



## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE

SAN FRANCISCO, CA 94102-3298

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May 26, 2023

**Agenda ID #21634**  
**and**  
**Alternate to Agenda ID #21250 (Rev. 1)**  
**Ratesetting**

TO PARTIES OF RECORD IN APPLICATION 20-02-009, et al.:

Enclosed are the Revised Proposed Decision of Administrative Law Judge (ALJ) Elaine Lau and the Alternate Proposed Decision of Commissioner John Reynolds. Until and unless the Commission hears these items and votes to approve them, they have no legal effect. These items may be heard, at the earliest, at the Commission's June 29, 2023 Business Meeting. To confirm when these items will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

This Revised Proposed Decision and the Alternate Proposed Decision completely replace the earlier versions published for comment. Therefore, parties should file complete comments on these versions and not rely upon previously filed comments.

Parties to the proceeding may file comments on the Revised Proposed Decision and the Alternate Proposed Decision as provided in Public Utilities (Pub. Util.) Code §§ 311(d) and 311(e) and in Article 14 of the Commission's Rules of Practice and Procedure (Rules), accessible on the Commission's website at [www.cpuc.ca.gov](http://www.cpuc.ca.gov). Pursuant to Rule 14.3, opening comments shall not exceed 15 pages.

Comments must be filed pursuant to Rule 1.13 and served in accordance with Rules 1.9 and 1.10. Electronic copies of comments should be sent to ALJ Lau at [Elaine.Lau@cpuc.ca.gov](mailto:Elaine.Lau@cpuc.ca.gov) and Commissioner John Reynolds' advisor, Maria Sotero at [Maria.Sotero@cpuc.ca.gov](mailto:Maria.Sotero@cpuc.ca.gov). The current service list for this proceeding is available on the Commission's website at [www.cpuc.ca.gov](http://www.cpuc.ca.gov).

When the Commission acts on the Revised Proposed Decision and the Alternate Proposed Decision, it may adopt all or part of the decision as written, amend or modify them, or set them aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

This matter was categorized as ratesetting and is subject to Pub. Util. Code § 1701.3(c). Upon the request of any Commissioner, a Ratesetting Deliberative Meeting (RDM) may be held. If that occurs, the Commission will prepare and publish an agenda for the RDM 3 days beforehand. When an RDM is held, there is a related ex parte communications prohibition period. (*See* Rule 8.2(c)(4).)

Pub. Util. Code § 311(e) requires that the alternate item be accompanied by a digest that clearly explains the substantive revisions to the proposed decision. The digest of the Alternate Proposed Decision is attached.

/s/ MICHELLE COOKE

Michelle Cooke

Acting Chief Administrative Law Judge

MLC:jnf

Attachment

**Agenda ID #21634  
and  
Alternate to Agenda ID #21250 (Rev. 1)  
Ratesetting**

*DIGEST OF DIFFERENCES BETWEEN ADMINISTRATIVE LAW JUDGE  
ELAINE LAU'S PROPOSED DECISION AND THE ALTERNATE  
PROPOSED DECISION OF COMMISSIONER JOHN REYNOLDS*

Pursuant to Public Utilities Code Section 311(e), this is the digest of the substantive differences between the Revised Proposed Decision of Administrative Law Judge Elaine Lau (mailed on 5/26/2023) and the Alternate Proposed Decision of Commissioner John Reynolds (also mailed on 5/26/2023).

There are two remaining issues within the scope of this proceeding. The Alternate Proposed Decision of Commissioner John Reynolds differs from the Revised Proposed Decision of ALJ Elaine Lau by closing the proceeding without addressing the second issue in scope, rather than leaving the proceeding open to consider the issue further.

Both the Alternate Proposed Decision and the Revised PD address the first scoped issue, which relates to the calculation of a Utility's unrealized volumetric sales and unrealized revenues resulting from Public Safety Power Shutoff (PSPS) events, and both adopt the same methodology for this calculation.

The second scoped issue relates to whether it is appropriate for the utilities to return the revenue requirement calculated by the adopted methodology for the PSPS events that occurred in 2019. The Revised Proposed Decision of ALJ Lau defers addressing this issue until a later time and keeps the proceeding open for further consideration and record development. The Alternate Proposed Decision of Commissioner John Reynolds declines to address this issue and closes the proceeding, explaining that a 2021 Commission decision clearly directed that the methodology (adopted here in both the Revised Proposed Decision and the Alternate Proposed Decision) would only be applied for PSPS events called after the effective date of that 2021 decision.

**ATTACHMENT**

Decision ALTERNATE PROPOSED DECISION OF COMMISSIONER  
JOHN REYNOLDS (Mailed 5/26/2023)

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

Application of Pacific Gas and Electric Company for Compliance Review of Utility Owned Generation Operations, Portfolio Allocation Balancing Account Entries, Energy Resource Recovery Account Entries, Contract Administration, Economic Dispatch of Electric Resources, Utility Owned Generation Fuel Procurement, Diablo Canyon Seismic Studies Balancing Account, and Other Activities for the Record Period January 1 Through December 31, 2019. (U39E.)

Application 20-02-009

And Related Matters.

Application 20-04-002

Application 20-06-001

**DECISION ADOPTING METHODOLOGY FOR  
CALCULATING UNREALIZED REVENUES DURING  
PUBLIC SAFETY POWER SHUTOFFS**

## TABLE OF CONTENTS

Title	Page
DECISION ADOPTING METHODOLOGY FOR CALCULATING UNREALIZED REVENUES DURING PUBLIC SAFETY POWER SHUTOFFS .....	1
Summary .....	2
1. Background.....	2
1.1. Energy Resource Recovery Account (ERRA) Regulatory Process .....	2
1.2. 2020 ERRA Forecast Decisions .....	3
1.3. Phase One of 2019 ERRA Compliance Proceedings .....	4
1.4. Phase Two of 2019 ERRA Compliance Proceedings.....	4
1.5. Order Instituting Investigation 19-11-013 (PSPS OII).....	7
2. Issues Before the Commission .....	9
3. Methodology for Calculating Unrealized Revenues .....	9
3.1 Calculating Unrealized Sales Volumes.....	10
3.1.1 Joint Utilities' Proposal .....	10
3.1.2 Parties' Positions .....	12
3.1.3 Discussion .....	12
3.2 Calculating Electric Rate and Rate Components .....	12
3.2.1 Joint Utilities' Proposal .....	12
3.2.2 Summary of Intervenors' Positions .....	13
3.2.2.1 The Utility Reform Network (TURN).....	14
3.2.2.2 Joint CCAs .....	15
3.2.2.3 Cal Advocates.....	17
3.2.3 Joint Utilities' Rebuttal.....	17
3.2.4 Discussion .....	17
3.2.4.1. PSPS OII Decision Disallowance of All Authorized Revenues that Were Not Collected.....	19
3.2.4.2. Shareholder Funding of Undercollected Balances Caused by PSPS Events.....	20
3.2.4.3. Rate Components and Balancing Accounts .....	21
3.2.4.3.1. IOU Proposed Rate's Limitation of Disallowance to Unrealized Distribution Revenues.....	21
3.2.4.3.2. Distribution Fixed Charges and Distribution Demand Charges .....	22
3.2.4.3.3. Procurement-Related Rates .....	23
3.2.4.3.4. Public Purpose Program (PPP) Rate.....	23
3.2.4.3.5. Nuclear Decommissioning Rate.....	24
3.2.4.3.6. Transmission Rate .....	25

3.2.4.3.7. Green Tariff Shared Renewables (GTSR) and ECRA (Energy  
Cost Recovery Amount)..... 25

3.2.5 Unrealized Wholesale Generation Revenues ..... 26

3.2.5.1. Parties’ Positions ..... 26

3.2.5.2. Discussion..... 27

4. Implementation ..... 29

5. Comments on Alternate Proposed Decision..... 29

6. Assignment of Proceeding ..... 29

Findings of Fact..... 30

Conclusions of Law ..... 33

ORDER..... 34

**DECISION ADOPTING METHODOLOGY FOR  
CALCULATING UNREALIZED REVENUES DURING  
PUBLIC SAFETY POWER SHUTOFFS**

**Summary**

The 2019 ERRA Compliance proceedings of Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) (collectively the Joint Utilities) were consolidated to address Phase Two issues, which are issues related to the Public Safety Power Shutoff (PSPS) events the Joint Utilities decided to initiate and implement in 2019.

