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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE

STATE OF CALIFORNIA

Application of Southern California Edison Company (U 338-E) for Approval of its 2026 ERRA Forecast Proceeding Revenue Requirement.	A.25-05-008

SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) REPLY BRIEF

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Pursuant to Rule 13.12 of the California Public Utilities Commission's (Commission's or CPUC's) Rules of Practice and Procedure and the *Assigned Commissioner's Scoping Memo and Ruling* dated July 17, 2025 (Scoping Memo), Southern California Edison Company (SCE) respectfully submits its *Reply Brief*.[1]

I.

<u>INTRODUCTION</u>

On October 29, 2025, the California Community Choice Association (CalCCA) filed its Opening Brief and Comments on SCE's October Update testimony. CalCCA's opening brief addresses two remaining contested proposals in this proceeding and includes comments on several aspects of SCE's October Update. In this Reply Brief, SCE responds to CalCCA's opening brief.

[1] Capitalized terms used but not defined herein have the definitions attributed to them in SCE's Opening Brief.

II.

SCE'S REPLY TO CALCCA ON THE CONTESTED ISSUES

A. The Commission should Once Again Reject CalCCA's Proposal to Add Bundled Service Customer Costs by Valuing Pre-2019 Banked RECs at Current-Year Market Price Benchmarks.

The primary contested issue in this proceeding relates to the value SCE should attribute to banked RECs generated before January 1, 2019 (Pre-2019 Banked RECs) if SCE uses such RECs for bundled service customer RPS compliance in 2026. SCE has testified that the correct value to apply for PCIA ratemaking purposes is zero dollars.[2] CalCCA's alternative proposal would require SCE to credit the PCIA for the use of such RECs at the "Forecast" or "Final" RPS MPB (also known as the "RPS Adder"), as applicable.[3]

CalCCA argues both that D.19-10-001 expressly requires its proposed valuation of Pre-2019 Banked RECs[4] and that its proposed valuation is required by "over a decade of Commission precedent" that existed before D.19-10-001.[5] Neither argument is supported by prior Commission guidance. In contrast, prior Commission guidance fully supports SCE's zero-dollar valuation.

1. The Commission's Decision 19-10-001 Directly Contradicts CalCCA's Proposed Valuation of Pre-2019 Banked RECs.

CalCCA has been arguing in various settings for years that D.19-10-001 requires SCE to credit the PCIA when using Pre-2019 Banked RECs for RPS compliance. The Commission has had multiple opportunities to express support for CalCCA's position and has declined to do so at

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2 Exh. SCE-01, p. 143 (18:20); Exh. SCE-05A, pp. 157 (11:15).
3 Exh. CalCCA-01, p. 23 (4:6); CalCCA Opening Brief, pp. 19-38.
4 CalCCA Opening Brief, p. 22.
5 *Id.*, p. 21.

every turn.[6] Instead, the Commission has made it clear—both in its explicit language and by twice approving SCE's proposed treatment of Pre-2019 Banked RECs in previous ERRA Forecast cases[7]—that no previous Commission decision requires "additional credits to Departing Load customers when SCE uses RECs banked in or before 2018."[8] Prior Commission guidance directly contradicts CalCCA and supports SCE's proposal to value Pre-2019 Banked RECs at zero dollars when using them for bundled service customer compliance.

CalCCA's approach to interpreting D.19-10-001 is to point exclusively to Attachment B of that decision. That is because the table in Attachment B shows that Forecast and Actual Retained RPS quantities will be valued at the respective RPS Adders without specifying that Pre-2019 Banked RECs are excluded. From that, CalCCA infers that D.19-10-001 "does not draw any distinction" between Pre-2019 Banked RECs and Post-2018 Banked RECs when those RECs are ultimately applied towards bundled customer compliance.[9]

But it does. The PCIA methodology in place before D.19-10-001 required all excess RECs to be valued at the then-current RPA MPB—each year—at the time they were banked. It did not require valuing banked RECs at the RPS MPB in *later* years when used for compliance. The method of valuing banked RECs when used for compliance was first adopted in D.19-10-001.[10] In that decision the Commission explicitly states: "*[t]he methods adopted in this Decision apply to RECs generated commencing January 1, 2019 and going forward*."[11] Decision 19-10-001 draws precisely the distinction that CalCCA claims is not there.

