FILED
12/05/23
04:59 PM
A2305012

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

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 (U 39 E)	Application No. 23-05-012 (Filed May 15, 2023)
Expedited Application of Pacific Gas and Electric Company Pursuant to the Commission's Approved Energy Resource Recovery (ERRA) Trigger Mechanism. (U 39 E)	Application No. 23-07-012 (Filed July 28, 2023)

CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S OPENING COMMENTS ON PROPOSED DECISION

Evelyn Kahl
General Counsel and Director of Policy
CALIFORNIA COMMUNITY CHOICE ASSOCIATION
One Concord Center
2300 Clayton Road, Suite 1150
Concord, CA 94520
Telephone: (415) 254-5454
E-Mail: regulatory@cal-cca.org

Nikhil Vijaykar
Tim Lindl
KEYES & FOX LLP
580 California Street, 12th Floor
San Francisco, CA 94104
Telephone: (408) 621-3256
E-mail: nvijaykar@keyesfox.com
tlindl@keyesfox.com

December 5, 2023

TABLE OF CONTENTS

I. INTRODUCTION 2

II. COMMENTS 3

A. The PD Commits Factual and Legal Error Where it States PG&E's Last-In First-Out (LIFO) Methodology is Consistent with Prior Commission Decisions. 3

B. The Commission Should Adopt a 12-month Amortization Period for PG&E's ERRA Trigger Balance to Mitigate Rate Volatility and Avoid Imposing a Higher Rate Increase on Bundled Customers 7

C. Technical Corrections 8

III. CONCLUSION 9

TABLE OF AUTHORITIES

Rules of Practice and Procedure
Rule 14.3 2

Commission Decisions
D.02-10-062 8
D.20-03-012 8
D.20-11-029 8
D.22-12-044 6
D.23-05-010 8
D.23-11-094 .... 2, 6

SUMMARY OF RECOMMENDATIONS

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

- The Commission should direct PG&E to amortize its 2023 year-end Incremental Energy Resource Recovery Account (ERRA) Trigger Balance over twelve months effective January 1, 2024.

- The Commission should remove references to CalCCA in its discussion of PG&E's 2024 Sales Forecast because CalCCA did not take a position on that issue in this proceeding.

- The Commission should adopt CalCCA's recommended modifications to the PD's findings of fact, conclusions of law, and ordering paragraphs reflected in Appendix A to these comments.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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 (U 39 E)	Application No. 23-05-012 (Filed May 15, 2023)
Expedited Application of Pacific Gas and Electric Company Pursuant to the Commission's Approved Energy Resource Recovery (ERRA) Trigger Mechanism. (U 39 E)	Application No. 23-07-012 (Filed July 28, 2023)

CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S
OPENING COMMENTS ON PROPOSED DECISION

The California Community Choice Association[1] (CalCCA) submits these comments on the *Proposed Decision Adopting the Electric Revenue Requirements and Rates Associated With the 2024 Energy Resource Recovery Account and Generation Non-Bypassable Charges Forecast and Greenhouse Gas Forecast Revenue Return and Reconciliation and the 2024 Electric Sales Forecast for Pacific Gas and Electric Company as well as the Resolution of the 2023 Trigger*

[1] 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.

Application for an Undercollection of the Energy Resource Recovery Account (PD) pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission and the modified procedural schedule established in Administrative Law Judge (ALJ) Long's November 20, 2023 E-mail Ruling re Modification of the Procedural Schedule in A.23-05-012 et al.

I. INTRODUCTION

CalCCA appreciates the ALJ's efforts in resolving the complicated and wide-ranging issues raised in this consolidated proceeding on an expedited timeline. These opening comments focus on two issues: (1) Pacific Gas and Electric Company's (PG&E) use of banked Renewable Energy Credits (REC) to cover a shortfall in its 2024 Minimum Retained Renewable Portfolio Standard (RPS) and (2) PG&E's proposal to amortize up to $256 million of its Incremental Energy Resource Recovery Account (ERRA) Trigger balance over a six-month period.

