



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

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

A.25-05-008

RESPONSE OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E)
TO CALCCA'S APPLICATION FOR REHEARING OF D.25-12-028

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Pursuant to Rule 16.1(d) of the California Public Utilities Commission’s (Commission) Rules of Practice and Procedure, Southern California Edison Company (SCE) respectfully submits its *Response to California Community Choice Association’s (CalCCA) Application for Rehearing of Decision Approving Southern California Edison Company’s 2026 Energy Resource Recovery Account-Related Revenue Requirement Forecast (AFR)*.

I.

INTRODUCTION

The AFR continues CalCCA’s pattern of presenting dubious interpretations of law to the Commission and then alleging legal error when the Commission declines to accept them. In this case, CalCCA claims legal error on two aspects of the Commission’s final decision in this proceeding, both of which are already subject to separate, ongoing proceedings that will resolve CalCCA’s legal assertions.

First, CalCCA calls Decision (D.)25-12-028 (the ERRA Forecast Decision) unlawful because it carries out the Commission’s standing, legally conclusive orders from D.25-06-049 (the PCIA Rulemaking Decision). The claim that it was legal error in this proceeding for the Commission to implement explicit provisions of its own standing order is frivolous and should

be recognized as such.¹ While CalCCA has challenged the PCIA Rulemaking Decision in the California Court of Appeal,² that appeal is pending and the decision has not been stayed. In the meantime, the PCIA Rulemaking Decision retains the force and effect of law and the Commission was legally required to implement it. CalCCA claims that the Commission should have treated the PCIA Rulemaking Decision as unlawful, and declined to implement it, merely because CalCCA has declared it to be so. CalCCA knows better, or at least it should.

Second, SCE soundly demonstrated in this ERRA Forecast that its proposed ratemaking treatment for renewable energy credits (RECs) banked before 2019 (Pre-2019 Banked RECs) is supported by prior Commission guidance, which is the applicable standard in ERRA Forecast proceedings. In the ERRA Forecast Decision, the Commission agreed with SCE. CalCCA's longstanding campaign for an alternative treatment is based on a novel reading of customer indifference principles that CalCCA presents as if it were established law. It isn't. This issue, too, is currently being examined in a separate proceeding that will hopefully settle the matter once and for all. That the AFR seeks parallel relief at all in this ERRA Forecast, and particularly at this stage, is improper and should be rejected.

The common thread running through the AFR is clear: the Commission commits legal error when CalCCA does not get its way. The Commission should dispense with CalCCA's AFR and, moreover, should consider the troubling lack of restraint with which CalCCA appears to cross the line between zealous advocacy and bad-faith argumentation. Its challenge to the ERRA Forecast Decision offends the Commission's practice and serves no purpose but to direct the Commission's time and resources away from more worthy matters.

¹ As discussed below, this challenge to the ERRA Forecast Decision is no more than a fresh collateral attack on the PCIA Rulemaking Decision and is improper in this venue. *See* SCE's Opening Brief, pp. 22 -26.

² *See California Community Choice Association v. California Public Utilities Commission*, Case No. C105174 (Cal. Court of Appeal, Third Appellate District) (filed Dec. 1, 2025).

II.

THE COMMISSION SHOULD DENY CALCCA’S REQUEST FOR REHEARING RELATING TO THE RA MPB

A. Background

The resource adequacy (RA) market price benchmark (MPB) is an element of the Power Charge Indifference Adjustment (PCIA) rate mechanism that IOUs are required to apply when calculating the “market value” of their PCIA-eligible RA portfolios.³ In each ERRA Forecast proceeding, the market value of SCE’s RA portfolio is calculated on a forecast basis using the “Forecast” RA MPBs.⁴ The forecasted above-market costs of the total PCIA-eligible portfolio (energy, RA, and RPS) are recovered in the following year from bundled service customers through their generation rates and from departing load customers through their PCIA rates.⁵ Thus, generation and PCIA rates in place for SCE customers during 2025 were set, in part, by applying the 2025 Forecast RA MPBs in the 2025 ERRA Forecast (A.24-05-007). Under D.19-10-001, each ERRA Forecast proceeding also includes a “true up” of the forecast PCIA-eligible RA and RPS portfolios from the previous proceeding. These trued-up values are calculated using the “Final” RA and RPS MPBs for that year.⁶ Thus, the true-up of SCE’s PCIA-eligible RA portfolio for 2025 takes place in this current proceeding using the 2025 Final RA MPB.

The Commission initiated Rulemaking (R.)25-02-005 (the PCIA Rulemaking Proceeding) on February 26, 2025 “to consider changes to rules and processes applicable to the

³ The RA portfolio market value factors into SCE’s calculation of the “Indifference Amount,” which is designed to maintain bundled service customer indifference with respect to departing load. The Indifference Amount is equal to the difference between the forecast annual *cost* of SCE’s PCIA-eligible generation portfolio (including the energy, RA, and RPS elements), and the forecast *market value* (as calculated using the energy, RA, and RPS MPBs). See Exh. SCE-01, pp. 128-29 (15:2); Exh. SCE-05A, p. 141-142 (7:2).

⁴ Exh. SCE-01, p. 137 (5:7) and 138 (Table IX-43); Exh. SCE-05A, p. 151 (2:3) and 152 (Table IX-45).

⁵ Exh. SCE-01, p. 152 (13:16); Exh. SCE-05A, p. 165 (11:14).