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6 *See* SCE Opening Brief, pp. 15-17.
7 *See* SCE Opening Brief, pp. 16-19.
8 D.23-11-094, p. 53.
9 CalCCA Opening Brief, p. 22.
10 D.23-11-094, pp. 58-59 ("D.23-06-006 confirmed that IOUs should apply the MPB for the year in which they use the banked REC, pursuant to D.19-10-001, which addresses RECs procured and banked after vintage 2018.").
11 D.19-10-001, p. 47 (Finding of Fact (FOF) No. 8) (emphasis added).

CalCCA acknowledges that the requirement to apply the RPS MPB to banked RECs in the year they are *used* for RPS compliance originated with D.19-10-001.[12] But CalCCA still argues, incongruously, that the decision's *express terms* apply the requirement to Pre-2019 Banked RECs. CalCCA's testimony and opening brief obfuscate and talk around the prospective-only language from D.19-10-001[13] but never *quote* the language. This is a telling omission because the language directly undercuts CalCCA's arguments. The decision says: "*The methods adopted in this Decision*" apply only to post-2018 RECs.[14] That means all methods—not merely, as CalCCA implies, the method of applying a zero-dollar value to excess unsold RECs.[15]

2. SCE's Zero-Dollar Valuation of Pre-2019 Banked RECs Does Not Violate Any "Fundamental Requirement" of D.11-12-018.

CalCCA's claim that SCE's proposal violates "over a decade" of Commission precedent is also a sleight of hand. CalCCA argues that a feature of D.11-12-018—requiring each year that all forecasted "retained" RECs should be valued at the RPS Adder and credited to the indifference calculation—carried over through D.19-10-001 and remains in effect today for Pre-2019 Banked RECs.[16] But this analysis plays upon pre- and post-2019 meanings of the term "retained" RPS, which are distinct and inconsistent, but which CalCCA conflates together.

Under the previous PCIA structure, *all* excess RECs generated each year were treated as "retained" by SCE, not just those used for compliance purposes. That is why the RPS Adder was applied to *all* excess RECs and the value credited to the PCIA in the years in which excess RECs

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[12] *See* CalCCA Opening Brief, p. 23.
[13] *See, e.g.*, *Id.*, p. 22.
[14] D.19-10-001, p. 47 (FOF No. 8) (emphasis added).
[15] *See* CalCCA Opening Brief, pp. 22-23.
[16] *Id.*, pp. 21-22.

were generated.[17] The RPS bank became a bundled-service customer asset because departing load customers were necessarily compensated for all banked RECs. Since D.19-10-001, however, "Retained RPS" refers only to those volumes SCE forecasts it will *actually use* for RPS compliance in the forecast year—not any excess. There is no evidence anywhere in the record in the 2017 PCIA Rulemaking that the Commission considered re-allocating the value of the pre-2019 REC bank to provide additional compensation to certain departing load customers.[18]

CalCCA seems to argue, in contradiction to its own acknowledgment that the requirement to value banked RECs in the year they are *used* for RPS compliance started in D.19-10-001, that this requirement was in place even under D.11-12-018.[19] But an example demonstrates why CalCCA's analysis is incorrect: under CalCCA's theory, excess RECs generated and paid for in 2013, for example, would have needed to be paid for a second time in 2014 if instead of forecasting and generating excess RECs in 2014, SCE had forecast and generated a shortfall. This would be an absurd result and CalCCA raises no evidence for it whatsoever in the language or the record from D.11-12-018.

The fact is that the Commission in D.19-10-001 changed the PCIA structure so that instead of bundled service customers purchasing all excess RPS and crediting the PCIA each year, such excess (if unsold) would be valued at zero for PCIA purposes and banked *until it is used*. The corollary to that is that bundled service customers pay the RPS MPB price for those

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[17] In its testimony, CalCCA acknowledges this fact about the PCIA structure in place before D.19-10-001. *See* Exh. CalCCA-01, p. 17 (4:5) ("Prior to 2019, all PCIA-eligible RPS generation was recognized as either being sold to third parties or retained by then-bundled customers and valued at the RPS Adder.").

[18] *See* SCE Opening Brief, pp. 14-15.

[19] *See, e.g.*, CalCCA Opening Brief, p. 24 ("What D.19-10-001 requires is that when a REC—banked or otherwise—is used for bundled customer compliance, that REC must be valued at the RPS Adder for the Forecast year. This concept of crediting RECs that are used for bundled customer compliance is not new; it was established in D.11-12-018."); p.27 ("D.19-10-001 and its predecessors require SCE to value pre-2019 banked RECs at the applicable RPS Adder in the year those RECs are used towards bundled customer compliance, and to credit the PCIA vintage corresponding to the year those RECs were generated.").

banked RECs only when used for RPS compliance. The Commission in D.19-10-001 explicitly made both requirements applicable *only* to RECS generated on or after January 1, 2019.

