STATE OF CALIFORNIA



PUBLIC UTILITIES COMMISSION 505 VAN NESS AVENUE SAN FRANCISCO, CA 94102-3298

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Agenda ID #23622 Ratesetting

TO PARTIES OF RECORD IN RULEMAKING 24-01-017:

This is the proposed decision of Administrative Law Judge Rajan Mutialu. 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 August 14, 2025, 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/ MICHELLE COOKE Michelle Cooke Chief Administrative Law Judge

MLC: cg7 Attachment ALJ/RM3/cg7

Decision PROPOSED DECISION OF ALJ MUTIALU (Mailed 7/9/2025)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue Implementation and Administration, and Consider Further Development, of California Renewables Portfolio Standard Program.

Rulemaking 24-01-017

DECISION DENYING REQUEST TO ADOPT A FRAMEWORK FOR PRE-APPROVAL OF INVESTOR-OWNED UTILITIES' SHORT-TERM RENEWABLE PORTFOLIO STANDARD TRANSACTIONS

Summary

This decision denies the request from Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company, as made in their respective, individual 2024 Renewable Portfolio Standard (RPS) plans, for the California Public Utilities Commission (Commission) to adopt a framework for pre-approval of short-term RPS transactions based on the transactions' compliance with achievable, upfront standards. This decision maintains the California RPS program rule set forth in Decision 14-11-042 requiring investor-owned utilities to seek approval from the Commission concerning the review of short-term RPS transactions through submission of Tier 1 Advice Letters. This proceeding remains open.

1. Factual Background

1.1. California's Renewable Portfolio Standard Program Requirements

The California Renewable Portfolio Standard (RPS) program was established by Chapter 516, Statutes of 2002 (Senate Bill (SB) 1078) and codified in Public Utilities (Pub. Util.) Code Sections 399.11-399.33.¹ The RPS program has been modified over the years.² In 2018, SB 100 (de León, 2018) Stats. 2018, ch. 312 was signed into law, which increased and accelerated RPS procurement to 60 percent by 2030 and set the goal for 100 percent of the state's retail electricity sales to come from renewable and zero-carbon resources by 2045.

The Commission adopts rules related to the RPS program, reviews RPS procurement plans submitted by retail sellers, and assesses retail sellers' compliance with their RPS obligations. The Commission is also authorized to review and approve RPS contracts as established by Pub. Util. Code Section 399.13(d) and 451 to maintain consistency with approved RPS procurement plans and ensure just and reasonable rates.

1.2. Tier 1 Advice Letter Process to Approve Short-Term RPS Transactions

Pursuant to Decision (D.)14-11-042, investor-owned utilities (IOUs) under the jurisdiction of the Commission are authorized to seek approval for each short-term RPS transaction (i.e. less than 5 years) through a Tier 1 Advice Letter (AL).³ Further, D.14-11-042 required utilities to file a separate AL for each

¹ All references are to the Public Utilities Code, unless otherwise noted.

² See Chapter 464, Statutes of 2006 (SB 107); Chapter 685, Statutes of 2007 (SB 1036); Chapter 1, Statutes of 2011 (SBX1-2); Chapter 547, Statutes of 2015 (SB 350); and Chapter 312, Statutes of 2018 (SB 100).

³ D.14-11-042 at 65.

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contract to request approval and cost recovery. The Commission's intent in authorizing IOUs to use a Tier 1 AL versus a Tier 3 AL to seek approval of shortterm contracts was to streamline the review process but maintain the appropriate level of Commission oversight.⁴ In addition, D.14-11-042 emphasized that while "quarterly (Tier 1 AL) filings may reduce the number of filings, we prefer to have more current information than permitted under a quarterly filing requirement."⁵

2. Procedural Background

On May 17, 2024, an assigned Commissioner and assigned Administrative Law Judge (ALJ) Ruling (2024 ACR) was issued in Rulemaking 24-01-017. This 2024 ACR identified the 2024 RPS Procurement Plan (RPS Plan) filing requirements for all retail sellers of electricity and set a schedule for the Commission's review of the 2024 RPS Plans.