This decision addresses only one of two issues in the consolidated Phase Two proceedings. Specifically, this decision adopts a methodology to calculate a Utility's unrealized volumetric sales and unrealized revenues resulting from PSPS events. This decision declines to address the second issue, which is whether it is appropriate for the utilities to return the revenue requirement equal to the unrealized volumetric sales and unrealized revenue resulting from the 2019 PSPS events, in light of the directive in Decision 21-06-014 that the methodology would only be applied to PSPS events called after the date of that decision. The proceeding is closed.

**1. Background**

**1.1. Energy Resource Recovery Account (ERRA)  
Regulatory Process**

The ERRA, authorized by Public Utilities (Pub. Util.) Code Section 454.5(d) and Decision (D.) 02-10-062, allows regulated energy utilities to recover power procurement costs for fuel and purchased power not already authorized to be recovered in rates. The ERRA regulatory process includes (1) an annual forecast proceeding to adopt a forecast of the utility's electric procurement cost revenue

requirement and electricity sales for the upcoming year and (2) an annual compliance proceeding to review the utility's compliance in the preceding year regarding energy resource contract administration, least cost dispatch, and prudent maintenance of utility-owned generation and the ERRA balancing account.<sup>1</sup>

In the ERRA compliance proceeding, the Commission (or CPUC) is required to perform a compliance review to consider whether a utility has complied with all applicable rules, regulations, opinions, and laws in implementing the utility's most recently approved procurement plan, administering its energy resource contracts, and managing its utility owned generation. As part of the ERRA compliance reviews, the Commission also considers whether the utility has prudently administered its contracts and generation resources and dispatched energy in a least cost manner. In addition, in ERRA compliance reviews, the Commission also considers whether entries the utility recorded in the ERRA balancing account and other balancing accounts are reasonable, appropriate, accurate, and in compliance with Commission decisions.

## **1.2. 2020 ERRA Forecast Decisions**

D.20-02-047, D.20-01-022, and D.20-01-005 (collectively the 2020 ERRA Forecast Decisions) respectively directed Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) (collectively the Joint Utilities) to include in their individual 2019 ERRA Compliance applications an accounting of the Public Safety Power Shutoff (PSPS) events they each initiated in 2019 and explain how

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<sup>1</sup> D.02-10-062 at 47, 50 and Conclusion of Law 7.



these events impacted their revenue collections. The 2020 ERRRA Forecast Decisions state that the scope of each utility's 2019 ERRRA Compliance proceedings may consider the following questions:

- 1) Should sales forecasting methods for adjusting revenue requirement under current decoupling policy be adjusted to account for power not sold during a PSPS event? If so, describe how.
- 2) What methods could be used to account for sales lost during a PSPS distinct from sales reductions due to conservation?
- 3) If a utility does not collect its full revenue requirement due to lower volumetric sales during a PSPS, should it be prevented from adjusting future revenue requirements to make up for any undercollection? If so, describe how.<sup>2</sup>

### **1.3. Phase One of 2019 ERRRA Compliance Proceedings**

The Commission bifurcated the 2019 ERRRA Compliance proceedings of the Joint Utilities into a Phase One and a Phase Two, setting aside Phase Two to solely address issues related to the 2019 PSPS events. The Commission resolved the issues in Phase One,<sup>3</sup> but Phase Two remained open.

### **1.4. Phase Two of 2019 ERRRA Compliance Proceedings**

On August 24, 2021, a joint prehearing conference was held to discuss Phase Two issues in the Joint Utilities' 2019 ERRRA Compliance proceedings, Application (A.) 20-02-009, A.20-04-002, and A.20-06-001. An Assigned Commissioner's Second Amended Scoping Memo and Ruling, issued on

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<sup>2</sup> D.20-02-047 at 25; D.20-01-022 at 57; D.20-01-005 at 15.

<sup>3</sup> D.21-07-013 resolved PG&E's 2019 ERRRA Compliance Phase One; D.21-07-015 resolved SCE's 2019 ERRRA Compliance Phase One; D.21-07-018 resolved SDG&E's 2019 ERRRA Compliance Phase One.

September 7, 2021, consolidated the three proceedings, set the scope of issues for Phase Two of the consolidated proceedings, and extended the statutory deadline of the proceedings to August 29, 2022.

The Commission's Energy Division hosted a workshop on the Joint Utilities' proposed PSPS methodology on October 26, 2021. At the workshop, the Joint Utilities presented a joint methodology for calculating the unrealized volumetric sales and unrealized revenues resulting from PSPS events in any given year.

On November 4, 2021, the Joint Community Choice Aggregators (CCAs) filed a motion requesting the Commission clarify the scope of issues in this proceeding.

The Joint Utilities served joint testimony on Phase Two issues on November 5, 2021. On November 12, 2021, an Administrative Law Judge (ALJ) ruling: (1) clarified the intent of the scoping memo to consider a range of PSPS methodologies; (2) set a deadline of 15 days from the issuance date of the ruling for the Joint CCAs to meet and confer with the Joint Utilities; and (3) set a deadline of 20 days from the issuance date of the ruling for the Joint CCAs to file a response to the ruling for the purpose of informing the Commission of outstanding discovery disputes.

On December 2, 2021, the Joint CCAs filed a response to the November 12, 2021 ruling indicating that they had met with the Joint Utilities, made progress on discovery disputes, and anticipated any remaining concerns to be resolved through further discussion.

On January 18, 2022, The Utility Reform Network (TURN) and the Joint CCAs served intervenor testimony. On February 15, 2022, the Joint Utilities served rebuttal testimony.

On February 25, 2022, the parties filed a joint case management statement indicating that evidentiary hearings were not needed and proposing a schedule for the remainder of this proceeding. On March 23, 2022, the consolidated proceedings were reassigned to Commissioner John Reynolds.

On April 4, 2022, the parties jointly filed a motion to enter exhibits into the evidentiary record of this proceeding. On April 5, 2022, PG&E filed a motion for confidential treatment of certain exhibits. On April 6, 2022, an assigned ALJ issued a ruling requesting additional information and amending the procedural schedule. On April 15, 2022, the Joint Utilities jointly filed supplemental testimony in response to the April 6, 2022 ruling. On April 29, 2022, the Joint CCAs filed intervenor testimony in response to the Joint Utilities' supplemental testimony. On May 26, 2022, the Joint Utilities, Public Advocates Office of the California Public Utilities Commission (Cal Advocates), TURN, and the Joint CCAs jointly filed a supplemental motion for entry of two additional exhibits into the evidentiary record.

