

**PUBLIC UTILITIES COMMISSION**

505 VAN NESS AVENUE

SAN FRANCISCO, CA 94102-3298

FILED

09/14/22

10:10 AM

A2010011

September 14, 2022

Agenda ID #20944
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 20-10-011:

This is the proposed decision of Administrative Law Judge Doherty. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's October 20, 2022 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ ANNE E. SIMON

Anne E. Simon

Chief Administrative Law Judge

AES:mph

Attachment

Decision PROPOSED DECISION OF ALJ DOHERTY (Mailed 9/14/2022)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company (U39M) for Approval of its Proposal for a Day-Ahead Real Time Rate and Pilot to Evaluate Customer Understanding and Supporting Technology.

Application 20-10-011

DECISION ADOPTING SETTLEMENT ON EXPORT COMPENSATION FOR CERTAIN PACIFIC GAS AND ELECTRIC COMPANY CUSTOMERS

Summary

This decision adopts an uncontested settlement establishing export compensation rules for certain customers of Pacific Gas and Electric Company taking service on a real time pricing rate.

This proceeding is closed.

1. Background

In 2019, the Commission authorized Pacific Gas and Electric Company (PG&E) to create a new, non-residential electric vehicle rate class and implement rates for this class that have more time-differentiated consumption charges than PG&E’s typical time-of-use rates, and implements a more standard, monthly subscription charge, rather than a demand-varying monthly charge.

The non-residential electric vehicle rates were specifically designed for commercial customers that are deploying electric vehicles or owning and/or operating electric vehicle charging infrastructure. The new class and tariffs, adopted in Decision (D.) 19-10-055, were intended to support transportation electrification by offering commercial customers more predictable monthly bills that have a relatively fixed monthly surcharge based on a site's electric vehicle charging load. On October 23, 2020, PG&E filed the instant Application proposing a dynamic, real-time, hourly pricing rate (RTP rate) for commercial electric vehicle customers in response to Ordering Paragraph 9 of D.19-10-055.

A prehearing conference was held on December 7, 2020, to address the issues of law and fact, determine the need for hearing, set the schedule for resolving the matter, and address other matters as necessary. An evidentiary hearing was conducted in June 2021. In November 2021, the Commission issued D.21-11-017, which directed PG&E to offer its RTP rate to all customers that are enrolled in, or are eligible to enroll in, its non-commercial electric vehicle rate schedules authorized by D.19-10-055. D.21-11-017 continued the current proceeding to provide time for completion of a study on PG&E's marginal generation capacity costs, and to consider issues related to export compensation for customers that do not participate in net energy metering (NEM) but still provide behind-the-meter resources through vehicle-to-grid technologies (hereinafter "export compensation issue"). The concept underlying the export compensation issue is that electric vehicles may be able to export large amounts of electricity to the grid, and an export compensation scheme may theoretically incent electric vehicles to export electricity to the grid during times of critical reliability concern.

The issue concerning PG&E's marginal generation capacity costs was disposed of by D.22-08-002. With regard to the export compensation issue, it was proposed for consideration in a later phase of this proceeding in D.21-11-017¹ and formally scoped into this proceeding on December 17, 2021 in an Amended Assigned Commissioner's Scoping Memo and Ruling (Amended Scoping Memo).²

On January 10, 2022, PG&E filed a motion seeking to amend the procedural schedule for the export compensation issue and extend the deadlines for testimony by eight weeks in order to allow sufficient time for parties to generate their litigated positions. This motion was granted on January 14, 2022 via a ruling by the assigned Administrative Law Judge (ALJ). The January 14, 2022 ALJ ruling also required PG&E to serve and file a proposal on the export compensation issue. PG&E duly served and filed its export compensation proposal on March 24, 2022. PG&E and the Vehicle-Grid Integration Council (VGIC) served direct testimony on the export compensation issue on April 13, 2022, and rebuttal testimony was served by PG&E, VGIC, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates), and Electrify America LLC (Electrify America) on April 29, 2022.