On June 14, 2024, an ALJ Ruling was issued that requested party comments on an Energy Division Staff (Staff) proposal on the application of confidentiality rules for RPS Plans (ALJ Ruling on Confidentiality). Comments were filed on July 1, 2024, by: (1) PG&E, SCE, and SDG&E (collectively, Joint IOUs); (2) Bear Valley Electric Service, Inc. (BVES), Liberty Utilities (CalPeco Electric), LLC (Liberty), and PacifiCorp, d/b/a Pacific Power (PacificCorp) (collectively, SMJUs); (3) Apple Valley Choice Energy (AVCE), Clean Energy Alliance, Clean Power Alliance of Southern California, City of Lancaster, City of Pico Rivera, City of Rancho Mirage, City of Pomona, City of San Jacinto, City of San José, Administrator of San José Clean Energy, City of Santa Barbara, Marin Clean Energy, Peninsula Clean Energy Authority, Pioneer Community Energy,

⁴ D.14-11-042, COL 40 at 122.

⁵ D.14-11-042 at 77.

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Sonoma Clean Power, the Regents of the University of California, San Diego Community Power (SDCP), and Silicon Valley Clean Energy (SVCE) (collectively, Joint Parties); (4) Ava Community Energy; (5) CleanPowerSF; (6) Alliance for Retail Energy Markets (AReM); and (7) Green Power Institute (GPI). Reply comments were filed on July 11, 2024, by GPI.

On June 18, 2024, an ALJ Ruling granted the Joint IOUs' request to extend 2024 RPS Plan procedural deadlines and modified the proceeding schedule.

In July 2024, the following retail sellers timely filed their Draft 2024 RPS Plans: PG&E; SCE; SDG&E; BVES; Liberty; PacifiCorp; AVCE; Ava Community Energy; Central Coast Community Energy (3CE); City of Palmdale; City of Pomona; City of Santa Barbara; Clean Energy Alliance; Clean Power Alliance of Southern California; CleanPowerSF; Desert Community Energy (DCE); King City Community Power; Lancaster Choice Energy (LCE); Marin Clean Energy; Orange County Power Authority (OCPA); Peninsula Clean Energy; Pico Rivera Innovative Municipal Energy (Pico Rivera); Pioneer Community Energy; Rancho Mirage Energy Authority (Rancho Mirage); Redwood Coast Energy Authority; San Diego Community Power; San Jacinto Power; San Jose Clean Energy (SJCE); Silicon Valley Community Energy (SVCE); Sonoma Clean Power Authority; Valley Clean Energy Alliance; 3 Phases Renewables, Inc. (3PR); BP Energy Retail Company California LLC; Calpine Energy Solutions, LLC; Calpine Power America-CA, LLC (CPA); Commercial Energy of Montana, Inc. (Commercial Energy of Montana); Constellation NewEnergy, Inc; Direct Energy Business, LLC (DEB); Pilot Power Group, LLC; Shell Energy North America (US), L.P. (Shell); and The Regents of the University of California (UC Regents).

Comments on the Draft RPS Plans were filed on August 22, 2024, by the Public Advocates Office at the Commission (Cal Advocates), GPI, and Small

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Business Utility Advocates (SBUA). Reply comments on the Draft RPS Plans were filed on September 5, 2024, by AReM, the Joint Parties, GPI, Large-Scale Solar Association (LSA), Small Business Utility Advocates (SBUA), and the Joint IOUs.

On September 5, 2024, PG&E, SCE, and SVCE filed motions to update their Draft 2024 RPS Plans; SDG&E filed substitute sheets to update its Draft 2024 RPS Plan.

3. Issues

The issues to be determined or otherwise considered in this proceeding are grouped into three areas:

- 1. Continuing and completing specific tasks identified in Rulemaking (R.) 18-07-003, but not completed prior to the issuance of this new Order Instituting Rulemaking (OIR);
- 2. Continuing, monitoring, reviewing, and improving elements of the RPS program that have previously been put in place, including identifying additional program elements that could be developed; and
- 3. Implementing new statutory requirements that may be mandated during the course of this proceeding.

