BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Order Instituting Rulemaking to Update and Reform Energy Resource Recovery Account and Power Charge Indifference Adjustment Policies and Processes.	R.25-02-005

CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S TRACK TWO REPLY BRIEF

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SUMMARY OF RECOMMENDATIONS[1]

In response to the Joint IOUs' Track 2 Opening Brief, the Commission should:

- Reject the Joint IOUs' argument that the Commission's past interim decisions tie its hands. Track 2 was established to resolve the unsettled issue of how Pre-2019 Banked RECs should be valued in the PCIA, and all parties bear the burden of demonstrating that their proposal best satisfies the indifference standard. The Commission makes its Track 2 decision on a blank slate.
- Reject the Joint IOUs' attacks on CalCCA's proposals. Contrary to the IOUs' assertions:
    - The RPS compliance benefits from Pre-2019 Banked RECs were never valued in the pre-2019 ERRA rates that Later Departing Customers paid when they were still bundled customers;
    - Prior cost shifts are a red herring since both Later Departing Customers and Current Bundled Customers were bundled customers when pre-2019 rates were set;
    - Later Departing Customers will never benefit from RECs for which they paid under a $0 valuation, meaning a $0 valuation increases costs for Later Departing Customers;
    - The current PCIA methodology does not foreclose CalCCA's proposals; and
    - CalCCA's allocation proposal is feasible and lawful.
- Reject the Joint IOUs' proposed modifications to Staff Proposal 4 because those modifications would leave bundled customers with all the benefits that were paid for by both bundled and Later Departing Customers;
- Reject the Joint IOUs' thin timeliness arguments. The Joint IOUs base those arguments on legal doctrines that do not apply to a prospective rulemaking and, regardless, the "claim" did not accrue until the IOUs began using Pre-2019 Banked RECs for Current Bundled Customer RPS compliance. CalCCA has consistently challenged the resulting $0 valuation since that time;
- Adopt the proposed method of valuing Pre-2019 Banked RECs used for bundled customer RPS compliance that CalCCA recommended in its Opening Brief (*i.e.*, using the RPS MPB and crediting that value to the vintage corresponding to the year any such REC was generated);
- In the alternative, adopt the allocation method CalCCA recommended in its testimony and Opening Brief; and
- If the Commission does not adopt either of these valuation or allocation proposals rooted in the indifference requirements, it should adopt CalCCA's 90/10 composite (of the RPS MPB and a new PCC-3 REC MPB) price proposal that CalCCA recommended in its Opening Brief.

[1] Acronyms used herein are defined in the body of this document.

BEFORE THE PUBLIC UTILITIES COMMISSION
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Order Instituting Rulemaking to Update and Reform Energy Resource Recovery Account and Power Charge Indifference Adjustment Policies and Processes.	R.25-02-005

CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S TRACK TWO REPLY BRIEF

Pursuant to Rule 13.12 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure;[2] *Assigned Commissioner's Amended Scoping Memo and Ruling*[3] (Amended Scoping Ruling); the *Administrative Law Judge's Ruling Issuing Staff Report*[4] (ALJ Ruling); and the *E-Mail Ruling Cancelling Evidentiary Hearing and Further Modifying the Track Two Proceeding Schedule*[5] (E-Mail Ruling), the California Community Choice Association[6] (CalCCA) submits this Track 2 Reply Brief.

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[2] *State of California Public Utilities Commission, Rules of Practice and Procedure, California Code of Regulations Title 20, Division 1, Chapter 1* (May 2021).

[3] *Assigned Commissioner's Amended Scoping Memo and Ruling*, Rulemaking (R.) 25-02-005 (Feb. 3, 2026).

[4] *Administrative Law Judge's Ruling Issuing Staff Report,* R.25-02-005 (Mar. 27, 2026).

[5] *E-Mail Ruling Cancelling Evidentiary Hearing and Further Modifying the Track Two Proceeding Schedule*, R.25-02-005 (Apr. 24, 2026).

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

I. INTRODUCTION

The Joint Investor-Owned Utilities (Joint IOUs) seek a bargain-basement deal funded by non-IOU customers. Their bundled customers (Current Bundled Customers) get exclusive use of Renewable Energy Credits (REC) partially paid for by customers that left bundled service after the RECs were created (Later Departing Customers). When the Joint IOUs use the RECs for Current Bundled Customer Renewable Portfolio Standard (RPS) compliance, they propose there be ***no reimbursement to the Later Departing Customers who paid for those RECs.*** The Joint IOUs get an extraordinary bargain—a potentially several hundred-million-dollar benefit ***for free***—on the backs of non-IOU customers.[7]

Energy Division Staff recognizes that "later departed customers paid in part for [the banked RECs]" and that those RECs "still have an RPS compliance value."[8] Similarly, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) recognizes that the failure to provide Later Departing Customers with value proportional to the amount they paid for the RECs violates the indifference statutes:

> If an IOU uses Pre-2019 Banked RECs to meet current bundled customers' RPS compliance obligations without crediting departed customers who helped pay for those RECs through the PCIA, those departed customers do not receive the value of assets procured on their behalf. This violates the requirements of Section 366.2(g) that departed customers receive a fair and equitable share of benefits remaining with bundled service customers. If Pre-2019 Banked RECs provide current RPS compliance value to bundled customers, ***that value constitutes a benefit remaining with bundled service that the statute requires be fairly and equitably credited to departed load.***[9]

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7 Exh. CCA-01 at 16:8-11.

8 Staff Report, at 5-8 ("[Energy Division] staff observe that these banked RECs – which were funded in part by later departed customers—do have value in that they can be used for compliance.").

9 Exh. CalAdv-01 at 2.

But the Joint IOUs continue to state that the value provided to Later Departing Customers should be $0.

Statutory indifference is typically achieved through the contemporaneous allocation of costs and benefits among bundled and unbundled customers to ensure that neither group subsidizes the other. This situation is unique, given the RECs were paid for prior to 2019, and are only being used today. While initially all customers who paid for the RECs were bundled, that has now changed, and the only group with the ability to use the RECs are Current Bundled Customers. Absent a corrective valuation or allocation, Later Departing Customers will receive none of the compliance value associated with the RECs they funded. This creates a departure from statutory indifference because one group of customers paid for an asset while another group receives the full benefits of that asset. The purpose of Track 2 is to address this unique circumstance and ensure that the value of Pre-2019 Banked RECs is recognized in a manner that preserves indifference among bundled and unbundled customers.

In their Opening Brief, the Joint IOUs seek to shift the Commission's attention from the narrow issue presented in Track 2 to broader debates regarding the historical Power Charge Indifference Adjustment (PCIA) methodology. Putting aside the fact that the customers at issue ***were all bundled customers*** when the RECs were created, and, therefore, equally benefitted from or were harmed by any prior cost shifts, the Commission need not resolve every historical issue to answer the question before it. The record demonstrates that Pre-2019 Banked RECs continue to provide RPS compliance value, that bundled customers retain that value today, and that Later Departing Customers helped fund the assets producing that value but have never received (and are not currently receiving) any benefits. The Commission should therefore reject the Joint

IOUs' request to adopt a $0 valuation and instead adopt a methodology that fairly allocates the value of Pre-2019 Banked RECs consistent with the statutory indifference mandate.

