PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Item # 8 (Rev. 1)
Agenda ID: 20015

ENERGY DIVISION **RESOLUTION E-5170**
December 2, 2021

R E S O L U T I O N

Resolution E-5170 Approves Pacific Gas and Electric Advice Letter 6188-E, Southern California Edison Advice Letter 4494-E-A, and San Diego Gas & Electric Advice Letter 3757-E-A.

PROPOSED OUTCOME:

- This Resolution approves Pacific Gas and Electric (PG&E) Advice Letter 6188-E, Southern California Edison (SCE) Advice Letter 4494-E-A, and San Diego Gas and Electric (SDG&E) Advice Letter 3757-E-A, Filing of Financial Security Requirements for Community Choice Aggregators.

SAFETY CONSIDERATIONS:

- There are no safety considerations associated with this Resolution.

ESTIMATED COST:

- This Resolution will not increase utility bundled ratepayer costs and may provide additional financial protections. Community Choice Aggregation customers may be affected, but the cost cannot be determined.

By Advice Letters PG&E 6188-E filed on May 10, 2021, SCE Advice Letter 4494-E-A filed on July 16, 2021, and SDG&E Advice Letter 3757-E-A, filed on August 12, 2021.

SUMMARY

This Resolution adopts the Financial Security Requirement (FSR) calculations in Pacific Gas and Electric Company (PG&E) Advice Letter 6188-E, Southern California Edison Company (SCE) Advice Letter 4494-E-A, and San Diego Gas &

Electric Company (SDG&E) Advice Letter 3757-E-A for the Community Choice Aggregators (CCAs) operating in the service territories of those three investor-owned utilities (IOUs). The three IOUs are required bi-annually to make an advice letter indicating the amount of the FSR that each CCA must provide, as set forth D.18-05-022.

However, due to the timing of this Resolution and the imminent filing deadline of the IOUs next FSR advice letter in November 2021, this Resolution does not require the CCAs to post new FSRs until the November 2021 advice letter filing has been approved.

In the advice letters, each IOU applied input values from different sources. This Resolution provides interim guidance to the IOUs on the correct inputs to use in the FSR calculation for Resource Adequacy (RA) and Renewable Portfolio Standard (RPS) incremental procurement calculations. This interim guidance should apply until updates to the reentry fee methodology are considered in the Provider of Last Resort Rulemaking (R.21-03-011)

BACKGROUND

On June 7, 2018, the CPUC issued Decision (D.) 18-05-022 to establish the financial security requirement (FSR) and reentry fees for the involuntary return of CCA customers to IOU service, pursuant to Public Utilities Code section 394.25(e). The reentry fees are the costs that would be incurred in the event of a CCA failure or other event that necessitates the CCA to return its customers to the IOU as the Provider of Last Resort (POLR).[1] The FSR is established as a "bond or insurance sufficient to cover the reentry fee."[2] While D.18-05-022 concluded that reentry fees and requirements for CCAs should generally be similar to those implemented for ESPs, it made several specific determinations regarding FSRs for CCAs.

D.18-05-022 ordered that the calculation of CCA FSR and reentry fees shall include both utility administrative costs and incremental procurement costs. The decision determined that the FSR amount shall be calculated as follows:

[1] The POLR is being considered in R.21-03-011 to implement Senate Bill 520.
[2] D.18-05-022 p. 2

> FSR amount = (per-customer administrative costs for returning customers to IOU service) * (number customers) + (costs for six months of incremental procurement).

The decision determined that the administrative costs shall be set at the same level as established for the per-customer reentry fee for customers that voluntarily return to IOU service. The FSR amount uses the current number of customers enrolled in the CCA.

Each IOU is required to submit a Tier 2 Advice letter twice a year, setting the required FSR posting amount of each CCA within its service territory. The FSR has a minimum of $147,000.