⁶ See Exh. SCE-01, pp. 152-53 (20:5) and Tables X-47 and X-48; Exh. SCE-05A, p. 165-166 (18:14).

electric fuel and purchased power ([ERRA]) annual forecast and compliance proceedings, as well as changes to the [PCIA].”⁷ In PCIA Rulemaking Decision, the Commission modified the calculation methodology for the Forecast and Final RA MPBs after a complete rulemaking process in which CalCCA was a full participant. Among other things, the PCIA Rulemaking Decision modified the PCIA methodology so as to calculate a single unified RA MPB rather than separate system, local, and flexible values.⁸ The decision states explicitly that “[t]he changes adopted should be applied to the calculation of *the 2025 Final* and 2026 Forecast RA MPB and all succeeding forecast and final MPB calculations.”⁹

CalCCA raised its retroactive ratemaking arguments in the PCIA Rulemaking Proceeding, arguing the merits of the argument, such as they are, at length.¹⁰ The Commission unequivocally rejected CalCCA’s arguments, finding in the PCIA Rulemaking Decision that the principle of retroactive ratemaking “only applies to setting general rates” and that “[t]his OIR proceeding, and this decision, do not set general rates.”¹¹ CalCCA filed an AFR from the PCIA Rulemaking Decision (the PCIA AFR),¹² which was denied.¹³ On December 1, 2025, CalCCA filed a Petition for Writ of Review with the California Court of Appeal, Third Appellate District, seeking to set aside the PCIA Rulemaking Decision and D.25-10-061. That petition is currently pending.

⁷ See R.25-02-005, *Order Instituting Rulemaking to Update and Reform Energy Resource Recovery Account and Power Charge Indifference Adjustment Policies and Processes*, issued February 26, 2025.

⁸ D.25-06-049, Ordering Paragraph (OP) 1, pp. 34-35.

⁹ *Id.* Conclusion of Law (COL) 10, p. 34; *see also* OP 2, p. 35 (“The methodology adopted in this decision shall be effective immediately.”).

¹⁰ *See, e.g.*, R.25-02-005, *California Community Choice Association’s Opening Brief*, pp. 3-17 (April 21, 2025); R.25-02-005, *California Community Choice Association’s Reply Brief*, pp. 3-7 (April 30, 2025).

¹¹ D.25-06-049, p. 29 (citations omitted).

¹² R.25-02-005, *California Community Choice Association’s Application for Rehearing of Decision 25-06-049* (July 28, 2025).

¹³ D.25-10-061, *Order Denying Rehearing of Decision 25-06-049* (issued October 31, 2025).

As reported in the PCIA Rulemaking Decision, the RA and RPS MPBs are calculated by the Commission’s Energy Division “based upon reported market transaction data from all load-serving entities (LSE) in California.”¹⁴ In its narrative accompanying Energy Division’s issuance of the 2025 MPBs, Energy Division confirmed that the Final 2025 RA MPB for use in this proceeding complies with the Commission’s revised methodology from the PCIA Rulemaking Decision.¹⁵

In the ERRA Forecast Decision, the Commission made several observations and findings relevant to its implementation of the PCIA Rulemaking Decision, including:

SCE’s Amended October Update incorporates the impacts of D.25-06-049, which modified the Commission’s RA valuation methodology, combining the former three RA Adders (specific to local, system, and flexible capacity) into one RA Adder.¹⁶

...

Pursuant to [the PCIA Rulemaking Decision], the Commission’s Energy Division included a single Final 2025 RA Adder and single Forecast 2026 RA Adder in its Market Price Benchmark Calculations for 2025, released on October 1, 2025. SCE incorporates the single MPB in its forecast 2026 and final 2025 PCIA calculations.¹⁷

...

[The PCIA Rulemaking Decision] modified the RA MPB and required the modified RA to be used not only to forecast 2026 RA values, but also to true up 2025 RA values.¹⁸

...

SCE’s forecast 2025 PCIA surcharge true ups have been calculated consistent with D.18-10-019, D.19-10-001, and [the PCIA Rulemaking Decision].¹⁹

...

¹⁴ D.25-06-049, p. 5.

¹⁵ See *Market Price Benchmark Calculations 2025*, p. 3 (October 1, 2025) (“The RA Forecast MPB and RA Final MPB are calculated as ordered in Ordering Paragraph 1 of D.25-06-049.”).

¹⁶ D.25-12-028, p. 38.

¹⁷ *Id.*, pp.115-116.

¹⁸ *Id.*, p. 123.

¹⁹ *Id.*, p. 125.

[The PCIA Rulemaking Decision] recently updated the way the Commission calculates the RA MPB, referred to as the RA Adder; among other changes, instead of using separate adders to value local, flexible, and system capacity all relevant capacity is now valued at the same RA Adder.²⁰

...

The Commission denied CalCCA's AFR of [the PCIA Rulemaking Decision] on Oct. 30, 2025.²¹

...

SCE updated its 2026 PCIA Indifference Amount in its October Update to incorporate the following decisions: D.25-09-030, D.25-06-006, D.25-06-010, D.25-09-012, D.25-06-048, and [the PCIA Rulemaking Decision].²²

The ERRA Forecast Decision implemented the direction contained in the PCIA Rulemaking Decision related to the RA MPB.

B. The Commission Did Not Commit Legal Error by Implementing its Own Prior Decision in the ERRA Forecast Decision

With respect to the formula for calculating the RA MPB, the ERRA Forecast Decision merely implements what the Commission ordered in its final PCIA Rulemaking Decision.²³ CalCCA's core argument is that the PCIA Rulemaking Decision was unlawful²⁴ and, because the ERRA Forecast Decision implements the PCIA Rulemaking Decision, the ERRA Forecast Decision is unlawful.²⁵ But the premise of the argument—that the PCIA Rulemaking Decision is unlawful—has never been established. CalCCA has appealed the PCIA Rulemaking Decision in

²⁰ *Id.*, FOF 116.