On April 22, 2022, PG&E filed a motion for evidentiary hearing given the factual disputes between the parties on the export compensation issue. An ALJ ruling of April 29, 2022 granted the motion for evidentiary hearing; but took set dates for the evidentiary hearing off calendar in light of ongoing settlement

¹ D.21-11-017 at 49.

² Amended Scoping Memo at 4 ("[h]ow could customers enrolled in PG&E's [RTP] rate receive export compensation if they do not participate in net metering but still provide behind-the-meter resources?")

discussions among the parties. On June 17, 2022, an unopposed settlement regarding the export compensation issue (Export Compensation Settlement) was jointly filed by PG&E, VGIC, Cal Advocates, and Electrify America. Upon that date the record of this phase of A.20-10-011 was considered submitted.

2. Issues Before the Commission

This decision resolves the sole remaining issue in this proceeding – whether and how to establish export compensation rules for PG&E customers taking service on the RTP rate approved by D.21-11-017.

3. The Export Compensation Settlement

In order to resolve the sole remaining issue in this proceeding, it is necessary to consider whether to approve the Export Compensation Settlement in whole, approve it in part, or to reject it. The motion filed by the parties to the Export Compensation Settlement describe their export compensation rules in the following way.

3.1. Eligibility and Enrollment

PG&E's bundled non-NEM customers who are eligible for the RTP rate approved in D.21-11-017 may also participate in the export compensation pilot, as described by the Export Compensation Settlement, on an opt-in basis. Participation by unbundled customers will depend on whether the generation provider for the unbundled customer (e.g., their Community Choice Aggregator (CCA)) agrees to participate in the export compensation pilot. As part of the export compensation pilot, PG&E agrees to work with its twelve CCAs to seek agreement from one or two of them to do so, if possible. The Export Compensation Settlement recognizes that CCAs and other generation providers may impose other program parameters and/or eligibility requirements for their customers to participate in the export compensation pilot.

PG&E agrees to make its best efforts to program and make available for enrollment the export compensation pilot by October 1, 2023. Eligible customers would be able to enroll at any time during the 36-month export compensation pilot duration. The Export Compensation Settlement states that, consistent with Rule 12, any participating customer who de-enrolls from the Export Compensation Pilot and enrolls in a different export compensation rate that might be approved by the Commission in the future would not be eligible to re-enroll in the Export Compensation Pilot until at least 12 months have elapsed since their de-enrollment. The Export Compensation Settlement also states that a customer's initial enrollment in the export compensation pilot shall not be considered a rate change for purposes of Rule 12. This ensures that a customer that enrolls in PG&E's RTP rate for certain electric vehicle charging customers can quickly sign up for the export compensation pilot without waiting for a 12 month period to elapse.

3.2. Duration and Evaluation

The duration of the export compensation pilot is proposed to be 36 months, unless extended by the Commission. The Export Compensation Settlement proposes that two measurement and evaluation studies be conducted on the results of export compensation pilot: 1) an Interim Evaluation to be conducted after 12 months of data has been collected, and 2) a Final Evaluation to be conducted after 24 months of data is available. PG&E would engage qualified vendors to perform these two measurement and evaluation studies.

3.3. Rate Design

The design of the rate to be used in the export compensation pilot is straightforward. As with the RTP rate underlying the export compensation rate "rider," only the components of the generation rate are affected. The design of

the export compensation pilot rate rider would delete the Revenue Neutral Adder (RNA) currently applied to the RTP rate, but would keep the Marginal Energy Charge (MEC) and Marginal Generation Capacity Cost (MGCC) elements. To clarify, the RNA would still apply to any consumption by the customer, but it would not apply to exported electricity. In addition, the MEC and MGCC components would be allowed to run backward for exports. For example, if the customer was charged an MEC of two cents per kilowatt-hour (kWh) for consumption in a given hour, then that customer would receive an MEC credit of two cents per kWh for exported electricity in that hour. In practice, this means that an exporting customer would only receive rate credits in the amount of MEC and MGCC rate elements for a given hour, and would not be credited for any distribution, transmission, Public Purpose Program, or RNA rate elements during periods where they export electricity.