On May 27, 2022, the Joint Utilities, Cal Advocates, TURN, and the Joint CCAs filed Phase Two opening briefs. On June 17, 2022, the Joint Utilities, Cal Advocates, TURN, and the Joint CCAs filed Phase Two reply briefs.

On June 17, 2022, an assigned ALJ issued a ruling requesting an offer of proof for certain exhibits and setting a status conference. On June 24, 2022, Cal Advocates and the Joint Utilities filed offers of proof for their respective exhibits. On June 28, 2022, an assigned ALJ held a status conference to discuss certain procedural matters related to the exhibits offered into evidence in Phase Two.

On July 1, 2022, Cal Advocates served confidential exhibits pre-marked as CalAd-2, CalAd-17, and CalAd-18 on the assigned ALJs, as requested during the

June 28, 2022 status conference. On July 11, 2022, the Joint CCAs filed both an offer of proof for selected exhibits and a motion to seal confidential portions of Exhibit CCA-6-C, as requested during the June 28, 2022 status conference. On July 13, 2022, 20 exhibits were admitted into the evidentiary record and seven exhibits were granted confidential treatment by ALJ ruling.

On December 19, 2022, the proposed decision of ALJ Lau was issued and mailed to parties. Parties filed comments and reply comments on the proposed decision in accordance with Rule 14.3 of the Commission's Rules of Practice and Procedure (Rules).

On May 18, 2023, the Commission issued D.23-05-020 which extended the statutory deadline of this proceeding until December 31, 2023.

#### **1.5. Order Instituting Investigation 19-11-013 (PSPS OII)**

On November 13, 2019, the Commission instituted the PSPS OII to determine whether California's electric investor-owned utilities, including the Joint Utilities, complied with applicable laws, rules, and regulations when they initiated the PSPS events in 2019.

On June 3, 2021, the Commission issued D.21-06-014 (PSPS OII Decision), resolving the PSPS OII. The PSPS OII Decision finds that the Joint Utilities failed to reasonably comply with the obligation to promote safety in accordance with Pub. Util. Code Section 451, the PSPS guidelines the Commission established in D.19-05-042, and Resolution ESRB-8 when they proactively shut off electric power to mitigate the risk of catastrophic wildfire caused by their infrastructure in 2019.<sup>4</sup>

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<sup>4</sup> D.21-06-014 at 2.

Ordering Paragraph (OP) 1 of the PSPS OII Decision states:

Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) must forgo collection in rates from customers of all authorized revenue requirement equal to estimated unrealized volumetric sales and unrealized revenue resulting from Public Safety Power Shutoff (PSPS) events after the effective date of this decision. Additionally, PG&E, SCE, and SDG&E must (1) agree on one methodology to rely upon in calculating these estimated unrealized volumetric sales and unrealized revenue, (2) include the amount of estimated unrealized volumetric sales and unrealized revenue resulting from PSPS events in the Energy Resource Recovery Account (ERRA) proceedings addressing the years in which the PSPS events occurred, (3) detail the method of calculating the amounts of estimated unrealized sales and unrealized revenue in the ERRA proceedings, and (4) report these estimated amounts of unrealized sales and unrealized revenue in an annual PSPS report, as directed by the Commission in Rulemaking (R.) 18-12-005.

Regarding any submitting this information in any pending ERRA or future ERRA proceeding, the utility shall request via an email to the Administrative Law Judge (and the service list) whether additional testimony is required on this topic and establishes a procedure for submitting this information on an ongoing basis in the ERRA proceeding. The ERRA proceedings, R.18-12-005, or other proceeding may be the appropriate forum to consider further details regarding this directive, such as whether this rate disallowance should be increased to reflect sales, if any, of excess power due to a proactive power shutoff and whether a different methodology or standard methodology should be used by the utilities in calculating this disallowance. This directive to forgo collection of rates, as detailed herein, shall remain effective until a utility demonstrates improvements in identifying, evaluating, weighing, and reporting public harm when determining whether to initiate a PSPS event.

## 2. Issues Before the Commission

In this decision, the Commission is only addressing the first of the two issues outlined in the Assigned Commissioner's Second Amended Scoping Memo and Ruling,<sup>5</sup> which are:

1. What is the appropriate methodology for calculating a utility's unrealized volumetric sales and unrealized revenues resulting from PSPS events in any given record year? Based on this methodology, what are the utilities' (PG&E, SCE, and SDG&E) unrealized volumetric sales and unrealized revenues resulting from 2019 PSPS events?
2. Whether it is appropriate for the utilities to return the revenue requirement equal to the unrealized volumetric sales and unrealized revenue resulting from the PSPS events in 2019.

In light of the PSPS OII Decision's directive that the methodology "will not apply retroactively but, instead, apply starting on the effective date of this decision,"<sup>6</sup> we decline to address Issue 2. This directive is reiterated multiple times in that decision and is clearly intertwined with our accompanying conclusions to employ the disallowance as a forward-looking incentive.

## 3. Methodology for Calculating Unrealized Revenues

The PSPS OII Decision ordered the Joint Utilities to forego the collection of unrealized revenue requirement and directed them to present in this ERRRA proceeding a joint proposal for calculating the amount of unrealized revenue requirement in any given record year. Under the Joint Utilities' proposal, a utility's revenue requirement is calculated by multiplying the forecasted sales by the authorized electric rate. Using this formula, we calculate a utility's

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<sup>5</sup> Assigned Commissioner's Second Amended Scoping Memo and Ruling, Notice of Consolidation, and Statutory Deadline Extension at 6-7.

<sup>6</sup> PSPS OII Decision at 60.

unrealized PSPS revenues by multiplying the amount of unrealized electric sales by the electric rate at which the electricity was supposed to be sold at the time of the PSPS:

$$\text{Unrealized PSPS Revenues}^7 = (\text{Unrealized Volumetric Electric Sales}) \times (\text{Electric Rate during the PSPS event})$$

The Joint Utilities' proposed method for calculating the unrealized electric sales was uncontested. The Joint Utilities' proposed method for calculating the electric rate, however, was heavily contested by the intervening parties. We discuss in detail these two components in the sections below.

In addition, the Joint CCAs propose to include unrealized wholesale generation revenues in the calculation of the unrealized PSPS revenues. As discussed later in this decision, we determine that unrealized wholesale generation revenues should be excluded from the calculation.

### **3.1 Calculating Unrealized Sales Volumes**

#### **3.1.1 Joint Utilities' Proposal**

In the PSPS OII Decision, the Commission ordered the Joint Utilities to forgo collection in rates from customers of all authorized revenue requirement equal to estimated unrealized volumetric sales and unrealized revenue resulting from PSPS events after the decision's effective date. The PSPS OII Decision also directed the Joint Utilities to agree on one methodology to use in calculating estimated unrealized volumetric sales and unrealized revenues.<sup>8</sup> Pursuant to that directive, the Joint Utilities presented a common proposal for calculating

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<sup>7</sup> This basic formula is applied to each class of ratepayers using the sales forecast and electric rate specific to each customer class. A utility's total unrealized PSPS revenues are the aggregate sum of the unrealized PSPS revenues calculated using this basic formula for each customer class. See IOU-01 at 8-21.