In D.18-05-022, the Commission stated that "Forecasts of incremental procurement costs shall be calculated using the methodology set forth in the Joint Utilities' testimony (Ex. JU-01, Appendix E), to the extent that methodology is consistent with this decision." (D.18-05-022, p. 7.) The referenced Appendix E provides a template for the calculation but does not specify actual sources of inputs. The details for FSR calculations are specified in Electric Rule 23 of SCE and PG&E tariffs and in Electric Rule 27 of SDG&E's tariff.[3]

Specifically, the approved tariff language regarding the proper Renewable Energy Credit (REC) input states (emphasis added):

> *<u>In the absence of a robust index, a forward quote, or durable methodology</u> for regularly estimating the value of a REC, the IOU will use the $10/MWh REC value adopted by the Commission in D.16-05-006 as an estimate of the incremental cost of satisfying the RPS requirement for the involuntarily returned CCA load.*

The approved tariff language for RA states (emphasis added):

> *<u>In the absence of a forward quote of RA prices</u>, the IOU will use data published in the CPUC's annual Resource Adequacy report (CPUC RA report) as an estimate of the incremental cost of procuring RA for the involuntarily returned CCA load.*

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[3] SDG&E Advice Letter 3662-E effective February 14,2021; SCE Advice Letter 4394-E effective February 15, 2021; PG&E Advice Letter 6060-E effective February 15, 2021

Advice Letters PG&E 6688-E, SCE 4494-E, SDG&E 3757-E

PG&E, SCE, and SDG&E all filed Tier 2 Advice Letters on May 10, 2021. For each CCA, the calculated FSR was unchanged from its existing $147,000 minimum value.

The sources of the inputs the IOUs used were not consistent. PG&E relied on the Market Price Benchmark (MPB) from the Power Charge Indifference Amount (PCIA)[4] for both REC and RPS costs established in Decision (D.) 19-10-001. SDG&E relied on the MPB for the REC prices only[5] while using the 2019 CPUC RA Report for RA prices.[6] SCE did not use the MPB for either input, relying on a default $10/MWh REC price and the 2019 CPUC RA Report.

The MPB RPS adder is calculated using the volume-weighted average of all IOU, CCA, and ESP market transactions using Portfolio Content Category 1[7] index-plus contracts executed in the fourth quarter of 2019 and the first through the third quarter of 2020 for delivery in 2021.

The MPB RA Adder for system, flexible, and local RA were calculated using the volume-weighted average of all IOU, CCA, and ESP RA-only market transactions executed in 2019 through the third quarter of 2020 for delivery in 2021. The annual RA Adder ($/kW-year) is the sum of the monthly weighted average of the relevant transactions

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[4] The forecast for the Market Price Benchmark Adders for the PCIA are released in November of each year for use in the IOU ERRA filings. Included in this are forecasts for the following year RA and REC adders.

[5] SDG&E's AL 3857-E inadvertently used the REC adder published the previous year. This was corrected in the supplemental filing 3857-E-A. The change had no material effect on the FSR amounts for the CCAs in SDG&E.

[6] https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/resource-adequacy-homepage/2019rareport-1.pdf

[7] Portfolio Content Category 1 resources are defined as RPS procurement from facilities with a first point of interconnection within a California Balancing Authority (CBA), or facilities that schedule electricity into a CBA on an hourly or sub-hourly basis.

After meeting with Energy Division staff to discuss the differences in their application of the data requirements in D.18-05-022, SCE filed AL 4494-E-A on July 16, 2021, updating the RPS REC value to the MPB used in the PCIA of $14.49/MWh to apply the more accurate, up to date values. The higher REC value increased the FSR of four CCAs above the $147,000 minimum, which would require them to post a new FSR upon ED approval.

On August 12, 2021, SDG&E filed AL 3757-E-A, a supplement, correcting the REC value. However, its change was from a previous year's value of $17.35/MWh to $14.49/MWh. SDG&E also corrected the RPS Annual target percentage from 33% to 36%. The change did not affect the $147,000 minimum FSR requirement for CCAs in its service territory. The table below indicates the latest inputs and sources used by the three IOUs in their AL or supplements.

Advice Letter Filing	PG&E 6188-E	SCE 4494-E	SDG&E 3757-E	SCE 4494-E-A	SDG&E 3757-E-A
REC Value ($/MWh)	$14.49	$10.00	$17.35	$14.49	$14.49
REC Value Source	2020 PCIA MPB	SCE Electric Rule 23	2019 PCIA MPB	2020 PCIA MPB	2020 PCIA MPB
REC Percentage	36%	36%	33%	36%	36%
REC Percentage Source	D.19-06-023	D.19-06-023	D.11-12-020	D.19-06-023	D.19-06-023

