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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2027.
(U 39 M)

Application No. 25-05-009

PROTEST OF CALIFORNIA COMMUNITY CHOICE ASSOCIATION TO 2027 GENERAL RATE CASE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY

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On behalf of
California Community Choice Association

Dated: June 18, 2025

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Pursuant to Rule 2.6 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), the California Community Choice Association[1] (CalCCA) submits this protest to the *2027 General Rate Case Application of Pacific Gas and Electric Company* (Application).[2]

Through this Application, Pacific Gas and Electric Company (PG&E) is requesting approval for recovery of projected costs through 2030 that will translate to double-digit percentage increases in customer rates over the rate case period. Moreover, PG&E's requested rate hikes would much more drastically impact PG&E's unbundled customers, with community choice aggregator (CCA) customers seeing a 23 percent increase in their rates, as compared to the 14

[1] California Community Choice Association represents the interests of 24 community choice electricity providers in California: Apple Valley Choice Energy, Ava Community Energy, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance of Southern California, CleanPowerSF, Desert Community Energy, Energy For Palmdale's Independent Choice, Lancaster Energy, Marin Clean Energy, Orange County Power Authority, Peninsula Clean Energy, Pico Rivera Innovative Municipal Energy, Pioneer Community Energy, Pomona Choice Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Diego Community Power, San Jacinto Power, San José Clean Energy, Santa Barbara Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy.

[2] Application (A.) 25-05-009, *2027 General Rate Case Application of Pacific Gas and Electric Company* (May 15, 2025) (Application).

percent increase imposed on PG&E's bundled customers.[3] In the context of the ongoing affordability crisis in California, it is critical that the Commission closely scrutinize both the reasonableness of PG&E's cost recovery requests and how PG&E proposes these costs be allocated across different groups of customers.

I. CALCCA'S INTEREST

CalCCA represents 24 community choice electricity providers in California, including 11 in PG&E's service territory.[4] CCA customers receive generation services from their local CCA, and receive transmission, distribution, billing, and other services from their investor-owned utility (IOU). As such, CCA customers in PG&E's service territory pay the same electric distribution, transmission, and non-bypassable charges (NBCs) as PG&E's bundled customers, including the Power Charge Indifference Adjustment (PCIA). The PCIA recovers certain generation costs from all customers, bundled and unbundled, and CCA customers are assigned to PCIA vintages in accordance with their date of departure from bundled service. Aside from NBCs like the PCIA, CCA customers pay CCA-specific generation rates, which vary and are partially influenced by local mandates to procure and maintain clean electricity portfolios that in many cases exceed state requirements for renewable generation.

The Commission's determinations in this proceeding on cost recovery and allocation will directly impact the rates that CalCCA members' customers pay. CCAs have an interest in ensuring the costs associated with the Application are just and reasonable as well as properly categorized to avoid illegal cost shifts between bundled and unbundled customers.[5] In particular, the CCAs have an interest in ensuring that generation costs recovered via the PCIA are assigned to the appropriate

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[3] *See id.*, Attachment F (percentages calculated based on the increases between present rates and 2030 proposed rates across all customer classes).

[4] *See supra*, n. 1.

[5] *See infra*, Section II.A.

PCIA vintage year, as improper assignments of new investments into older vintages can result in CCA customers bearing significant costs that they did not cause PG&E to incur.

For all these reasons, CalCCA has a real, present, tangible, and pecuniary interest in PG&E's proposals in this proceeding. CalCCA is also continuing to review PG&E's Application and prepared testimony and will investigate, clarify, and possibly recommend modifications and corrections to additional proposals, positions, calculations, and issues in PG&E's Application, as they arise.

II. GROUNDS FOR PROTEST

This Application raises critical questions concerning cost shifting—*i.e.*, the recovery of costs from customers that did not cause PG&E to incur those costs. This issue continues to arise across various Commission proceedings wherein utilities propose significant new investments in their aging utility-owned generation (UOG) assets. In this case, PG&E is requesting authorization for $2.45 billion of capital investments in its UOG hydroelectric (Hydro) fleet between 2027 and 2030,[6] and for continued cost recovery of the associated annual revenue requirements for these assets from *all* customers, bundled and unbundled.[7] This proposal would result in all CCA customers bearing the costs associated with these reinvestments in PG&E's Hydro assets, even though much of this funding is going toward the relicensing of these assets at the Federal Energy Regulatory Commission (FERC) so that this aging fleet can continue to serve PG&E's bundled customers.

