



**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.

Rulemaking 17-06-026
(Filed June 29, 2017)

**COMMENTS OF COMMERCIAL ENERGY OF
CALIFORNIA ON THE PROPOSED PHASE 2 DECISION
ON POWER CHARGE INDIFFERENCE ADJUSTMENT
CAP AND PORTFOLIO OPTIMIZATION**

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TABLE OF AUTHORITIES

	Page
Decisions of the California Public Utilities Commission	
D.12-06-038	6
D.16-06-054	11
D.17-06-026	6
D.18-10-019	2
D.20-06-002	13

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In accordance with Rule 14.3 of the Commission’s Rules of Practice and Procedure, Commercial Energy hereby submits its comments on the Proposed Phase 2 Decision on Power Charge Indifference Adjustment Cap and Portfolio Optimization (PD).

I. Introduction

Commercial Energy of California is a retail supplier of electricity and natural gas to commercial customers throughout California. In its role as an Energy Service Provider (ESP) and Core Transport Agent (CTA), it has provided energy solutions tailored to the needs of hospitals, universities, apartment buildings (including low income housing), office buildings, restaurants, hotels, and many varied commercial enterprises throughout California. Commercial Energy has worked diligently with the Commission and other stakeholders to develop market-based solutions that would enable all types of customers, including commercial customers, to have equal access to service from all types of load serving entities (LSEs), whether they be investor-owned utilities (IOUs), Community Choice Aggregators (CCAs) or ESPs. To this end,

Commercial Energy proposed its Voluntary Allocation and Auction Clearinghouse (VAAC) proposal in Phase 1 of this proceeding, which the Commission directed be more fully examined in Phase 2.¹ This proposal created a means by which non-IOU LSEs could voluntarily accept an allocation of IOU resources and attributes to meet their Renewable Portfolio Standard (RPS) and Resource Adequacy (RA) obligations, while unallocated resources rejected by an LSE would be made available in a market auction for any party to obtain, with the proceeds used to reduce the PCIA costs otherwise imposed on all departing customers' rates. As the author of this proposal, Commercial Energy served as a co-chair in Working Group #3 in Phase 2, which considered at great length a variety of detailed proposals for portfolio optimization, which were distilled into the Final Report of Working Group #3 issued Feb. 21, 2020.² The key mechanism proposed in that report for the purpose of allocating utility RPS and RA legacy resources is the Voluntary Allocation and Market Offer (VAMO) mechanism, a modification of Commercial Energy's original VAAC proposal.

Now, in early 2021, a Proposed Phase 2 Decision is issued for comment, and Commercial Energy does support the adoption of the VAMO mechanism for RPS allocation, subject to specific recommended modifications set forth below. However, Commercial Energy believes the PD presents a potentially lost opportunity to create a level playing field for LSE access to the IOU-held resources necessary for compliance, particularly Local RA requirement

¹ Commercial Energy's Voluntary Allocation and Auction Clearinghouse (VAAC) proposal in Phase 1 of the PCIA Rulemaking called for a voluntary allocation by load share of multiple resource categories (RPS, RA, and pools of resources grouped by technology). Resources or attributes not accepted in the allocation would be placed up for auction by the IOU, dispatched by the CAISO, and the revenues from the PCIA resources would be credited back to the entities that purchased the resources in the auction, thereby clearing the auction price and providing price stability and certainty as to PCIA liabilities. The Commission specifically called for further development of this proposal in Decision 18-10-019, R.16-06-026 (Phase 1), issued Oct. 19, 2018, p. 157, Conclusion of Law 8.