With respect to the first issue, the PD commits factual and legal error where it finds PG&E's proposed "Last-In First-Out" (LIFO) banked REC application methodology "is consistent with prior decisions and the very recent Southern California Edison Company 2024 ERRA Forecast proposed decision."[2] In fact, prior Commission decisions (including the recent decision in Southern California Edison's (SCE) 2024 ERRA Forecast case[3]) do not adopt a LIFO methodology. Reversing this finding to adopt CalCCA's recommended FIFO methodology is both logical and fair because it prioritizes customers who were the earliest to pay for PG&E's excess RPS procurement and therefore have been waiting the longest for credits.

---

[2] PD at 17.

[3] Application (A.) of Southern California Edison Company (U 338-E) for Approval of its 2024 ERRA Forecast Proceeding Revenue Requirement, A.23-06-001, Decision (D.) 23-11-094 (Nov. 30, 2023).

With respect to the second issue, the PD adopts a six-month amortization period for PG&E's Incremental ERRA Trigger balance, finding a six-month cycle "reduces accrued carrying costs (interest) on the balancing account and enhances PG&E's liquidity position."[4] While CalCCA appreciates that prolonged undercollections lead to the accumulation of interest on the balancing account, PG&E has not presented the incremental carrying costs associated with amortizing its Trigger balance over an additional six months, nor demonstrated those costs outweigh the adverse impact of a steeper rate increase on bundled customers for the first six months of 2024. Moreover, as the PD recognizes, a twelve-month amortization allows PG&E's balance "to be more evenly spread across the ebbs and flows of both seasonal consumption patterns and seasonal energy cost fluctuations."[5] The Commission should adopt a twelve-month amortization because it balances PG&E's need for timely cost recovery with the objective of rate stability and is consistent with the Commission's approach to the amortization of PG&E's ERRA trigger balance in prior years.

Finally, CalCCA requests the Commission remedy a series of incorrect references to CalCCA in Section 8 of the PD's *dicta.*

II. COMMENTS

A. The PD Commits Factual and Legal Error Where it States PG&E's Last-In First-Out (LIFO) Methodology is Consistent with Prior Commission Decisions.

In this proceeding, PG&E proposes to apply excess "banked" RECs from prior years to meet its Minimum Retained RPS obligations for the forecast year (2024); charge current bundled customers for those RECs in the forecast year; and use the forecast year RPS market price

[4] PD at 16.

[5] *Id*.

benchmark to credit the Portfolio Allocation Balancing Account (PABA), with the credit applied to vintage years based on the year the RECs were generated. Each of those proposals is not only consistent with PG&E's approach in last year's ERRA Forecast case (A.22-05-029), but is also reasonable and compliant with applicable rules, regulations and prior Commission decisions. CalCCA therefore agrees with each of those proposals and supports the PD's approval of those proposals.[6] CalCCA recommends the Commission adopt findings of fact, conclusions of law and ordering paragraphs addressing these proposals (*see* Appendix A to these comments).

PG&E and CalCCA disagree, however, on one narrow but important aspect of PG&E's proposal to apply banked RECs towards its 2024 Minimum Retained RPS requirement. Whereas PG&E proposes to apply the newest, most recent vintages of RECs first (a "Last-In First-Out" or "LIFO" methodology), CalCCA recommends PG&E start by crediting the customers who have been waiting the longest (a "First-In First-Out" or "FIFO" methodology).

The fundamental distinction between the FIFO and LIFO approaches is the sequence in which specific customer vintages receive credits for the excess RECs they previously funded. CalCCA's recommended FIFO methodology would allow customers to receive a credit in the order in which they paid for PG&E's excess RPS procurement (*i.e.*, in 2024, vintages 2013, 2014, 2015 and 2016 would receive a credit).[7] Customers who were the earliest to pay for excess RPS procurement (vintage 2013), and have been waiting the longest for a credit, would be the first to benefit from PG&E's use of banked RECs. PG&E's preferred LIFO methodology, in contrast, favors more recent vintages (*i.e.*, in 2024, vintages 2018, 2020, 2021 and 2022 would receive a

---

6 PD at 16-17.

7 CalCCA-01 at 18.

credit) and keeps customers who paid for banked RECs in earlier years waiting longer for a credit.[8]