3.4. Customer Incentives

The Export Compensation Settlement proposes limited incentives for early customer enrollment. Participants the export compensation pilot would be eligible for an incentive payment based on the size of the Electric Vehicle Service Equipment (EVSE) and type of vehicle served (i.e., school buses will be eligible for an incentive adder), subject to the budget cap for the incentive. The table below describes the proposed incentives.

EVSE Size	Base Incentive	School Bus Adder	Total Incentive for School Buses
100 kilowatt (kW) or lower	\$1,800	\$1,350	\$3,150
Greater than 100kW	\$3,750	\$2,810	\$6,560

The Export Compensation Settlement states that the participation incentives will only be available for participants enrolled within the first 12 months. Participants receiving incentives will receive them in two installments, with the first payment of 70 percent of the total incentive amount after the participant's enrollment has been accepted and installation of eligible equipment and availability of funding has been verified, and the second payment of the remaining 30 percent after 12 months of the participant's enrollment and participation in the export compensation pilot. Participants who receive an upfront incentive payment must remain on the rate for a minimum of 12 months in order to receive the second installment.

Critically, the total amount of ratepayer-funded early participation incentives shall not exceed \$250,000. The ratepayer-funded incentives are available only to participants who enroll within the first 12 months after the export compensation pilot begins and shall cease once the total incentive cap of \$250,000 is reached. The budget allocated to EVSE serving school buses will be limited to 25 percent of the total budget, and the budget allocated to EVSE with storage onsite will be similarly limited to 25 percent of the total budget.

3.5. Dual Participation

The Export Compensation Settlement proposes to prohibit participation of export compensation pilot participants on load management approaches or demand response programs that are dispatched, or otherwise based, on day-ahead price signals or have energy-based payments (*e.g.*, the Emergency Load Reduction Program (ELRP)³ or the Demand Response Auction Mechanism). This

³ The ELRP is a five-year pilot program administered by PG&E that offers participants financial incentives to reduce energy usage during times of high grid stress and emergencies, with the goal of avoiding rotating outages while minimizing costs to customers. The Commission ordered the Investor-Owned Utilities to administer ELRP in Rulemaking (R.) 20-11-003.

proposed prohibition is consistent with the prohibition on dual participation recently endorsed by the Commission for other PG&E RTP rate customers in D.21-08-002, and does not affect the ability of RTP rate customers that provide ancillary services to the California Independent System Operator as authorized by D.21-11-017.

However, the Export Compensation Settlement does propose that the issue of dual participation be reconsidered in the export compensation pilot's Interim Evaluation Report. It is proposed that if PG&E determines it is able to mitigate some of the technical difficulties in doing so, PG&E will submit a Tier 2 advice letter requesting Commission approval to permit limited dual participation on the day-of option for ELRP and the export compensation pilot to further evaluate impacts, including: 1) isolating ex-post and ex-ante ELRP RTP load impacts from dually participating customers so they can be correctly attributed to each program, and 2) avoiding double compensation.

3.6. PG&E Electric Rule 21 Requirements

As the customers participating in the export compensation pilot will necessarily be exporting electricity to the grid, the Export Compensation Settlement clarifies that pilot participants must engage the PG&E Electric Rule 21 process to ensure that any export onto the grid, and/or load taken from the grid to support the pilot infrastructure, is able to be accomplished safely and reliably. This requirement applies to those sites that will be seeking to export to the grid after previously receiving PG&E Electric Rule 21 approval for a non-export

interconnection, meaning that those sites must resubmit a new PG&E Electric Rule 21 application and reengage the entire process.⁴

3.7. Pilot Cost Recovery

The Export Compensation Settlement proposes that all development, implementation, incentives, and operating costs for the export compensation pilot will be recovered through electric distribution rates using PG&E's standard distribution allocation factors from all customers. These costs would be tracked in the Dynamic and Real Time Pricing Memorandum Account for recovery in a future application. The Export Compensation Settlement clarifies that PG&E can recover the costs recorded to the Dynamic and Real Time Pricing Memorandum Account only after the Commission finds that PG&E has demonstrated in the separate application or testimony that its expenditures were incremental, verifiable, and reasonable, and consistent with the requirements resulting from A.19-11-019 or D.21-11-017, as well as consistent with any other relevant Commission rulings and approvals (including, without limitation, plans and activities submitted by PG&E and approved through advice letter filings).