² Final Report of Working Group 3 Co-Chairs: Southern California Edison Company, California Community Choice Association, and Commercial Energy, R.16-06-026 (Phase 2), issued Feb. 21, 2020.

compliance. The Proposed Decision sets the stage for significantly more delays in redistributing Local RA to market competitors, the single most difficult resource for non-IOU LSEs to obtain. The PD then fails to offer any solution to mitigate this situation, wrongly suggesting that the IOUs are not expected to have excess Local RA in the future, while neglecting the fact that the lack of access to Local RA is an issue of immediate concern to all non-IOU LSEs. The Commission has moved quickly to require, adopt and approve a Central Procurement Entity to mitigate near term system shortfalls of RA. But the Phase 2 PD on Working Group 3 issues contradicts that focus and urgency with no concrete direction on the RA attributes, even as the Commission places a high priority on full compliance by LSEs with all RPS and RA obligations. In summary, the Final Decision must move with greater speed to fully implement the VAMO across all attributes with more distinct direction. To the extent the RA obligations of LSEs may be modified or even fully supplanted by the Central Procurement Entity program, the Commission should fully implement that program as quickly as possible to avoid stranding LSEs in a situation where they simply cannot obtain sufficient Local RA in many locations throughout the state due to the exclusion of Local RA from the VAMO mechanism.

The PD also defers a decision on key implementation details for VAMO. Rather than adopting clear standards for implementing the VAMO mechanism, the PD suggests resolving key implementation details in future filings by the IOUs, which will cause additional extended delays before LSEs are actually able to use the VAMO to access excess utility resources and the attributes associated with those assets.

Commercial Energy does support the elimination of the PCIA cap mechanism as proposed in the PD.

II. The PCIA Cap Mechanism Failed – As Predicted

Commercial Energy urged the Commission to not adopt a PCIA cap mechanism in its Phase 1 decision.³ As Commercial Energy suggested, the undercollection caused by the cap has caused increased PCIA surcharge volatility and contributed to significant overall increases in the PCIA surcharge. Now that all parties agree the cap should be eliminated, the Commission should take that step in this decision.

III. The Commission Should Adopt the VAMO Mechanism in order to Allocate RPS and RA Resources

Commercial Energy continues to support adoption of the full recommendation of the Working Group #3 Co-Chairs, as set forth in their Final Report.⁴ There is value in a comprehensive compromise agreed to by a wide range of stakeholder interests. However, it is clear that diverse parties have different issues with specific elements of the overall proposal. Commercial Energy also had objections to elements of the Final Report, particularly the requirement for mandatory Local RA allocation. It is notable that not even the three IOUs could agree on the structure of the WG#3 proposal, when they are largely in sync with respect to policy issues in other procurement proceedings.

Commercial Energy will offer its comments on the specific elements adopted or rejected by the PD. Specifically, Commercial Energy will support adoption of the elements of the WG#3 proposal that would benefit customers by allowing LSEs more access to IOU assets and attributes not needed for bundled customers, which will help reduce the potential for bundled customers to incur additional costs. Commercial Energy will also explain its opposition to

³ R.16-06-026, Phase 1, Commercial Energy comments in Oral Argument.

⁴ cite to final report

policies adopted by the PD that will fail to improve LSEs' ability to access resources and attributes within the context of a level playing field.

IV. Specific Comments on the Proposed Decision

In the following sections, Commercial Energy will offer specific comments in support of or opposition to positions adopted by the PD, and refer to them using the numbering contained in the PD itself.

5. Renewable Portfolio Standard

5.1 Voluntary Allocations

The PD is correct to adopt the use of the VAMO mechanism for RPS resources. This mechanism is both voluntary and market-based, and its use will help optimize existing IOU portfolios while allowing other LSEs to have access to excess resources and attributes. In keeping with the PD's focus on voluntary mechanisms, Commercial Energy supports the PD's rejection of mandatory reallocation of unsold resources, all allocations should be voluntary, as should the ability of parties to purchase or decline unsold resources in the Market Offer process. Rather than forcing LSEs to take resources they do not want, the costs of unsold resources should continue to be allocated via the existing PCIA mechanism. The PD is correct to conclude that, "[w]ithout the mandatory allocation component, we expect that the WG3 Proposal for RPS resources would advance the goal of reducing excess and uneconomic resources in the utilities' PCIA portfolio through voluntary and market-based solutions"⁵.