Importantly, the sequence in which PG&E draws RECs banked in prior years will ultimately have no impact on either the total costs that PG&E's customers (bundled and unbundled) pay or the total credit those customers receive. Whether the Commission directs a LIFO or a FIFO approach, PG&E will eventually use all the RECs it banked in prior years, bundled customers will pay for those RECs, and customers (bundled and unbundled) who previously paid for those RECs will be credited.[9] PG&E itself forecasts that while it will continue leaning on its "bank" of excess RECs to meet RPS compliance requirements in the near-term,[10] it expects to exhaust that bank of excess RECs and procure RPS resources to meet its compliance obligations in the foreseeable future.[11] At that point, all customers who had previously paid for PG&E's excess RPS procurement would have received credits, whether PG&E used those RECs in a FIFO or LIFO sequence.

Further, whether the Commission ultimately approves a FIFO or LIFO methodology, the *total value* of banked RECs that PG&E will use to cover its 2024 Retained RPS shortfall will remain the same.[12] Again, the only difference between the impact of the two methodologies is when specific vintages of customers receive a credit.

---

[8] *Id*. at 12:1-12.

[9] PG&E's reply comments on the Fall Update, in which the utility suggests a FIFO methodology would increase bundled customer costs, are therefore misleading. (Reply Comments of Pacific Gas and Electric Company (U-39 E) on Fall Update at 3-4). PG&E computes the impact of a FIFO methodology on the 2024 revenue requirement but does not mention that bundled customers will eventually receive the same credits under a FIFO methodology as they would receive under a LIFO methodology.

[10] Rulemaking (R.) 18-07-003, Order Instituting Rulemaking to Continue Implementation and Administration, and Consider Further Development, of California Renewable Portfolio Standard Program, Pacific Gas and Electric Company's (U 39 E) Draft 2023 Renewable Energy Procurement Plan at 3 (Jul. 17, 2023).

[11] *Id*. at 34-35.

[12] CalCCA-01 at 18:1-4.

Notwithstanding the FIFO methodology's inherent fairness and logic relative to LIFO, the PD adopts PG&E's preferred LIFO method based on the incorrect factual and legal finding that LIFO "is consistent with prior decisions and the very recent Southern California Edison Company 2024 ERRA Forecast proposed decision."[13] The PD errs and should be reversed. No prior Commission decision—including D.22-12-044 resolving PG&E's 2023 ERRA Forecast application and the recent decision in SCE's 2024 ERRA Forecast proceeding—adopts a LIFO methodology for the application of banked RECs.

In D.22-12-044, the Commission approved PG&E's proposal to apply 2021 and 2022 banked RECs towards its 2023 Minimum Retained RPS shortfall. PG&E did not use those banked RECs in a LIFO sequence (*i.e.*, exhaust 2022 banked RECs before moving on to 2021 banked RECs). Instead, PG&E drew from both 2021 and 2022 RECs in proportion to its RPS generation surplus in each year.[14] Thus, D.22-12-044 does not support, let alone require, the PD's directive that PG&E apply a LIFO methodology.

In SCE's 2024 ERRA Forecast proceeding, the Proposed Decision (Rev.1), adopted at the Commission's November 30, 2023 business meeting, directs SCE to utilize all available banked RECs generated in 2019 or later (post-2018 RECs) before using any RECs generated before 2019.[15] Contrary to the PD's finding, the Commission did not direct SCE to apply those post-2018 RECs in a LIFO sequence. In fact, as CalCCA pointed out in this proceeding, SCE proposed to apply its banked RECs to cover its forecasted Retained RPS shortfall in 2024 on a <u>FIFO</u> basis.[16]

---

[13] PD at 17; Finding of Fact (FOF) 5.

[14] PG&E-01 at 9-20:20-26 (describing PG&E's 2023 banked REC application methodology).

[15] A.23-06-001, Proposed Decision (Rev. 1) at 51-52; D.23-11-094 at 60; FOF 44, Conclusion of Law 5, Ordering Paragraph 9.