In response to the Joint IOUs' Track 2 Opening Brief, the Commission should:

- Reject the Joint IOUs' argument that the Commission's past interim decisions tie its hands. Track 2 was established to resolve the unsettled issue of how Pre-2019 Banked RECs should be valued in the PCIA, and all parties bear the burden of demonstrating that their proposal best satisfies the indifference standard. The Commission makes its Track 2 decision on a blank slate.
- Reject the Joint IOUs' attacks on CalCCA's proposals. Contrary to the IOUs' assertions:
    - The RPS compliance benefits from Pre-2019 Banked RECs were never valued in the pre-2019 ERRA rates that Later Departing Customers paid when they were still bundled customers;
    - Prior cost shifts are a red herring since both Later Departing Customers and Current Bundled Customers were bundled customers when pre-2019 rates were set;
    - Later Departing Customers will never benefit from RECs for which they paid under a $0 valuation, meaning a $0 valuation increases costs for Later Departing Customers;
    - The current PCIA methodology does not foreclose CalCCA's proposals; and
    - CalCCA's allocation proposal is feasible and lawful.
- Reject the Joint IOUs' proposed modifications to Staff Proposal 4. Those modifications would leave bundled customers with all the benefits that were paid for by both bundled and Later Departing Customers.
- Reject the Joint IOUs' thin timeliness arguments. The IOUs base those arguments on legal doctrines that do not apply to a prospective rulemaking and, regardless, the "claim" did not accrue until the IOUs began using Pre-2019 Banked RECs for Current Bundled Customer RPS compliance. CalCCA has consistently challenged the resulting $0 valuation since that time.

Instead, the Commission should:

- Adopt the proposed method of valuing Pre-2019 Banked RECs used for bundled customer RPS compliance that CalCCA recommends in its Opening Brief (*i.e.*, using the RPS market price benchmark (MPB) and crediting that value to the vintage corresponding to the year any such REC was generated);
- In the alternative, adopt the allocation method CalCCA recommended in its testimony and Opening Brief; and
- If the Commission does not adopt either of these valuation or allocation proposals rooted in the indifference requirements, it should adopt CalCCA's 90/10 composite

(of the RPS MPB and a new PCC-3 REC MPB) price proposal that CalCCA recommended in its Opening Brief.

II. NO PRIOR COMMISSION DECISION PREVENTS COMMISSION ACTION IN TRACK 2

Nothing prevents the Commission from adopting CalCCA's proposal. The Joint IOUs suggest the Commission's hands are tied by mischaracterizing their own $0 valuation proposal as existing law, as part of the existing PCIA methodology, and as a necessary outcome based on prior Commission decisions.[10] This argument not only wrongly disclaims the Joint IOUs' obligation to justify their proposed outcome (because they state it is already the status quo), it recasts a contested policy question as CalCCA's burden alone to overcome. The valuation of Pre-2019 Banked RECs remains unsettled, which is why the Commission established this Track 2 as the venue to decide this issue. Even if the Commission agrees that prior decisions conflict with CalCCA's proposal, it is not bound by those prior decisions. The Commission makes its decisions in this case on a blank slate, and all parties bear an equal evidentiary burden to support their proposals.

A. Track 2 Was Established to Resolve the Unsettled Issue of Pre-2019 Banked REC Valuation

The Joint IOUs' claim that CalCCA alone bears the burden of proving its proposal is just and reasonable presupposes that the Commission has already unambiguously determined that Pre-2019 Banked RECs should receive a $0 valuation when used for bundled customer compliance.[11] That is wrong; the Commission has not done so in either this rulemaking or in the

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[10] *See* Joint IOU Opening Brief at 4 ("In this Track 2, CalCCA is the party proposing to change the IOUs' rates through a change in the Commission-adopted PCIA ratesetting methodology; therefore, CalCCA has the burden of bringing forward evidence sufficient to prove that is proposals will result in just and reasonable rates.").

[11] *See* Joint IOU Opening Brief at 3 (arguing that existing Commission "guidance" should be "maintained."). The Joint IOUs also claim that the parties resolved this issue "by party agreement" in the former PCIA rulemaking. *See* Joint IOU Opening Brief at 45. But they do not, and cannot, show that

Energy Resource and Recovery Account (ERRA) cases. The Commission exclusively scoped the issue of determining the proper value of Pre-2019 Banked RECs into this Track 2 to finally resolve this unsettled "exigent" issue.[12]

The Commission itself has stated that its past rulemaking decisions are ambiguous as to the appropriate PCIA accounting for Pre-2019 Banked RECs:

> [w]hile we recognize that parties have different perspectives about the direction in D.19-10-001 and its applicability to pre-2019 RECs, we do not have the record to fully evaluate them here. We may consider the issue in a future rulemaking.[13]

The Joint IOUs even acknowledge that in Energy Division's Staff Report, staff "characterize the treatment of Pre-2019 Banked RECs as 'unresolved' by D.18-10-019 and D.19-10-001."[14]

The Commission's ERRA decisions also do not support the Joint IOUs' claims that this matter was resolved in a way that establishes a $0 valuation as the baseline and shifts the burden to CalCCA. While the Joint IOUs only focus on instances in which the Commission permitted Southern California Edison (SCE) to assign the Pre-2019 Banked RECs $0, they ignore instances in which the Commission has *also* approved assigning these Pre-2019 Banked RECs an RPS MPB valuation in Pacific Gas and Electric Company's (PG&E) prior ERRA Forecast cases.[15] More fundamentally, the Commission has repeatedly made clear that ERRA decisions are *not* the proceedings in which policy is made—instead, policy is made in rulemakings—requiring the

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there was ever an agreement with CalCCA or any CCA as to how Pre-2019 Banked RECs would be accounted for in the PCIA.

[12] *See Assigned Commissioner's Amended Scoping Memo and Ruling,* R.25-02-005 (Feb. 3, 2026), at 2 ("[I]n the 2026 ERRA Forecast proceedings, the narrower issue of the appropriate valuation of [RECs] generated prior to January 1, 2029, and used for bundled service customer compliance, for the purpose of calculating the PCIA . . . emerged as *exigent*.") (emphasis added).

[13] D.24-08-004, *Decision Denying Petition for Modification of Decision 23-06-006*, R.17-06-026 (Aug. 7, 2024), at 5.

[14] Joint IOU Opening Brief at 45.

[15] CalCCA Opening Brief at 22, and n.101.

issue to be resolved in this rulemaking.[16] As CalCCA explained in its Opening Brief, when the Commission did approve the $0 valuation (over CalCCA's objections) in prior ERRA Forecast proceedings, it only did so as an *interim* solution.[17]

B. The IOUs' "Precedent" Arguments Misconstrue the Nature of Commission Decision-Making

The IOUs' reliance on the Commission's interim $0 valuations as binding "precedent" misapprehends the nature of Commission decision-making. *Stare decisis* "applies only to judicial precedents," and Commission decisions are entitled to no such effect.[18] The Commission's prior decisions on Pre-2019 Banked RECs expressly contemplated reconsideration of this issue on a statewide basis, and Track 2 is that forum. Similarly, if the Commission agrees the prior PCIA methodology, or even D.19-10-001,[19] did not expressly and specifically prognosticate the need to value Pre-2019 RECs at the benchmark, in the event future customers might depart from bundled service without having those RECs used on their behalf, the Commission's hands still are not tied. The Commission is free to value Pre-2019 Banked RECs at the RPS MPB in

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[16] D.18-01-009, at 10 (finding that policy issues and other industry-wide practices such as changes to the PCIA methodology are properly addressed in rulemaking dockets, such as R.17-06-026); *see* D.24-12-039, *Decision Approving Southern California Edison Company's 2025 Energy Resource Recovery Account-Related Forecast Revenue Requirement*, Application (A.) 24-05-007 (Dec. 19, 2024), at 69; D.18-01-009, *Decision Adopting Pacific Gas and Electric Company's 2018 Energy Resource Recovery Account Forecast and Generation Non-Bypassable Charges and Greenhouse Gas Forecast Revenue and Reconciliation*, A.17-06-005 (Jan. 11, 2018), at 10 (finding that policy issues and other industrywide practices such as changes to the PCIA methodology are properly addressed in rulemaking dockets, such as R.17-06-026).

[17] *See* CalCCA Opening Brief at 35, n.170 (citing four different ERRA decisions using the following language: "interim", "on an interim basis for the purpose of this decision," "for this proceeding," and "interim").

[18] *Consumers Lobby Against Monopolies v. Pub. Util. Comm'n* (1979) 25 Cal.3d 891, 902 (superseded on other grounds as explained in *New Cingular Wireless PCS, LLC v. Pub. Util. Comm'n* (2016) 201 Cal.3d 652); *City of Los Angeles v. Pub. Util. Comm'n* (1975) 15 Cal.3d 680, 698; *Cf.* Pub. Util. Code § 1708.