<sup>8</sup> D.21-06-014, OP 1.

unrealized sales volumes (Unrealized Volumetric Sales Methodology) using the following steps:

1. The utility identifies the specific customer accounts that were impacted by each PSPS event in a given record year;
2. For each affected customer of a PSPS event, the utility develops an electric consumption baseline using hourly load data from the seven days before and the seven days after each PSPS event (excluding data from other PSPS events during those two seven-day periods). For net energy metering (NEM) accounts, kilowatt-hour (kWh) net values are used; for non-NEM accounts, kWh delivered values are used;
3. For each affected customer of a PSPS event, the utility calculates a weekday baseline profile for Mondays through Fridays and a weekend baseline profile for Saturdays, Sundays, and holidays for each hour (not just the hours affected by the PSPS event) by averaging the data from the two seven-day periods described in step 2 above, resulting in 24 hourly weekday baseline profiles and 24 hourly weekend baseline profiles for each affected customer of a PSPS event;
4. The utility identifies each affected customer's hourly load data for each hour of each day of a PSPS event (not just the hours affected by the PSPS event). For customer accounts without hourly load data, the utility calculates the ratio of the total hourly load for the affected customer's class to the total hourly baseline profile for that class and then multiplies that ratio by the customer's hourly baseline profile to obtain that customer's imputed hourly load; and
5. For each affected customer of a PSPS event, the hourly load data for each hour of each day of a PSPS event as described in step 4 above are subtracted from the corresponding weekday or weekend hourly baseline profile described in step 3 above to calculate unrealized volumetric sales, and



those customer level unrealized sales are then aggregated by customer class.<sup>9</sup>

### **3.1.2 Parties' Positions**

The Joint CCAs state that the Joint Utilities' Unrealized Volumetric Sales Methodology is "reasonable" and should be adopted.<sup>10</sup> In their opening and reply briefs, Cal Advocates and TURN do not express any opposition to the Joint Utilities' Unrealized Volumetric Sales Methodology.

### **3.1.3 Discussion**

We find that the Joint Utilities' Unrealized Volumetric Sales Methodology properly implements the Commission's directive in the PSPS OII Decision to propose a methodology for calculating estimated unrealized volumetric sales regarding PSPS events by considering such factors as baseline time frame, hourly load, the absence of load data for some customers, and weekday versus weekend load differences. We agree with the Joint CCAs that the Joint Utilities' Unrealized Volumetric Sales Methodology is reasonable. Despite notable disagreements among the parties regarding the proper methodology for calculating unrealized revenues from PSPS events, no party opposed the Joint Utilities' methodology for unrealized volumetric sales. For these reasons, we adopt the Joint Utilities' Unrealized Volumetric Sales Methodology.

## **3.2 Calculating Electric Rate and Rate Components**

### **3.2.1 Joint Utilities' Proposal**

The Joint Utilities propose to use only the volumetric electric distribution rate (Investor-owned utility (IOU) Proposed Rate), as measured in dollars per kWh, to calculate the disallowed unrealized revenues. Arguing that PSPS events

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<sup>9</sup> IOU-01 at 9-16.

<sup>10</sup> Joint CCAs' Opening Brief at 4.

primarily impact distribution facilities, the Joint Utilities assert that limiting the disallowance to the distribution rate is appropriate.

The IOU Proposed Rate also excludes the fixed distribution charges and distribution demand charges. The Joint Utilities explain that, because fixed charges or demand charges are not recovered through volumetric sales, it is appropriate to exclude them from their proposed rate.

Under the Joint Utilities' proposal, the amounts of unrealized revenues due to 2019 PSPS events are \$5,493,234 for PG&E, \$193,939 for SCE, and \$54,034 for SDG&E.<sup>11</sup>

### **3.2.2 Summary of Intervenors' Positions**

TURN, the Joint CCAs, and Cal Advocates (collectively Intervenors) oppose the IOU Proposed Rate because the IOU Proposed Rate limits the disallowance to only the distribution revenues. The Intervenors assert that this limited disallowance contradicts the directive in the PSPS OII Decision, which ordered a ratemaking remedy applied to "all authorized revenues," in recognition of the "undue harms of overly broad PSPS events" and as a deterrence to the Joint Utilities from initiating PSPS events in the future without careful consideration, evaluation, and balancing of the public harms of PSPS events.<sup>12</sup> The Intervenors also point out that PSPS events deprive customers of not only distribution services, but also transmission and generation services.

Furthermore, because the disallowance was also a monetary remedy for failing to comply with the PSPS guidelines, the Intervenors argue that the Joint Utilities' shareholders should fund the unrealized revenues to pay for costs

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<sup>11</sup> IOU-01 at 25-27.

<sup>12</sup> D.21-06-014, OP 1 and at 60.

that utilities continue to incur during the PSPS events and for costs that the unrealized revenues were supposed to offset, such as the costs recorded in the Public Purpose Program and Nuclear Decommissioning balancing accounts.

### **3.2.2.1 The Utility Reform Network (TURN)**

TURN argues that the IOU Proposed Rate is not compliant with the PSPS OII Decision, which orders the utilities to forgo collection of “all authorized revenue requirement equal to estimated unrealized volumetric sales and unrealized revenue resulting from PSPS events.”<sup>13</sup> TURN asserts that the IOU Proposed Rate limits the utilities’ disallowance to only the distribution revenues.

Contesting the Joint Utilities’ rationale for limiting the disallowance to distribution revenues, TURN argues that PSPS events impact electric services that are not limited to distribution. TURN argues that PSPS events also impact upstream electric services such as transmission, generation, procurement, and capacity, and that the harms of PSPS to ratepayers are not limited to the loss of distribution services. TURN also points out that the utilities have performed PSPS events on their transmission facilities, not just on distribution facilities.

TURN asserts that the PSPS OII Decision reflects an intent to remedy the “undue harms caused to customers by overly broad PSPS events,” and emphasizes that the PSPS OII Decision ordered a “ratemaking remedy that will prevent utilities from recovering from customers any undercollections of authorized revenue requirement.” TURN calculates that, in order for the Joint Utilities to return all authorized revenue requirement, PG&E would have to

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<sup>13</sup> D.21-06-014, OP 1.

return \$14,505,887, SCE would have to return \$544,863, and SDG&E would have to return \$294,742 in revenues to ratepayers.<sup>14</sup>

### **3.2.2.2 Joint CCAs**

The Joint CCAs oppose the IOU Proposed Rate because the IOU Proposed Rate allows the utilities to record and recover costs recorded in balancing accounts without the offsetting revenues during PSPS events, causing higher rates in the future. The Joint CCAs argue that, because ratepayers from future periods must pay higher rates to cover the revenue shortfalls caused by PSPS events in a previous period, ratepayers from future periods are essentially cross-subsidizing the ratepayers for whom the PSPS events were initiated.