²¹ *Id.*, FOF 117.

²² *Id.*, FOF 131.

²³ *See* D.25-06-049, p. 7 (“We adopt these changes on an expedited basis to ensure that the refined methodology will be utilized in the 2026 ERRA Forecast proceedings.”); p. 30 (“the Energy Division is directed to apply the new methodology in the calculation of the 2025 Final RA MPB and in succeeding forecast and final MPBs”); COL 10 (“The changes adopted should be applied to the calculation of the 2025 Final and 2026 Forecast RA MPB and all succeeding forecast and final MPB calculations.”); OP 2 (“The methodology adopted in this decision shall be effective immediately.”).

²⁴ *See* AFR, pp. 16-20.

²⁵ *See Id.*, pp. 20-27.

state court but that appeal is still pending. And while CalCCA characterizes the PCIA Rulemaking Decision as “unlawful”—taking as granted, one supposes, that its appeal will be successful—the PCIA Rulemaking Decision has conclusive, legal effect until such time as it is reversed or invalidated by a court of competent jurisdiction. CalCCA’s assertion that the decision is “unlawful” is insufficient to make it so.

Section 1709 of the California Public Utilities Code establishes that “[i]n all collateral actions or proceedings, the orders and decisions of the commission which have become final shall be conclusive.” The California Supreme Court has observed that the “conclusiveness arises by operation of law. It is the order and not the reasons for it that establishes its effectiveness.”²⁶ The PCIA Rulemaking Decision, in other words, is legally conclusive with respect to the applicable methodology for calculating the RA MPB unless or until the decision is ruled invalid.

CalCCA filed the PCIA AFR from the PCIA Rulemaking Decision and that AFR was denied.²⁷ Its new AFR re-hashes many of the substantive arguments CalCCA already lodged against the PCIA Rulemaking Decision in its PCIA AFR. Because CalCCA’s AFR in this proceeding raises nothing new, SCE’s response to those substantive allegations is to incorporate by reference the response to the PCIA AFR SCE filed in conjunction with Pacific Gas and Electric Company (PG&E) and San Diego Gas & Electric Company (SDG&E, and together with SCE and PG&E, the Joint IOUs).²⁸ In short, CalCCA’s retroactive ratemaking arguments misapply relevant law, relying on an interpretation of the retroactive ratemaking doctrine that bears no relation to the well-settled construct existing under California law. The retroactive ratemaking doctrine did not, and does not, apply to the PCIA Rulemaking Decision because the

²⁶ *People v. Western Airlines, Inc.*, 42 Cal.2d 621, 632-633 (1954).

²⁷ See R.25-02-005, *California Community Choice Association’s Application for Rehearing of Decision 25-06-049* (July 28, 2025); D.25-10-061, *Order Denying Rehearing of Decision 25-06-049* (issued October 31, 2025).

²⁸ See R.25-02-005, *Joint Response 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 Applications for Rehearing of Decision 25-06-049* (Aug. 12, 2025).

Commission was not engaged in “general ratemaking.” The Commission correctly denied CalCCA’s PCIA AFR.

Nevertheless, CalCCA’s substantive legal claims against the PCIA Rulemaking Decision are irrelevant. CalCCA’s appeal for judicial review of the PCIA Rulemaking Decision is ongoing. CalCCA has not sought—let alone been granted—a stay of the PCIA Rulemaking Decision during the pendency of that appeal. That decision therefore retains the conclusive force of law; the Commission could not legally have done otherwise but to implement it in the ERRA Forecast Decision. CalCCA claims that it was unlawful for the Commission to implement its own final decision, but the opposite is true. The Commission was legally obligated to follow it.

This obligation is consistent with the standard of review the Commission typically applies in ERRA Forecast proceedings: namely, whether a given proposal reasonably executes prior Commission guidance, as demonstrated by a preponderance of the evidence.²⁹ It is undeniable that the ERRA Forecast Decision meets this standard—it implements the explicit guidance from the PCIA Rulemaking Decision adopted only months before. In doing so, the Commission met its legal obligation and satisfied the standard of review applicable in ERRA Forecast proceedings.

Yet, the AFR avoids any attempt to analyze the ERRA Forecast Decision in the context of the applicable standard. Instead, CalCCA seems to suggest that the Commission is in conspiracy with itself to violate the retroactive ratemaking doctrine by adopting the PCIA Rulemaking Decision and then separately adopting the ERRA Forecast Decision.³⁰ As CalCCA explains it:

²⁹ D.25-12-028, p. 112 (applying the standard to SCE’s ratemaking proposal for renewable energy credits banked before January 1, 2019: “we find that SCE’s proposal is, more likely than not, a reasonable interpretation of existing Commission guidance.”); D.24-12-039, p. 75. (“As the scope of this proceeding does not encompass the creation of new policy and rule changes, the question before us is whether SCE has shown by a preponderance of the evidence that its proposals are a reasonable execution of prior commission guidance.”).

³⁰ *See, e.g.* AFR, p. 21 (“Here, the Commission’s action[s] . . . can be viewed as components of a broader, unlawful course of conduct”); p. 22 (“The Commission cannot escape the prohibition on retroactive ratemaking by spreading its ratemaking activities across multiple proceedings.”).

the PCIA ratemaking framework requires the development of PCIA ratemaking policy (including the development of methodologies and formulae that will impact rates) in a *rulemaking*, and the establishment of revenue requirements and rates in annual *ERRA Forecast proceedings*.³¹

...