[19] D.19-10-001, *Decision Refining the Method to Develop and True Up Market Price Benchmarks*, R.17-06-026 (Oct. 10, 2019).

compliance with the statutory indifference framework, and the only requirement—a reasoned explanation for doing so in line with that framework—is amply supplied by the record.

C. All Partes, Including the Joint IOUs, Bear an Equal Evidentiary Burden in This Proceeding

Given that the Commission expressly reserved this issue for consideration in a rulemaking, and because *stare decisis* does not tie the Commission's hands, all parties bear an equal evidentiary burden in this proceeding.[20] In a rulemaking, all parties "have equal standing where their proposals are concerned: they must show by a preponderance of evidence that the Commission should adopt their proposal, rather than an alternative."[21] All parties bear the burden of production "for those parts of their showing that ask the Commission to disregard a competing proposal[.]"[22] That means the Joint IOUs' $0 valuation proposal must overcome the same burden as CalCCA's proposal. The Joint IOUs cite in their Opening Brief to this very language that both parties have "equal standing" and the burden to prove their proposal should be adopted.[23] Their attempt to evade their burden of proving that a $0 valuation is just and reasonable by shifting that burden to CalCCA should be rejected.

III. THE JOINT IOUS' ATTACKS ON CALCCA'S PROPOSALS DO NOT REBUT THE RECORD EVIDENCE THAT VALUING OR ALLOCATING PRE-2019 BANKED RECS PRESERVES INDIFFERENCE

Throughout this proceeding, the Joint IOUs have attempted to sidestep and confuse the following simple, central points:

- Current Bundled Customers and Later Departing Customers paid the *same amount* for the Pre-2019 Banked RECs through their rates at the time the RECs were banked for future use;

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20 *See* CalCCA Opening Brief at 7 (citing D.18-10-019 at 32).

21 D.18-10-019, *Decision Modifying the Power Charge Indifference Adjustment Methodology*, R.17-06-026 (Oct. 11, 2018), at 32.

22 D.18-10-019 at 32.

23 Joint IOU Opening Brief at 4, n.12.

- Even assuming Then-Bundled Customers previously realized the energy and GHG-free value of the RPS generation underlying the RECs, customers realize the value of the Pre-2019 Banked RECs only when the RECs are used for RPS compliance, making banked RECs unique among other components of the PCIA methodology;
- Later Departing Customers will never benefit from the RPS compliance value of the Pre-2019 Banked RECs under the Joint IOUs' $0 valuation proposal; and
- When the RECs are used for RPS compliance, the indifference statutes require that both customer groups who paid for the RECs receive the associated benefits, or else a cost shift and effective cost increase will result.[24]

CalCCA's Opening Brief already addressed the major arguments the Joint IOUs deploy in their Opening Brief that fail to overcome these central points.[25] This section addresses these briefly as well as a few novel claims and extensions the Joint IOUs introduce in their Opening Brief, all of which are similarly unavailing.

A. The RPS Compliance Benefits from Pre-2019 Banked RECs Were Never Recognized in Pre-2019 ERRA Rates

As in testimony, much of the Joint IOUs' Opening Brief focuses on past grievances about pre-2019 ratemaking—which they acknowledge the record does not support revisiting but simultaneously claim cannot be ignored. In sum, the Joint IOUs argue CalCCA's proposal ignores past cost shifts, "attempts to retroactively reallocate value to Later Departing Customers;" "impose[s] a new methodology to value REC attributes already included in the IOUs' historical pre-2019 rates;" seeks a "partial refund of generation rates that the IOUs

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[24] *See* Exh. CCA-01 at 11:18-19, 12:6-13:2, 14:3-16; Exh. CCA-02 at 11:20-12:16, 29:9-21.

[25] For example, the following Joint IOU arguments were addressed by CalCCA's Opening Brief: (1) this would be "double payment" for the same product (Joint IOU Opening Brief at 15; CalCCA Opening Brief at 23-25); (2) the value for these RECs was already incorporated at the time of generation (Joint IOU Opening Brief at 16-17; CalCCA Opening Brief at 70-72); (3) this is a change to rates paid a decade ago (Joint IOU Opening Brief at 19; CalCCA Opening Brief at 70-72); (4) these RECs cannot be traded and therefore have no market value (Joint IOU Opening Brief at 13, 16, 28; CalCCA Opening Brief at 51-52); and (5) these RECs cannot be incorporated in the Power Content Label (Joint IOU Opening Brief at 30-32; CalCCA Opening Brief at 52-54).

charged over a decade ago;" and values RECs a second time, all at "the expense of today's bundled service customers," causing a cost shift.[26]

None of these arguments address the fundamental question in this Track 2: is it fair to deny departed customers the same benefits bundled customers receive when Pre-2019 Banked RECs are used for current RPS compliance? When that happens, Current Bundled Customers finally receive the compliance benefits from banked RECs they paid for in pre-2019 rates.[27] Later Departing Customers—who also paid for those RECs—do not receive that same benefit under the interim $0 valuation methodology and, therefore, are not left indifferent.[28]

This question has nothing to do with prior cost shifts. The two customer groups at issue (Current Bundled Customers and Later Departing Customers) were identically situated (when they were both Then Bundled Customers) and paid the same rates in the RECs' generation year.[29] Whether they paid too much or too little for Pre-2019 Banked RECs, they both paid too much or too little in equal measure. Whether they suffered or benefitted from any cost shift that existed from the prior methodology, they both suffered or benefitted from that cost shift in equal measure. Past cost shifts are a red herring.

The question also has nothing to do with reallocation, revaluation, or partial refunds because Then-Bundled Customers did not benefit from the RECs' compliance value in the first place. In order for the compliance benefits of a REC to be reallocated, revalued, refunded, or "re"-anything, the compliance benefits had to have been recognized a first time. That did not happen until now, when the IOUs began using the Pre-2019 Banked RECs to meet Current Bundled Customers' compliance obligations. Those customers now enjoy their benefits when a

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26 Joint IOU Opening Brief at 13-19.
27 Exh. CCA-01 at 9:8-10, 12:6-13:12, 14:3-13, Attachment A.
28 Exh. CCA-03 at 9:5-9, 10:14-19, 1:4-14.
29 Exh. CCA-01 at 12:6-13:8.

Pre-2019 Banked REC is used for compliance because it reduces the costs the IOUs would otherwise need to incur to supply that same MWh of renewable energy. Later Departing Customers deserve an equivalent "avoided cost" benefit.

The Joint IOUs argue that "the PCIA historical mechanism" already satisfied section 366.2(g) because the net unavoidable costs in PCIA rates were reduced by the value of "benefits" included in the historical generation rate.[30] In doing so, the Joint IOUs cite the credit given to departed load at the time for the "total portfolio forecast value of forecast energy, RECs, and the value of RA using the historical MPBs set by the Commission at that time."[31] However, when the Joint IOUs' claim that customers already received a "benefit" through CAISO revenues or GHG-free attributes,[32] they focus on the wrong attributes. CAISO revenues do not include the RPS compliance benefits of a REC.[33] That is the energy component of renewable energy.[34] GHG-free attributes do not include the RPS compliance benefits of a REC.[35] That is the GHG-free component of renewable energy.[36]

They also focus on the wrong customers. As explained *ad nauseum* by CalCCA's witness in this case, [37] and in CalCCA's Opening Brief,[38] the only customers that received the value of RPS compliance benefits from Pre-2019 Banked RECs were the customers that had already departed bundled service when the RECs were generated, *i.e.*, Previously Departed Customers.

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30 Joint IOU Opening Brief at 21.
31 Joint IOU Brief at 21.
32 Joint IOU Opening Brief at 19-22.
33 *See* Exh. CCA-01 at 6:1-8:12.
34 *See* Exh. CCA-01 at 6:1-8:12.
35 Exh. CCA-01 at 6:1-8:12.
36 Exh. CCA-01 at 6:1-8:12. The Commission did not recognize GHG-free attributes until 2023 via D.23-06-006.
37 *See, e.g.,* Exh. CCA-01 at 10:17-16-11, Attachment A; Exh. CCA-02 at 5:1-7:13, 9:23-11:14, 28:14-29:5.
38 *See, e.g.,* CalCCA Opening Brief at 15-17, 21-22, n. 99, 67-69.