The Joint CCAs explain that, during a PSPS event, utilities continue to incur costs and record those costs in various balancing accounts during PSPS events, even when customers do not receive service. Utilities would then be recording costs in the balancing accounts independent of whether revenues are collected from customers during PSPS events. Because revenues are not collected but costs continue to be recorded in the balancing accounts, the balancing accounts accrue residual balances, which are then passed on and collected in rates the next year. Because those higher rates were collected from the next period's ratepayers to make up for the revenue shortfalls during the PSPS events, the Joint CCAs argue that future ratepayers are effectively subsidizing the ratepayers for whom the PSPS events were called. This cross-subsidy, the Joint CCAs argue, violates the cost causation principle adopted by

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<sup>14</sup> TURN-01 at 6.

the Commission that only customers that incurred the costs should pay for those costs.<sup>15</sup>

The Joint CCAs propose that the Joint Utilities return the full revenue requirement equal to the unrealized revenues during PSPS events, and that the unrealized revenues should equal the revenues that the utilities were not able to earn during a PSPS event but have the possibility of being recovered from customers at a later time via balancing accounts.<sup>16</sup> Under the Joint CCAs' proposal, the rate to be used in the calculation should include any component that is linked to one or more balancing accounts for which the lack of revenue collection during a PSPS event can cause a residual balance that is passed onto customers at a later date and that is common to all the Joint Utilities. Given these criteria, the Joint CCAs recommend including the Distribution, Power Charge Indifference Adjustment (PCIA), Cost Allocation Method (CAM), Competition Transition Charge (CTC), Public Purpose Program (PPP), Nuclear Decommissioning, and Green Tariff Shared Renewables (GTSR) rate components into the calculation but agree to excluding the Commodity (ERRA) rate component because the ERRA rate reflects the "at market" costs of serving load.<sup>17</sup> The Joint CCAs propose that the Joint Utilities' shareholders fund the revenue shortfalls for these balancing accounts, including the PPP and Nuclear Decommissioning balancing accounts.

In addition, since rate structures may change over time, the Joint CCAs recommend evaluating and updating the list of applicable rate components that should be included in the calculation each year after 2019.

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<sup>15</sup> D.14-06-029 at 12.

<sup>16</sup> Joint CCAs' Opening Brief at 14.

<sup>17</sup> CCA-01 at 17.

Under the Joint CCAs' proposal, the amounts of unrealized revenues resulting from 2019 PSPS events would be \$9,273,646 for PG&E, \$427,754 for SCE, and \$119,173 for SDG&E.<sup>18</sup>

### **3.2.2.3 Cal Advocates**

Contesting the IOU Proposed Rate, Cal Advocates argues that the PSPS OII Decision does not limit the calculation of the unrealized revenues to only distribution revenues. Cal Advocates asserts that, because the PSPS OII Decision requires the Joint Utilities to forgo collection of all authorized revenue requirement resulting from PSPS events, all CPUC-jurisdictional retail rate components should be included in the calculation of the unrealized revenues.

Cal Advocates also shares the Joint CCAs' concerns about the potential for costs recorded in balancing accounts to be shifted to another set of ratepayers if costs recorded during the PSPS events get passed to the following year's ERRA forecasting process. Cal Advocates supports having the shareholders fund those costs the Joint Utilities recorded in the balancing accounts but did not recover during PSPS events.

### **3.2.3 Joint Utilities' Rebuttal**

The Joint Utilities oppose including the additional rate components the Intervenors proposed in the calculation of unrealized revenues, arguing that most of the proposed rate components recover pass-through costs and are not related to PSPS events. We discuss below the Joint Utilities' arguments against each of the Intervenors' proposed rate components.

### **3.2.4 Discussion**

In determining the appropriate electric rate and rate components to use in calculating the unrealized PSPS revenues, we consider the PSPS OII Decision and

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<sup>18</sup> CCA-01 at 18.

its intent in ordering a disallowance of the unrealized revenues. The PSPS OII Decision finds that the Joint Utilities failed in identifying, evaluating, weighing, and reporting public risks, failed to uphold their obligation to promote safety under Pub. Util. Code Section 451, and failed to comply with Commission-established PSPS guidelines when they initiated the PSPS events in 2019.

Because of these deficiencies and to deter the Joint Utilities from continuing these deficiencies, the PSPS OII Decision imposes a ratemaking remedy on the Joint Utilities until they can demonstrate improvement.

The ratemaking remedy, which is to be implemented after the effective date of the PSPS OII decision, requires the Joint Utilities to forgo collecting “all authorized revenue requirement equal to estimated unrealized volumetric sales and unrealized revenues resulting from PSPS events.”<sup>19</sup> In other words, the Joint Utilities cannot collect from ratepayers any and all revenues that were lost because of future PSPS events.

Because the utilities must forgo all revenue requirement that was unrealized during PSPS events, we find it reasonable for the Joint Utilities to include in the calculation of the disallowed revenues all rate components that are 1) subject to the Commission’s jurisdiction, and 2) charged based on volumetric sales. The only exceptions to this rule are 1) rate components that recover costs for a balancing account in which a revenue shortfall or difference would not be recorded as a result of a PSPS event, such that ratepayers are indifferent after a PSPS event (e.g., the ERRRA rate), and 2) rate components that would provide a credit to ratepayers during a PSPS event (e.g., the 2019 Nuclear

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<sup>19</sup> D.21-06-014, OP 1.

Decommissioning Rate credits). Rate components meeting either of these two criteria should be excluded from the calculation of disallowed revenues.

As the Joint CCAs point out, rate structures change over time. We, therefore, do not prescribe a rigid list of rate components to be included in the calculation but provide the above principles to determine the rate components to be included in the calculation. Following the principles set forth above, the Joint Utilities shall include all applicable rate components in the calculation of unrealized PSPS revenues based on the applicable utility's rate structure at the time the PSPS event was initiated.

Below, we discuss how we evaluated the facts and considered the arguments presented by the parties to reach this conclusion.

**3.2.4.1. PSPS OII Decision Disallowance of All Authorized Revenues that Were Not Collected**

Ordering Paragraph 1 of the PPS OII Decision states:

Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) must forgo collection in rates from customers of all authorized revenue requirement equal to estimated unrealized volumetric sales and unrealized revenue resulting from Public Safety Power Shutoff (PSPS) events after the effective date of this decision.

The PPS OII Decision orders the Joint Utilities to forgo collecting all authorized unrealized PPS revenues after the effective date of the decision as a ratemaking remedy for initiating PPS events without carefully identifying, evaluating, weighing and reporting public risks of PPS events in 2019.<sup>20</sup> The PPS OII Decision states that "if utilities had engaged in this analysis, their

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<sup>20</sup> D. 21-06-014 at 59 and Finding of Fact 2.



implementation of the 2019 PSPS events may have been more targeted and the resulting harms to customers may have been reduced.”<sup>21</sup> The disallowance the PSPS OII Decision orders is a ratemaking remedy in recognition of the Joint Utilities’ failure to properly identify and evaluate the public risks of PSPS events in 2019 and as an ongoing deterrence for the Joint Utilities to initiate PSPS events in this manner.

By not being able to collect revenues during a PSPS event, a utility incurs revenue shortfalls and records them as undercollected balances in its balancing accounts. In normal circumstances, the Commission allows the utility to recover these undercollections by raising rates in the next period. However, the PSPS OII Decision, beginning on its effective date, prohibits the Joint Utilities from collecting PSPS revenue shortfalls until they demonstrate improvements in identifying, evaluating, weighing, and reporting public harm when determining whether to initiate a PSPS event.

#### **3.2.4.2. Shareholder Funding of Undercollected Balances Caused by PSPS Events**

The Intervenors explain that when there are undercollected balances, the ratepayers in the next period typically pay higher rates to make up for these shortfalls, and it is unreasonable for future ratepayers to pay for revenue shortfalls resulting from prior PSPS events.

As discussed below, we determine that in contexts where the methodology herein is applied, the Joint Utilities’ shareholders, not ratepayers, should fund the revenue shortfalls resulting from PSPS events. The PSPS OII Decision orders a future ratemaking remedy of “all authorized revenue requirement” in light of the Joint Utilities’ failure to comply with the requirement in the 2019 PSPS

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<sup>21</sup> D.21-06-014 at 59.