A. Background on PCIA Vintaging

California law prohibits cost shifts between groups of bundled and unbundled customers. In particular, Section 366.2 of the California Public Utilities Code provides that "[t]he

6 PG&E-5, p. 1-24.
7 *Id.*, pp. 7-22 to 7-23.

implementation of a community choice aggregation program shall not result in a shifting of costs between the customers of the community choice aggregator and the bundled service customers of an electrical corporation."[8] Similarly, Section 365.2 mandates that the Commission ensure both that bundled customers do not experience any cost increases as a result of other customers electing to receive service from other providers, and that "departing load does not experience any cost increases as a result of an allocation of costs that were not incurred on behalf of the departing load."[9] The Commission generally refers to these requirements as a statutory mandate to ensure ratepayer indifference.[10]

The Commission's foundational policies on PCIA vintaging evolved out of these clear statutory directives prohibiting cost shifts between bundled and unbundled customers and requiring compliance with the indifference principle.[11] The Commission adopted the PCIA to ensure that when customers of IOUs depart from bundled service and receive their electricity supply from a non-IOU provider, such as a CCA, "those customers remain responsible for costs previously incurred on their behalf by the IOUs — but only those costs."[12] Decision (D.) 08-09-012 provides the basis for the current cost responsibility policies for departing load customers, and specifically, the policies associated with vintaging IOU generation costs. The decision limits a departing load customer's cost responsibility to resource commitments made by the IOU up until the time of the customer's departure, finding that "departing customers should bear *no* cost responsibility for . . . commitments the IOU makes after their departure."[13] This directive helps

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8 Cal. Pub. Util. Code § 366.2(a)(4).
9 *Id.* § 365.2; *see also id.* § 366.3.
10 *See, e.g.*, Decision (D.) 16-09-044, p. 11.
11 Cal. Pub. Util. Code § 366.2(a), (f); *id.* §§ 365.2, 366.3.
12 *See* Rulemaking (R.) 17-06-026, *Scoping Memo and Ruling of Assigned Commissioner*, p. 2 (Sept. 25, 2017); D.18-10-019, p. 3.
13 D.08-09-012, p. 59 (emphasis added).

ensure that each customer will "pay its fair share of the costs the IOU incurred on [its] behalf[,]" which "is an integral part of the principles of bundled customer indifference and prevention of cost-shifting."[14]

Based on these underlying principles, unbundled customers are assigned to a vintage year based on their departure date.[15] PG&E assigns each UOG resource to a specific vintage based on the year the generation resource commitment was originally made (*i.e.*, the original date of Commission approval of UOG construction), and all ongoing costs at that facility are recorded to the same initial vintage.

The PCIA rates ultimately paid by customers are derived from the utility's Indifference Adjustment, which is updated annually in each IOU's Energy Resource Recovery Account (ERRA) forecast proceeding. The Indifference Adjustment is the difference in the target year between the cost of the IOU's supply portfolio and the market value of the IOU's supply portfolio, as shown in the graphic below.

Figure 1: Indifference Calculation

Total Portfolio Cost includes the variable power supply costs, which are also determined in the IOU's annual ERRA forecast proceedings,[16] *plus* the UOG capital investment recovery and fixed

14 *Id.*, Finding of Fact (FoF) 2.

15 *Id.*, FoF 38 and Conclusion of Law 14.

16 Variable power supply costs include purchased power such as that from power purchase agreements (PPAs), fuel costs for UOG and PPAs with tolling agreements, and California Independent System Operator (CAISO) grid charges and revenues, net of any sales.

maintenance costs determined in a general rate case (GRC).[17]

An Indifference Adjustment is calculated for each vintage, and customers are responsible for the cumulative costs included in all vintages prior to and including their assigned vintage year.[18] The total Indifference Adjustment is collected through PCIA rates, ensuring that PG&E receives full recovery of the generation-related revenue requirement approved in GRCs and other proceedings.[19]

B. The Commission has Begun to Establish Limits on Cost Recovery from an Asset's Original Vintage Assignment Across a Range of Proceedings.

Over the past several years, a range of Commission proceedings have begun to grapple with the question of how to best ensure that the IOUs' allocation of UOG costs to CCA customers is fair and consistent with these foundational principles of cost causation underlying the Commission's PCIA policy. Specifically, these cases have focused on the cost shifting that can occur when the IOUs undertake new investments in UOG and propose to allocate all associated costs to the asset's original vintage assignment.

The problem arises when utilities undertake new investments in older UOG assets on behalf of their current bundled customers, and propose to assign *all* future costs at that facility, *even these new investments that serve only bundled customers*, to the asset's original vintage. This approach means that even when an IOU decides to significantly reinvest in an older generation asset to extend the useful life of that asset, expand the capacity of that asset, or fundamentally change the

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[17] D.11-12-018, pp. 8-9.