Thus, while CalCCA maintains the Commission conducted unlawful retroactive ratemaking in [the PCIA Ratemaking Decision] standing alone, [the ERRA Forecast Decision] nevertheless clearly acts in conjunction with [the PCIA Ratemaking Decision] to violate the prohibition on retroactive ratemaking. The Commission's course of conduct in those decisions . . . therefore exceeds the Commission's authority and constitutes a failure to proceed in the manner required by law.

The AFR states that “[t]he Commission fails to ‘proceed[] in the manner required by law’ when it violates its own procedural rules, its own decisions, or applicable statutes.”³² But then CalCCA describes a supposedly unlawful course of conduct that precisely adheres to normal Commission processes (setting policy in rulemaking proceedings and setting rates in ERRA Forecast proceedings), follows the Commission's own standing decision (implementing the PCIA Rulemaking Decision in the ERRA Forecast Decision), and maintains consistency applicable statutes (P.U. Code Section 1709).

CalCCA's claim that the ERRA Forecast Decision unlawfully implemented the PCIA Rulemaking Decision is wrong.

C. The AFR is an Impermissible Collateral Attack on the PCIA Rulemaking Decision

As explained in the previous section, the Commission's standing orders from the PCIA Rulemaking Decision are legally conclusive in this ERRA Forecast proceeding. Far from committing legal error by implementing the PCIA Rulemaking Decision in the ERRA Forecast Decision, the Commission was bound by law to do so. Moreover, CalCCA's AFR alleging that the ERRA Forecast Decision is unlawful relies entirely on its claim that a final Commission

³¹ AFR, p. 21 (emphasis added).

³² *Id.*, p. 9 (citing P.U. Code Section 1757(a)(2); *Calaveras Telephone Co. v. Pub. Util. Comm'n* (2019) 39 Cal.App.5th 972, 983).

decision in a collateral proceeding is unlawful. The AFR is therefore an impermissible collateral attack on the PCIA Rulemaking Decision.

Under Commission Rules of Practice and Procedure, parties may challenge a Commission determination only by filing an application for rehearing or a petition for modification in the proceeding in which the determination was made.³³ Collateral attacks on Commission decisions are prohibited.³⁴ The Commission has defined a collateral attack as “an attempt to invalidate the judgment or order of the Commission in a proceeding other than that in which the judgment or order was rendered.”³⁵ Adherence to this principle is necessary to protect the integrity of the Commission’s decision-making process and to preserve regulatory certainty. It is also necessary to ensure the IOUs understand their compliance obligations so they can satisfy them.

CalCCA spends pages of its AFR re-litigating the arguments it has already made in the PCIA AFR and its subsequent appeal from D.25-10-061.³⁶ The claim that the ERRA Forecast Decision is unlawful depends entirely on CalCCA’s claim that *the PCIA Rulemaking Decision* is unlawful.³⁷ Negating the Commission’s application of the revised RA MPB in the ERRA Forecast Decision would directly negate the provision of the PCIA Ratemaking Decision that ordered that precise outcome. So, while CalCCA’s AFR is postured as a challenge to the ERRA Forecast Decision, it is an overt attempt to invalidate the PCIA Rulemaking Decision.

The only permissible venue for CalCCA to challenge the outcome of the PCIA Rulemaking is through its ongoing appeal from the decision in that Rulemaking. The AFR

³³ See Rules 16.1 and 16.4.

³⁴ See, e.g., D.08-04-063, D.07-10-015, D.07-04-017, and D.07-03-047.

³⁵ D.07-04-017, p. 8 (citations omitted).

³⁶ See AFR, Section III.B.

³⁷ See *Id.*, p. 20 (“Decision 25-12-028 implements D.25-06-049—it approves PCIA rates that implement D.25-06-049’s unlawful directive to apply the new RA MPB methodology to the 2025 true-up. Thus, D.25-12-028 itself exceeds the Commission’s authority and constitutes a failure to proceed in the manner required by law.”).

amounts to an improper collateral attack that is prohibited by P.U. Code 1709 and prior precedent from California courts and the Commission.

D. The Commission had an Adequate Record before it to Implement its Own Prior Order and Doing So Is Not an Abuse of Discretion

CalCCA suggests that the findings of fact in the ERRA Forecast Decision are deficient because the Commission did not re-examine substantive arguments litigated only months before in the PCIA Rulemaking:

Adopted and issued after the CalCCA D.25-06-049 Appeal was filed, [the] findings in [the ERRA Forecast Decision] do not adequately wrestle with how the use of the new, unlawfully applied methodology has changed rates, the magnitude of those changes, or why the Commission believes such changes are legal and justified in the face of *allegations* that they are unlawfully retroactive.³⁸

In other words, CalCCA asserts that the Commission was required to abandon its normal standard for ERRA Forecast proceedings (which prohibits policymaking) and re-run the policymaking litigation it had only recently concluded in the PCIA Rulemaking merely because CalCCA has challenged the former decision on appeal. But as discussed above, the PCIA Rulemaking Decision has conclusive legal effect in this ERRA Forecast proceeding and the Commission was legally bound to apply it. No additional factual analysis was necessary or permissible in the ERRA Forecast proceeding.

Factual findings by the Commission “are not open to attack for insufficiency if they are supported by any reasonable construction of the evidence.”³⁹ The AFR makes frivolous and unsupported claims about purportedly unlawful aspects of the ERRA Forecast Decision that accurately recite the factual predicates for the Commission to apply the PCIA Rulemaking Decision. From the AFR, CalCCA:

³⁸ *Id.*, p. 25 (emphasis added).