Commercial Energy also supports the PD's adoption of the payment mechanics proposed for the VAMO whereby LSEs accepting voluntary allocations will pay the Market Price Benchmark for the resource.

⁵ PD at p. 17.

Commercial Energy supports a one year short term allocation option, as set forth in the final Working Group #3 report. Commercial Energy urges the Commission to not defer resolution of the length of short term allocations to the IOU RPS procurement plan proceedings. Those proceedings will have enough to deal with as it is and delaying implementation any further is simply not necessary. Asking the parties to grapple with those additional issues will cause significant additional delay in VAMO implementation. The plain fact is that LSE's portfolios routinely change annually, as customers exercise choice, or businesses open or close, and the economy goes through substantial swings in expansion or contraction. A one year planning horizon is by far the most reasonable for short term allocation of RPS resources, and the PD should adopt that standard without delay.

Commercial Energy believes the PD is mistaken in denying the proposal of Working Group #3 to permit grandfathering of all the resources that were originally 10 years in length for the first set of long-term allocations.⁶ There is no doubt that these resources have been treated as meeting the standard for a long term RPS asset up to this point. What the VAMO calls for is merely an allocation of the attributes of existing IOU long term contracts that continue to be held by the same IOUs and bid into the CAISO by the IOUs. Commercial Energy submits that this is not "repackaging" as considered in either D.17-06-026 or D.12-06-038.

An important concern is raised by the PD's restriction on the resale of allocated assets, particularly for short term RPS allocations. The PD mistakenly suggests that resales are not necessary because the voluntary allocations accepted by an LSE will always be tailored to LSE load.⁷ This is not true. First, there is no connection between an LSE's proportional share of

⁶ PD at p. 20.

⁷ PD at p. 22, stating, "The Voluntary Allocations are designed to fluctuate based on the vintaged, annual load share of each LSE. The benefit of this design is that it accounts for fluctuations in an LSE's load share, making resale to account for load share decreases unnecessary."

PCIA eligible RPS resources and what that LSE needs or wants to meet its particular compliance obligations. In addition, there will always be a constantly changing level of demand for LSEs, due to load migration through customer choice and through demand variation due to changes in economic activity. Across California load is moving from IOU or CCA service to ESPs due to the increases in direct access authorized by statute. And other load is moving back to IOU bundled service for various reasons. As for load changes due to economic variables, the pandemic has clearly proven to all LSEs that their load can change dramatically and unpredictably, not just year to year, but month to month. LSEs should be allowed to freely transact to sell their short term allocated resources through bilateral contracts, and to buy resources from LSEs that are long in such resources. In addition, the PD's adoption of a three year period between VAMO allocations increases the likelihood that an LSE's initial allocation may no longer fit its load requirements after 2-3 years of customer migration and changes in the fundamentals affecting the energy market itself. The solution is to allow resales of allocated resources. Such a secondary market is a fundamental element of the "market-based" characteristic that the PD expressly states is an important policy goal in the Commission's consideration of portfolio optimization.⁸

This is further illustrated by the PD's decision to allow any newly-formed LSE to file a Tier 1 advice letter to request a Voluntary Allocation after filing its implementation plan in the year prior to the first year they will serve load.⁹ This is a textbook example of why the resale of RPS allocated resources should be allowed. The PD proposes that the IOU file a Tier 2 Advice Letter proposing how the allocation can be made for the new LSE.¹⁰ However, for the new LSE to obtain an allocation, if those resources have been previously allocated, or sold as

⁸ PD at p. 14.

⁹ PD at p. 34.

¹⁰ *Id.*

part of a Market Offer, then some existing LSE allocations will have to be reduced in the subsequent year. If those LSEs' allocations in a given IOU service territory will be reduced by the introduction of a new CCA, for example, it is essential that the LSEs that have designed their procurement portfolios based on their original allocation have the opportunity to try to replace the share of their initial allocation that will be moved to the new LSE. This can best be done by allowing resale transactions between LSEs. An LSE whose load has declined from the level used for its RPS allocation can sell the excess and help balance resources by reselling them to an LSE who has experienced increased load. Resales are a critically important tool for accomplishing this type of rebalancing of the market.