Previously Departed Customers are not the customer group at issue here, and CalCCA's proposals do not apportion any costs or benefits to them.

It is true that, when these RECs were generated, Then-Bundled Customers were responsible for the entire cost of generation resources, less a payment from Previously Departed Customers for a share of the above market costs of those resources. That is how the PCIA operates. To calculate that payment from Previously Departed Customers, the Commission calculated the forecast cost of generation and then subtracted the value of that generation. One of the sources of value was RECs. [39] The IOUs used the RPS MPB to help determine what the 'above market costs' of those generation resources were (those that exceeded the RPS MPB).[40] The Commission then calculated which proportion of the 'above market costs' would be borne by Previously Departed Customers (using load proportion), and that was the amount that Previously Departed Customers paid to reduce Then-Bundled Customers' costs.[41] The RPS MPB acted as a credit to Previously Departed Customers (the higher it was, the lower Previously Departed Customers rates fell) and a charge to Then-Bundled Customers (the higher it was, the higher Then-Bundled Customers rates rose).[42]

However, that does not mean Then-Bundled Customers received the value of the RECs' RPS compliance benefits. It just means that if the PCIA did not exist, Then-Bundled Customers would have paid for the entirety of the cost of RPS generation resources in that year. While Then-Bundled Customers received this "credit" from Previously Departed Customers for the PCIA rates they would have paid, it was received equally by all Then-Bundled Customers proportionate to their load. The payment from Previously Departed Customers certainly was not

39 *See generally* Exh. CCA-01 at Attachment A.
40 *See generally* Exh. CCA-01 at Attachment A.
41 *See generally* Exh. CCA-01 at Attachment A.
42 *See generally* Exh. CCA-01 at Attachment A.

specific to, and it did not convey any value from, the benefit of avoiding RPS compliance purchases. That benefit was shelved until the REC was used for compliance. The bottom line is that any assertion that Later Departing Customers have already benefitted from the compliance value of Pre-2019 Banked RECs is patently false and should not mislead the Commission.

Lastly, the Joint IOUs argue that the fact that current CCA customers may pay extra now for products exceeding annual RPS minimums (*i.e.*, "deep green" or "100 percent" renewable) "undermin[es] the credibility of CalCCA's central hypothetical construing Later Departing Customers *as bereft of value* when IOUs exceeded RPS obligations when they were bundled service customers, and remain awaiting additional value from the generation rates they paid more than a decade ago."[43] What Later Departing Customers choose to purchase from the CCA now is irrelevant to the value they are entitled for bank-able attributes for which they already paid.[44] The Joint IOUs are arguing that because Later Departing Customers choose to purchase a premium product now, they are not entitled to be reimbursed for prior payments and instead should subsidize Current Bundled Customers by allowing them to use the Later Departing Customers' share of RECs for free. That is not indifference. The point is, again, that these customer groups were identically situated when they paid for the generation resources that produced the RECs, and now only one of the customer groups (Currently Bundled Customers) gets to benefit from the RECs when they are used for compliance.

B. The Current PCIA Methodology Does Not Prohibit CalCCA's Proposal

The Joint IOUs' claim that the current PCIA methodology has never been, and cannot be, implemented in line with CalCCA's proposal should be rejected. The Joint IOUs are correct that

[43] Joint IOU Opening Brief at 20 (emphasis added).

[44] Even if it were relevant, the same can be said for IOU customers, some of whom undoubtedly also prefer "deep green" energy today.

the indifference statutes, and the PCIA methodology adopted by the Commission to implement those statutes, do not *expressly* address the unique circumstance of Pre-2019 Banked RECs and their feature of deferred value from past payment of costs. However, contrary to the IOU argument that CalCCA seeks to implement section 366.2(g) in isolation of the other indifference statutes to its benefit,[45] CalCCA's proposal directly complies with the interrelated statutes within the indifference framework by:

- Ensuring that *all* customer groups remain indifferent;[46]
- Ensuring that Current Bundled Customers do not experience any cost increase as a result of the implementation of a CCA program by requiring that *only* the value gained by the Current Bundled Customers from the costs paid by Later Departing Customers is realized;[47]
- Remedying the cost increase experienced by Later Departing Customers as a result of an allocation of costs not incurred on Later Departing Customer's behalf when Current Bundled Customers use the share of Pre-2019 Banked RECs paid for by Later Departing Customers;[48]
- Remedying the shifting of costs from Current Bundled Customers to Later Departing Customers when Current Bundled Customers use the share of Pre-2019 Banked RECs paid for by Later Departing Customers;[49] and
- Reducing the costs paid by Later Departing Customers by the value of benefits remaining with bundled service customers (*i.e.*, the Later Departing Customer share of the Pre-2019 Banked RECs), or in the alternative providing Later Departing Customers an allocation of those benefits.[50]

The suggestion that CalCCA's proposal hinges on one statutory provision, or is contrary to the State's indifference framework, is not credible.

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45 The Joint IOUs' state that "Section 366.2(g) cannot reasonably be implemented in isolation of the other subsections of Section 366.2(g)." *See* Joint IOU Opening Brief at 9. However, there is only one subsection in Section 366.2(g), so CalCCA assumes the Joint IOUs' are referencing all other indifferent statute subsections.

46 *See* Cal. Pub. Util. Code §§ 365.2, 366.2(a)(4), 366.3. All subsequent code sections cited herein are references to the California Public Utilities Code unless otherwise specified.

47 Cal. Pub. Util. Code §§ 365.2, 366.2(a)(4), 366.3.

48 Cal. Pub. Util. Code §§ 365.2, 366.3.

49 Cal. Pub. Util. Code § 366.2(a)(4).

50 Cal. Pub. Util. Code § 366.2(g).

The provision of value to Later Departing Customers is not somehow "outside" the current PCIA methodology constituting a "separate credit" to Later Departing Customers.[51] Instead, the unique bankable nature of RPS attributes, and the resulting deferred value, is the reason a later valuation must occur through the PCIA when the RECs are used for RPS compliance. Within the RPS methodology, the Commission allowed the Joint IOUs to place RECs funded by bundled customers on the 'shelf' for future use. Other attributes, like resource adequacy (RA) and energy, do not have this same feature allowing such deferred use.[52] While the Joint IOUs have vigorously argued that all allocations of costs and value occurred when the RECs were banked, logic tells us otherwise. Bundled customers at the time paid generation rates covering the costs of the renewable generation components of the PCIA portfolio.[53] As part of that, the utilities banked a REC compliance attribute on those customers' behalf.[54] To claim now that no current value attaches to those RECs when they are later pulled off the 'shelf' and used for the benefit of bundled compliance raises the obvious question: why put them in the bank if they have no value?[55] These RECs will be used for compliance value today (or tomorrow). Any ambiguity in their future value is therefore resolved today (or tomorrow). Departed load must receive the benefit of these attributes for which they paid.[56]

While the RECs were banked in previous years, CalCCA has explained repeatedly how its proposal will not reach back and true up prior PCIA rates or refund any previously-paid ERRA generation rates.[57] Rather, the use of the banked REC now requires acknowledgement of

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51 Joint IOU Opening Brief at 9.
52 CalCCA Opening Brief at 12, 68-69.
53 Exh. CalCCA-01 at 9:8-10.
54 Exh. CCA-01 at Attachment A-1.
55 CalCCA Opening Brief at 12, 68-69.
56 *See* Cal. Pub. Util. Code § 366.2(g).
57 CalCCA Opening Brief at 69-72.

the RPS compliance benefit value that must be provided to the customer groups that originally paid for that attribute, to ensure indifference *under the existing PCIA methodology*.