Tasks under each group are further described below:

3.1. Resolving Remaining Issues from R.18-07-003

- 1. Establishing a cost containment mechanism for utility RPS procurement, including revisions mandated by SB 2 (1X) (Simitian, Stats. 2011, ch.1) and SB 350;
- 2. Coordinating with the integrated resource planning proceeding, or its successor proceeding, as mandated by SB 350, including mitigating administrative burden in due dates, filings, templates, etc., coordinating annual reporting requirements, and considering integration of integrated resource planning preferred system plans with the RPS procurement plans.

3.2. Continuing Monitoring, Reviewing, and Improving the RPS Program

- 1. Reviewing and approving RPS procurement plans;
- 2. Ongoing monitoring, reviewing, and revising, as needed, all RPS procurement methods and tariffs, such as IOU solicitations, renewable auction mechanism, the Renewable Market Adjusting Tariff (ReMAT), and the Bioenergy Market Adjusting Tariff (BioMAT);
- 3. Monitoring, reviewing, and improving RPS compliance reporting formats developed by Energy Division staff in consultation with parties;
- 4. Reviewing compliance progress of retail sellers and taking enforcement action if required;
- 5. Reviewing and revising, if needed, penalty rules applying to the RPS program;
- 6. Reviewing and revising, as needed, analytical tools such as the RPS Database to improve the RPS program and streamline its administration;
- 7. Identifying and addressing safety issues related to the RPS program, such as safety impacts related to RPS procurement and safety impacts connected with climate change;
- 8. Reviewing and revising, if needed, confidentiality rules applying to the RPS program;
- 9. Using the authority provided by § 399.15(b)(3) to explore increasing the RPS procurement percentage for later compliance periods;
- 10. Considering the integration of greenhouse gas emissions (GHG) reduction goals and metrics into RPS procurement methods;
- 11. Coordinating with the resource adequacy proceeding, or its successor proceeding; and

12. Using the authority provided by § 399.13(f), considering development of structure and rules that allow use of a procurement entity.

In this decision, we consider proposals from PG&E, SCE, and SDG&E that seek Commission pre-approval of short-term RPS transactions in lieu of seeking their approval through submission of Tier 1 ALs. Per Scoping Item 2, PG&E, SCE, and SDG&E wish to improve elements of the RPS program that have already been put in place.

4. IOU Proposals for Pre-Approval of Short-Term RPS Transactions Through Compliance with Achievable, Upfront Standards 4.1. Summary of IOU Proposals

The following section provides a high-level summary of independent proposals from PG&E, SCE, and SDG&E to expedite Commission approval of short-term RPS transactions through compliance through a framework for preapproval of contracts with achievable and upfront standards. As discussed below, each IOU provides a varying level of detail on standards for volume limits and pricing criteria for short-term RPS purchases and sales.

PG&E, SCE, and SDG&E each propose to submit quarterly compliance reports (QCRs) in Tier 1 ALs that include short-term transactions of RPS products (i.e. delivery term of less than five years forward, and Portfolio Content Category (PCC) 1, 2, or 3 products) to the Commission's audit staff (Audit Staff) for review rather than individual Tier 1 ALs for each contract. Subsequently, the Audit Staff would provide recommendations to the Commission's Energy Division Staff (ED Staff) for final approval.⁶ These transactions would be subject to "upfront achievable standards and criteria" as required for Resource Adequacy transactions in each of the Large IOU's Assembly Bill 57 Bundled

⁶ SDG&E Draft 2024 Renewable Energy Procurement Plan at 96.