In summary, the benefit of allowing allocated assets to be efficiently distributed by secondary resale transactions is substantial, and will help prevent both non-compliance of procurement obligations or over-procurement, as parties even out their portfolios through resales over the three-year compliance period.

Commercial Energy also submits that the PD should be modified to adopt a percentage limit on long-term RPS asset allocations. The 35% limitation proposed in the WG#3 report was adopted for a very specific reason. This limit will help prevent the majority of the assets from being locked up for ten year term after the very first allocation. Given the uncertainties in implementing a new procurement mechanism it is prudent to assure that a significant amount of the resources can be re-allocated after parties have had a short amount of time to assess how well the VAMO works for their needs. As all the LSEs and the stakeholders learn the mechanics of the VAMO, there should be a priority in retaining flexibility and allowing parties to have opportunities to readjust their portfolios. Failing to limit long-term allocations is a serious mistake. The Commission can and should adopt this requirement in this PD, while

allowing parties other opportunities to propose detailed rules on other aspects of the VAMO in the RPS Plan proceedings.

5.2 Market Offer

Commercial Energy generally supports the adoption of the Market Offer process for allowing LSEs to access unallocated RPS resources and attributes. In addition, Commercial Energy supports PG&E's suggestion that the Commission adopt rules for Market Offers that will guard against collusion or market manipulation¹¹ and urge that the Commission prevent a situation where a limited number of parties can engage in joint bidding behavior (such as CCAs that belong to a Joint Powers Agency) while other LSEs that operate in multiple service territories across the state may not engage in such practices.

However, Commercial Energy has serious concerns about deferring resolution of specific Market Offer procedures to the IOU RPS Plan proceedings. As stated above, Commercial Energy is concerned that this will also result in additional delay in implementation of VAMO, as will requiring the IOUs to agree on a single procedure.¹² The PD should not adopt such a requirement, as this could effectively give a single IOU a veto over adoption of key Market Offer procedures. Commercial Energy notes that the IOUs spent a great deal of time conferring during the Working Group 3 process, but it did not result in a consensus position. It is better to have some differences between IOU procurement tariffs (and there are many such differences today) than to cause a massive delay in a roll out of the Market Offer mechanism.

5.3 Compliance Credit

¹¹ PD at p. 25.

¹² PD at pp. 23-24. The PD states, "To reduce the administrative costs of overseeing the VAMO, we may direct the IOUs to jointly propose one set of Market Offer processes and mechanisms in the RPS proceeding."

Commercial Energy, like its fellow Co-Chairs, supports the treatment of compliance credits through VAMO contracts to be proposed by the IOUs.

5.4 Ratemaking Treatment

Commercial Energy supports the ratemaking treatment of voluntary RPS allocations (which are to be paid for by the LSE accepting the allocation at the Market Price Benchmark (MPB) rate) and market offer sales of RPS assets (whereby the revenues of such sales are posted as a credit against the PCIA balance).

However, Commercial Energy does recommend that the PD be modified to permit unallocated and unsold resources to be priced at \$0 for the MPB. As the cost of the assets are already included in the PCIA balance, if unsold, the full cost will be recovered through the existing PCIA mechanism. However, the PD offers no explanation for its refusal to adopt this part of the consensus Working Group 3 ratemaking proposal. Commercial Energy sees no reason to not adopt this provision at this time.

5.5 RFIs for Contract Modification and Assignment

Commercial Energy supports the use of Requests for Information (RFIs) to solicit interest in bi-lateral transactions to reduce excess portfolio positions of the IOUs. It is also important to emphasize that for any generator with an existing contract with an IOU, entering into contract modification or assignment agreements should be purely voluntary.