[18] *Id.*, p. 9.

[19] Prior to D.18-10-019, the PCIA rate was set only on a forecast basis with no after-the-fact true-up for unbundled customers. D.18-10-019 approved a true-up for the PCIA using actual recorded net costs for PCIA-eligible resources and billed revenues from both bundled and unbundled customers. This true-up now occurs via the Portfolio Allocation Balancing Account (PABA), a rolling true-up between the forecasted Indifference Adjustment and the actual costs and revenues PG&E realizes during the year related to its PCIA eligible resource portfolio.

function of the asset, *all* costs associated with these new investments are allocated to the asset's original vintage assignment. The result is that customers that have departed from bundled service remain responsible for the costs associated with any and all expansions or extensions to UOG, in perpetuity, in violation of the Commission's directive that "departing customers . . . bear no cost responsibility for . . . commitments the IOU makes after their departure."[20]

The CCAs have urged the Commission in the PCIA rulemaking and across all the IOUs' GRC proceedings to apply the Commission's foundational cost causation principles to these situations and recognize that certain types of significant new investments in UOG should be understood as *entirely new resource commitments* for purposes of PCIA vintaging.[21] This policy would be an extension of existing Commission precedent. For example, the Commission has endorsed this approach of reconsidering an asset's original vintage assignment in the context of power purchase agreement renewals/extensions and amendments.[22]

The Commission first acknowledged the validity of CCA concerns regarding the perpetual recovery of ongoing costs and reinvestments in UOG in 2018, in D.18-10-019.[23] There, the Commission found that full or partial re-vintaging may be necessary under certain circumstances. Specifically, the Commission acknowledged:

> It is possible that new investments in an old power plant may represent such a significant overhaul of the facility as to justify a "re vintaging" of the facility. Likewise, it is possible that plant investments for certain upgrades may justify a

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20 D.08-09-012, p. 59.

21 *See* D.18-10-019, pp. 134-135; D.23-11-069, pp. 508-511; A.22-05-015, *Opening Brief of SDCP and CEA*, pp. 10-35 (Aug. 14, 2023); A.23-05-010, *Protest of CPA and CalChoice to the Application of SCE*, pp. 5-7 (Jun. 14, 2023).

22 *See* Resolution E-5095, p. 9 (Aug. 27, 2020) (approving Southern California Edison's re-vintaging of renewed contracts); Resolution E-4841, pp. 9-10 (May 11, 2017) (considering whether amendments to PPAs should result in re-vintaging, and concluding that because the amendments at issue did not affect material contract terms, such as price, re-vintaging was not appropriate (thus implying that changes to material contract terms may merit re-vintaging)).

23 D.18-10-019, p. 135.

different vintage treatment for those investments than for the underlying facility.[24] The Commission concluded that "any such analysis must be fact-specific to the plants and spending in question."[25]

CCAs' vintaging recommendations in recent GRC proceedings were responsive to this directive. In these cases, the CCAs have argued that when a utility decides to reinvest in its older UOG to extend the life, expand the capacity, or change the function of the asset, that new investment should trigger a reconsideration of the default vintage assignment for the asset.[26] When the IOU is undertaking those kinds of new investments on behalf of its bundled customers, those investments should be understood as new resource commitments for purposes of PCIA vintaging.

In response to this advocacy, in its final decision in PG&E's 2023 Phase I GRC, the Commission ordered that in future GRCs, PG&E must justify its proposed vintaging treatment for UOG whenever it proposes to undertake certain new investments—new asset life extensions, incremental capacity additions, or changed functions—in any of its UOG assets.[27] Similarly, the CCAs' arguments on these issues in San Diego Gas and Electric Company's recent GRC resulted in a Commission directive that the utility "carefully reconsider the merits of vintaging" if it decides to take on reinvestments in its UOG assets, as "such a reconsideration might be warranted."[28] These issues are still pending before the Commission in Southern California Edison Company's latest GRC.

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[24] *Id.*
[25] *Id.*
[26] *See* D.23-11-069, pp. 508-511; A.22-05-015, *Opening Brief of SDCP and CEA*, pp. 10-35 (Aug. 14, 2023).
[27] D.23-11-069, p. 511.
[28] D.24-12-074, p. 408.

C. The Commission Must Ensure That The Costs Associated With PG&E's Reinvestments In Its Aging Generation Assets Are Allocated In Line With Cost Causation.