3. **<u>CalCCA's Proposal on Banked RECs Assumes the Existence of Other Policies the Commission has Never Established.</u>**

The scope of the ERRA Forecast proceeding "does not encompass the creation of new policy and rule changes."[20] Therefore, CalCCA must demonstrate "credible evidence" for its valuation proposal for Pre-2019 Banked RECs that is anchored in prior Commission guidance.[21] CalCCA has failed to point to any credible evidence that D.19-10-001 or D.11-12-018 support its proposal. CalCCA's proposal also assumes the existence of additional Commission policies for which it has similarly produced no credible evidence.

First, CalCCA claims that "now-departed" customers must be compensated for RECs purchased while such customers were in SCE's bundled service.[22] Beyond its misguided analysis of D.19-10-001 and prior Commission decisions (which is essential to CalCCA's claim in the first place), CalCCA's only evidence for this policy appears to be pointing out the existence of customers who were within SCE's bundled service before 2019 and are now departing load customers—a fact that SCE acknowledges.[23] But SCE's acknowledgement of this obvious fact is by no means an admission that "its proposal fails the Commission's indifference test."[24] While the Commission has had multiple opportunities to do so, the Commission has never found—in connection with its implementation of the California indifference statutes or otherwise—that "now-departed" customers are owed compensation for the use of Pre-2019 Banked RECs.[25] In

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[20] D.24-12-039, p. 75.
[21] *See* SCE Opening Brief, pp. 4-5.
[22] CalCCA Opening Brief, p. 24.
[23] *See Id.*, p. 36.
[24] *Id*.
[25] *See* SCE's Opening Brief, pp. 14-17; D.23-11-094, p. 53 ("We agree with SCE that the Commission has not, to this date, found that SCE's bundled service customers owe additional credits to Departing Load customers when SCE uses RECs banked in or before 2018.")

fact, as SCE explained in its opening brief, transferring additional costs to existing bundled service customer under CalCCA's compensation scheme itself violates customer indifference.[26]

Second, the premise of CalCCA's argument in favor of "now-departed" customers incorrectly assumes that customers receive credits for RECs on an individual basis or that RECs are retired on behalf of individual customers. CalCCA further assumes without support that the indifference principles codified in the California Public Utilities Code must be applied on an individual-customer basis, rather than as between customer *groups* as a whole. CalCCA cites no Commission decision as evidence of that principle, and again, the Commission has never made such a finding.[27]

Third, as SCE explained in testimony, the PCIA framework in place before D.19-10-001 represents the Commission's approved methodology to implement the indifference statutes during the period it was effective.[28] In D.18-10-019, the Commission determined that its then-current structure was insufficient to maintain customer indifference,[29] in part because it overstated IOU portfolio market values and understated charges that should be recovered in the PCIA.[30] CalCCA has presented no evidence suggesting that departing load customers were insufficiently compensated under the previous structure when bundled customers purchased all excess RECs at the RPS MPB price each year. The Commission has never interpreted Public Utilities Code Section 366.2(g) to require revisiting the previous PCIA structure and re-allocating costs distributed under that structure.

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[26] *Id.*, p. 21.

[27] The logic of CalCCA's proposal also collapses in on itself by failing to account for the fact that some customers that took bundled service from SCE before 2019 and departed before 2019 also have since *returned* to SCE's bundled service. *See* Exh. CalCCA-02, SCE's Response to CalCCA Data Request 4.03.

[28] *See* SCE's Opening Brief, pp. 21-22.

[29] D.18-10-019, p. 156, COL 1 ("The Commission's current PCIA methodology leads to outcomes that are inconsistent with the requirements of Sections 365.2 and 366.3 to the Public Utilities Code, and should be revised as specified in this decision.").

[30] *See Id.*, pp. 36-39.

4. **Even if it were Procedurally Proper and Not Directly Contradicted by Existing Commission Guidance, CalCCA's Policy Proposal is Undeveloped.**

As discussed at length above and in SCE's opening brief, CalCCA's proposal runs directly counter to prior Commission guidance and violates customer indifference. It therefore represents, at best, an impermissible proposal for new Commission policy in this proceeding. Even as a new policy proposal, however, it leaves substantial questions unanswered that render it fatally undeveloped and unvetted.

