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

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

JOINT REPLY COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY (U 39-E), SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E), AND SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) ON THE PROPOSED DECISION RESOLVING TRACK TWO ISSUES

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JOINT REPLY COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY (U 39-E), SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E), AND SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) ON THE PROPOSED DECISION RESOLVING TRACK TWO ISSUES

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Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE) (collectively, the Joint IOUs) respectfully submit the following *Joint Reply Comments*.[1]

A. The PD's result is not only legally and factually sound; it is the only result that is fair and will not impose costs on *any* customer - whether bundled service or departing load

CalCCA argues that the PD violates Public Utilities Code Section 366.2(g)[2] by declining to adopt CalCCA's proposal to re-value Pre-2019 Banked RECs at the time they are used for compliance.[3] The PD commits no such error. Rather, the PD rejects CalCCA's flawed argument that California law requires the implementation of Section 366.2(g) separate and apart from the Commission's PCIA methodology, which implements the statutory indifference mandate.[4] Section 366.2(g) is clear on its face that it must be implemented in concert with the other statutory provisions that set forth the indifference mandate.[5] The record demonstrates that the Commission satisfied the indifference mandate, including Section 366.2(g), by reducing departing load customers' cost responsibilities – in setting PCIA rates each year since 2012 – by the market value of the PCIA portfolios' Renewables Portfolio Standard (RPS) and other attributes retained by bundled service customers.

CalCCA claims that the Commission must reduce Later Departing Customers' cost responsibilities by the "current compliance benefits" of the Pre-2019 Banked Renewable Energy Credits (RECs) retained by bundled service customers.[6] But nothing in Section 366.2(g) – or any statute – recognizes Later Departing Customers or any other subgroup of customers made up by CalCCA. The PCIA allocates costs incurred each year between bundled service and departing load customers; it does

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1 Pursuant to Rule 1.8(d), SCE confirms that counsel for PG&E and SDG&E have authorized SCE to file this *Joint Reply Comments* on behalf of their organizations.

2 All references to statutes are to the Public Utilities Code unless otherwise specified.

3 *See* CalCCA's Opening Comments, p. 1, claiming the PD endorses a "one-time" indifference determination, and Section II.A, discussing "the generation and later compliance use of a banked REC are temporally distinct valuation events."

4 *See e.g.,* PD, Conclusion of Law (COL) 1.

5 *See e.g.*, Sections 365.2, 366.2(d) through (j)(1), and 366.3, all addressing the indifference mandate. For example, the term "estimated net unavoidable electricity costs" used in subsection (g) of Section 366.2 cannot be understood in isolation of its subsection (f), which makes clear that the Commission will determine the "additional costs of the electrical corporation recoverable in commission-approved rates, equal to the share of the electrical corporation's estimated net unavoidable electricity purchase contract costs attributable to the customer."

6 *See* CalCCA's Opening Comments, Sections II.D, E.

not operate to allocate costs between sub-groups of bundled service customers[7] and nothing in the statutes creates a reimbursement mechanism or a "get what you pay for" standard for indifference. The PCIA methodology has *never used* compliance valuation in implementing the indifference mandate; it uses *market valuation* for the PCIA portfolio attributes retained by bundled service customers. The record evidence demonstrates that the Pre-2019 Banked RECs have zero market value because they cannot be sold or transferred or used for Power Content Label marketing purposes.[8] Therefore, assigning a zero value to Pre-2019 Banked RECs for PCIA ratesetting – as the PD does – results in just and reasonable rates for all customers, as required by Section 451.

CalCCA asserts that failing to adopt its proposal for Pre-2019 Banked RECs in the PCIA rates results in a current cost shift to departing load customers.[9] But nothing in the record demonstrates *any cost shift to any customer* because of the PD's resolution. The costs associated with Pre-2019 Banked RECs were allocated in the year they were generated (and reduced by the value of the corresponding benefits retained by bundled service customers in the same year); the costs are not allocated *again* during the post-2019 period (thus, the benefits should not be re-valued either). Rather, the record proves that CalCCA's proposal *itself* would create a new cost estimated at one billion dollars[10] to be borne solely by bundled service customers. This indifference mandate prohibits this cost shift.[11]

For these reasons, the PD gets the result exactly right.