[16] CalCCA Opening Brief at 12; CalCCA-03 (SCE testimony from its 2024 ERRA Forecast proceeding, A.23-06-001, describing its banked REC application methodology); *see also* D.23-11-094 at

No other Commission decision adopts a LIFO methodology for the use of banked RECs. Thus, the PD's sole basis for adopting a LIFO methodology is factually and legally incorrect. The Commission should therefore modify the PD's conclusion on this issue and direct PG&E to apply banked RECs towards its 2024 Minimum Retained RPS shortfall on a FIFO basis. To the extent the Commission wishes to adopt an approach that is consistent with its prior decisions, including the recent decision in SCE's 2024 ERRA Forecast Proceeding, it should direct PG&E to prioritize the use of RECs generated in or after 2019 (post-2018 banked RECs), and to apply those RECs on a FIFO basis.

B. The Commission Should Adopt a 12-month Amortization Period for PG&E's ERRA Trigger Balance to Mitigate Rate Volatility and Avoid Imposing a Higher Rate Increase on Bundled Customers

PG&E proposes to recover up to $256 million of its outstanding ERRA balance, net of a relevant PABA balance (Incremental ERRA Trigger balance) over the first six months of 2024. The PD states that a six-month amortization period "reduces accrued carrying costs (interest) on the balancing account and enhances PG&E's liquidity position," but notes that a twelve-month amortization period "allows the costs to be more evenly spread across the ebbs and flows of both seasonal consumption patterns and seasonal energy cost fluctuations."[17]

While CalCCA does not object to PG&E's proposal to recover its Incremental ERRA Trigger Balance through a rate increase, PG&E's requested six-month amortization period is unusual and will steepen the rate increase that bundled customers experience as a result of this proceeding. In multiple past ERRA Trigger Applications, PG&E has rolled its year-end undercollection (or overcollection) into the following year's rates (and therefore amortized its

---

59-60 (describing CalCCA and SCE stipulation illustrating that whereas PG&E proposed to use banked RECs on a LIFO basis, SCE proposed using those RECs on a FIFO basis).

[17] PD at 16.

Trigger balance over twelve months).[18] A twelve-month amortization period avoids forcing bundled customers, who already face significant affordability pressures, to absorb a steeper rate increase for the first six months of 2024. Moreover, a twelve-month amortization period, effective January 1, minimizes rate volatility, customer confusion, and incremental administrative burden because it is coincident with rates implemented through the Annual Electric True-Up (AET). In contrast, PG&E's proposed six-month amortization period increases rate volatility for bundled customers (as well as associated customer confusion and administrative burdens) by adding a mid-year generation rate change to the series of other rate changes PG&E will implement over the next twelve months (including, for example, rate changes resulting from its General Rate Case).

CalCCA therefore recommends the Commission follow the approach it has adopted in previous ERRA Trigger applications and direct PG&E to recover its 2023 year-end Incremental ERRA Trigger Balance over twelve months by rolling that balance into 2024 rates. A twelve-month amortization satisfies the fundamental purpose of the trigger mechanism, which is to "balance the utilities['] need for timely cost recovery and the consequences of frequent rate adjustments on consumer behavior."[19]

C. Technical Corrections

In four instances in a single paragraph on page 15, the PD suggests that CalCCA took a position on PG&E's 2024 sales forecast.[20] CalCCA assumes the PD intended to reference the

---

[18] *See, e.g.* D.23-05-010 (concluding that D.22-12-044 (approving PG&E's 2023 ERRA Forecast application) and PG&E's implementation of 2023 generation-related revenue requirements in electric rates through the Annual Electric True-Up disposed of PG&E's ERRA undercollection); D.20-11-029 (concluding PG&E's proposal to address its ERRA overcollection through its 2021 ERRA Forecast Application proceeding was reasonable); D.20-03-012 (concluding PG&E's proposal to address its estimated 2019 ERRA overcollection through its 2020 ERRA Forecast Application proceeding was reasonable).

[19] D.02-10-062, p. 71, FOF 24.

[20] PD at 15.

Small Business Utility Advocates (SBUA) in each of those instances, because CalCCA did not take a position on PG&E's 2024 sales forecast in this proceeding. The Commission should remedy this error in its decision.