First, CalCCA argues in self-contradictory fashion that: (i) SCE's current bundled customers should "be charged for the banked RECs being retired on their behalf that were previously paid for by now-departed customers;"[31] and (ii) CalCCA's proposal does not result in in double-payment from any customer.[32] CalCCA's logic is self-defeating for the simple reason that some of SCE's pre-2019 bundled service customers are still part of SCE's bundled service. These customers were part of the group that paid for the Pre-2019 Banked RECs under the prior PCIA structure and would bear additional cost responsibility for the same RECs under CalCCA's compensation scheme for now-departed customers.[33] CalCCA also fails to account for the fact that some customers that took bundled service from SCE before 2019 and departed before 2019 have since returned to SCE's bundled service.[34] CalCCA's proposal fails to resolve or reconcile these issues.

Second, CalCCA fails to explain why credits for Pre-2019 Banked RECs under its proposal should be valued equivalent to a Portfolio Content Category-1 (PCC-1) RECs in 2026 even though the energy associated with those banked RECs has already long ago been delivered.

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31 CalCCA Opening Brief, p. 30.

32 *Id.*, p. 27.

33 *See* Cal. Pub. Util. Code § 366.3 ("Bundled retail customers of an electrical corporation shall not experience any cost increase as a result of the implementation of a community choice aggregator program.").

34 *See* Exh. CalCCA-02, SCE's Response to CalCCA Data Request 4.03.

The RPS MBP is formulated using sales data only for PCC-1 RECs,[35] which are far more valuable and marketable than unbundled RECs that are 10-plus years old. The RPS MPBs have, moreover, increased in value dramatically since the Commission's adoption of D.19-10-001.[36] The market value of the unbundled Pre-2019 Banked RECs compared to current RPS MPBs raises significant policy questions over forcing bundled customers to pay for such a different type of REC at PCC-1 prices.

Third, CalCCA seems to claim that its proposal for SCE to retire Pre-2019 Banked RECs on a "first-in, first-out" basis is simple and uncontroversial.[37] But SCE explained in rebuttal testimony and responses to CalCCA data requests that it is not. CalCCA's proposal does not account for the way subaccounts in the Portfolio Allocation Balancing Account (PABA) and the PCIA vintages reflect specific procurement contracts. Departing load customers have cost responsibility for all PABA subaccounts associated with the period they were bundled service customers. This means that a customer with a specific PCIA vintage has cost responsibility for the PABA subaccounts corresponding to the year the customer departed as well as each previous year that the customer was a bundled service customer. Contracts tied to specific PABA subaccounts continue to generate RECs year after year. So, while SCE knows which year the banked RECs were generated, CalCCA's proposal to credit Pre-2019 Banked RECs to the PABA subaccount corresponding to the year that the banked RECs were generated would misalign costs and benefits.[38] CalCCA brushes passed this complication in its opening brief,[39] but even if CalCCA's proposal were not wrong for all the reasons discussed herein, the Commission cannot simply dismiss the implications for accurate cost allocation raised by this vintaging concern.

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[35] *See* D.19-10-001, p. 54, Ordering Paragraph (OP) 1.b.

[36] *See* R.25-02-005, Joint *Opening Comments of Southern California Edison Company (U 338-E), Pacific Gas And Electric Company (U 39-E) and San Diego Gas & Electric Company (U 902-E) on the Order Instituting Rulemaking to Update and Reform Energy Resource Recovery Account and Power Charge Indifference Adjustment Policies and Processes*, pp. 7-8 (March 18, 2025).

[37] *See* CalCCA Opening Brief, p. 35.

[38] *See* Exh. SCE-04, pp. 7-8 (12:20); Exh. CalCCA-02, SCE Response to CalCCA Data Request 4.06.

[39] *See* CalCCA Opening Brief, 37-38.

Fourth, CalCCA points to Pacific Gas & Electric Company's (PG&E) 2023 ERRA Forecast proceeding as historical support for CalCCA's position that "the value of banked RECs must be credited to the PCIA when used for bundled customer compliance, even if bundled customers paid for those banked RECs in the year the REC was generated."[40] The Commission does not have the record before it n this proceeding to assess PG&E's prior proceeding and should give no credence to CalCCA's characterization.

B. CalCCA's Retroactive Ratemaking Arguments were Fully Litigated in the 2025 PCIA Rulemaking; its Efforts in this Proceeding to Undermine the Commission's Final Decision are a Collateral Attack on D.25-06-049, and its Proposed Findings are Now Moot.