Procurement Plans (BPP). ^{7, 8, 9} To this point, PG&E states that RPS-eligible resources that comply with its BPP may also satisfy non-RPS energy capacity requirements without AL approval.¹⁰

PG&E, SCE, and SDG&E plan to obtain short-term RPS contracts through: (1) IOU Request for Offers (RFOs); (2) third-party RFOs; (3) bilateral agreements; (4) other procurement process; and (5) pre-approved brokers, exchanges, or counterparties.¹¹

PG&E, SCE, and SDG&E provide differing levels of detail regarding their proposed methodologies for determining volume limits and pricing for shortterm RPS contract purchases and sales. SCE is relatively transparent about its planned methods to calculate volume limits and pricing for sales and purchases.¹² PG&E proposes pricing methods for purchases and sales and a methodology to calculate sales volume limits but does not provide a methodology to calculate purchase volume limits.¹³ SDG&E proposes methodologies to calculate volume limits for purchases and sales, and pricing methods for sales but not for purchases.¹⁴

In their proposals, PG&E, SCE, and SDG&E set quantitative pricing criteria for short-term RPS purchases (i.e. soft price ceiling or a "strong showing" if RPS

⁷ PG&E Draft 2024 Renewable Energy Procurement Plan at Appendix M.6.

⁸ SCE Draft 2024 Renewable Energy Procurement Plan at 89-90.

⁹ SDG&E Draft 2024 Renewable Energy Procurement Plan at Appendix 18.

¹⁰ PG&E Draft 2024 Renewable Energy Procurement Plan at 10.

¹¹ SDG&E Draft 2024 Renewable Energy Procurement Plan at Appendix 18.

¹² SCE Draft 2024 Renewable Energy Procurement Plan at Appendix E-1.

¹³ PG&E Draft 2024 Renewable Energy Procurement Plan at Appendix M-6

¹⁴ SDG&E Draft 2024 Renewable Energy Procurement Plan at Appendix 18.

prices exceed the price cap). For short-term RPS sales, PG&E and SCE plan to use a price floor or a "strong showing" standard if prices for short-term RPS sales are below the price cap.^{15, 16, 17}

With respect to administrative review and reporting, PG&E, SCE, and SDG&E all propose that the PRG¹⁸ only review RPS transactions with deliveries longer than three months. Further, PG&E, SCE, and SDG&E all suggest that RPS transactions should not be subject to PRG review if it delays the adoption of RPS transactions, if the transaction aligns with the IOUs' RPS Plans when those plans have already been discussed and reviewed by the PRG, or involves "transparent exchanges, brokers, or electronic solicitations."^{19, 20, 21}

To recover costs, PG&E, SCE, and SDG&E propose to record cost-related entries in their respective Energy Resource Recovery Accounts (ERRA) (i.e. for purchases with delivery times less than or equal to one year) or the Portfolio Allocation Balancing Account (PABA) subaccount in ERRA (i.e. for purchases

¹⁵ PG&E Draft 2024 Renewable Energy Procurement Plan at Appendix M.6

¹⁶ SCE Draft 2024 Renewable Energy Procurement Plan, Table XIVII-8 at 90.

¹⁷ SDG&E Draft 2024 Renewable Energy Procurement Plan at Appendix 18.

¹⁸ Procurement Review Groups (PRGs) are advisory groups that provide a preliminary review and assessment of the IOUs' overall procurement strategy, RFOs, proposed procurement contracts and other procurement processes before the IOUs submit filings to the Commission.¹⁸ PRG recommendations are advisory and non-binding.

¹⁹ PG&E Draft 2024 Renewable Energy Procurement Plan at Appendix M.6.

²⁰ SCE Draft 2024 Renewable Energy Procurement Plan at 93.