Guidelines to properly consider public harm resulting from PSPS events. Because the PSPS OII Decision intends for this mechanism to be a monetary remedy for the Joint Utilities to bear, it is reasonable, in contexts where the methodology herein is applied, for the Joint Utilities' shareholders to fund the revenue shortfalls resulting from PSPS events in each of the Joint Utilities' balancing accounts, with the exception of balancing accounts which do not record any revenue shortfalls or variances caused by PSPS events.

#### **3.2.4.3. Rate Components and Balancing Accounts**

The balance of each balancing account is recovered through specific "rate components," such as the ERRR rate, the distribution rate, and the PPP rate. As the Intervenors dispute which rate components to include in the calculation of the disallowed unrealized PSPS revenues, the general rule is that all CPUC-jurisdictional rate components that are charged based on volumetric sales should be included except for rate components that do not recover any revenue shortfalls or variances resulting from PSPS events.

Below, we discuss and analyze each of the rate components that the Intervenors disputed.

##### **3.2.4.3.1. IOU Proposed Rate's Limitation of Disallowance to Unrealized Distribution Revenues**

The Joint Utilities propose to use only the volumetric portion of the distribution rate to calculate the unrealized PSPS revenues. The Joint Utilities call the volumetric portion the "energy-related" portion of the distribution rate. However, the Joint Utilities' proposal to limit the disallowance to only unrealized distribution revenues is contrary to the PSPS OII Decision, which disallows the Joint Utilities from recovering all authorized revenues they were not able to

collect during the PSPS events. A PSPS de-energization event affects electric services that are beyond distribution services, preventing ratepayers from receiving all electric services, such as transmission, generation, and procurement services. The harms of PSPS to ratepayers are not limited to the loss of distribution services.

For these reasons, we find that the IOU Proposed Rate, which limits the disallowance to only unrealized distribution revenues, is not reasonable and is contrary to the PSPS OII Decision.

#### **3.2.4.3.2. Distribution Fixed Charges and Distribution Demand Charges**

The Joint Utilities propose excluding the distribution fixed charges and distribution demand charges from the calculation of unrealized revenues because the collection of these charges is unrelated to PSPS events. The Joint Utilities explain that distribution fixed charges recover distribution assets, such as a customer's meter, and distribution demand charges collect revenue based on a customer's highest registered demand in any given bill cycle. Because of how these charges are designed, the Joint Utilities argue that they are not affected by PSPS events and should be excluded from the calculation. The Joint CCAs agree with the Joint Utilities to exclude the fixed and demand charges unless a PSPS event lasts an entire billing cycle.

We agree with the Joint Utilities and the Joint CCAs that excluding distribution fixed charges and distribution demand charges is appropriate. The collection of these charges is not affected by an occurrence of a PSPS event unless the event occurs over a continuous one-month period, which is highly unlikely. After excluding the distribution fixed charges and demand charges, only the

volumetric portion of the distribution rate should be included in the calculation of unrealized revenues.

#### **3.2.4.3.3. Procurement-Related Rates**

The Joint Utilities also argue that procurement-related rate components, such as ERRA, PCIA, CTC, and CAM, should be excluded, asserting that Pub. Util. Code Section 454.5 assures recovery of procurement-related costs.

The Joint Utilities specifically emphasize excluding the ERRA rate. The Joint Utilities explain that, because they do not purchase electricity from the market during PSPS events, PSPS events do not cause any revenue shortfall in the utility's ERRA balancing account. The Joint CCAs concur with excluding the ERRA rate, stating that costs in the ERRA balancing account decrease commensurately with revenues during PSPS events.

We find that procurement-related rates, except the ERRA rate, are appropriate to be included in the calculation of unrealized revenues. The PSPS OII Decision disallows the Joint Utilities from recovering all authorized revenues, which include revenues for procurement-related costs. Therefore, including procurement-related rates in the calculation of unrealized PSPS revenues is appropriate. The ERRA rate, however, should be excluded, because costs are not recorded in the ERRA balancing accounts during PSPS events when utilities cease purchasing power from the market.

#### **3.2.4.3.4. Public Purpose Program (PPP) Rate**

The Joint Utilities argue that the PPP rate component should also be excluded because costs recorded in the PPP balancing accounts fund state-mandated programs, including income-qualified and energy efficiency programs.

Because the PSPS OII Decision disallows the Joint Utilities from recovering all authorized unrealized revenues, unrealized PPP revenues should be included in the disallowance. Even though the Joint Utilities are typically allowed to recover the costs of state-mandated public purpose programs, they relinquished the opportunity to recover these costs by failing to comply with the requirement in the 2019 PSPS Guidelines to “identify, evaluate, and weigh the potential for harm to their customers resulting from a proactive de-energization.”<sup>22</sup> For these reasons, we find it reasonable to include PPP rates in the calculation of unrealized PSPS revenues. As a result, shareholders shall fund the unrealized PPP revenues resulting from PSPS events.

#### **3.2.4.3.5. Nuclear Decommissioning Rate**

The Joint Utilities oppose including the Nuclear Decommissioning rate component, asserting that the Nuclear Facility Decommissioning Act of 1985 ensures that they have sufficient funds to cover the costs of decommissioning.

Similar to the reasons stated for the PPP rate, we find that the Nuclear Decommissioning Rate should be included in the disallowance, except if the Nuclear Decommissioning Rate was intended to be a credit to ratepayers when the PSPS event was initiated. The PSPS OII Decision disallows the Joint Utilities from recovering all authorized unrealized revenues, a category that includes revenues intended to recover nuclear decommissioning costs. The only exception is if the Joint Utilities were supposed to credit ratepayers for the Nuclear Decommissioning Balancing Account during the PSPS event. In those cases where the Nuclear Decommissioning Rate was supposed to be a credit, the Nuclear Decommissioning Rate should be excluded from the calculation.

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<sup>22</sup> D.21-06-014, Conclusions of Law 11 and 12.

### **3.2.4.3.6. Transmission Rate**

The Joint Utilities argue that the transmission rate is under the jurisdiction of the Federal Energy Regulatory Commission and should be excluded. TURN and the Joint CCAs also do not include the Joint Utilities' transmission rate in their proposed calculations.

Transmission rates are not under the jurisdiction of the Commission.<sup>23</sup> While the PSPS OII Decision disallows recovery of all authorized revenues, the Commission does not have the authority to disallow the recovery of the Joint Utilities' transmission revenues. Therefore, we find it appropriate to exclude transmission rates from the calculation of unrealized revenues.

### **3.2.4.3.7. Green Tariff Shared Renewables (GTSR) and ECRA (Energy Cost Recovery Amount)**

The Joint Utilities also argue for the exclusion of the GTSR and ECRA rate components. TURN proposes to include the GTSR and ECRA rate components in the calculation of unrealized revenues.

The Joint Utilities state that the GTSR rates, similar to the ERRA rates, should not be affected by PSPS events because recorded costs in the GTSR balancing account are offset by charges received from the California Independent System Operator (CAISO) so that there are not any revenue shortfalls or variances recorded in the account during PSPS events. Because GTSR rates fit into the category of an exception, similar to ERRA rates, it is appropriate to exclude the GTSR rate component from the calculation of disallowed revenues.

