⁹ *Id.*

²⁰ Exh. SCE-05 at 9:18-22.

²¹ Proposed Decision at 55.

and prudent utility management, that drive dispatch – not forecasted energy values. Not even SCE has made these arguments.

The fact is there is little reason to depart from prior practice. In last year’s case, Witness Dickman proposed that net market revenue from certain energy storage resources should be included as a credit to the 2019 Power Charge Indifference Adjustment (PCIA) vintage of the 2023 Indifference Amount.²² SCE agreed with the accounting presented in Witness Dickman’s testimony in that case, which specified that the contract costs and net market revenue would be included in the PCIA.²³ That net market revenue was calculated by taking all discharges from those energy storage assets and valuing them at SCE’s forecasted on-peak prices, and not the MPB.²⁴ In that case, both charging costs and discharging revenue were forecasted using SCE’s internal price forecast, an approach the Commission adopted when it approved the revenue requirements calculated on that basis in D.22-12-012.²⁵ That is, the revenue requirement underlying the PCIA rates customers are paying today had been reduced by the net revenue of SCE’s storage resources.

²² Exh. SCE0-05C at 20:18-21:19 (citing to A.22-05-014, SoCal CCAs Direct Testimony at 9:17-10:6).

²³ *Id.* at 20:18-21:19 (citing to A.22-05-014, Exh. CCA-02 (SCE response to SoCal CCAs data request 7.01)).

²⁴ The only component of energy storage value that was valued at the MPB in SCE’s case last year was the difference between charging and discharging volumes, which is a negative value. That is, only net charging was valued at the MPB and no discharges were actually valued at the MPB. *See* SCE Response to CalCCA Data Request 5.19 (stating “[i]n the fall update of its 2023 ERRA forecast SCE forecasted the total ‘annual costs’ as the sum of total contract capacity payments net of market revenues as defined in CalCCA’s direct testimony (i.e., both charging costs and discharging revenue forecasted using SCE’s internal price forecast).” Emphasis added). While this response is not currently on the record, the fact only net charging was valued at the MPB can be seen in Table IX-1 in SCE-06C in the upper righthand corner of the figure.

²⁵ *Id.*; D.22-12-012 at 57-58, Findings of Fact 44 and 45, Conclusion of Law 2 and Ordering Paragraph 2.

Nothing has changed to justify a different treatment for the energy storage resources in SCE's 2024 ERRRA Forecast.

The PD should be revised to require SCE to value the market revenues from its storage assets based on (1) the way all parties agree stored energy will be discharged, *i.e.*, during peak pricing periods to earn net revenue for SCE, and not (2) the way no party believes stored energy will be discharged, *i.e.*, during periods with average market prices resembling the Energy Index. Properly valuing these resources to mirror their operation will prevent hundreds of millions of dollars of volatility in PCIA rates.²⁶ The PD should be revised as shown in Appendix A.

III. CONCLUSION

For the foregoing reasons, CalCCA respectfully urges the Commission to take the actions discussed herein and any other relief the Commission deems just and reasonable.

Dated: November 17, 2023

Respectfully submitted,



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²⁶ See A.23-06-001, *Opening Brief and Comments of the California Community Choice Association*, pp. 22-29 (Oct. 27, 2023).

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, 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

44. SCE should retire RECs banked ~~prior to~~ in or after 2019 to meet its forecasted bundled customer 2024 RPS compliance requirements in order to align with D.19-10-001 and the interim process adopted in D.22-12-012.
- X. SCE should forecast the discharge of its energy storage resources based on how those resources will actually be discharged, i.e., using on-peak prices to reduce volatility in PCIA rates.

CONCLUSIONS OF LAW

6. SCE should continue retiring ~~pre-2019 banked~~ RECs banked in or after 2019 to comply with RPS in its 2025 ERA Forecast Application until/unless its PFM to D.23-06-006 is resolved by the Commission.
- X. It is reasonable for SCE should forecast the discharge of its energy storage resources using on-peak prices.

ORDERING PARAGRAPHS

10. Southern California Edison Company (SCE) shall file a Tier 1 Advice Letter and revised tariff sheets within 30 days of the issuance of this Decision to implement this Decision. The Advice Letter shall include changed tariff sheets and supporting documentation for:
....
 - (e) The usage of post-20189 vintage banked Renewable Energy Certificates for 2024 Renewables Portfolio Standard compliance for SCE' bundled customers.
 - (f) The discharge of its energy storage resources at on-peak prices.