As noted in SCE's opening brief, CalCCA proposes that recent Commission-ordered changes to the methodology for calculating the RA MPB should not apply to the true-up of 2025 rates in this proceeding even though the Commission decision on point specifically directs that the opposite. CalCCA's proposal that the Commission "require SCE to true-up the 2025 PABA using a 2025 Final RA MPB calculated via the same methodology as the 2025 Forecast RA MPB" is an impermissible collateral attack on D.25-06-049 and must be rejected.[41]

While CalCCA never mentions it in its opening brief, CalCCA raised its retroactive ratemaking argument throughout the first phase of the 2025 PCIA Rulemaking and its arguments were fully litigated and unequivocally rejected by the Commission.[42]

CalCCA also filed an application for rehearing (AFR) from D.25-06-049. CalCCA presents various scenarios in its opening brief contemplating how the Commission should handle an approval of that AFR.[43] On October 31, 2025 (after CalCCA and SCE filed opening briefs),

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40 CalCCA Opening Brief, p. 26.
41 *See* SCE Opening Brief, Section 5.C.
42 *Id*., p. 25.
43 CalCCA Opening Brief, pp. 55-56.

the Commission issued D.25-10-061 denying CalCCA's AFR,[44] which renders CalCCA's suggestions moot.

To the extent CalCCA continues to argue in any capacity that SCE should not follow D.25-06-049 in this proceeding, CalCCA's arguments are an impermissible collateral attack on that Commission decision and SCE reiterates all arguments from Section V.C. of its opening brief.

III.

SCE'S RESPONSE TO CALCCA'S COMMENTS ON THE OCTOBER UPDATE

A. CalCCA's Comments on the Magnitude of Changes in PCIA Rates Between the May Testimony and the October Update are Misleading and Lack Context.

CalCCA describes the PCIA increases in SCE's Amended October Update as "enormous and unprecedented"[45] and faults SCE for being "conspicuously silent on the issue."[46] Specifically, CalCCA cites to the fact that the PCIA revenue requirement, which is borne by both bundled service and departing load customers, swung from a $1.6 billion credit in the May Testimony to a $56 million debit in the Amended October Update.[47]

As SCE explained in its October Update, the PCIA Indifference Amount decreased significantly as compared to the May Testimony "primarily as a result of applying the updated MPBs provided by the Commission's Energy Division on October 1, 2025."[48] As CalCCA well knows, the May Testimony values portfolio assets using the previous year's MPBs and SCE is required to update its portfolio values using the newly issued MPBs each October. In this case,

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44 R.25-02-005, *Order Denying Rehearing of Decision 25-06-049*, dated October 30, 2025.
45 CalCCA Opening Brief, p. 3.
46 *Id*., p. 3.
47 *Id*., p. 56.
48 Exh. SCE-05A, p. 140 (14:20).

the RA MPBs were particularly affected by the methodological changes ordered in D.25-06-049.[49]

Similar magnitudes of change have occurred in recent years in favor of departing load customers (a fact that CalCCA was at the time and continues to remain conspicuously silent on) using a methodology that the Commission ultimately determined was "flawed and vulnerable to manipulation."[50] The fact that the PCIA rate is no longer negative—which means that, in addition to paying for all the costs of resources procured on behalf of those departing load customers, bundled service customers are no longer paying departing load customers to leave SCE's system—does not mean, as CalCCA argues, that rate affordability for bundled service customers is coming on the backs of departing load customers.[51] Rather, valuing the PCIA portfolio accurately ensures that both sets of customers contribute to the costs of resources procured on their behalf.

1. <u>CalCCA's Comments Fail to Acknowledge Similar Magnitudes of Change Benefitting Departing Load Customers Have Occurred in Recent ERRA Forecasts Under a Flawed RA MPB Methodology.</u>

To support its contention that the PCIA increases in SCE's October Update are "enormous" and "unprecedented," CalCCA asks the Commission to consider the 2023 PCIA vintage, which it stated showed a 234 percent increase over current rates.[52] However, CalCCA fails to inform the Commission that in SCE's 2025 ERRA Forecast proceeding, the 2023 PCIA vintage system average rate *decreased 567 percent* from the 2024 rates in place.[53] CalCCA did

