

Decision 26-10-036

October 8, 2026

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison
Company (U338E) for Approval of its 2026
ERRA Forecast Proceeding Revenue
Requirement.

Application 25-05-008

ORDER DENYING REHEARING OF DECISION 25-12-028**I. INTRODUCTION**

The Commission issued Decision (D.) 25-12-028 (Decision) on December 19, 2025. (*Decision Approving Southern California Edison Company's 2026 Energy Resource Recovery Account-Related Revenue Requirement Forecast (2025)* [D.25-12-028].¹)

The Decision approves, with modifications, Southern California Edison Company's (SCE's) amended 2026 Energy Resource Recovery Account (ERRA) revenue requirement request and a 2025 ERRA year-end balance that incorporates the revised Resource Adequacy (RA) Market Price Benchmark (MPB) methodology previously adopted by the Commission in D.25-06-049. (Decision, at pp. 2-3, 123-125, 128; see also *Decision Adopting Changes to the Calculation of the Resource Adequacy Market Price Benchmark (2025)* [D.25-06-049], at p. 34, Conclusion of Law (COL) 10 and Ordering Paragraphs (OPs) 1 and 2 [ordering that the revised RA MPB be applied effective immediately, including to the calculation of the final 2025 RA MPB].)

In addition, the Decision addressed the valuation of "banked" Renewable Energy Credits (RECs), which SCE anticipates using for compliance with its Renewable

¹ Unless otherwise noted, citations to Commission Decisions issued since July 1, 2000 are to the official pdf versions, which are available on the Commission's website at: <https://docs.cpuc.ca.gov/ResolutionSearchForm.aspx>

Portfolio Standard (RPS) obligations. (Decision, at pp. 105-106.) SCE expects to use RECs that were banked prior to 2019. (*Ibid.*) This date is significant as the Commission modified its treatment of banked RECs in 2019, so that the valuation methodology for RECs banked beginning January 1, 2019, is different than the methodology for RECs banked earlier than January 1, 2019. (*Id.* at p. 106, citing *Decision Refining the Method to Develop and True up Market Price Benchmarks* (2019) [D.19-10-001].)

During the course of the proceeding, the Commission was presented with two party proposals for valuing the pre-2019 banked RECs that SCE expects to use for RPS compliance:

1. SCE's proposal to value pre-2019 banked RECs at zero dollars, with the end result being that bundled customers do not pay any additional credit to community choice aggregator (CCA) customers, and;
2. The California Community Choice Association's (CalCCA's) proposal to value pre-2019 banked RECs at the RPS Adder,² with the end effect being that bundled customers would pay an additional credit to the specific vintage of CCA customers who were bundled at the time of the RECs' procurement but have since departed bundled service.

The Decision approved SCE's proposal to value pre-2019 banked RECs at zero dollars on an interim basis pending a more comprehensive decision on the use of pre-2019 banked RECs in the ERRA Rulemaking, (R.) 25-02-005.

CalCCA filed a timely application for rehearing of the Decision on January 12, 2026. (*CalCCA's Application for Rehearing of Decision Approving SCE's 2026 ERRA-Related Revenue Requirement Forecast*, A.25-05-008 (Jan. 12, 2026) [hereinafter *Rehg. App.*].) CalCCA takes issue with the two aforementioned aspects of the Decision. CalCCA first alleges that the Decision errs by applying the revised RA MPB, as directed in D.25-06-049. (*Rehg. App.*, at pp. 16-20.) CalCCA asserts that D.25-06-049 engages

² The RPS Adder is a means to determine the market value of a REC. More specifically, the RPS Adder is the MPB that reflects the estimated incremental value (incremental to the Energy Index) of each unit of RPS-eligible energy that is attributable to its RPS eligibility, in \$/Mega-Watt hour. (*CalCCA's Opening Brief*, A.25-05-008 (Oct. 24, 2025), at p. 15; see also D.19-10-001, *supra*, at p. 7).)

in retroactive ratemaking in violation of Public Utilities Code section 728,³ and by applying the revised RA MPB established in D.25-06-049, the Decision at issue continues this retroactive ratemaking violation. (*Ibid.*) In addition, CalCCA alleges that the Decision errs by approving SCE's proposal to assign a value of zero dollars to pre-2019 banked RECs, and that the Commission should have instead adopted CalCCA's proposal to value pre-2019 banked RECs at the RPS Adder. (*Id.* at pp. 27-40.)