C. Both CalCCA's Primary Valuation Proposal and its Alternate Allocation Proposal Respect and Utilize the PCIA Methodology

1. CalCCA's Proposal Utilizes the PCIA's Existing Vintaging Tool and Does Not Require Individualized Customer Analysis

In testimony, CalCCA's witness repeatedly explained that the appropriate accounting for Pre-2019 Banked RECs utilizes the long-standing PCIA vintaging tool[58] to allocate the value of the previously purchased Banked RECs to the appropriate *customer groups*.[59] At the hearing, PG&E admitted that, when it previously used the same methodology CalCCA is proposing, PG&E did not need to track individual customers or determine that individual customers had an individual ownership claim to Pre-2019 Banked RECs.[60] CalCCA's Opening Brief already explained why the Commission should reject the Joint IOUs' interpretation of D.06-07-030[61] as prohibiting the use of customers' vintages to distribute the benefits of these banked RECs when used for bundled customer compliance.[62] First, CalCCA is not proposing to track individual customers or provide individual bill credits, which was the proposal the Commission rejected in D.06-07-030.[63] Second, the Commission issued D.06-07-030 before the legislature created

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58 *See generally* D.08-09-012, *Decision on Non-Bypassable Charges for New World Generation and Related Issues*, R.06-02013 (Sept. 4, 2008) (considering arguments regarding and establishing a vintaging methodology).

59 Exh. CCA-01 at 29:1-6; Exh. CCA-02 at 4:13-22, 17:4-19:9; Exh. CCA-04 at 13:10-11, 16:18-21. *See also* CalCCA Opening Brief at 54-56.

60 Opening Brief at 56 (citing Vol. 1 Tr. 105:6-10; 106:23-107:19 (Joint IOU Panel [Brown, Morien, Pulgar])).

61 D.06-07-030, *Opinion Regarding Direct Access and Departing Load Cost Responsibility* [*sic*] *Surcharge Obligations*, R.02-01-011 (July 20, 2026).

62 *See* CalCCA Opening Brief at 54-55. *Contra* Joint IOU Opening Brief at 35.

63 CalCCA Opening Brief at 55.

section 366.2(g) to clarify that IOU generation procurement costs paid by the customers of a CCA shall be reduced by the value of any benefits that remain with bundled service customers.[64]

Nevertheless, the Joint IOUs continue to claim that CalCCA's approach runs afoul of the PCIA by its treatment of customers as individuals, not groups.[65] The Joint IOUs characterize the defined terms "Later Departing Customers" and "Previously Departed Customers" as if they are a foreign, new invention that violates the PCIA methodology.[66] They are not. These terms (which the Assigned Commissioner also adopted for convenience)[67] are simply more streamlined ways of referring to multiple, similarly situated vintages of customers using one term. Take 2015 Banked RECs used for compliance in 2026: for these RECs, the group of vintages before 2015 have—for convenience—been labeled with the defined term "Previously Departed Customers," while vintages 2015 through 2025 are grouped in the defined term "Later Departing Customers" with vintage 2026 labeled "Currently Bundled Customers."[68] There is therefore no conflict between what section 366.2(g) requires and the Commission's historical group-focused approach to the PCIA (what the Joint IOUs call the Commission's "Total Portfolio" approach).[69]

2. The Commission Can Allocate Pre-2019 Banked RECs When IOUs Use them for Compliance, Not Just When Load Departs

When challenging CalCCA's alternate allocation solution, the Joint IOUs claim that the Commission *could* have allocated a right or claim to the value of these RECs when customers departed,[70] but cannot now. That is incorrect. *First*, as noted above, no prior Commission decisions tie the Commission hands to act to address a current cost shift.

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64 CalCCA Opening Brief at 55.
65 Joint IOU Opening Brief at 32-35.
66 Joint IOU Opening Brief at 9.
67 Amended Scoping Ruling at 3.
68 *See* CalCCA Opening Brief at 14.
69 *Contra* Joint IOU Opening Brief at 10.
70 Joint IOU Opening Brief at 33.

Second, the he Joint IOUs claim that the Commission could allocate Pre-2019 Banked RECs at the time of departure because, unlike CalCCA's allocation proposal, this would allocate the risk that Pre-2019 Banked RECs would never be used for compliance along with the benefit.[71] But CalCCA's allocation proposal *also* apportions to Later Departed Customers risks along with the benefits. Under CalCCA's allocation proposal, Later Departing Customers bear the risk that the Joint IOU never use Pre-2019 Banked RECs for compliance. If the Joint IOUs do not tap their bank to use Pre-2019 Banked RECs paid for by Currently Bundled Customers, there would be no trigger to allocate the Pre-2019 Banked RECs paid for by Later Departing Customers, and those RECs would remain unused on the Joint IOUs' books. Therefore, the Joint IOUs fail to identify relevant distinctions between an allocation at departure (which they claim is permitted) and an allocation at use (which they claim is not).

Third, in taking this position, the Joint IOUs demonstrate that numerous of their other arguments are incorrect. For example, while the Joint IOUs' proposal to allocate RECs at the time they were generated is ambiguous as to how it would operate, it only makes sense if the quantity of Pre-2019 Banked RECs allocated depends on when an individual customer departs. And presuming the Joint IOUs do not propose to treat each individual as an individual (which the Joint IOUs say clashes with the PCIA methodology), then the proposal would have to allocate Pre-2019 Banked RECs conditioned on a customer's vintage.[72] Therefore, the Joint IOUs admit that it is possible to respect the group-based nature of the PCIA methodology by providing the benefits of Pre-2019 Banked RECs to departed customers based on their vintage. [73] This further

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Joint IOU Opening Brief at 33.

[72] Exh. CCA-01 at 7:6-7 ("Customers are assigned vintage years according to the date the customer departed bundled IOU service.").

[73] *Compare* Joint IOU Opening Brief at 33 *with* Joint IOU Opening Brief at 34-35.

undermines the Joint IOUs' argument that the consideration of customers based on their vintage is anathema to the PCIA methodology.[74]

Fourth, this argument also clearly undermines the Joint IOUs' claim that allocation of RECs is prohibited under section 399.15 because Pre-2019 Banked RECs cannot be transferred.[75] For example, consider customers who departed in 2024. The Joint IOUs do not say that their allocation-at-departure proposal is time limited based on which vintage customers are in. So for these 2024 vintage customers, all Pre-2019 Banked RECs were retired in WREGIS before they departed service (because 2024 is more than 36 months after December 31, 2018—the last date on which Pre-2019 RECs could have been generated).[76] As the Joint IOUs point out, that means these Pre-2019 Banked RECs cannot be transacted.[77] But if, as the Joint IOUs argue, the Commission *could have* lawfully allocated Pre-2019 Banked RECs to those vintage 2024 customers two years ago upon departure, when they were already not transactable, then the Commission can lawfully allocate RECs to those vintage 2024 customers this year, despite the fact that they remain not transactable.[78]

D. The Joint IOUs' Zero-Valuation Approach Imposes an Unlawful Cost Shift and Cost Increase to Later Departing Customers by Allowing Current Bundled Customers to Receive the Entire Value of Pre-2019 Banked RECs Funded by Later Departing Customers

The Joint IOUs also argue that the zero-valuation approach does not impose an unlawful cost shift on Later Departing Customers, but that CalCCA's valuation proposal will impose a cost increase on Current Bundled Customers.[79] CalCCA's Opening Brief explains how the PCIA

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74 *See* Joint IOU Opening Brief at 34-35.
75 *See* Joint IOU Opening Brief at 37.
76 Joint IOU Opening Brief at 36-37.
77 Joint IOU Opening Brief at 36-37.
78 *See* CalCCA Opening Brief at 57.
79 Joint IOU Opening Brief at 10-12, 13-16

does not use "finders-keepers" logic: Current Bundled Customers that 'keep' the RECs do not suffer a 'cost increase' if they are made to pay Later Departing Customers for the RECs for which those Later Departing Customers originally paid.[80] Instead, Current Bundled Customers receive the value of the REC bank share that they paid for, and pay Later Departing Customers for the REC bank share that they are using but have not previously paid for.[81] On the other side of that same coin: if Current Bundled Customers 'keep' the RECs today without paying the current value for them, that is a 'cost shift' and 'cost increase' to Later Departing Customers that originally paid for them but never received a benefit.[82] In other words, when the banked RECs are finally used, the proportionate benefit paid for by Current Bundled Customers and Later Departing Customers must then be proportionally provided, or the party not receiving their share of the benefit will experience a cost shift and cost increase.