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[49] *See Id*., pp. 148 (2:13), 151 (2:6).
[50] *See* D.25-06-049, FoF 1.
[51] CalCCA Opening Brief, p. 57.
[52] *Id*., p. 3.
[53] In SCE's 2024 ERRA Forecast rates, the system average 2023 PCIA vintage rate was negative $0.00294/kWh. In SCE's 2025 ERRA Forecast rates, the system average 2023 PCIA vintage rate was negative $0.01962/kWh. Again, a negative PCIA rate means that this vintage of departing load customers is not only paying $0 toward the costs of the PCIA resources procured on their behalf but also getting an additional "payment" from bundled service customers.

not take issue with or even mention this “enormous” decrease in last year’s ERRA Forecast, which resulted in upward pressure on bundled service rates.[54] Given that the change this year is less than half of what it was last year on a percentage change basis, one struggles to understand CalCCA’s classification of this year’s swing as “unprecedented.”

CalCCA also focuses the Commission’s attention on the 2011 PCIA vintage, which it claims has an increase “that is literally off the charts.”[55] For context, in last year’s ERRA Forecast proceeding, the 2011 PCIA vintage system average rate decreased 81 percent year-over-year.[56] And when you compare the 2011 PCIA vintage rates dating back to 2020, when the new PCIA methodology was fully implemented, the forecast 2026 rate is in line with past rates (outside of the period in which the RA MPB methodology started producing results that led the Commission to open an expedited track in a new PCIA OIR to investigate the skyrocketing valuation).[57]

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54 The year-over-year decrease for this vintage from 2023 to 2024 rates was 125 percent. Therefore, in the prior two years, this PCIA vintage has experienced rate decreases of 125 percent and 567 percent, respectively.

55 CalCCA Opening Brief, p. 5.

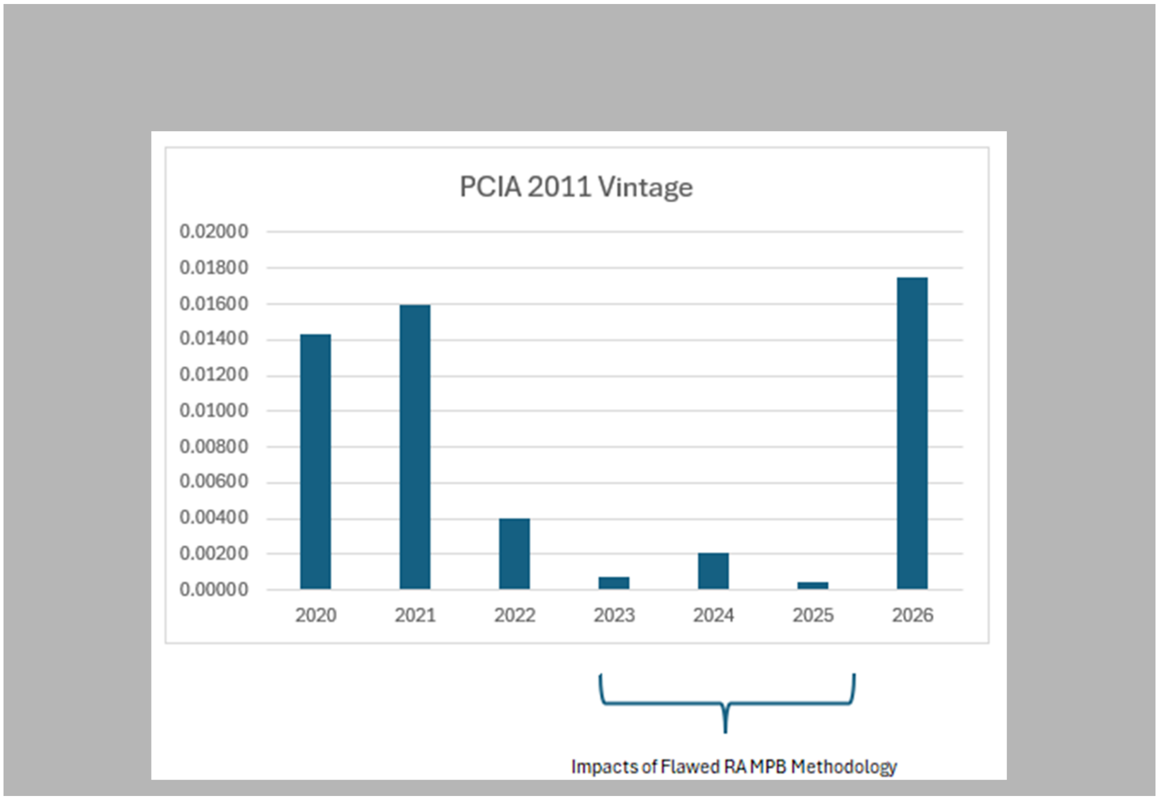
56 In SCE’s 2024 ERRA Forecast rates, the system average 2011 PCIA vintage rate was $0.00211/kWh. In SCE’s 2025 ERRA Forecast rates, the system average 2011 PCIA vintage rate was $0.00041/kWh.