Advice Letter Filing	PG&E 6188-E	SCE 4494-E	SDG&E 3757-E	SCE 4494-E-A	SDG&E 3757-E-A
Local RA ($/kw-mo.)	$6.10	$3.57	$3.57	$3.57	$3.57
Local RA Data Source	2020 PCIA MPB	2019 CPUC RA Report	2019 CPUC RA Report	2019 CPUC RA Report	2019 CPUC RA Report
System RA ($/kw-mo.)	$6.15	$2.85	$2.85	$2.85	$2.85

System RA Data Source	2020 PCIA MPB	2019 CPUC RA Report	2019 CPUC RA Report	2019 CPUC RA Report	2019 CPUC RA Report

NOTICE

Notice of ALs PG&E 6188-E, SCE 4494-E, SDG&E 3757-E was made by publication in the Commission's Daily Calendar. PG&E, SCE, and SDG&E state that a copy of the Advice Letter was mailed and distributed in accordance with General Rule 4 of General Order 96-B.

PROTESTS

SCE AL 4494-E-A

SCE's AL 4494-E-A was timely protested by the California Choice Energy Authority (CalChoice) on August 5, 2021

SCE provided a reply to the protest on August 12, 2021.

CalChoice protests on the following grounds:

1. **Updates to the CCA FSR are Improper Outside of the May and November Timeframe Implemented in D.18-05-022**

CalChoice protested the filing of the supplemental advice letter in July, arguing that D.18-05-022 directs IOUs to make FSR Advice Letter filings in November and May of each year. CalChoice argues that "If the IOUs are permitted to increase the FSR amounts through a supplemental Advice Letter outside of the May and November timelines, there would effectively be no limitation on when and how often the IOUs could adjust the CCA FSR amount, creating significant uncertainty and administrative burden."

SCE Reply

SCE notes that the tariff makes clear that the "posted [CCA FSR] amounts are subject to Energy Division final disposition." The SCE tariff also provides for an opportunity for a CCA to identify miscalculations in the FSR to be corrected. SCE states that the supplemental is meant to correct an error that had been identified by both SCE and the Energy Division, which is clearly within the procedural rules contemplated for the FSR.

2. **<u>The Supplemental Advice Letter Does Not Provide Clear Guidance on When the Updated FSRs Would Need to be Posted.</u>**

CalChoice noted a discrepancy in SCE's Advice Letter regarding the required date to post the FSRs for those CCAs that have increased FSRs. The Advice Letter asks that the FSR be posted within 30 days of the effective date of the supplemental advice letter. However, the supplemental advice letter also states that CCAs must have posted the updated FSR by July 9, 2021, which is seven days prior to the submittal of the supplemental advice letter. CalChoice requested a minimum of 30 days from the final disposition of the supplemental advice letter to post the FSR.

SCE Reply

SCE noted that a transcription error provided the source of the discrepancy. SCE does not object to CalChoice's request for 30 days from the final disposition of the supplemental advice letter to allow CCAs to post revised FSRs. SCE proposes that the disposition letter be served upon the service list for Rulemaking 03-10-003.

<u>SDG&E AL 3757-E-A</u>

SDG&E's AL 3757-E-A was timely protested jointly by San Diego Community Power and Clean Energy Alliance (SDCP/CEA) on September 1, 2021.

SDG&E filed a reply comment to the protest on September 9, 2021.

SDCP/CEA protest on the following grounds:

1. **<u>SDG&E's AL 3757-E-A Fails to Provide Critical Information Necessary to Notify Interested Parties, Maintain Discussion and Approve Changes to FSRs</u>**

SDCP/CEA argue that SDG&E's supplemental filing provides inadequate background information or context as to the nature of the filing. SDCP/CEA p. 3, "SDG&E does not identify any errors or problems in previous advice letters that now require correction and does not provide any further information about the nature or magnitude of the changes made to the RPS and RA inputs." SDCP/CEA indicates that this makes it difficult, if not impossible, to evaluate the nature of the changes. The omissions are material in nature and violate GO 96-B General Rule 7.4.2(2).

SDG&E Reply

SDG&E agrees to communicate better any changes going forward but also notes it is open to discussing concerns with parties prior to the filing of protests.

2. **SDCP and CEA Are Unable to Fully Determine the Changes Made to FSR Calculations, but Problems with AL 3757-E-A Have Already Been Identified**

SDCP/CEA did identify a change in the FSR calculation made by SDG&E in the Planning Reserve Margin (PRM), which SDG&E raised to 118% from 115%. D.04-10-035 set the PRM at 115%. D.21-03-056 set the PRM at 117.5% for the summer months in 2021 and 2022 only. SDCP/CEA argues that the issue at hand cannot be resolved without SDG&E providing additional information identifying and describing the change. The parties say that such a change demands an opportunity for comment to determine whether a temporary PRM should be used.