³⁹ *Toward Utility Rate Normalization v. Pub. Util. Comm’n*, 22 Cal.3d 529, 537 (1978).

refers the Commission to the following specific portions of the Decision that are unlawful and erroneous:

...

SCE's Amended October Update incorporates the impacts of [the PCIA Rulemaking Decision], which modified the Commission's RA valuation methodology, combining the former three RA Adders (specific to local, system, and flexible capacity) into one RA Adder.⁴⁰

This statement about SCE's Amended October Update and the content of the PCIA Rulemaking Decision are unquestionably true. CalCCA makes no attempt to explain its claim that it was unlawful for the Commission to repeat these facts.

The AFR asserts the following statement from the ERRA Forecast Decision is unlawful or erroneous:

Pursuant to [the PCIA Rulemaking Decision], the Commission's Energy Division included a single Final 2025 RA Adder and single Forecast 2026 RA Adder in its Market Price Benchmark Calculations for 2025, released on October 1, 2025. SCE incorporates the single MPB in its forecast 2026 and final 2025 PCIA calculations.⁴¹

There is no question that Energy Division followed the direction in the PCIA Rulemaking Decision on the modified RA MPB, or that SCE used that MPB in its PCIA calculations. CalCCA makes no attempt to explain how these true observations are unlawful in the ERRA Forecast Decision.

The AFR asserts the following statement from the ERRA Forecast Decision is unlawful or erroneous:

[The PCIA Rulemaking Decision] modified the RA MPB and required the modified RA (sic) to be used not only to forecast 2026 RA values, but also to true up 2025 RA values.⁴²

⁴⁰ AFR, p. 5.

⁴¹ *Id.*, p. 6.

⁴² *Id.*, p. 6.

It is undeniably true that the PCIA Rulemaking Decision does as this statement says. Nowhere in the AFR does CalCCA substantiate its claim that the Commission violated the law by accurately characterizing the PCIA Rulemaking in this way.

The AFR asserts the following statement from the ERRA Forecast Decision is unlawful or erroneous:

As noted above, SCE incorporated the updated RA MPB ordered by the Track 1 decision in the PCIA rulemaking (D.25-06-049) into its Amended October Update, as described in Section 8.2.2.3.⁴³

Once again, this statement is unquestionably true in all respects. The AFR lacks any support for CalCCA's claim that its inclusion in the ERRA Forecast Decision is unlawful.

As the excerpts above reflect and in Section II.A above, the ERRA Forecast Decision adequately reflects the requisite factual basis for the Commission to implement the PCIA Rulemaking Decision. The Commission's implementation of the PCIA Rulemaking Decision was not a discretionary act but a legal requirement. In following its own standing order, the Commission did not therefore abuse its discretion.

III.

THE COMMISSION SHOULD DENY CALCCA'S REQUEST FOR REHEARING ON THE VALUATION OF PRE-2019 BANKED RECS

A. Background

The primary contested issue in this ERRA Forecast proceeding has been the appropriate ratemaking valuation for Pre-2019 Banked RECs if or when SCE uses such RECs for bundled service customer RPS compliance in 2026. SCE has argued, consistent with applicable law and prior Commission guidance, that the correct value to apply is zero dollars.⁴⁴ CalCCA has argued, consistent with its longstanding campaign that is based on interpretations of statute and prior

⁴³ *Id.*, p. 7.

⁴⁴ *See* SCE's Opening Brief, pp. 12-22; SCE's Reply Brief, 2-11.

Commission decisions that the Commission has never endorsed, that SCE must credit the PCIA for the use of such RECs at the current-year RPS MPB (also known as the “RPS Adder”). Similar to the RA MPB discussed above, the RPS MPB is an element of the PCIA rate mechanism that IOUs are required to apply when calculating the “market value” of their PCIA-eligible RPS portfolios.

The ERRA Forecast Decision competently reviews the parties’ positions on the valuation of Pre-2019 Banked RECs and concludes that:

Under the Commission’s preponderance of the evidence standard, SCE’s proposal to value Pre-2019 Banked RECs used for bundled customer compliance in 2025 and forecast to be used as such in 2026 at \$0 continues to be a reasonable methodology unless and until the Commission addresses the issue on an industry-wide basis.⁴⁵

The ERRA Forecast Decision also observes that the issue is appropriate for consideration in a rulemaking. In anticipation of such a proceeding, the decision directs SCE to submit a Tier 2 advice letter defining “how SCE intends to track the quantity and generation year of all Pre-2019 Banked RECs it will use to meet 2026 compliance requirements through September 30, 2026.”⁴⁶ After the ERRA Forecast Decision was adopted, the ALJ assigned to the PCIA Rulemaking Proceeding issued a ruling with a preliminary scope of issues for a Track 2 that will examine if any changes are warranted to the valuation of Pre-2019 Banked RECs (the Ruling).⁴⁷ The Ruling contemplates a procedural schedule that will result in a final decision from the Commission in time for IOUs to incorporate the outcome into their October update submissions in their 2027 ERRA Forecast proceedings.

⁴⁵ D.25-12-028, p. 111.

⁴⁶ *Id.*, p. 112.

⁴⁷ See R.25-02-005, *Administrative Law Judge’s Ruling Setting Prehearing Conference, Directing Parties to Meet and Confer, and Directing Filing of a Joint Prehearing Conference Statement* (December 26, 2025).