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<sup>23</sup> Section 201 of the Federal Power Act gives the Federal Energy Regulatory Commission jurisdiction over the rates, terms, and conditions of service for the transmission and sale at wholesale of electric energy in interstate commerce. 16 U.S.C. §§ 824(a)-(b); see generally *New York v. FERC*, 535 U.S. 1 (2002) (discussing statutory framework and FERC jurisdiction).

The Joint Utilities also oppose including ECRA because only PG&E has this rate component, and including ECRA in the calculation is counter to having a common set of rate components among the Joint Utilities. As discussed above, the methodology we adopt in this decision follows common principles rather than a set of pre-determined rate components to include in the calculation for disallowance. The ECRA rate component fits within the category to be included in the calculation for disallowance because it is under the jurisdiction of the CPUC, is charged based on volumetric sales, and does not fit into the category of an exclusion. Therefore, it is reasonable to include the ECRA rate component in the calculation for disallowed revenues.

### **3.2.5 Unrealized Wholesale Generation Revenues**

Unrealized wholesale generation revenues are the generation revenues the Joint Utilities cannot collect from CAISO because forced outages caused by PSPS events prevent their generation facilities from producing power. Because PSPS events cause forced outages at utility-owned generation (UOG) facilities, the Joint Utilities cannot generate electricity to sell into the CAISO market, preventing them from earning any generation revenues to offset the costs of their UOG facilities.

#### **3.2.5.1. Parties' Positions**

The Joint CCAs argue that unrealized wholesale generation revenues cause ratepayers to pay higher rates. According to the Joint CCAs, while variable costs of the UOG resources will decrease during the PSPS event, fixed costs for the facilities are still being recorded in the balancing costs. These fixed costs could have been offset by unrealized wholesale generation revenues. The Joint CCAs assert that the loss in collecting generation revenues during PSPS events results in less offset, with ratepayers ultimately paying higher UOG costs.

The Joint Utilities argue that unrealized wholesale generation revenues during PSPS events do not necessarily result in higher rates, asserting that it occurs only in specific circumstances. The Joint Utilities argue that unrealized wholesale generation revenues may result in higher rates only when the wholesale market revenues generated through dispatchable thermal resources are expected to be greater than incremental energy and commitment costs of the resource.<sup>24</sup>

The Joint Utilities also assert that calculating unrealized wholesale generation revenues is highly speculative and prone to error given the complexities of fluctuating power prices in the CAISO market.<sup>25</sup>

Cal Advocates supports the Joint CCAs in including unrealized wholesale generation revenues in the calculation for disallowance. Contesting the Joint Utilities' argument that unrealized wholesale generation would result in higher rates only under specific circumstances, Cal Advocates presents a three-month data sample set in 2019 that shows that the Joint Utilities' wholesale market revenues were greater than their total costs for each month.

### **3.2.5.2. Discussion**

When determining the appropriate methodology to calculate the disallowance of unrealized PSPS revenues, the calculation methodology should not be overly complicated and overly punitive.

Calculating unrealized wholesale generation revenues is highly speculative and prone to error given the complexities of fluctuating power prices in the CAISO market.<sup>26</sup> Numerous uncertainties and complexities exist in setting

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<sup>24</sup> IOU-02 at 20-21.

<sup>25</sup> Joint Utilities' Opening Brief at 27-28.

<sup>26</sup> *Ibid.*



a calculation method that estimates a fair outcome for both ratepayers and the Joint Utilities.

Furthermore, it is uncertain whether unrealized wholesale generation revenues cause rates to increase in a future period. Unrealized wholesale generation revenues generally cause future rates to increase because generation revenues could not be collected to offset some of the UOG facilities' fixed costs, as demonstrated in the sample data set Cal Advocates provided. However, the Joint Utilities explain that this happens only in specific circumstances, such as when wholesale market revenues generated through dispatchable thermal resources are greater than incremental energy and commitment costs of the resource, but there are circumstances where the wholesale market revenues are less than incremental energy and commitment costs of the resource.

Given the complexities for computing a fair estimate of unrealized wholesale generation revenues, it is overly punitive to include unrealized wholesale generation revenues in the calculation of disallowed unrealized PSPS revenues. One purpose for the ratemaking remedy ordered in the PSPS OII Decision is to incentivize the Joint Utilities to improve their decision making, particularly with identifying and evaluating public harm prior to initiating PSPS events. The intention is not to be overly punitive. Including only unrealized retail revenues and excluding unrealized wholesale generation revenues in the calculation for disallowance strikes a good balance between deterring the utilities from initiating overly broad PSPS events without proper consideration of public harms and not being overly punitive.

For these reasons, we find it appropriate and reasonable to exclude unrealized wholesale generation revenues from the calculation of disallowed unrealized PSPS revenues.

#### **4. Implementation**

Within 60 days of the effective date of this decision, the Joint Utilities shall each serve supplemental testimony in their 2021 ERRRA Compliance proceedings to present an estimate of the unrealized revenues for 2021 PSPS events initiated after the effective date of the PSPS OII Decision, and support the estimate with detailed documentation of how the estimates were calculated using the calculation methodology adopted in this decision.

As for the PSPS OII Decision's directive that the methodology shall "remain effective until a utility demonstrates improvements in identifying, evaluating, weighing, and reporting public harm when determining whether to initiate a PSPS event,"<sup>27</sup> we highlight that this decision is only answering the first scoped question (*i.e.*, this decision is only determining what the appropriate methodology is). Where and when the Commission shall consider whether such demonstrations have been made is yet to be determined.

#### **5. Comments on Alternate Proposed Decision**

The alternate proposed decision (APD) of Commissioner John Reynolds 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**

John Reynolds is the assigned Commissioner and Elaine Lau is the assigned Administrative Law Judge and presiding officer in this proceeding.

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<sup>27</sup> PSPS OII Decision at OP 1.

**Findings of Fact**

1. D.21-06-014 found that the Joint Utilities failed to identify, evaluate, weigh, and report public risks, failed to uphold their obligation to promote safety under Pub. Util. Code Section 451, and failed to comply with Commission-established PSPS guidelines when they initiated the PSPS events in 2019.

2. D.21-06-014 imposes a ratemaking remedy on the Joint Utilities to deter them from continuing to initiate PSPS events without proper consideration of public harm.

3. As a ratemaking remedy, D.21-06-014 requires the Joint Utilities to forgo all authorized revenue requirement equal to estimated unrealized volumetric sales and unrealized revenues resulting from PSPS events after the effective date of that decision until they demonstrate improvements in identifying, evaluating, weighing, and reporting public harm when determining whether to initiate a PSPS event.

4. The Joint Utilities' unrealized revenues from a PSPS event are calculated by multiplying the amount of unrealized volumetric electric sales by the electric rate at which the electricity was supposed to be sold at the time of the PSPS event.

5. The Joint Utilities' Unrealized Volumetric Sales Methodology properly considers such factors as baseline time frame, hourly load, the absence of load data for some customers, and weekday versus weekend load differences.

6. The Joint Utilities' Unrealized Volumetric Sales Methodology properly implements the Commission's directive in D.21-06-014 to propose a methodology to calculate estimated unrealized volumetric sales regarding PSPS events.