E. CalCCA's Alternate Allocation Proposal is Feasible and Legal

If the Commission determines not to value Pre-2019 Banked RECs at the RPS MPB, the Commission can, in the alternative, use section 366.2(g)'s allocation option to ensure that Later Departing Customers receive the benefit of the Pre-2019 Banked RECs for which they paid.[83] CalCCA provided testimony and briefing to explain how the Commission could implement this through offsetting entries to the LSEs' Excess Procurement Bank quantities on their respective RPS Compliance Reporting Template filings.[84] The Joint IOU Opening Brief agrees that the RPS compliance showing occurs through, in part, the submission of compliance reports to the Commission.[85]

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80 CalCCA Opening Brief at 34.
81 CalCCA Opening Brief at 22-25.
82 *See* Exh. CCA-01 at 25:5-11; Exh. CCA-02 at 5:10-17, 8:4-14.
83 CalCCA Opening Brief at 25-29.
84 CalCCA Opening Brief at 57 (citing Exh. CCA-03 at 23:1-14).
85 Joint IOU Opening Brief at 38.

The Joint IOU Opening Brief does not comment on CalCCA's explanation of how such offsetting entries would work utilizing the RPS Compliance Reporting Template filings.[86] That is despite the fact that CalCCA discussed these forms in its Direct Testimony addressing the Staff Report.[87] Instead, the Joint IOUs focus on a prior option (explaining how such offsetting entries could work using the Renewable Net Short form) that CalCCA only discussed in its initial Direct Testimony.[88]

The Joint IOUs also claim that retired RECs cannot be used for another retail sellers' RPS compliance.[89] CalCCA already explained that the allocation proposal complies with relevant laws and commission precedents because:

- the allocation proposal complies with section 399.15(b)(2)[90] by leaving unchanged both:
  - the manner in which RPS compliance quantities were established in D.19-06-023;[91] and
  - the resulting percentages used to establish compliance period quantities for all retail sellers,
- the Commission has already used similar allocation for the Cost Allocation Mechanism (CAM) in the Commission's RA compliance program, by permitting an IOU to procure resources on behalf of bundled and unbundled customers, retain ownership, and count some of that RA towards other LSE's compliance obligations,[92] and

86 The Joint IOUs' Opening Brief does, however, fault CalCCA's factual witness for not making legal arguments regarding the allocation option. Joint IOU Opening Brief at 37. CalCCA's testimony was factual, and was not sponsored by a lawyer. Exh. CCA-01, Attachment B (Curriculum Vitae of Brian Dickman). As is standard practice before the Commission, CalCCA's legal brief addresses legal issues. *See*, *e.g.*, CalCCA Opening Brief at 25-29, 49-51.

87 Exh. CCA-03 at 23:1-14.

88 Joint IOU Opening Brief at 36-38.

89 Joint IOU Opening Brief at 37-38.

90 Requiring the Commission to "[E]stablish the quantity of electricity products from eligible renewable energy resources to be procured by the retail seller for each compliance period. These quantities shall be established in the same manner for all retail sellers and result in the same percentages used to establish compliance period quantities for all retail sellers."

91 D.19-06-023, *Decision Implementing Provisions of Senate Bill 100 Relating to Procurement Quantity Requirements Under the California Renewables Portfolio Standard*, R.18-07-003 (June 27, 2019).

92 CalCCA Opening Brief at 27-28.

- the Commission has also already allocated Diablo Canyon Power Plant capacity in a similar manner.[93]

Therefore, CalCCA's alternate allocation proposal complies with statute and reflects tools the Commission has previously used to allocate benefits.

IV. IF THE COMMISSION REJECTS VALUATION OF THE PRE-2019 BANKED RECS AT THE RPS MPB, THE COMMISSION SHOULD ADOPT CALCCA'S 90/10 ALTERNATIVE COMPLIANCE VALUATION PROPOSAL

If the Commission chooses to estimate the compliance value of these Pre-2019 Banked RECs, in violation of section 366.2(g) and the rest of the State's statutory indifference framework (by rejecting CalCCA's valuation and alternate allocation proposals), it should adopt CalCCA's 90/10 proposal for the reasons stated in CalCCA's Opening Brief.[94] This 90/10 methodology reflects the fact that Pre-2019 Banked RECs can replace PCC-1 RECs for compliance purposes, but that the Joint IOUs may use PCC-3 RECs for up to 10% of their RPS obligations.[95] This proposal was, in part, meant to respond to Cal Advocates' Testimony:

> Like PCC 3 RECs, Pre-2019 Banked RECs are unbundled from energy and do not contribute to an LSE's Power Content Label. However, like PCC 1 RECs, Pre-2019 Banked RECs can be used indiscriminately to meet LSE RPS obligations. The Commission should consider valuing Pre-2019 Banked RECs based on the attributes they share with PCC 1 and PCC 3 RECs.[96]

Adopting this 90/10 proposal would mechanically reduce the value paid for the use of these Pre-2019 Banked RECs below the price for which PCC-1 RECs transact in the marketplace, as measured by the RPS MPB.[97]

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93 CalCCA Opening Brief at 28 n.136.
94 CalCCA Opening Brief at 30-32.
95 CalCCA Opening Brief at 31.
96 Exh. CalAdv-01 at 8:4-8.
97 *See* Exh. CCA-03 at 25:9-26:11; Exh. JIOU-05 (showing that PCC-3 RECs trade at a price below PCC-1 RECs).

The Joint IOUs' response to CalCCA's 90/10 proposal simply repeats their arguments regarding the RPS MPB: *i.e.*, the Joint IOUs claim they would still choose to strand Pre-2019 Banked RECs (despite their price being lower than what one could purchase PCC-1 RECs for on the market), and that this would lead to "the same negative downstream consequences" as CalCCA's RPS MPB proposal.[98] The fact the Joint IOUs threatened all of these "same" consequences without caveat for two different proposals—one of which would, as an arithmetic certainty, be below what PCC-1s trade for in the market—should give the Commission even more cause to question whether these catastrophic predictions are likely to occur.

The Joint IOUs also claim, for the first time, that CalCCA's proposal cannot be adopted because it does not account for the fact that LSEs can use PCC-2s to account for a portion of RPS compliance.[99] As CalCCA explained previously, CalCCA's 90/10 alternative proposal was in part a response to Cal Advocates' testimony *supra* arguing that Pre-2019 Banked RECs retain characteristics of both PCC-1s and PCC-3s.[100] Throughout the course of this Track 2, neither Cal Advocates, the Joint IOUs, nor Commission Staff have claimed that Pre-2019 Banked RECs have similarities to PCC-2 RECs that are relevant to calculating the compliance value these RECs provide to the Joint IOUs when they are used for bundled load RPS compliance.

V. THE RECORD DOES NOT SUPPORT THE JOINT IOUS' DIRE PREDICTIONS OF DOWNSTREAM CONSEQUENCES

CalCCA's Opening Brief clearly explained that the Joint IOUs have cried wolf over the existence and magnitude of the alleged downstream impacts of CalCCA's valuation and

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98 Joint IOU Opening Brief at 52-54.

99 Joint IOU Opening Brief at 54. *See also* Cal. Pub. Util. Code § 399.16(b)(2) (describing PCC-2 RECs as those "[f]irmed and shaped eligible renewable energy resource electricity products providing incremental electricity and scheduled into a California balancing authority.")