B. The PD achieves a fair outcome and avoids the arbitrariness of CalCCA's proposal

CalCCA argues that its proposal is prospective in nature and does not require the Commission to revisit the historical rates established under D.11-12-018 or "recalculate the market value assigned to Pre-2019 Banked RECs in their generation years, refund amounts collected under historical PCIA rates, or compensate customers for a historical cost shift."[12] To be clear, its proposals can only be prospective

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[7] *See* CalCCA Opening Brief, pp. 67-68 ("The two groups of customers CalCCA seeks to address with its proposal—Later Departing Customers and Current Bundled Customers—were both bundled customers when the RECs were generated.").

[8] *See e.g.*, Joint IOUs' Opening Brief, Sections II.A.4 and II.C, citing the record evidence, and reiterating (at p. 28) that in Track 1 of this proceeding, CalCCA adamantly stated that the cornerstone of D.18-10-019 is to "value an attribute at the price at which it can be bought and sold" today.

[9] *See* CalCCA's Opening Comments at pp. 3, 5.

[10] At oral argument on 8/31/2026, the parties estimated the dollar impact to bundled service customers of approximately one billion dollars in response to Commissioner Q&A.

[11] *See* PD, COL 4.

[12] CalCCA's Opening Comments, p. 8. At evidentiary hearings, the Joint IOUs asked CalCCA's witness if he
(continued on the next page)

in nature if the Commission chooses to ignore the fact that the costs and benefits of the IOUs' pre-2019 PCIA portfolios were already fully allocated among customers, and that the resulting cost shifts identified in D.18-10-019 were left unfixed in favor of going-forward fixes post-2018 and finality in the pre-2019 cost and benefit allocations. As the PD explains: "To retroactively make whole one group of customers that were allegedly harmed under a prior cost shift, but not others harmed by other cost shifts, would be arbitrary and unreasonable."[13]

The simple fact is that CalCCA's proposal is a modification to the pre-2019 PCIA methodology. Granting its proposal for the Pre-2019 Banked RECs while leaving in place the substantial, known cost shifts that occurred pre-2019 would be arbitrary, unreasonable, and unfair.[14]

C. **The PD's findings of fact and conclusions of law adequately support its ultimate findings**

CalCCA argues that the PD fails to make findings and conclusions sufficient to satisfy Section 1705 because it lacks certain findings applying indifference principles to "Later Departing Customers."[15] CalCCA is incorrect. The applicable standard for Section 1705 is whether the decision's findings and conclusions allow a reviewing court "a meaningful opportunity to ascertain in the principles and facts relied upon by the Commission in reaching its decision."[16] The PD meets that standard. At the very least, the PD's Findings of Fact 3-5 and 8-9 sufficiently support the conclusion that D.11-12-018 satisfied the indifference mandate, including Section 366.2(g), and that requiring an additional payment when the same RECs are later used for compliance would violate the indifference mandate.[17] These findings and conclusions directly resolve CalCCA's erroneous claim that Later Departing Customers are entitled to an additional new credit.

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would support a more holistic fix of past cost shifts in fairness to all customers and the witness stated that he would not support such an approach. *See* EH Transcript, June 2, 2026, at p. 174 (1:14).

13 PD, p. 47; see also p. 45(explaining "*The bankable nature of RECs does not require the Commission to accept CalCCA's arguments; in fact, fairness leads us to the opposite conclusion. . . .").*

14 *See* PD, COL 5. *See also* Sections B and D, *infra*.

15 CalCCA Opening Comments, p. 9.

16 *Volcano Tel. Co. v. Pub. Utilities Com.*, 109 Cal. App. 5th 701, 721 (2025) (citing *Toward Utility Rate Normalization v. Public Utils. Comm'n*, 22 Cal. 3d 529, 540 (1978)).

17 *See* PD, COLs 1, 3-4.