This Application implicates these same questions regarding the appropriate vintage assignment for new utility investments in aging UOG assets. In this proceeding, PG&E is proposing to undertake $2.45 billion of capital investments in its hydro fleet between 2027 and 2030,[29] and is requesting continued cost recovery via the Legacy UOG Vintage[30] for the associated annual revenue requirements for these assets. PG&E offers many reasons why this substantial increase in investment in its Hydro assets is needed, including that it is necessary to support the relicensing process for 14 of these assets at FERC,[31] to address aging and obsolete equipment and infrastructure,[32] and to accommodate changing operational demands, which are "requiring assets to be operated differently than the modes for which they were originally designed."[33]

The Commission must closely scrutinize whether any of these proposed investments will result in a "significant overhaul" of the facilities in question such that entire facilities should be re-vintaged,[34] and/or whether any of the investments may justify a different vintage treatment for portions of facility revenue requirements.[35] Specifically, the Commission must evaluate these questions by looking to the "triggering events"[36] laid out in the 2023 GRC decision: investments that result in asset life extensions, incremental capacity additions, or changed asset functions.[37] Any such investment would represent a decision by PG&E to undertake a new generation asset

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29 PG&E-5, p. 1-24.
30 *Id*., pp. 7-22 to 7-23.
31 *Id*., pp. 3-4 and 3-99.
32 *Id*., p. 3-3.
33 *Id*., p. 3-2.
34 D.18-10-019, p. 135.
35 *Id*.
36 PG&E-5, p. 7-22.
37 D.23-11-069, p. 511.

commitment to serve its current customer needs.

PG&E's testimony indicates that much of this new investment is attributable to PG&E's decision to relicense 14 of these assets at FERC, thereby extending the corresponding asset lives by several years, often decades.[38] This decision to pursue relicensing reflects an affirmative choice by PG&E to reinvest in its Hydro fleet—a fleet with an average age exceeding 80 years, which includes many assets that have outlived their originally expected lifespan.[39] PG&E is not required to relicense these assets. Instead of pursuing relicensing, and thus committing to any new compliance obligations and licensing requirements that FERC might impose, PG&E could sell or retire the assets. In making this choice to invest in the FERC relicensing process for these assets—and thus committing to all capital investments necessary to extend the lives of these assets as well as all ongoing operations and maintenance costs associated with the continued operation of these assets for this extended period—PG&E would be undertaking new commitments beyond those associated with the assets' original license and anticipated lifespan.

If through further investigation in this proceeding it is determined that PG&E is undertaking new generation commitments through these reinvestments in its Hydro fleet, the Commission must then examine on whose behalf PG&E is making the investments. For this inquiry, the core guiding principle is that customers should pay their "fair share of the costs the IOU incurred on [their] behalf" but should not be charged for costs *not* incurred on their behalf.[40] At the outset of this inquiry, it is important to note that generally, absent an order from the Commission that PG&E should undertake an investment to serve a specific, identified procurement need for all customers in its service territory, PG&E is only permitted to make generation asset

[38] *See* PG&E-5, p. 3-30.
[39] *Id.*, p. 3-3.
[40] D.08-09-012, FoF 2.

investments to serve its current *bundled* customers' energy and capacity needs.

Therefore, while PG&E's testimony points to several "beneficial public values" supported by PG&E's Hydro assets,[41] these are irrelevant to the question of cost recovery and appropriate vintage assignment. The purpose of the PCIA and the vintaging regime is to ensure that when customers depart, they remain responsible for costs previously incurred on their behalf;[42] the mere fact that a resource may provide public benefits for all Californians does not mean that departed customers should forever be on the hook for paying for that resource. The relevant question, rather, is whether the utility's new investment to keep the resource in service was incurred on these departed customers' behalf.

CalCCA intends to further investigate PG&E's justifications for its proposal to continue to recover all Hydro costs via the Legacy UOG Vintage to ensure that PG&E is only charging CCA customers for costs actually incurred on their behalf, in compliance with state law.

III. CATEGORIZATION OF PROCEEDING, NEED FOR HEARINGS, AND PROPOSED PROCEDURAL SCHEDULE

CalCCA supports categorization of the proceeding as "ratesetting" and agrees hearings will be needed.[43] At this time, CalCCA does not have objections to PG&E's requested procedural schedule.

IV. COMMUNICATIONS

CalCCA consents to "email only" service and requests that the following individuals be added to the service list for A.25-05-009 on behalf of CalCCA:

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41 PG&E-5, pp. 7-29 to 7-31.

42 *See* R.17-06-026, *Scoping Memo and Ruling of Assigned Commissioner*, p. 2 (Sept. 25, 2017); D.18-10-019, p. 3.

43 Application, p. 30.

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V. CONCLUSION

For the foregoing reasons, CalCCA requests the Commission set this matter for hearing to fully examine the preliminary issues discussed above.

Respectfully submitted,

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