100 Exh. CCA-03 at 24:18-25:13.

allocation proposals.[101] The alleged downstream impacts all assume that the prices they are required to pay to use Pre-2019 Banked RECs for compliance purposes will render the use of these RECs uneconomic.[102] But as CalCCA demonstrated, the reasonably expected rate impacts and market impacts are essentially nonexistent and partially avoidable, because:

- The REC market is currently oversupplied and prices are low.[103]
- The likely impact on customers' bills is miniscule (*i.e.*, SDG&E is projecting to use zero Pre-2019 Banked RECs in 2027, with other confidential impacts explained in redacted form).[104]
- The impact of this decision will not be compressed into the next year or two, it will extend much further.[105]
- The Joint IOUs will have the opportunity to readjust any plans they have during this time period.[106]
- The impact on VAMO strategy and offering is overstated because all the RPS MPB valuation would cause the Joint IOUs to choose which RPS compliance strategies to undertake with all resources valued appropriately.[107]

CalCCA's proposal is the only one that complies with the controlling law and ensures indifference. The record clearly shows that Joint IOUs have exaggerated both the likelihood and expected magnitude of any downstream effects of adopting this legally required proposal.

VI. THE JOINT IOUS' ALTERNATIVE STAFF PROPOSAL FOUR MODIFICATIONS SHOULD BE REJECTED

Despite acknowledging that it was not seeking to accomplish the legal requirement of indifference, Energy Division staff proposed four "compromise" valuation options for

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101 CalCCA Opening Brief at 36-51.
102 Joint IOU Opening Brief at 22-25.
103 CalCCA Opening Brief at 44-45.
104 CalCCA Opening Brief at 38. While PG&E claims that there will be disproportionate socioeconomic impacts of CalCAA's proposal (due to where bundled and unbundled customers tend to live in that one IOUs' territory), Joint IOU Opening Brief at 23, CCAs serve over 55% of the load in PG&E's territory, including many socioeconomically disadvantaged communities that would suffer their own impacts if PG&E uses RECs they paid for without compensating them.
105 CalCCA Opening Brief at 43-44.
106 CalCCA Opening Brief at 46.
107 CalCCA Opening Brief at 49.

consideration that are meant to approximate the 'compliance' value of Pre-2019 Banked RECs. CalCCA agrees with the Joint IOUs that a compromise is not necessary,[108] however that is because the law is clear that indifference requires that Later Departing Customers receive the *value* of the benefit conferred to Current Bundled Customers, which can occur only through CalCCA's valuation or allocation proposals. CalCCA also agrees with the Joint IOUs that the Commission should not adopt any of Staffs' four proposals,[109] and has explained why these proposed compromises are all flawed, arbitrary, and/or illogical.[110]

After spending ten full pages explaining why all of the Staff Report options should be rejected given their "lack of a policy or legal foundation," the Joint IOUs provide caveated support for Staff Proposal 4 conditioned on several modifications.[111] While as stated in its Opening Brief, CalCCA does not support Staff Proposal 4 as it would not ensure indifference for all customers,[112] if the Commission were to adopt Staff Proposal 4, it should reject four of the Joint IOUs' six requests. These requested modifications are targeted by the Joint IOUs to change Staff Proposal 4 to value Pre-2019 Banked RECs at a near-zero valuation and retain maximum flexibility to strand this little value owed to Later Departing Customers.

First, there should be no 'fixed buckets' of customers as recommended by the Joint IOUs.[113] The statutes do not incorporate a limitation requiring indifference only for customers who departed in 2026 and before.[114] And while the comparative size of departed load and bundled load changes over time, performing this calculation is not complex. The Joint IOUs

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108 Joint IOU Opening Brief at 47.
109 Joint IOU Opening Brief at 46-52.
110 CalCCA Opening Brief at 58-67.
111 Joint IOU Opening Brief at 54.
112 CalCCA Opening Brief at 61-67.
113 *See* Joint IOU Opening Brief at 57.
114 CalCCA Opening Brief at 64.

already calculate it, and that is especially true because the Joint IOUs generally have significant advanced notice that load will be departing. Once the Joint IOUs know or forecast that number, they can make their RPS plans accordingly.

Second, the Commission should reject the Joint IOUs' claim that the Commission's Decision should prohibit the use of this valuation for any Pre-2019 Banked RECs used for compliance before 2026.[115] To the extent the Joint IOUs or the Commission want to consider how to value Pre-2019 Banked RECs used for compliance before 2026, the Commission can make that determination in any ongoing proceedings and need not rule that out here.[116] That is especially true because those RECs used for compliance in 2025 are identical to those used in 2026 for RPS purposes. The RECs used for compliance in 2025 and 2026 can all be lumped together and added to those used for compliance in 2027 to calculate whether the Joint IOUs met their RPS compliance obligation for Compliance Period 5 (2025-2027).[117]

Third, the Joint IOUs seek to use a Tier 2 Advice Letter to implement any version of Staff Proposal 4 the Commission adopts, and to continue using a $0 valuation to the extent that implementation is not completed in time for a particular ERRA case.[118] While CalCCA does not oppose using a Tier 2 Advice Letter, the Commission's decision on how to value Pre-2019 Banked RECs should apply to the 2027 ERRA Forecast cases and any future ERRA Forecast case.

Fourth, the Joint IOUs seek to use a PCC-3 MPB as the value for any Pre-2019 Banked RECs that were paid for by Later Departing Customers,[119] despite the fact that these RECs can be used to offset PCC-1 obligations and that PCC-1 RECs trade for a premium above PCC-3.[120]

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115 Joint IOU Opening Brief at 57.
116 CalCCA Opening Brief at 64-65.
117 Cal. Pub. Util. Code § 399.15(b)(1)(E).
118 Joint IOU Opening Brief at 59-60.
119 Joint IOU Opening Brief at 60.
120 CalCCA Opening Brief at 65 (citing Vol. 1 Tr. 145:18-20, 151:2-6 (Dickman); Exh. JIOU-5).

CalCCA has already explained the myriad reasons why Pre-2019 Banked RECs are identical, for RPS compliance purposes, to those PCC-1 RECs Energy Division uses to calculate the RPS MPB.[121] The Joint IOUs' suggestion is a transparent attempt to identify the lowest positive number above $0 that they could theoretically defend and urge the Commission to adopt it.[122]

The Joint IOUs do make two suggestions to modify Staff Proposal 4 that, were the Commission to adopt Staff Proposal 4, CalCCA does not oppose.[123] The Joint IOUs' first and fourth suggestions are meant to address methodological issues in Staff's proposal that improperly credit the wrong customers. The first addresses how to ensure that Previously Departed Customers do not receive a credit for these RECs, and the fourth addresses how to ensure that Currently Bundled Customers do not benefit twice.[124] In fact, CalCCA has already proposed a methodology that addresses both of these concerns (crediting the value of the RECs to the vintage year in which they were generated).[125] For these reasons, if the Commission adopts Staff Proposal 4, all but the Joint IOUs' first and fourth recommended modifications should be rejected.

VII. THE JOINT IOUS' TIMELINESS ARGUMENT FAILS BECAUSE ANY CLAIM REGARDING THE VALUE OF PRE-2019 BANKED RECS ACCRUED ONLY WHEN THE IOUS BEGAN USING THOSE RECS TO SATISFY CURRENT RPS COMPLIANCE OBLIGATIONS

The Joint IOUs' argument that CalCCA and its members failed to act timely on the Pre-2019 Banked REC valuation claim is legally flawed and factually inaccurate.[126] To support their argument that CalCCA or its members should have litigated the question of Pre-2019 Banked REC valuation *in the years before the IOUs sought to use those RECs for RPS compliance,* the

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121 CalCCA Opening Brief at 51-54.
122 *See* CalCCA Opening Brief at 64.
123 *See* CalCCA Opening Brief at 66.
124 Joint IOU Opening Brief at 56, 58.
125 Exh. CCA-04 at 16:11-17:21.
126 *See* Joint IOU Opening Brief at 2, 6, 10, 37, 40-41.