PG&E estimates that the total ratepayer cost of the export compensation pilot will be between \$1,420,000 and \$1,520,000. These figures include the \$250,000 in incentives described earlier.⁵

4. Application of Article 12 of the Rules

In order to determine if the Export Compensation Settlement should be approved in whole, approved in part, or rejected, this decision must analyze the

⁴ The Export Compensation Settlement states that, in cases such as this one, it may still be possible to apply previously used study results in assessing the new Rule 21 export application for the same project to avoid duplicative costs. This determination would be made on a case-by-case basis.

⁵ Declaration of Anh Dong at 3.

Settlement in accordance with Article 12 of the Commission's Rules of Practice and Procedure (Rules). The Commission has long favored the settlement of disputes. Pursuant to Rule 12.1(d), the Commission will not approve a settlement unless it is found to be reasonable in light of the whole record, consistent with law, and in the public interest. This standard applies to settlements that are contested as well as uncontested. The Export Compensation Settlement is uncontested.

4.1. Reasonableness in Light of the Whole Record

The motion to adopt the Export Compensation Settlement claimed that the Settlement was reasonable in light of the whole record as its outcomes fall within the range of positions and outcomes presented by the parties on the export compensation issue.⁶ The comparison exhibit attached to the motion shows that parties had differing views on elements of the export compensation issue that were resolved through the Settlement.

For example, the parties disagreed on whether to include the RNA in the calculation of export compensation. The settling parties eventually agreed to adopt solely marginal cost-based export compensation. As noted previously in this decision, the Export Compensation Settlement avoids unnecessarily complex rate design solutions in favor of a simple and transparent way to compensate customers for their contributions to PG&E's marginal electricity needs.

The settling parties also agreed to settle their disputes on several other issues revealed in the comparison exhibit, including whether to allow dual participation with demand response programs and whether to modify the

⁶ Motion to adopt Export Compensation Settlement at 19.

requirements of PG&E Electric Rule 21 for export compensation pilot participants.

Given that the Export Compensation Settlement adopts positions that represent compromises of litigated positions on the record, this decision finds that the Export Compensation Settlement is reasonable in light of the whole record.

4.2. Consistency with the Law

The motion to adopt the Export Compensation Settlement avers that it is fully consistent with relevant statutes, Commission decisions, and public policy, including the Rate Design Principles adopted by the Commission in D.15-07-001. The settling parties claim that implementation of the Export Compensation Settlement will ensure the rate design of the export compensation pilot is aligned with the Commission's cost-of-service, affordability, and customer acceptance policies.⁷

This decision notes that no party disputed the claim that the Export Compensation Settlement complies with the law and previous Commission decisions. Specifically, this decision finds that the overall rate design of the export compensation pilot mirrors that adopted for non-exporting customers in D.21-11-017 and D.22-08-002, rewards certain non-NEM customers to export electricity with remuneration tied to PG&E's marginal costs as determined in A.19-11-019, and may help to fulfill the mandate to ensure summer reliability as held in various decisions in R.20-11-003. For these reasons, this decision finds that the Export Compensation Settlement is consistent with the law and previous Commission decisions.

⁷ Motion to adopt Export Compensation Settlement at 24.

4.3. The Public Interest

Finally, this decision must explore whether the Export Compensation Settlement is in the public interest. Critically, this decision must determine whether the public interest in the export compensation pilot justifies the estimated expenditure of between \$1,420,000 and \$1,520,000 in ratepayer funds.