SCE filed a response to CalCCA's rehearing application on January 27, 2026. In its response, SCE argues that CalCCA's rehearing application constitutes an improper collateral attack on D.25-06-049, and that there is no legal error in the Commission's adoption of SCE's zero-dollar valuation for pre-2019 banked RECs. (See *SCE's Response to Application for Rehearing*, A.25-05-008 (Jan. 27, 2026).)

The Commission has carefully reviewed and considered these claims of legal error and finds no basis for rehearing.

II. DISCUSSION

A. CalCCA's claim of retroactive ratemaking is a collateral attack of a determination made in D.25-06-049.

In 2025, the Commission initiated R.25-02-005 in order to consider changes to the annual ERRA forecast and compliance proceedings, with Track 1 of R.25-02-005 focused on revising the RA MPB to ensure that RA costs were being accurately captured and distributed between bundled and unbundled customers. (See D.25-06-049, *supra*, at pp. 2-7.) Track 1 of R.25-02-005 culminated in D.25-06-049, which adopted a revised RA MPB methodology. D.25-06-049 directed that the revised RA MPB be applied effectively immediately and included a specific directive that the revised RA MPB be applied in each Investor-Owned Utility's (IOU's) ERRA forecast proceeding. (*Id.* at p. 34, COL 10 and OPs 1 and 2.)

CalCCA raised the issue of retroactive ratemaking during R.25-02-005, alleging that application of a revised RA MPB to the final 2025 RA MPB would violate section

³ All subsequent section references are to the Public Utilities Code, unless otherwise specified.

728. (See *id.* at pp. 28-29.) D.25-06-049 rejected this argument, explaining that the Supreme Court in *Southern California Edison Co. v. Public Utilities Commission* held that the “prohibition against retroactive ratemaking was not intended to apply to every situation where action by the Commission results in retroactive application.” (*Id.* at p. 29 citing *Southern California Edison Co. v. Public Utilities Commission* (1978) 20 Cal.3d 813, 817.) To this end, D.25-06-049 includes a conclusion of law that the “[a]pplication of these [RA MPB] changes to the 2025 Final RA MPB does not violate the prohibition against retroactive ratemaking.” (*Id.* at p. 34, COL 9.)

CalCCA then filed a rehearing application for D.25-06-049, arguing that the Commission engaged in retroactive ratemaking by applying the revised RA MPB “midstream,” i.e., after the 2025 ERRA forecast occurred but before the 2025 ERRA true-up. (See *CalCCA Application for Rehearing of D.25-06-049*, R.25-02-005 (July 28, 2025), at p. 2.) The Commission denied CalCCA’s rehearing application, explaining that the prohibition on retroactive ratemaking applies in the context of general ratemaking and that the California Supreme Court has already evaluated an allegation of general and retroactive ratemaking in an ERRA-equivalent proceeding and held that section 728’s prohibition did not apply. (*Order Denying Rehearing of D.25-06-049* (2025) [D.25-10-061], at pp. 4-6 citing *Southern California Edison Co., supra*, 20 Cal.3d at pp. 816-817.)

CalCCA then attempted to challenge D.25-06-049 at the Court of Appeal, again asserting that the Commission engaged in retroactive ratemaking. The Court of Appeal summarily denied this challenge. (See *Order Denying Petition, CalCCA v. Public Utilities Commission*, C105174 (June 25, 2026).) On September 23, 2026, however, the California Supreme Court granted CalCCA’s petition for review of the Court of Appeal’s summarily denial and transferred the matter back to the Court of Appeal with directions to vacate the order denying the petition for writ of review and to issue a writ of review to be heard before the Court. (*Order Granting Petition for Review, CalCCA v. Public Utilities Commission*, S297373 (September 23, 2026).)

CalCCA’s rehearing application for the Decision again asserts that D.25-06-049 unlawfully engages in retroactive ratemaking by changing the RA MPB methodology “midstream.” (Rehg. App., at p. 12.) CalCCA alleges that the Decision at issue perpetuates this alleged legal violation by carrying out D.25-06-049’s directive to apply the revised RA MPB to the final 2025 ERRRA balances. (*Id.* at pp. 12-13, 16-22.)