²¹ SDG&E Draft 2024 Renewable Energy Procurement Plan at Appendix 18.

with delivery times greater than one year but less than five years, and for unit specific sales).^{22, 23, 24}

For a variety of reasons, PG&E, SCE, and SDG&E all urge that the Commission adopt their proposals to pre-approve short-term RPS transactions. PG&E claims that competition for resources has been impacted by supply chain issues, potential scarcity of certain resource types, potential transmission constraints for new projects, and uncertain project development timeframes as load serving entities (LSEs) ramp up procurement.²⁵ Further, PG&E states that preservation of the Tier 1 AL reporting requirement could delay resource deliveries if ALs are protested or require additional review.²⁶ To level the playing field, PG&E asserts that, if the Commission waives the Tier 1 AL reporting requirement, it would gain interest from counterparties to engage in short-term Renewable Energy Credits (REC) transactions.²⁷

SCE states that buyers and sellers that transact RPS products through exchanges or brokers "cannot keep their product open for the one-month period required for the approval of a Tier 1 AL."²⁸ Plus, SCE highlights that non-IOU (LSEs) are not subject to the Tier 1 AL filing requirement. SCE asserts that a highly competitive and evolving RPS market requires retail sellers to react faster

²² PG&E Draft 2024 Renewable Energy Procurement Plan at Appendix M.6.

²³ SCE Draft 2024 Renewable Energy Procurement Plan at 90.

²⁴ SDG&E Draft 2024 Renewable Energy Procurement Plan at Appendix 18.

²⁵ PG&E Draft 2024 Renewable Energy Procurement Plan at 11.

²⁶ PG&E Draft 2024 Renewable Energy Procurement Plan at 11.

²⁷ PG&E Draft 2024 Renewable Energy Procurement Plan at 10.

²⁸ SCE Draft 2024 Renewable Energy Procurement Plan at 89.

to changing RPS needs to maintain RPS compliance.²⁹ SDG&E suggests that waiving the Tier 1 AL filing requirement preserves values of Portfolio Content Category (PCC) 1 RECs by timely delivering/receiving RPS products.³⁰

4.2. Party Comments

The Public Advocates Office at the California Public Utilities Commission (Cal Advocates) urges the Commission to reject the Large IOUs' request to rely on upfront standards for pre-approval of short-term RPS transactions. Cal Advocates cites to Conclusion of Law (COL) 40 in D.14-11-042, which states that the Commission should maintain the appropriate level of oversight over short-term RPS transactions, rather than delegating authority to the IOUs to use an honor system to self-regulate this process.³¹

Pursuant to Pub. Util. Code Section 451, Cal Advocates asserts that the Commission has a statutory duty to ensure that short-term RPS transactions are just, reasonable, and consistent with RPS policies. To this point, Cal Advocates emphasizes that the Commission must determine if an IOU's short-term RPS purchases above the price ceiling are justified based on a "strong showing," which according to General Order (GO) 96-B, General Rule 7.6.1 "requires more than ministerial action to dispose of an advice letter on the merits...."³² Despite these concerns, Cal Advocates does not oppose adding upfront standards and criteria to the current Tier 1 AL review process for short-term RPS transactions

²⁹ SCE Draft 2024 Renewable Energy Procurement Plan at 10.

³⁰ SDG&E Draft 2024 Renewable Energy Procurement Plan at 4.

³¹ Cal Advocates Comments on the Draft 2024 Renewables Portfolio Standard Procurement Plans at 8-9.

³² Cal Advocates Comments on the Draft 2024 Renewables Portfolio Standard Procurement Plans at 8.

because it would facilitate ED Staff's confirmation that the upfront standards and criteria were upheld.³³

Further, Cal Advocates contends that the IOUs do not provide sufficient evidence to support their claim that the Tier 1 AL requirement to seek Commission approval of short-term RPS transactions would disrupt their competitiveness and flexibility in the REC market.³⁴

The Small Business Utility Advocates (SBUA) agrees.³⁵ SBUA reports that SDG&E's response to a data request reveals that SDG&E "is unaware of any Tier 1 AL approvals for solicited, non-modified transactions with counterparties being protested or requiring additional review that delayed deliveries." ³⁶ SBUA also notes PG&E and SCE only cite one example of a Tier 1 AL that was suspended during the last five years.³⁷

4.3. Discussion

Because PG&E, SCE, SDG&E did not provide analysis concerning the impact of the Tier 1 AL filing requirement on their ability to compete in the market to procure short-term RPS contracts, and assess the impact on ratepayer costs, vis a vis ratepayer savings, we have little basis to determine the benefit of developing and implementing their proposal to pre-approve short-term RPS transactions. We therefore agree with Cal Advocates and SBUA that PG&E, SCE,

³⁷ SBUA Comments on the Draft 2024 Renewables Portfolio Standard Procurement Plans at 20.