III. CONCLUSION

CalCCA appreciates the Administrative Law Judge's efforts in resolving the complex issues in this expedited proceeding and respectfully requests the Commission adopt the revisions discussed in these comments and detailed in Appendix A, attached hereto.

Respectfully submitted,

Nikhil Vijaykar
Tim Lindl
KEYES & FOX LLP
580 California Street, 12th Floor
San Francisco, CA 94104
Phone: (408) 621-3256
Email: nvijaykar@keyesfox.com
tlindl@keyesfox.com

December 5, 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 Adopting the Electric Revenue Requirements and Rates Associated With the 2024 Energy Resource Recovery Account and Generation Non-Bypassable Charges Forecast and Greenhouse Gas Forecast Revenue Return and Reconciliation and the 2024 Electric Sales Forecast for Pacific Gas and Electric Company as well as the Resolution of the 2023 Trigger Application for an Undercollection of the Energy Resource Recovery Account*, 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

4. ~~PG&E's~~CalCCA's proposal for a ~~six~~twelve-month amortization of the ERRA Trigger balance will ~~reduce carrying costs and~~ result in a timely rate recovery, mitigate the bundled customer rate increase by spreading that rate increase over twelve months, and reduce rate volatility for PG&E's bundled customers.
5. The use of the ~~LIFO~~FIFO method, using the ~~newest~~oldest RECs first ~~is consistent with prior Commission decisions~~ensures customers who were the earliest to pay for PG&E's banked RECs will be the first to receive credits for those RECs.
X. Under PG&E's proposed methodology for meeting its 2024 Minimum Retained RPS obligations, PG&E would apply excess RECs from 2018, 2020, 2021 and 2022 towards that obligation.
X. Under PG&E's proposed methodology for meeting its 2024 Minimum Retained RPS obligations, PG&E would charge bundled customers at the 2024 RPS market price benchmark for the excess RECs it uses, and use the 2024 RPS market price benchmark to credit the PABA, with the credit applied to vintage years based on the year the excess RECs were generated.

Conclusions of Law

6. It is reasonable and within the Commission's discretion to order PG&E to apply the ~~newest~~oldest RECs first using the ~~LIFO~~FIFO methodology~~, consistent with prior Commission decisions on this issue~~.
7. It is reasonable to use the ~~Last~~First-In-First-Out methodology to the use of excess prior year RECs.
X. It is reasonable and consistent with prior Commission decisions, rules and regulations for PG&E to apply excess RECs from 2018, 2020, 2021 and 2022 to meet its Minimum Retained RPS obligations for the 2024 forecast year.
X. It is reasonable and consistent with prior Commission decisions, rules and regulations for PG&E to charge bundled customers in the forecast year at the RPS market price benchmark for the forecast year for those customers' use of excess RECs from 2018, 2020, 2021 and 2022.
X. It is reasonable and consistent with prior Commission decisions, rules and regulations for PG&E to use the forecast year RPS market price benchmark to credit the PABA for the use of excess RECs from prior years, with the credit applied to vintage years based on the year the excess RECs were generated.

Ordering Paragraphs

5. Pacific Gas and Electric Company shall apply a ~~Last~~First-In-First-Out methodology to the use of excess prior year renewable energy credits.
6. Pacific Gas and Electric Company shall amortize the Energy Resource Recovery Account's undercollected balance over a ~~six~~twelve-month period beginning January 1, 2024.
X. Pacific Gas and Electric Company shall apply excess prior year renewable energy credits to meet its Minimum Retained RPS obligations for the forecast year.
X. Pacific Gas and Electric Company shall charge bundled customers in the forecast year for their use of excess Renewable Energy Credits from prior years at the Renewable Portfolio Standard Market Price Benchmark for the forecast year.
X. Pacific Gas and Electric Company shall credit the Portfolio Allocation Balancing Account for its use of excess Renewable Energy Credits from prior years at the Renewable Portfolio Standard Market Price Benchmark for the forecast year, with the credit applied to vintage years based on the year the excess Renewable Energy Credits were generated.