The Commission made the determination to apply the revised RA MPB to the final 2025 ERRRA balances in D.25-06-049. The Decision was merely implementing this prior decision. CalCCA is using its rehearing application of the Decision to collaterally attack a determination made in D.25-06-049, which is not permitted. (See §§ 1731, 1756.) CalCCA’s direct attack of D.25-06-049 is pending and will be considered by the California Court of Appeal. If the court determines that D.25-06-049’s directive to apply the revised RA MPB to the 2025 ERRRA true-up is unlawful, the Commission may modify the Decision and parties also have the option to file a petition to modify the Decision.

(§ 1708; Rule of Practice and Procedure, Rule 16.4.⁴)

In sum, the determination that the revised RA MPB should apply to the 2025 ERRRA true-up was made in D.25-06-049. We decline CalCCA’s attempt to use a rehearing application of the Decision to collaterally attack the determination made in D.25-06-049.

B. CalCCA fails to show that the Decision’s application of the RA MPB is inadequately supported by the Commission’s findings and fails to show that the Decision is arbitrary or an abuse of discretion.

CalCCA alleges that the Decision is inadequately supported by the Decision’s findings and argues that the Decision is arbitrary or an abuse of the Commission’s discretion. (Rehg. App., at pp. 23-26.) These claims of legal error fail.

⁴ Unless otherwise noted, all references to a Rule are to the Commission’s Rules of Practice and Procedure.

CalCCA claims that the Decision’s “findings relating to the new RA MPB are overly broad.” (*Id.* at p. 24.) CalCCA goes on to claim that the findings “do not adequately wrestle with how the use of the new, unlawfully applied [RA MPB] methodology has changed rates, the magnitude of those changes, or why the Commission believes such changes are legal and justified in the face of allegations that they are unlawfully retroactive.” (*Id.* at p. 25.)

CalCCA seems to suggest that the Commission is required to again justify application of the revised RA MPB methodology. As explained above, however, this issue was decided in D.25-06-049. (See section II.A., *supra*.) D.25-06-049 specifically directed that the revised RA MPB be applied to the 2025 final RA MPB, which is exactly what the Decision does. (See D.25-06-049, *supra*, at p. 34, COL 10 and OPs 1 and 2.) D.25-06-049 already adopted findings explaining why the RA MPB “changes are legal and justified in the face of allegations that they are unlawfully retroactive.” (Rehg. App., at p. 25.) There is no legal requirement – and CalCCA points to no legal authority supporting its assertion – that the Commission must re-litigate or re-justify a final determination made in a prior decision.

CalCCA’s allegation of arbitrary decision-making or abuse of discretion fails for similar reasons. CalCCA claims that the Commission abused its discretion “by arbitrarily approving the retroactive application of the new RA MPB methodology to the calculation of rates set in this proceeding.” (*Id.* at p. 26.) The Commission previously determined in D.25-06-049 that the revised RA MPB should be applied effective immediately and found that there was no retroactive ratemaking. (See D.25-06-049, *supra*, at p. 34, COL 9.) There is nothing arbitrary about complying with a prior decision.

CalCCA also takes issue with what it construes as a failure to publish an “Alternate Final 2025 RA MPB,” using the prior iteration of the RA MPB. (Rehg. App., at p. 26.) CalCCA claims that this figure is “necessary to identify the precise impact of the Commission’s decision to calculate the 2025 Final RA MPB using the new RA MPB methodology instead of the existing RA MPB methodology.” (*Ibid.*) CalCCA points to

no legal authority for the notion that the Commission must engage in a hypothetical inquiry as to what would have occurred had prior determinations not been adopted.

C. CalCCA fails to show legal error in the Commission’s adoption of a zero-dollar value for pre-2019 banked RECS.

CalCCA argues that the Decision errs by adopting SCE’s proposal to value pre-2019 banked RECs at zero dollars, as opposed to CalCCA’s proposal to value pre-2019 banked RECs at the RPS Adder. (*Id.* at pp. 27-28.) CalCCA alleges that a zero-dollar value for pre-2019 banked RECs violates the indifference mandate as set forth in sections 365.2, 366.2(a)(4), 366.2(g), and 366.3. (*Id.* at p. 28.)