³³ Cal Advocates Comments on the Draft 2024 Renewables Portfolio Standard Procurement Plans at 9-10.

³⁴ Cal Advocates Comments on the Draft 2024 Renewables Portfolio Standard Procurement Plans at 10.

³⁵ SBUA Comments on the Draft 2024 Renewables Portfolio Standard Procurement Plans at 19 and 21.

³⁶ SBUA Comments on the Draft 2024 Renewables Portfolio Standard Procurement Plans at 19-20.

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and SDG&E do not provide sufficient evidence to support their claim that the current Tier 1 AL filing requirement has significantly disadvantaged them in the short-term RPS market and that ratepayers have been harmed. Examples of such evidence could include an analysis of potential cost savings or a history of short-term REC purchase opportunities that were not completed or entertained because third parties refused to engage with them in short-term RPS transactions.

We also find that key elements of the IOUs' upfront standards and criteria methodologies lack critical information needed for implementation. PG&E's proposal provides no methodology to determine limits for REC purchase quantities while SDG&E's proposal provides no REC pricing methodology or price ceiling for purchases. Given this absence of detail, we find that it would be difficult for the Audit Staff and ED Staff to determine if PG&E's and SDG&E's short-term RPS transactions comply with upfront standards and criteria if they are incomplete.

Further, if the Commission adopts the Large IOUs' proposals for after-thefact review and approval of short-term RPS transactions, a new review program would need to be established, which could take time and effort. For example, a Quarterly Transactions Report template would need to be developed and approved. In addition, the Audit Staff would require training on short-term RPS transactions and interpreting RPS Plans and need to be oriented each year on new RPS Plans. Further, it is not clear what ED Staff's role would be in reviewing recommendations from the Audit Staff to provide final approval of short-term RPS transactions.

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Accordingly, we do not adopt the Large IOUs' proposals to establish a process to pre-approve short-term RPS transactions that comply with upfront, achievable standards.

5. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding.

There are no relevant public comments on the Docket Card of this proceeding.

6. Comments on Proposed Decision

The proposed decision of ALJs Rajan Mutialu and Nilgun Atamturk 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 _____.

7. Assignment of Proceeding

Commissioner John Reynolds is the assigned Commissioner, and Nilgun Atamturk and Rajan Mutialu are the assigned Administrative Law Judges in this proceeding.

Findings of Fact

1. PG&E, SCE, and SDG&E did not provide an analysis of short-term RPS transactions that were not completed or entertained, unrealized cost savings, or failure to meet RPS compliance goals that were attributed to seeking Commission approval of short-term RPS contracts in Tier 1 AL filings.

2. PG&E's proposal for the Commission to pre-approve short-term RPS contracts provides no detailed methodology to determine limits for REC purchase quantities.

3. SDG&E's proposal for the Commission to pre-approve short-term RPS contracts provides no REC pricing methodology or price ceiling for purchases.

4. If the Commission adopts the proposals from PG&E, SCE, and SDG&E for pre-approval of short-term RPS transactions, a new review program for these transactions would need to be established.

Conclusions of Law

1. It is reasonable to reject proposals from PG&E, SCE, and SDG&E for the Commission to pre-approve short-term RPS transactions because sufficient evidence was not provided showing that short-term RPS transactions were not completed or entertained, cost savings were not realized, or RPS compliance goals were not met due to need to fulfill the Tier 1 AL filing requirement.

2. This proceeding should remain open.

ORDER

IT IS ORDERED that:

1. The proposals from Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company for California Public Utilities Commission pre-approval of short-term Renewable Portfolio Standard transactions based on compliance with upfront and achievable standards are denied.

2. This proceeding remains open.

This order is effective today.

Dated Month ____, 2025, at Sacramento, California