5.6 Timing and Implementation

Commercial Energy supports an annual VAMO allocation, for the reasons explained above.¹³ The likelihood of LSE's load shifting significantly year to year is well established, but Commercial Energy is willing to accept the three year allocation adopted by the PD, which matches the RPS compliance period, with the caveat that short term RPS allocations should be for one year only, and resales of RPS allocations should be permitted. If the VAMO will only offer a significant reallocation opportunity every three years, it is essential that parties have the ability to re-adjust their portfolios through bi-lateral resale transactions.

5.7 Administrative Costs

Commercial Energy strongly disagrees with those parties that suggest that allowing resale of IOU RPS assets will result in dramatically greater administrative costs and complexity than the IOUs already face. The vintaging of PCIA assets already required in ERRA proceedings is already more complicated than what would be required for tracking a resale of an allocated RPS asset. As indicated above with respect to Compliance Credits, every allocated asset will be defined by a standard form contract, and a resale simply requires tracking the assignment of that single contract from one LSE to another.

Commercial Energy also objects to the notion that the IOUs should be permitted to recover administrative costs incurred to implement the VAMO mechanism dollar for dollar in the ERRA. The IOUs' regulatory expenses are primarily recovered through general rate cases (GRCs), which set rates to recover such costs based on historical expense trends and forecasts of increasing regulatory expenses (including the potential cost impact of additional regulatory requirements) as well as increases for inflation in post-test year periods.¹⁴ The PD fails to

¹³ *Supra*, pp. 5-7.

¹⁴ See, for example, D.16-06-054, issued July 1, 2016, adopting a settlement in an SDG&E general rate case. The Commission adopted an increase in Administrative & General expense related to the utility's

recognize the potential for double recovery in such circumstances, and it should not continue to allow the utilities to throw more administrative costs into the ECAC without taking GRC regulatory expense ratemaking into account.

6. Resource Adequacy

Commercial Energy supports elimination of mandatory allocation of Local RA, and agrees with AReM/DACC that a mandatory allocation would require some LSEs to take RA they do not need. Commercial Energy has always supported the concept of a voluntary allocation of Local RA, in the same manner that RPS assets and other attributes should be allocated, subject to being sold in a Market Offer process if not accepted by the LSE entitled to the allocation. However, Local RA in particular is a critical compliance resources both now, and possibly in the future, and Commercial Energy considers it a major failing of the PD that it does not address a mechanism to enable all LSEs to have access to Local RA by means of a level playing field.

The PD appears to conclude that the IOUs will not be expected to have excess Local RA in the near future. Commercial Energy strongly disagrees with this suggestion, and notes that at present, the IOUs are, in many cases, and many locations, the only source of Local RA. The absence of any mechanism to allow LSEs to access even a portion of the IOU's excess Local RA is the cause of serious compliance issues for many LSEs. Even the newly adopted Central Procurement Entity will allocate its Local RA capacity amongst the LSEs in each specific area. Surely applying the same principle to existing Local RA resources held by the IOUs is not a bridge too far.

electric distribution system, noting that, "SDG&E's increase in costs is due to the additional resources needed for regulatory compliance and for its financial reporting tools." at p. 68.

This is an example of how the multi-phase and decidedly slow decision-making process in this proceeding has denied LSEs valuable opportunities to make use of excess resources in the near term, most importantly Local RA. From 2018 until 2024, it is clear that the IOUs have had and will have excess Local RA. Indeed, they own or control the majority of such resources, particularly in PG&E's service territory. Even the RPS VAMO mechanism adopted in the PD did include a mechanism for voluntary allocation of Local RA, it would not reach full implementation until the 2nd quarter of 2023 or even later, depending on coordination of calculated RA requirements for each LSE.

By failing to address Local RA at all in this PD, the Commission has lost the ability to render excess RA resources useful to those LSEs that need them during the current procurement cycle. Now the Commission must acknowledge that its only option is to resolve the issue through the CPE mechanism¹⁵, or admit that the market structure it has adopted makes it virtually impossible for some LSEs to comply with Local RA obligations. Adoption of voluntary allocation for Local RA could help alleviate the compliance issues in the near or medium term, while the Commission continues to structure and implement the CPE mechanism.