SDG&E Reply

SDG&E mistakenly changed the PRM and agrees to use 115% in the future. SDG&E indicated that none of the updates changed the FSR for either CCA in its service territory.

3. **Unscheduled Changes to FSR Requirements Undermine Financial Stability and Burden Financial and Resource Planning Efforts**

SDCP/CEA protests SDG&E's supplemental advice letters being filed out-of-time related to the established schedule from D.18-05-022. SDG&E's original Advice letter was appropriately filed on May 10, but parties object to a supplemental filing that occurred several months later. SDCP/CEA argue that the timing of the FSR filings was a well-debated topic in the development of D.18-05-022, with a bi-annual filing requirement being satisfactory to satisfy the need for the FSR and the ability of CCA's to manage the FSR requirements. A sudden, unexpected, and changing FSR is difficult and risky for the CCAs to respond to.

SDG&E Reply

SDG&E noted the concerns of the CCAs but responded that the supplemental did not change the FSR for SDCP or CEA.

DISCUSSION

In reviewing the original advice letters, Energy Division identified inconsistencies in the values and sources used to establish the FSR amounts and determined that the direction on input values in D.18-05-022 was subject to interpretation. The different input values resulted in significant variance between the utilities in the FSR amounts. While updates to the FSR methodology will be considered further in the POLR rulemaking, Energy Division requested that the SCE and SDG&E file supplemental advice letters to revise their sources to create consistency in the interim implementation of FSRs until D.18-05-022 can consider this topic.

REC Adder

The Commission finds that the use of the most recent Market Price Benchmark for Renewable Energy Credit pricing satisfies the definition in the tariff as a "durable methodology for regularly estimating the value of a REC" as it is both a methodology approved through CPUC decision and it is calculated annually. For future FSR filings, the IOUs should use the most recent MPB used in the annual PCIA calculation in their ERRA forecasts rather than the $10/MWh default value.

RA Adder

The Commission finds that the use of the RA value from the most recent CPUC RA Report is consistent with the tariff and should be used to calculate the FSR. As the RA Market Price Benchmark is calculated using past transactions, a determination of its appropriate use for the FSR is reserved for the POLR proceeding.

<table>
<tr><th colspan="4">Approved Values for FSR Calculation</th></tr>
<tr><td>REC</td><td>2021 PCIA MPB</td><td colspan="2">$14.49/MWh</td></tr>
<tr><td rowspan="2">RA</td><td rowspan="2">2019 CPUC RA Report</td><td>System</td><td>Local</td></tr>
<tr><td>PG&E:
$4.29/kw-mo.

SCE &
SDG&E:
2.85/kw-mo.</td><td>PG&E:
$3.36/kw-mo.

SCE & SDG&E:
3.57/kw-mo.</td></tr>
</table>

CalChoice and SDCP/CEA's protest that the IOUs should not be allowed to file a supplemental advice letter outside the allowable timeframe is denied. The ability to correct errors in the advice letter filings is necessary and allowed per General Rule 7.5.1 of General Order 96-B.

Timing for Posting FSRs

Concerning the timing of the posting of FSRs, Energy Division agrees with CalChoice and SCE that a delay in the disposition of this FSR advice letter makes it infeasible for the CCAs to post new FSRs by the deadlines established in the tariff. Therefore, in the event that the disposition of an Advice Letter has made the filing of the FSR by the January 1 and July 1 deadlines untenable, we clarify that in this case, the FSRs should be posted 30 days after the disposition of the Advice Letter.

However, the timing of this Resolution would require the CCAs to post their spring 2021 FSR agreements at essentially the same time as the November 2021 FSR advice letters are due. This timeline would require the CCAs to update their FSR agreements twice within one month. We find it preferable that the IOUs file their November advice letters with updated price data based on the direction of this Resolution. Therefore, the CCAs are not required to update their FSR agreements until the IOU's November advice letter filings are approved.