The motion to adopt the Export Compensation Settlement argues that the expenditure is justified. First, the motion notes that a range of stakeholders knowledgeable in subject area agreed to join the Export Compensation Settlement. These stakeholders include those representing the interests of ratepayers (Cal Advocates) and of affected industry groups (VGIC and Electrify America). Second, the motion argues that adoption of the Export Compensation Settlement will support various worthy policy goals previously identified by the Commission including: 1) limiting potential undercollection and cross-subsidization concerns (i.e., excluding the RNA in the compensation rate), 2) gathering experience and information with exports of electricity by customers taking service on RTP rates, 3) potentially delivering some greenhouse gas reduction benefits and generation cost savings, and 4) potentially adding exports of electricity to the grid that can help address system reliability during times of peak demand.⁸

The four public policy goals listed above are indeed important goals for the Commission. The recently established Rulemaking on Demand Flexibility (R.22-07-005) seeks to support many of the same goals. Because this will be the Commission's first authorized pilot exploring the compensated *export* of electricity by customers taking service on RTP rates, it is an important

⁸ Motion to adopt Export Compensation Settlement at 24-25.

opportunity to learn how customers respond to the RTP rate signals and potentially support the public policy goals described above. Therefore, it is reasonable to authorize the expenditure of no more than \$1,520,000 in ratepayer funds for the export compensation pilot. This decision therefore finds that adoption of the Export Compensation Settlement is in the public interest.

5. Comments on Proposed Decision

The proposed decision of ALJ Patrick Doherty in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on _____, and reply comments were filed on _____ by _____.

6. Assignment of Proceeding

Clifford Rechtschaffen is the assigned Commissioner and Patrick Doherty is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. The total ratepayer cost of the export compensation pilot will be between \$1,420,000 and \$1,520,000.
2. The Export Compensation Settlement adopts positions that represent compromises of litigated positions on the record.
3. The overall rate design of the export compensation pilot mirrors that adopted for non-exporting customers in D.21-11-017 and D.22-08-002, rewards certain non-NEM customers to export electricity with remuneration tied to PG&E's marginal costs as determined in A.19-11-019, and may help to fulfill the mandate to ensure summer reliability as held in various decisions in R.20-11-003.

4. A range of stakeholders knowledgeable in subject area, including those representing the interests of ratepayers and of affected industry groups, agreed to join the Export Compensation Settlement.

5. Adoption of the Export Compensation Settlement will support various worthy policy goals previously identified by the Commission including:

1) limiting potential undercollection and cross-subsidization concerns (*i.e.*, excluding the RNA in the compensation rate), 2) gathering experience and information with exports of electricity by customers taking service on RTP rates, 3) potentially delivering some greenhouse gas reduction benefits and generation cost savings, and 4) potentially adding exports of electricity to the grid that can help address system reliability during times of peak demand.

6. The export compensation pilot proposed by the Export Compensation Settlement will be the Commission's first authorized pilot exploring the compensated export of electricity by customers taking service on RTP rates, and it is therefore an important opportunity to learn how customers respond to the RTP rate signals and potentially support several important public policy goals.

Conclusions of Law

1. The Export Compensation Settlement is reasonable in light of the whole record.

2. The Export Compensation Settlement is consistent with the law and previous Commission decisions.

3. It is reasonable to authorize the expenditure of no more than \$1,520,000 in ratepayer funds for the export compensation pilot.

4. Adoption of the Export Compensation Settlement is in the public interest.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company shall implement the terms of the Export Compensation Settlement - attached as Attachment A - as soon as practicable.
2. If Pacific Gas and Electric Company (PG&E) determines it is able to mitigate some of the technical difficulties in permitting dual participation between export compensation pilot participants and the Emergency Load Reduction Program (ELRP), PG&E will submit a Tier 2 advice letter no later than 60 days before any dual participation is planned to be permitted requesting Commission approval to permit limited dual participation on the day-of option for ELRP and the export compensation pilot to further evaluate impacts, including: 1) isolating ex-post and ex-ante ELRP real-time price load impacts from dually participating customers so they can be correctly attributed to each program, and 2) avoiding double compensation.
3. Application 20-10-011 is closed.

This order is effective today.

Dated _____, at San Francisco, California.

ATTACHMENT A