Commercial Energy believes that adoption of PG&E's proposal to require each IOU to file an advice letter to justify its methodology for determining how much of its PCIA-eligible RA is reserved as part of the IOU's Bundled Portfolio Plan is not objectionable as a stand-alone proposal. However, unless the PD adopts a mechanism such as the VAMO to require the IOUs to make excess RA available to the LSEs that need those resources, an informational advice letter is of little or no practical use. It is wholly insufficient to continue to

¹⁵ D.20-06-002, issued June 17, 2020. The Commission adopted a Central Procurement Entity program and designated PG&E and SCE as the CPEs for their respective service territories, while leaving for a future decision the designation of a CPE for the SDG&E system. Implementation of the CPE system effective in 2023 would eliminate the need for individual LSE Local RA requirements. D.20-06-002 at p. 9. This program would not address Local RA needs in 2021 or 2022.

rely on each IOU offering intermittent Requests for Offers (RFOs) for RPS or RA assets on a time schedule of their own choosing, and without a mechanism to fairly allocate such resources among all non-IOU LSEs.

7. GHG Free Energy

Commercial Energy believes the PD should have adopted the WG#3 proposal for allocation of GHG free resources, as an interim measure, as this proposal is consistent with the concept proposed in Advice Letters by both SCE and PG&E and approved by the Commission.¹⁶ The allocation of GHG-Free resource attributes is necessary in order to provide LSEs with some value for the emission free resources they pay for under the PCIA mechanism. Admittedly, the proposal is imbalanced with regard to the treatment of non-GHG resources, and Commercial Energy has consistently supported allocating both GHG-Free and Non-GHG resources to all LSE's, including CCAs, that make use of such resources. At the same time, it is unfair for LSEs that are paying the cost of GHG-Free resources to have no means of receiving credit for that portion of their portfolio that is GHG-free. Under these circumstances, Commercial Energy submits that the Commission should adopt the WG#3 proposal for the allocation of GHG-Free resources and continue to work with the CEC to refine the inclusion of such all types of resources in the PCL.

V. Conclusion

¹⁶ See Resolution E-5046, which approved PG&E's proposal to make one-year allocations of nuclear and large hydroelectric resources available to LSEs in 2019 and 2020. Resolution E-5046 stated, "We agree with PG&E and the Joint CCAs that AL 5705-E proposes an interim solution, and the PCIA proceeding will determine this interim solution's permanent replacement." In December 2020, the Commission issued Resolution E-5111,82 which approved PG&E's request to extend this "interim process" through 2021, with an option to extend through 2022 and 2023. Subsequently, the Commission issued Resolution E-5095 to approve SCE's similar request to allocate nuclear and large hydroelectric resources to LSEs until the earlier of (a) December 31, 2022, (b) 3 months after the effective date of a decision denying an ongoing GHG-Free mechanism issued in this proceeding, or (c) the effective date for a decision authorizing an ongoing allocation of GHG-Free energy in this proceeding.

Commercial Energy urges the Commission to adopt the PD with the modifications suggested herein, and set forth in Attachment A.

Respectfully submitted April 26, 2021, at San Francisco, California.