B. The Commission did Not Commit Legal Error by Adopting SCE’s Zero-Dollar Proposal for Pre-2019 Banked RECs

CalCCA alleges that the Commission acted in “excess of its powers or jurisdiction” and failed to “proceed in the manner required by law” by adopting SCE’s proposal for Pre-2019 Banked RECs because the decision “violates the statutory indifference framework and the Commission decisions implementing that framework.”⁴⁸ This is yet another example of CalCCA overstating the legal force of its own arguments. The ERRA Forecast Decision’s adoption of SCE’s proposal is consistent with prior Commission guidance, whereas no prior Commission guidance has ever adopted CalCCA’s proposal. CalCCA’s interpretation of statutory indifference mandates has, moreover, never been endorsed by the Commission or any court so far as CalCCA has demonstrated.

1. The Commission’s Adoption of SCE’s Pre-2019 Banked REC Proposal is Consistent with Prior Commission Guidance

The scope of the ERRA Forecast proceeding “does not encompass the creation of new policy and rule changes.”⁴⁹ Therefore, in an ERRA Forecast Proceeding, “the question before [the Commission] is whether SCE has shown by a preponderance of the evidence that its proposals are a reasonable execution of *prior commission guidance*.”⁵⁰

As SCE has demonstrated in this proceeding, the Commission’s guidance in SCE’s last two ERRA Forecast proceedings included explicit directions to value any Pre-2019 Banked RECs at zero dollars when retiring such RECs for RPS compliance. In SCE’s 2024 ERRA Forecast proceeding, the Commission’s decision on the matter was part of an “interim solution” put in place during the pendency of a related petition for modification (PFM). The Commission approved SCE’s proposal, explicitly stating that “Should SCE determine that the use of RECs

⁴⁸ AFR, p. 34.

⁴⁹ D.24-12-039, p. 75.

⁵⁰ *Id.* (emphasis added).

banked in or before 2018 is necessary for its bundled service RPS compliance, it should value those RECs at zero, as it proposed.”⁵¹

In SCE’s 2025 ERRA Forecast, SCE proposed the zero-dollar value independent of any interim treatment, and the Commission approved it as such. By its terms, the interim process ordered in SCE’s 2024 ERRA Forecast proceeding had remained in place only “until or unless a decision is reached in the PFM.”⁵² The PFM was still pending when SCE submitted its 2025 ERRA Forecast application on May 15, 2024. But as SCE noted in rebuttal testimony and in briefing later that year, the Commission adopted D.24-08-004 on August 1, 2024, which resolved the PFM and made the interim process from D.23-11-094 “no longer an active directive.”⁵³ In its 2025 ERRA Forecast, SCE therefore made an independent proposal to use Pre-2019 Banked RECs only if all Post-2018 Banked RECs were exhausted and, if that condition occurred, to value any retired Pre-2019 Banked RECs at zero dollars for PCIA ratemaking.⁵⁴ Recognizing that “the question of how to value banked RECs used to meet RPS compliance requirements has been a persistent issue, and that issue has now been addressed by D.24-08-004,” the Commission approved SCE’s proposal in the final decision for the 2025 forecast year, which states: “Weighing the record, we find SCE’s treatment of RPS resources to be reasonable and therefore approve them as proposed for this proceeding.”⁵⁵

In the ERRA Forecast Decision for instant proceeding, the Commission recognized that SCE’s zero-dollar proposal is consistent with prior Commission guidance and met the standard of review typical in ERRA Forecast proceedings:

The Commission found SCE’s proposed method of valuing Pre-2019 Banked RECs it may use for bundled service customer compliance at \$0 to be reasonable on an interim basis in D.23-11-

⁵¹ D.23-11-094, p. 60.

⁵² *Id.*, p. 53.

⁵³ A.24-05-007, *Southern California Edison Company's (U 338-E) Opening Brief*, p. 10 (October 28, 2024).

⁵⁴ *Id.*

⁵⁵ D.24-12-039, p. 68.

094 (the decision resolving SCE’s 2024 ERRA forecast application) and also approved the treatment in D.24-12-039 (the decision resolving SCE’s 2025 ERRA forecast application).⁵⁶

...

Under the Commission’s preponderance of the evidence standard, SCE’s proposal to value Pre-2019 Banked RECs used for bundled customer compliance in 2025 and forecast to be used as such in 2026 at \$0 continues to be a reasonable methodology unless and until the Commission addresses the issue on an industry-wide basis.⁵⁷

Despite CalCCA’s citation to P.U. Code 1757(a)(2), under which Commission decisions can be deemed to be in legal error when the Commission “violates its own procedural rules, its own decisions, and applicable statutes,”⁵⁸ the Commission’s decision in this case was exactly in keeping with its own procedures and prior precedents.

As noted above, the ERRA Forecast Decision requires SCE to track the use of Pre-2019 Banked RECs SCE may use for bundled customer compliance in 2026.⁵⁹ This requirement was placed in anticipation of the issue being taken up in the PCIA Rulemaking, which process has started in the meantime. Dissatisfied with the procedural mechanism’s omission of 2025 from the tracking requirement, CalCCA suggests that the tracking mechanism itself is legally deficient.⁶⁰ However, once again, the zero-dollar ratemaking treatment for Pre-2019 Banked RECs in 2025 was explicitly ordered in SCE’s 2025 ERRA Forecast proceeding. That decision is legally conclusive and retains the force of law with respect to Pre-2019 Banked RECs.⁶¹ If CalCCA wished to challenge D.24-12-039, it could have filed an AFR from that decision or a petition for

⁵⁶ D.25-12-028, FOF 126.

⁵⁷ *Id.*, p. 111.