Joint IOUs cite to statutes of limitations, the doctrine of laches, and the RPP.[127] As set forth below, however, the Joint IOUs' argument fails given: (1) none of the legal principles cited by the Joint IOUs require a party to act before a claim to value accrues (*i.e.,* the harm to Later Departing Customers does not occur until the Current Bundled Customers use the RECs for their own RPS compliance); and (2) CalCCA and its member CCAs have consistently challenged this valuation when the claim accrued, and the resolution of the issue has been interim until now when the Commission agreed to finally consider the issue in this Track 2.

The Joint IOUs' argument that CalCCA and its member CCAs failed to timely challenge the zero Pre-2019 Banked REC valuation does not comport with California law. The Joint IOUs stretch several legal doctrines both in law and equity to generally claim that relief cannot be granted to a party that "sits on its rights." These doctrines govern Commission complaints and applications for rehearing, as well as laches, none of which are applicable to a prospective rulemaking.[128] The Joint IOUs then claim that CalCCA and the CCAs should have challenged "the compliance of the Commission-adopted pre-2019 methodology with the indifference mandate" soon after D.11-12-018,[129] when they knew the IOUs could bank the RECs for future compliance and that the PCIA contained no provision for payment or allocation to future

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127 Joint IOU Opening Brief at 41-42.

128 The Joint IOUs cite Public Utilities Code section 735 creating a statute of limitations to seek reparations for a finding by the Commission of unreasonable rates. *See* Joint IOU Opening Brief at 41-42. They also cite rights in equity and the doctrine of laches that bars a party unreasonably delaying challenging an action resulting in disadvantaging other parties. *Ibid.* Finally, the Joint IOUs cite section 1731(a) requiring the filing of an application for rehearing (pursuant to RPP 16.1(a)) within 30 days of a Commission decision for a cause of action in court to accrue, and the requirement that a petition for modification of a Commission decision must be filed within one year of the effective date of a decision (or a justification as to why the filing was delayed must be provided). *Ibid.*

129 D.11-12-018, *Decision Adopting Direct Access Reforms*, R.07-05-025 (Dec. 1, 2011).

departing load.[130] The Joint IOUs further claim that CalCCA and the CCAs could have raised their concern in 2019 during the R.17-06-026 Working Group process.

Despite the Joint IOUs claim of "prejudice" as a result of CalCCA's and the CCA's alleged non-action, all of these claims have a glaring fundamental flaw—no harm to Later Departing Customers occurred until the IOUs sought to use the Pre-2019 Banked RECs for Current Bundled Customer compliance. Under California law, a cause of action does not accrue until a party suffers harm.[131] No Later Departing Customer suffered any cognizable injury until the IOUs began using Pre-2019 Banked RECs—funded by those customers while they were bundled customers—to satisfy Current Bundled Customer RPS compliance obligations without providing the associated value to the Later Departing Customers who paid for them. As set forth in CalCCA's testimony:

> [t]he Joint IOUs were not using Banked RECs to meet their RPS compliance obligations before 2019. Given these circumstances, it was not necessary to address this issue historically as there was no need to value Pre-2019 Banked RECs when they were not being used for compliance. The issue is significant now given the IOUs' recent use of Pre-2019 Banked RECs for Current Bundled Customer RPS compliance. The magnitude of the accumulated Pre-2019 Banked RECs and potential cost shift exceeding $1.5 billion resulting from the Joint IOUs' use of those RECs should compel the Commission to set the correct policy now.[132]

Therefore, the fact that CalCCA or the CCAs did not challenge the valuation until the IOUs started using the RECs comports with California law which finds that a cause of action only accrues when harm—the failure to provide value to Later Departing Customers—occurred.

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130 Joint IOU Opening Brief at 40.

131 *See Davies v. Krasna* (1975) 14 Cal.3d 502 (statute of limitation begins to run upon "actual and appreciable harm"); *see also City of Pasadena v. Superior Court* (2017) 12 Cal.App.5th 1340, 1348-49 ("'accrual' of an action is used in the sense of ripeness"; a "cause of action accrues 'when [it] is complete with all its elements' – those elements being wrongdoing, harm, and causation" (citing *Pooshs v. Philip Morris USA, Inc.* (2011) 51 Cal.4th 788, 797).

132 Exh. CCA-03 at 15:6-17, n.21.

As noted in CalCCA's rebuttal testimony, once the claim accrued, CalCCA promptly challenged the Joint IOUs' failure to provide value for Pre-2019 Banked RECs to Later Departing Customers. Specifically, CalCCA raised that challenge in the ERRA Forecast proceedings—the very proceedings in which the IOUs sought approval to use those RECs for Current Bundled Customer RPS compliance. While PG&E was valuing the Pre-2019 Banked RECs at the RPS MPB (until 2026 as set forth below), CalCCA challenged Southern California Edison Company's (SCE) zero valuation of Pre-2019 Banked RECs in SCE's 2024 ERRA Forecast Application proceeding.[133] At that time, SCE had filed a Petition for Modification (PFM) seeking clarity on the issue.[134] In the SCE 2024 ERRA Forecast Decision, the Commission directed an "interim process" for SCE to use post-2019 Banked RECs first before using Pre-2019 Banked RECs until the PFM is resolved.[135] The PFM was later denied, with the Commission stating that it may consider the Pre-2019 Banked REC issue in a future rulemaking given it did not have the record to decide the issue.[136] CalCCA continued to challenge SCE's use of a $0 valuation when it was raised in subsequent ERRA Forecast proceedings.[137]

While PG&E valued Pre-2019 Banked RECs at the RPS MPB in its 2023, 2024, and 2025 ERRA Forecast cases (which was approved by the Commission), CalCCA challenged PG&E's about-face in its 2026 ERRA Forecast case in which it proposed using SCE's zero

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133 *See Opening Brief and Comments of the California Community Choice Association,* A.23-06-001 (Oct. 27, 2023), at 9-22.

134 *See SCE's Petition for Modification of D.23-06-006*, R.17-06-026 (Sept. 11, 2023).

135 D.23-11-094, *Southern California Edison Company's 2024 Energy Resource Recovery Account Forecast*, A.23-06-001 (Nov. 30, 2023), COL 5-7, OP 9.

136 D.24-08-004, at 5.

137 *See California Community Choice Association's Comments on the Proposed Decision,* A.24-05-007 (Dec. 2, 2024), at 11-1; *California Community Choice Association's Comments on October Update / Concurrent Opening Brief*, A.25-05-008 (Oct. 29, 2025), at 19-38.

valuation method.[138] The Commission has continued to approve any zero or other valuation on an "interim" basis pending consideration of the issue in a rulemaking (see *supra*). Thus, even if the Joint IOUs could identify a cognizable injury before the ERRA Forecast proceedings (they cannot), CalCCA nevertheless acted promptly when the alleged harm became concrete and ripe for adjudication. Now, the Commission has decided to consider this policy question in a rulemaking where CalCCA has vigorously opposed the Joint IOUs' proposals. The Joint IOUs claim that CalCCA or the CCAs "sat on their rights" should therefore be disregarded.

VIII. CONCLUSION

CalCCA respectfully requests that the Commission adopt the recommendations set forth herein.

Respectfully submitted,

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[138] *See* D.22-12-044 (PG&E 2023 ERRA Forecast Decision), OP 1, D.23-12-022 (PG&E 2024 ERRA Forecast Decision)), OP 5, and D.24-12-038 (PG&E 2025 ERRA Forecast Decision) (all approving PG&E's valuation of Pre-2019 Banked RECs at the RPS MPB); *but see* D.25-12-027 (PG&E 2026 ERRA Forecast Decision), at 31 (approving PG&E's zero valuation of Pre-2019 Banked RECs, stating that this approach is interim until the Commission can consider the issue in a rulemaking). CalCCA has challenged PG&E's changed approach for 2026 rates in an Application for Rehearing in the PG&E 2026 ERRA Forecast docket, which is still pending. *See California Community Choice Association's Application for Rehearing of Decision Approving PG&E's 2026 ERRA Account Related Forecast Revenue Requirement and 2026 Electric Sales Forecast,* A.25-05-011 (Jan. 12, 2026).