57 *See* D.25-06-049 at p. 6 (footnotes omitted) (“The Commission has observed increasing volatility in the PCIA MPB. According to the 2025 Forecast, system RA values are expected to increase by 827% over 2020 values. This increase is reflective of a narrow subset of transaction data being applied to the entire portfolio.”).

Figure III-1

Historical PCIA 2011 Vintage Rate

($/kWh)



The reason the percentage change appears large in CalCCA's year-over-year comparison is the result, in part, of the Commission addressing the flawed RA MPB methodology but is also impacted by the true-up of CAISO market revenues. As set forth in Table X-53 of SCE's Amended October Update, while SCE was required to set 2025 Forecast PCIA rates for all vintages using an Energy Index MPB of $41.67/MWh, the actual weighted day-ahead CAISO market revenues produced by SCE's PCIA portfolio in 2025 was only $24.05/MWh. This means PCIA rates were in effect set "artificially" low relative to what SCE's PCIA resources were actually able to earn in the market given the solar-heavy portfolio – especially in the earlier PABA subaccounts that 2011 vintage PCIA customers pay. Importantly, the year-over-year increase is in no way impacted by SCE's proposed treatment of pre-2019 banked RECs because in the 2024, 2025 and 2026 ERRA Forecast proceedings, SCE's approach to the valuation of pre-2019 banked RECs has remained consistent.

2. <u>CalCCA's Comments Mischaracterize SCE's Testimony on Customer Impacts.</u>

CalCCA further portrays SCE's testimony as being "conspicuously silent on the issue"[58] of the impact of the Amended October Update on departing load customers, stating that SCE was "quite happy to tout the 11.9% decrease in the bundled generation rate."[59] This is a mischaracterization of SCE's Amended October Update testimony. That reference was specifically included to help the Commission and other stakeholders understand what could be counterintuitive in that the total revenue requirement is increasing but SCE simultaneously shows a decrease to bundled generation customer rates.[60]

Additionally, SCE devotes two chapters of its Amended October Update to explaining the impacts of the 2026 changes and the 2025 true-up on PCIA rates.[61] CalCCA largely ignores any of this testimony and instead focuses solely on its own disagreements with the outcome of the Commissions Track 1 decision in the 2025 PCIA Rulemaking (which is out of scope for this proceeding) and its new policy proposal on the valuation of pre-2019 banked RECs (which should also be out of scope for this proceeding given it seeks to set new PCIA policy). SCE also included the required affordability metrics in Appendix C of its Amended October Update.

In summary, SCE's Amended October Update reflects PCIA rates that are starting to return to some normalcy after being artificially low, and even negative, in recent years due to

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58 CalCCA Opening Brief, p. 3.
59 *Id.*
60 Exh. SCE-05A, 202:9-13.
61 *See generally* Chapters IX and X of SCE's Amended October Update.

identified issues with the calculation of the RA MPB that led to skyrocketing valuation enjoyed by departing load customers at the expense of bundled service customers.[62]

3. **The PCIA OIR is the Appropriate Proceeding to Address Minimizing Year-Over-Year Rate Volatility Resulting from the PCIA Methodology.**

SCE is hopeful that Track 2 of the PCIA OIR will further address reforms to the PCIA methodology that will make it less susceptible to the large year-over-year swings in rates that have occurred in recent years. Rate volatility benefits no set of customers and SCE is hopeful that other stakeholders, including CalCCA, will support future reforms that minimize the level of volatility experienced by both bundled service and departing load customers.

B. **SCE made Appropriate and Necessary Corrections to it RA Optimizer After the May Testimony that Improved the Accuracy of its Forecast.**

CalCCA claims that corrections to SCE's Slice-of-Day (SOD) RA Optimizer used in connection with its interim SOD approach constituted "substantive methodological changes" in the October Update.[63] However, as CalCCA also later acknowledges, SCE maintained its SOD treatment in its October Update testimony and proposed no changes from the interim approach first introduced in the 2025 ERRA Forecast proceeding and subsequently used in the 2026 May Testimony. CalCCA has inaccurately described the required modifications to SCE's RA optimizer as alterations to its interim approach. SCE made necessary corrections to improve the accuracy of its optimizer and align its compliance position with how it is calculated by the Commission's RA SOD filing template.