⁵⁸ See AFR, p. 34 (citing *Calaveras Tel. Co. v. Pub. Util. Com.* (2019) 39 Cal. App. 5th 972, 983).

⁵⁹ D.25-12-028, OP 12 (“Southern California Edison Company shall file a Tier 2 Advice Letter by February 1, 2026, to propose how it will track the quantity of Pre-2019 Banked Renewable Energy Credits (RECs) used to meet bundled customer compliance in 2026.”).

⁶⁰ See *Id.*, pp. 36-37.

⁶¹ See P.U Code Section 1709 (“[i]n all collateral actions or proceedings, the orders and decisions of the commission which have become final shall be conclusive.”); *People v. Western Airlines, Inc.*, 42 Cal.2d 621, 632-633 (1954) (“conclusiveness arises by operation of law. It is the order and not the reasons for it that establishes its effectiveness.”).

modification within SCE’s 2025 ERRA Forecast Proceeding under appropriate procedural rules. Barring one of those potential remedies, CalCCA’s attempt to invalidate D.24-12-039 in this proceeding is just one more impermissible collateral attack.⁶²

2. No prior Commission Guidance Requires the Application of Current RPS MPBs to Pre-2019 Banked RECs Used for Bundled Customer Compliance

At no point during this proceeding did CalCCA raise credible evidence that its alternative proposal reflects prior Commission guidance.

First, CalCCA argues that the “indifference framework” requires Pre-2019 Banked RECs to be valued at the current-year RPS MPB when used or forecasted to be used for bundled service customer compliance. This argument always has depended on a demonstrably false reading of D.19-10-001 and, while CalCCA has lessened its emphasis on that interpretation in the AFR, D.19-10-001 is still essential to CalCCA’s argument.⁶³ In fact, CalCCA has been arguing in various settings for years—including this proceeding—that D.19-10-001 requires IOUs to credit the PCIA when using Pre-2019 Banked RECs for RPS compliance.⁶⁴

As SCE stated in testimony in this proceeding, under the PCIA methodology in place before D.19-10-001, bundled service customers paid departing load customers the market value of all excess, unsold RECs each year before they were banked.⁶⁵ By contrast, for RECs banked on January 1, 2019 or after (Post-2018 Banked RECs), the current PCIA methodology from D.19-10-001 first requires IOUs to assign a zero-dollar market value in the year the RECs are

⁶² See Section II.C above.

⁶³ See, e.g., AFR, p. 35 (“SCE’s approach therefore does not comport with the fundamental indifference principle underpinning the PCIA framework, nor does it follow Commission precedent, including D.19-10-001 and its predecessors.”).

⁶⁴ See, e.g. Exh. CalCCA-01, p. 21 (3:8) (arguing that D.19-10-001 requires SCE to value Pre-2019 Banked RECs using the current-year RPS MPB and credit the value to the PCIA “irrespective of when [the] REC was generated, and irrespective of whether any customer previously paid for the REC.”); CalCCA Opening Brief, p. 22 (arguing 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.”).

⁶⁵ See Exh. SCE-01, p. 143 (12:17); Exh. SCE-05A, p. 157 (7:12).

generated and banked. Then, in a later year in which the IOU uses the RECs to satisfy its bundled service customers' RPS compliance requirements, bundled service customers pay for those RECs at a price equal to the Final RPS Adder for that year.⁶⁶

The policy of valuing banked RECs at the RPS MPB when *used* for compliance originated with D.19-10-001,⁶⁷ which is a fact that CalCCA has acknowledged in this very proceeding.⁶⁸ In D.19-10-001, the Commission explicitly stated that “[t]he methods adopted in this Decision apply to RECs generated commencing January 1, 2019 and going forward.”⁶⁹ The decision is explicitly prospective with regard to the policies it created for REC valuation, which policies therefore exclude Pre-2019 Banked RECs. The Commission subsequently acknowledged that it “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.”⁷⁰ It is therefore simply not the case, as CalCCA states, that the treatment of Pre-2019 Banked RECs directed in the ERRA Forecast Decision “plainly violates the statutory indifference framework and the Commission decisions implementing that framework.”⁷¹ Plainly it does not.

Rather than centering its legal analysis on D.19-10-001, CalCCA’s latest approach in its campaign for Pre-2019 Banked RECs is to accuse the Commission of violating the statutory indifference mandates more directly—in particular P.U. Code Section 366.2(g).⁷² For example, the AFR claims that zero-dollar valuation for Pre-2019 Banked RECs as directed in the ERRA

⁶⁶ See Exh. SCE-05A, p. 157 (1:6).

⁶⁷ 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.”).

⁶⁸ See CalCCA Opening Brief, p. 23.

⁶⁹ D.19-10-001, p. 47 (Finding of Fact (FOF) No. 8).

⁷⁰ D.23-11-094, p. 53; *see also*, 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*.”) (emphasis added).

⁷¹ AFR, p. 33.

⁷² P.U. Code § 366.2(g) provides: “Estimated net unavoidable electricity costs paid by the customers of a community choice aggregator shall be reduced by the value of any benefits that remain with bundled service customers, unless the customers of the community choice aggregator are allocated a fair and equitable share of those benefits.”

Forecast Decision deprives “Now-Departed Customers” of “the credit to which they are entitled under Section 366.2(g).”⁷³ This argument reflects the incorrect assumption that the statute provides a basis for ratemaking treatment independent of the Commission-adopted PCIA methodology. However, the legislature has tasked the Commission with implementing indifference mandates under the P.U. Code.⁷⁴ It is *through* the Commission-adopted policy of the PCIA Methodology that the Commission implements the indifference statutes. In other words, statutory indifference is a function of Commission policy.