7. No party opposed the Joint Utilities' proposed methodology for unrealized volumetric sales regarding PSPS events.

8. Rate structures change over time.
9. By not being able to collect revenues during a PSPS event, the Joint Utilities incur revenue shortfalls and record them as undercollected balances in their balancing accounts.
10. When there are undercollected balances recorded in balancing accounts, the ratepayers in the next period typically pay higher rates to make up for these shortfalls.
11. The balance of each balancing account is recovered through specific rate components.
12. The Joint Utilities' proposed methodology for calculating unrealized revenues from PSPS events includes only unrealized distribution revenues.
13. A PSPS de-energization event harms ratepayers by preventing them from receiving all electric services, including transmission, generation, and procurement services, and not just distribution services.
14. Distribution fixed charges recover costs associated with distribution assets, such as a customer's meter.
15. Distribution demand charges collect revenue based on a customer's highest registered demand in any given bill cycle.
16. The collection of distribution fixed charges and distribution demand charges is not affected by a PSPS event except in the highly unlikely occurrence of a PSPS event over a continuous one-month period.
17. Because the Joint Utilities do not purchase electricity from the market during PSPS events, PSPS events do not cause any revenue shortfall in the utility's ERRA balancing account.

18. GTSR rates, similar to ERRA rates, are not affected by PSPS events because, given offsetting CAISO charges, no revenue shortfalls or variances would be recorded in the GTSR balancing account.

19. The ECRA rate component fits within the category of rate components that should be included in the calculation for disallowance.

20. Unrealized wholesale generation revenues are the generation revenues the Joint Utilities cannot collect from CAISO because forced outages caused by PSPS prevent their generation facilities from producing power.

21. Calculating unrealized wholesale generation revenues is highly speculative and prone to error given the complexities of fluctuating power prices in the CAISO market.

22. Numerous uncertainties and complexities in estimating unrealized wholesale generation revenues make it difficult to set a calculation method that results in a fair outcome for both ratepayers and the Joint Utilities.

23. It is uncertain whether unrealized wholesale generation revenues cause rates to increase in a future period.

24. It is overly punitive to include unrealized wholesale generation revenues in the calculation of disallowed unrealized PSPS revenues.

25. The intention of the ratemaking remedy ordered in D.21-06-014 is not to be overly punitive.

26. Including only unrealized retail revenues and excluding unrealized wholesale generation revenues in the calculation for disallowance strikes a good balance between deterring the utilities from initiating overly broad PPS events without proper consideration of public harms and not being overly punitive.

**Conclusions of Law**

1. The Joint Utilities' Unrealized Volumetric Sales Methodology is reasonable and should be adopted.

2. It is reasonable for the Joint Utilities to include in the calculation of unrealized revenues all rate components that are (a) subject to the Commission's jurisdiction, and (b) charged based on volumetric sales, except rate components where a PSPS event would not cause a revenue shortfall or difference to be recorded in the Joint Utilities' balancing account and rate components that would provide a credit to ratepayers during a PSPS event.

3. It is reasonable for the Joint Utilities to include all applicable rate components in the calculation of unrealized revenues based on the Joint Utilities' rate structure at the time the PSPS event was initiated.

4. When applying the methodology to calculate a utility's unrealized revenues during PSPS events, the Joint Utilities' shareholders, not ratepayers, should fund the revenue shortfalls resulting from PSPS events, with the exception of balancing accounts that do not record any revenue shortfalls or variances resulting from PSPS events.

5. The Joint Utilities' proposal to limit unrealized revenues to only unrealized distribution revenues is not reasonable and is contrary to D.21-06-014.

6. Distribution fixed charges and distribution demand charges should be excluded from the calculation of unrealized revenues.

7. It is appropriate to include procurement-related rates, except the ERRR rate, in the calculation of unrealized revenues.

8. The PPP rate component should be included in the calculation of unrealized revenues.

9. When applying the methodology to calculate a utility's unrealized revenues during PSPS events, it is reasonable for the shareholders to fund unrealized PPP revenues resulting from PPS events.

10. The Nuclear Decommissioning rate component should be included in the calculation of unrealized revenues, except if it is a credit to ratepayers when the PPS event was initiated.

11. Transmission rates are not under the jurisdiction of the Commission.

12. The Commission does not have the authority to disallow the recovery of the Joint Utilities' transmission revenues.

13. It is appropriate to exclude the transmission rate component from the calculation of unrealized revenues.

14. It is appropriate to exclude the GTSR rate component from the calculation of unrealized revenues.

15. The ECRA rate component should be included in the calculation of unrealized revenues.

16. It is reasonable to exclude unrealized wholesale generation revenues from the calculation of unrealized revenues.

## **O R D E R**

**IT IS ORDERED** that:

1. The unrealized revenues of Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company resulting from a Public Safety Power Shutoff (PSPS) event shall be calculated by multiplying the unrealized volumetric electric sales by the electric rate.

- (a) The unrealized volumetric electric sales shall be calculated using the following steps:
- i. The utility identifies the specific customer accounts that were impacted by each PSPS event in a given record year;
  - ii. For each affected customer of a PSPS event, the utility develops an electric consumption baseline using hourly load data from the seven days before and the seven days after each PSPS event (excluding data from other PSPS events during those two seven-day periods). For net energy metering (NEM) accounts, kilowatt-hour (kWh) net values are used; for non-NEM accounts, kWh delivered values are used;
  - iii. For each affected customer of a PSPS event, the utility calculates a weekday baseline profile for Mondays through Fridays and a weekend baseline profile for Saturdays, Sundays, and holidays for each hour (not just the hours affected by the PSPS event) by averaging the data from the two seven-day periods described in step ii above, resulting in 24 hourly weekday baseline profiles and 24 hourly weekend baseline profiles for each affected customer of a PSPS event;
  - iv. The utility identifies each affected customer's hourly load data for each hour of each day of a PSPS event (not just the hours affected by the PSPS event). For customer accounts without hourly load data, the utility calculates the ratio of the total hourly load for the affected customer's class to the total hourly baseline profile for that class and then multiplies that ratio by the customer's hourly baseline profile to obtain that customer's imputed hourly load; and
  - v. For each affected customer of a PSPS event, the hourly load data for each hour of each day of a PSPS event as described in step iv above are subtracted from the corresponding weekday or weekend hourly



baseline profile described in step iii above to calculate unrealized volumetric sales, and those customer level unrealized sales are then aggregated by customer class.

- (b) The electric rate that shall be used to calculate a utility's unrealized revenues shall consist of all rate components that are under the jurisdiction of the California Public Utilities Commission and are charged based on volumetric sales, except rate components that do not recover any revenue shortfalls or variances resulting from PSPS events and rate components that provide a credit to ratepayers during the PSPS event. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company shall include all applicable rate components in the electric rate based on the utility's rate structure at the time the PSPS event was initiated.
- (c) Unrealized wholesale generation revenues are excluded from the calculation of unrealized revenues.
- (d) When applying the methodology adopted in this decision to calculate a utility's unrealized revenues, shareholders for Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company shall fund all revenue shortfalls recorded in each of their respective balancing accounts resulting from Public Safety Power Shutoff events.

2. Within 60 days of the effective date of this decision, Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company shall each serve supplemental testimony in their respective 2021 Energy Resource Recovery Account Compliance proceedings to present an estimate of the unrealized revenues for the 2021 Public Safety Power Shutoff events called after the effective date of Decision 21-06-014, and support each estimate with detailed documentation of how the estimate was calculated using the calculation methodology adopted in this decision.

3. Applications 20-02-009, 20-04-002, and 20-06-001 are closed.

This order is effective today.

Dated \_\_\_\_\_, 2023 at San Francisco, California.