D. **The PD does not err in finding that CalCCA's legal challenges to D.11-12-018 and D.19-10-001 are untimely**

Having evaluated extensive party input on CalCCA's assertion that Section 366.2(g) requires its preferred treatment of Pre-2019 Banked RECs, the PD finds that CalCCA's claims are untimely to the prejudice of other stakeholders. In response, CalCCA argues that neither it nor its members were required to file applications for rehearing after D.11-12-018 or D.19-10-001 to preserve their claims under Section 1731.[18] This argument rests entirely on the premise that the PCIA treatment of Pre-2019 Banked RECs was not a "matter determined" in either decision (*i.e.*, that the decisions never addressed the issue). This is, at the outset, an outrageous argument for CalCCA to make in 2026 considering that it argued for years the exact opposite: that D.19-10-001 *required* CalCCA's preferred treatment of Pre-2019 Banked RECs.[19]

More directly to the point, CalCCA's premise is false. In both decisions, the Commission adopted PCIA methodologies intended to satisfy its obligation to implement the indifference statutes in full. For purposes of Section 1731, the *indifference methodologies* are the "matters determined" in D.11-12-018 and D.19-10-001 and, as the PD makes clear, CalCCA's proposed treatment of Pre-2019 Banked RECs is inconsistent with both decisions.[20] An argument that either decision failed to satisfy Section 366.2(g) because it does not require Pre-2019 Banked RECs to be valued at the Market Price Benchmark (MPB) when used for compliance is a legal challenge to that decision. In either case, such a challenge should have been raised through rehearing when those decisions were issued, or at least through a petition for modification. Having failed to do so, CalCCA's claim is untimely.

CalCCA's arguments that its claims are not unreasonably delayed under the equitable doctrine of laches are similarly unpersuasive. The PD's key finding on this point is that "CalCCA never challenged D.19-10-001 and the facts indicate CalCCA acquiesced in the aspects of D.19-10-001 that CalCCA now finds objectionable"[21]—namely the prospective nature of the adopted methods for valuing RECs under that decision. It is irrelevant whether "the Joint IOUs only recently started considering the need to use

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[18] *See* CalCCA's Opening Comments, p. 10.

[19] *See e.g.*, A.25-05-008, *CalCCA's Comments on October Update/Concurrent Opening Brief*, p. 22 (October 29, 2025) ("irrespective of when a REC was generated, and irrespective of whether any customer previously paid for that REC, D.19-10-001 requires that the REC be valued at the benchmark applicable in the year it is retired."); R.17-06-026, *Response of the CalCCA to SCE's Petition for Modification of D.23-06-006* (CalCCA's PFM Response), pp. 10-11 (October 11, 2023) (same).

[20] *See* PD, COL 3.

[21] PD, p. 40.

Pre-2019 Banked RECs"[22] The record demonstrates that CalCCA was aware of the bankable nature of RECs and the existence of "Later Departing Customers" during the process that led to D.19-10-001.[23] CalCCA was on notice in 2019 of both the Commission's policy determination and its prospective application. If CalCCA believed that approach was inconsistent with California law, it could have and should have raised its challenges then. Its failure to do so renders its delay unreasonable.

Nor is the unreasonableness of CalCCA's initial delay mitigated by its later efforts to challenge D.19-10-001. Notably, until this proceeding, CalCCA consistently argued that D.19-10-001 *required* its Pre-2019 Banked REC proposal (see footnote 20 above) and used Section 366.2(g) to bolster that position.[24] Its subsequent *objections* to D.11-12-018 and D.19-10-001 based on Section 366.2(g) do not excuse its failure to timely contest the decisions when issued. Likewise, the Commission's intervening decisions in ERRA Forecast and other proceedings do not bear on whether CalCCA's original delay was reasonable. As CalCCA itself observes, ERRA Forecast proceedings are not policymaking proceedings.[25] Those cases did not present the Commission with a policy record on the issue presented here. Nothing about the fact that certain prior Commission decisions were designated as interim decisions prevents the Commission from determining, based on the record before it today, that CalCCA unreasonably failed to timely challenge D.19-10-001 and D.11-012-018 when they were adopted.

Respectfully submitted on behalf of the Joint IOUs,

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[22] *See* CalCCA's Opening Comments, p. 14.

[23] *See, e.g.*, Evidentiary Hearing Tr., pp. 138: 17-139:2 (establishing that later departing customers existed at the time of the working group process leading to D. 19-10-001).

[24] *See* CalCCA's PFM Response, pp. 10-11 (arguing that D.19-10-001 requires Pre-2019 Banked RECs to be valued at the benchmark when used for compliance and that outcome is "consistent with [Section] 366.2(g).").

[25] *See* CalCCA's Opening Comments, p. 13, that states "[t]he Commission regularly declines to decide issues that are not ripe, and declines to decide open policy questions in the ERRA cases."