To illustrate this point, in D.18-10-019 the Commission determined that its then-current structure for implementing the indifference statutes was insufficient, in part because it overstated IOU portfolio market values and understated charges that should be recovered in the PCIA.⁷⁵ The Commission accordingly adjusted aspects of the PCIA methodology going forward but did not reconcile or correct the costs shifts that occurred under the previous methodology, which was acknowledged to be defective. Because statutory indifference is a function of Commission policy, any appeals to alleged violations of the indifference statutes must be addressed through Commission policy development in a rulemaking. CalCCA provided no evidence, either in its AFR or previously in this ERRA Forecast Proceeding, that Commission has ever interpreted P.U. Code Section 366.2(g) to require revisiting the previous PCIA structure and re-allocating costs distributed under that structure, particularly outside a rulemaking proceeding.

⁷³ AFR, p. 35.

⁷⁴ *See, e.g.*, P.U. Code § 365.2 (“The commission shall ensure that bundled retail customers of an electrical corporation do not experience any cost increases as a result of retail customers of an electrical corporation electing to receive service from other providers. The commission shall also ensure 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.”).

⁷⁵ D.18-10-019, 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.”).

3. The Commission’s Direction on Pre-2019 Banked RECs is Based on Sufficient Factual Findings and Evidentiary Support and is Not an Abuse of Discretion

The AFR argues that the Commission’s ERRA Forecast Decision as it relates to Pre-2019 Banked RECs: (i) lacks findings sufficient for a reviewing court to assess its conclusion that SCE’s zero-dollar valuation proposal is reasonable;⁷⁶ (ii) lacks sufficient evidentiary support such that a reasonable person could reach the same conclusion;⁷⁷ and (iii) is an abuse of discretion because it lacks evidentiary support.⁷⁸

All three of these arguments misapprehend the standard of review applicable in ERRA Forecast proceedings and assume that the Commission was required to engage in policy analysis. As noted above, however, the scope of review for ERRA Forecast proceedings is limited to the question whether a given proposal has been shown by a preponderance of the evidence to be a reasonable execution of prior commission guidance. CalCCA acknowledges in its own AFR that:

[T]he Commission has made clear that ERRA proceedings are not proceedings in which policy is evaluated and set relating to PCIA rates. That policy analysis and adjudication for the PCIA rates happens in PCIA rulemakings—there is no other proceeding or process where it could happen.⁷⁹

Yet, CalCCA argues, incoherently, that the Commission was required in the ERRA Forecast Decision to examine “the merits of [SCE’s valuation proposal], its impact on bundled or departed customers, its impact on rates, its fairness, its logic, or any other substantive factors discussed by the parties in testimony . . .”⁸⁰ in order to sufficiently support its conclusion. Not so. As demonstrated above, the Commission’s decision is amply supported as a reasonable

⁷⁶ See AFR, pp. 37-38.

⁷⁷ See *Id.*, pp. 38-39.

⁷⁸ See *Id.*, pp. 40-41.

⁷⁹ *Id.*, p. 21 (citations omitted).

⁸⁰ *Id.*, p. 38.

execution of prior Commission guidance. The Commission also appropriately recognized that, if any change to prior Commission guidance is appropriate, it will need to be established in a rulemaking proceeding.⁸¹ It is not clear what CalCCA seeks to gain by pursuing parallel relief through its AFR while the Commission has already initiated a process for reviewing the policy on Pre-2019 Banked RECs in the PCIA Rulemaking Proceeding. But CalCCA's view of the standard applicable in ERRA Forecast proceedings is clearly out of step with Commission practice and, indeed, is inconsistent with CalCCA's own stated understanding.

For these reasons, the ERRA Forecast Decision is deficient neither in its findings nor its evidentiary support and is not an abuse of discretion.

IV.

ORAL ARGUMENT IS UNWARRANTED

CalCCA asks for consolidated oral argument on its AFR of SCE's 2026 ERRA Forecast decision and on the AFRs of SDG&E's and PG&E's 2026 ERRA Forecast decisions (D.25-12-008 and D.25-12-027, respectively (which the AFR refers to as the "Related ERRA Forecast AFRs")), claiming oral argument is necessary to help the Commission understand CalCCA's allegations of "how exactly the Commission acted unlawfully here."⁸² CalCCA asserts that "exploring grey areas, complex interactions between prior instructions, hypotheticals, and identifying other analogous situations—are best handled in the dynamic give and take of an oral argument rather than by simply relying on paper submissions."

SCE disagrees. There is no cause to explore grey areas, hypotheticals and analogous situations much less to do so in oral argument. CalCCA has the burden of demonstrating in its AFR that the Commission's decision in SCE's 2026 ERRA Forecast is in error and the AFR fails to do so. The application of the updated RA MPB methodology to the 2025 true-up, for all the reasons discussed above, does not implicate the retroactive ratemaking doctrine, as the

⁸¹ See, e.g., D.25-12-028, FOF 127.

⁸² See AFR, p. 41.

Commission correctly concluded in the PCIA Rulemaking Decision. The ERRA Forecast Decision properly and necessarily implements that decision. Moreover, the ERRA Forecast Decision properly concluded that SCE's proposal on Pre-2019 Banked RECs was a reasonable execution of prior Commission guidance. Accordingly, the Commission should deny the request for oral argument, consolidated or otherwise.

V.

CONCLUSION

For the foregoing reasons, the AFR should be denied in its entirety.

Respectfully submitted,

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