Citing of Sources

We agree with CEA/SDCP's that SDG&E fails to provide critical information necessary to notify interested parties, maintain discussion and approve changes to FSRs. This problem also applies to the original advice letters. The lack of citation of data sources in the Advice Letters makes it difficult for Energy Division to review and provide oversight and for other parties to confirm FSR calculations. Upon reviewing the FSR filings and calculations, the Energy Division found that only SCE provided extensive citations to source worksheets in its original filing. We direct that future Advice letter FSR filings must include accurate information about the source of the inputs. This requirement should not require the disclosure of confidential information, as actual data can be redacted.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review.

On November 17, 2021, the CPUC received comments from SCE, the Public Advocates Office (PAO), CalChoice, and SDCP / SEA. Minor changes have been made to clarify certain provisions and items of fact.

SCE proposes that the CPUC alter its language putting FSR requirements into effect 30 days after the final disposition of the advice letter to only apply in cases where a supplemental filing requires an updated posting to a CCAs FSR. SDCP / SEA request OP 5 is modified to include a provision to "fully explain any proposed changes to current inputs or methodology" in order to allow for better oversight of the FSR filings. CalChoice asked that the language indicating the correct REC source be clarified to provide that the most recent MPB should be used. CalChoice also sought clarification on the correct System RA to be used from the 2019 CPUC RA Report. CalChoice notes that the $2.85/kw-mo. value, as indicated in the table, is the SP-26 price. CalChoice requests that the final Resolution "contain a requirement that future advice letter FSR submittals include, as an attachment, the common template used by the IOUs, with only confidential information redacted."

The Commission agrees with all of these aforementioned comments and has revised this Resolution accordingly.

Finally, both SCE and PAO argued that the Resolution should identify the MPB for RA as the appropriate input to be used for the RA price in the FSR calculation. Both parties note that the MPB is more recent and therefore more indicative of the true costs required to prevent shifting of costs to bundled customers.

ED staff does not dispute this fact, but this change must be addressed in a future decision. The Resolution makes a determination based on requirements established in D.18-05-022, which will be reexamined in the POLR proceeding.

FINDINGS

1. D.18-05-022 directed each IOU to submit a Tier 2 Advice letter twice a year, setting each CCA's required FSR posting amount within the IOU's service territory.
2. While updates to the FSR methodology will be considered further in the POLR rulemaking, Energy Division requested that SCE and SDG&E file supplemental advice letters to revise their sources to create consistency in the interim implementation of FSRs until D.18-05-022 can be updated.
3. The use of the most recent Market Price Benchmark for Renewable Energy Credit pricing, while neither a robust index nor a forward quote, satisfies the definition in the tariff as a "durable methodology for regularly estimating the value of a REC" as it is both a methodology approved through CPUC decision, and it is calculated annually.
4. The use of the RA value from the most recent CPUC RA Report is consistent with the tariff.
5. The ability to correct minor errors in the advice letter filings is necessary and allowed per General Rule 7.5.1 of General Order 96-B.
6. A requirement to post a new FSR for any CCA related to these filings would be impractical due to the imminent filing of November 10, 2021, FSR Advice Letters by the IOUs.
7. Lack of citation of data sources in the Advice Letters makes it difficult to review and provide oversight.

THEREFORE, IT IS ORDERED THAT:

1. The FSR amounts in PG&E Advice Letter 9188-E, SCE Advice Letter 4494-E-A, and SDG&E Advice Letter 3757-E-A are approved with clarifications.
2. For future filings starting with the November 10, 2021 filing, the IOUs are directed to use the most recent available REC MPB from the PCIA rather than the $10/MWh default value until further direction from the CPUC.

3. For future filings starting with the November 10, 2021 filing, the IOUs are directed to use the RA value from the most recent CPUC RA Report until further direction from the CPUC.
4. The CCAs are not required to update their FSR agreements until the Commission approves the PG&E, SCE, and SDG&E November 2021 FSR advice letters.
5. PG&E, SCE, and SDG&E shall include accurate information about the source of the inputs and to fully explain any proposed changes to current inputs or methodology in their future FSR advice letters. Additionally, the IOUs should include redacted versions of the common calculation templates for each CCA as an attachment to their FSR filings.
6. The IOUs are directed to inform the service list of R.03-10-013 of the disposition of future FSR Advice Letters within seven (7) days of receiving the disposition from the CPUC.

This Resolution is effective today.

I certify that the foregoing Resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on December 2, 2021 the following Commissioners voting favorably thereon:

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Rachel Peterson
Executive Director