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ATTACHMENT A

SUBJECT INDEX OF RECOMMENDED CHANGES TO THE PROPOSED DECISION

1. The PD should be revised to specify that short term RPS allocations shall include one-year terms.
2. The PD should be revised to permit resales of short term or long term allocated RPS resources.
3. The PD should be revised to impose a 35% limitation on long term RPS assets allocated through the VAMO process.
4. The Commission should direct the IOUs to include in their advice letters proposing Market Offer procedures rules to prevent market manipulation or collusion, particularly ensuring that entities operating through a Joint Powers Authority do not have advantages in market offer bidding relative to other LSEs.
5. The PD should be revised to encourage, but not require, the IOUs to develop a single, uniform set of market offer procedures and rules.
6. The PD should be revised to price unallocated RPS resources at \$0 for the Market Price Benchmark.
7. The PD should be revised to clarify that the VAMO process for RPS resources shall be conducted once each three-year procurement cycle, with the condition that resales of RPS resources be allowed and short term allocations shall have a one year term.
8. Administrative costs for the VAMO should be recovered by the IOUs through their general rate case proceedings.
9. The PD should be revised to permit voluntary allocation of Local RA resources through the VAMO process, including allowing LSEs to engage in resales of Local RA resources allocated to them, and to implement the allocation of Local RA through VAMO as soon as practicable for as long as it takes to fully implement the Central Procurement Entity to purchase Local RA in each IOU service territory.
10. The PD should be revised to direct IOUs to submit Advice Letters explaining their methodology for reserving Local RA for bundled customers, on the condition that Local RA can be allocated through the VAMO process.
11. The PD should be revised to adopt the GHG-Free allocation proposal contained in the Working Group 3 final report.

ATTACHMENT B

PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW

Proposed/Modified Finding of Fact

9. ~~PG&E will likely need to procure replacement resources to meet GHG targets if required to allocate GHG-Free resources after 2023~~ The WG3 proposal for allocating GHG-Free resources is a reasonable interim approach to enable LSEs to receive some benefit from renewable resources they must pay for.

10. ~~WG3 Proposal's approach to PCL accounting for GHG-Free and GHG-emitting resources would reduce customer transparency~~

Proposed/Modified Conclusions of Law

7. Voluntary Allocations of RPS resources should include the following features:

a) LSEs may elect to take a short-term allocation with a one year term, a long-term allocation, or may choose to decline all or a portion of their allocation.

b) Each election must be made in 10 percent increments of the LSE's forecasted annual load share.

c) LSEs electing to accept allocations should be required to pay the IOU the applicable year's MPB for attributes received and may be required to meet certain credit or collateral requirements, netting agreements or other commercial arrangements.

d) Long-term allocations should last through the end of the term of the longest contract in the particular PCIA vintage, with the exclusion of evergreen contracts and utility-owned generation resources. Once accepted, the LSE may not decline its long-term allocation election in future years. Long term allocations shall comprise no more than 35% of each IOU's RPS assets eligible for the VAMO allocation process in each compliance period.

e) An LSE's long-term allocation election should be set at a fixed percentage of its forecasted, vintaged, annual load share. Both the LSE's forecasted vintaged, annual load shares and the RPS energy deliveries will change from year to year based on the updated forecasts of vintaged, annual loads and the actual RPS energy volumes realized in each year of the allocation term.

f) LSEs should be permitted ~~not be able~~ to resell Voluntary Allocation shares of RPS energy.

8. Market Offers of RPS resources should include the following features:

a) The Market Offer should offer for sale all PCIA-eligible RPS energy remaining after a Voluntary Allocation.

b) The Market Offer process should be based upon existing processes, rules, oversight requirements, and reporting requirements for IOU REC solicitations previously approved in the Commission's RPS proceeding.

c) The Market Offer process should include rules for IOU participation in solicitations they administer.

d) The Market Offer process should include rules to prevent market manipulation or collusion, specifically ensuring that entities participating in a Joint Powers Authority do not have an advantage in bidding relative to other LSEs.

~~17. It is reasonable to direct each IOU to file a Tier 1 advice letter to establish a memorandum account to track the incremental staffing and systems costs of administering the RPS VAMO so they may seek recovery of these costs through ERRRA forecast applications~~Each IOU should recover the costs of implementing the VAMO as part of its regulatory expense included in general rate cases.

18. The Commission should ~~not~~ adopt the WG3 VAMO Proposal and include the voluntary allocation of Local ~~regarding~~ RA resources in the process.

~~20. The Commission should not adopt the WG3 Proposal regarding GHG-Free resources.~~The Commission should continue to review the issue of GHG-Free resources accounting and the Power Content Label issue in subsequent phases of this proceeding.