The Commission's RA SOD filing template runs a custom Excel macro optimization to dispatch a battery fleet and check for compliance under SOD. The CPUC notes within the

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[62] *See* D.25-06-049 at CoL 1 ("The Commission's current RA MPB calculation methodology leads to outcomes that are inconsistent with the requirements of Sections 365.2 and 366.3 and should be revised as described in this decision.").

[63] CalCCA Opening brief, p. 57.

"Portfolio Optimization" tab of the filing template that "[s]olutions are not guaranteed to be the absolute optimum, and results should be checked using the 'Validation Overview' worksheet as not all validation tests are incorporated into the optimization." In other words, the Commission recognizes that the template might not find the optimal solution, and due to the slow pace at which the optimization runs, allows for custom profiles from external optimizations. SCE utilizes a python-based optimization to dispatch its battery fleet in a manner that aligns with the Commission's RA SOD filing template logic and format but can calculate a more optimal solution in a more efficient manner.

After the May filing, SCE discovered that its battery fleet was incorrectly being fully dispatched in its Optimizer without enough energy sufficiency. SCE also found that the Optimizer was dispatching more than SCE's SOD hourly requirements in any given hour. SCE corrected the logic within the Optimizer, and implemented two constraints to the optimization:

1. A stricter charging/discharging constraint, and
2. The dispatch of the battery fleet up to SCE's requirements with no excess.

This logic aligns with the latest Commission RA SOD filing template which, as CalCCA correctly identifies, provides SCE's compliance, or Retained RA, position. Unlike CalCCA's assertions, this does not change any part of SCE's interim approach to SOD. SCE has the responsibility to make the correction to its Optimizer since, as it has previously stated, it is meant to perform the same function and employ the same logic as the Commission' RA SOD filing template. The issue that SCE corrected in its Amended October Update is related to the reporting of the excess RA, or capacity that SCE has available to sell. This omission has no relation to the previously described changes that SCE made to improve its compliance position forecasting. However, when making the corrections to the Optimizer, SCE did unintentionally remove the excess RA from its PCIA model, which omitted excess from the overall calculation of capacity shown on the Resource List of SCE's PCIA workpapers in its original October Update.

CalCCA characterizes this inadvertent error as evidence that SCE is "inserting a black box change into the case in the October Update."[64] But SCE has replied to discovery requests on this issue, including sending CalCCA its model for calculating its RA SOD capacity quantities (from both the May Filing and the Amended October Update) and was transparent with the *intentional* changes it made to its RA Optimizer in its testimony. These unintentional errors were not an attempt by SCE to insert changes into its October Update.

SCE appreciates the collaboration with CalCCA on this issue prior to CalCCA filing its opening brief, which demonstrates the effectiveness of party feedback in this proceeding. This collaboration between the parties has also established "familiarity" with SCE's interim approach to SOD. If anything, the ability to collaborate and make corrections on an expedited basis demonstrates that SCE's process and intent is not to engage in the use of a deliberate "black box" change in its October Update, but to make good-faith changes as needed and to work cooperatively with other parties.

IV.

CONCLUSION

SCE appreciates the opportunity to file this Reply Brief. For reasons discussed herein and in SCE's Opening Brief, SCE respectfully requests the Commission:

1. Conclude that SCE's 2026 ERRA Forecast revenue requirement of $4.689 billion (as reflected in the Amended October Update) is reasonable and may be implemented by submitting a Tier 1 advice letter following a final decision in this proceeding;
2. Conclude that SCE's forecast of greenhouse gas (GHG) allowance revenue return allocations is reasonable;

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[64] CalCCA Opening Brief, p. 60.

3. Authorize SCE to include and recover the 2026 ERRA Forecast revenue requirement and 2026 Forecast PCIA in rates as authorized by a final decision in this proceeding;

4. Authorize SCE to recover from or return to customers certain currently estimated December 31, 2025 year-end balancing account balances (to be updated with additional months of recorded data in the advice letter implementing a final decision in this proceeding) and other miscellaneous expenses, such as spent nuclear fuel expense as discussed in SCE's supporting testimony submitted in this proceeding;

5. Authorize SCE to include and recover its 2026 Forecast revenue requirement Central Procurement Entity-related costs pursuant to D.20-06-002; and

6. Grant any other relief that the Commission deems just and reasonable.

Respectfully submitted,

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