CalCCA fails to show a violation of the indifference mandate. The code sections relied on by CalCCA require the Commission to hold bundled and unbundled customers indifferent by ensuring that bundled customers “do not experience any cost increases as a result of retail customers of an electrical corporation electing to receive service from other providers” and likewise, that “departing load does not experience any cost increases as a result of an allocation of costs that were not incurred on behalf of the departing load.” (§ 365.2; see also §§ 366.2(a)(4) and 366.3 [stating substantially similar language].)

The Decision’s determination to value pre-2019 banked RECs at zero does not result in either bundled or unbundled customers paying increased costs. Under the Decision’s adopted REC value, neither bundled nor unbundled customers pay an additional amount associated with pre-2019 banked RECs.

CalCCA also fails to show a violation of section 366.2(g). This code section requires that estimated net unavoidable electricity costs paid by CCA customers be reduced by the value of any benefits that remain with bundled customers, unless CCA customers are allocated a fair and equitable share of those benefits. CalCCA interprets this code section to mean that departed load customers are owed a credit from bundled customers, now that a pre-2019 banked REC is anticipated to be used for RPS compliance. (See Rehg. App., at p. 29.)

However, the Decision explains that prior to 2019, “bundled customers credited [departing load] customers the market value of all forecast unsold/retained banked RECs at the time the RECs were generated and banked, based on the then-current RPS MPB.” (Decision, at p. 106.) Thus, section 366.2(g) compliance was achieved when the pre-2019 banked REC was generated.

CalCCA does not appear to dispute that, prior to 2019, bundled customers paid an amount to departed load customers via the Power Charge Indifference Adjustment (PCIA) at the time of REC procurement, or that SCE complied with this then-existing process. However, CalCCA offers an interpretation of section 366.2(g), and the other indifference-related statutes cited above, in which bundled customers would be required to again pay an additional amount associated with the REC to departed load customers, once the REC is used for RPS compliance.

This interpretation does not follow from the plain language of the statute. Section 366.2(g) requires electricity costs paid by CCA customers to be reduced by the value of any benefits that remain with bundled customers, unless CCA customers are allocated a fair and equitable share of those benefits. Prior to 2019, bundled customers paid a credit via the PCIA to CCA customers to reflect the value of a REC, at the time the REC was generated. Compliance with section 366.2(g) was achieved and nothing in the code section requires this indifference adjustment to be re-done merely because additional customers have departed bundled service for CCA service or that a generated and banked REC is now being used for RPS compliance.

What’s more, SCE raised valid concerns about the legal, policy, and practical implications if the Commission were to adopt such an interpretation. For instance, CalCCA’s proposal arguably violates the indifference requirements set forth in sections 365.2, 366.2 (a)(4), and 366.3. (Decision, at p. 107.) These code sections expressly require that both bundled and unbundled customers be held indifferent by “not experienc[ing] any cost increases.” CalCCA’s proposal directly calls for bundled customers to pay an additional credit associated with a banked REC, despite the fact that those customers already paid for the REC when that REC was generated prior to 2019.

Because this is an issue that was to be thoroughly considered in the ERRA Rulemaking, the Decision at issue avoids making a determination as to whether a zero-dollar valuation, a valuation based on the RPS Adder, or some other valuation methodology is legally required. (*Id.* at p. 162, FOF 127 [finding that the proposal to address conflicting understandings of the valuation of Pre 2019 banked RECs is ripe for consideration in a rulemaking].) After thoroughly considering the legality of adopting CalCCA's proposal in Track 2 of the ERRA Rulemaking, the Commission adopted a methodology of valuing pre-2019 banked RECs that is consistent with the Decision at issue. (See *Decision Resolving Track Two Issues* (2026) [D.26-09-047] at p. 2.)

In sum, in the absence of any legal requirement to adopt the RPS Adder, the Commission's determination to adopt SCE's proposal as an interim measure is reasonable and supported by the record. CalCCA fails to show a legal requirement to adopt its RPS Adder valuation methodology.

D. CalCCA fails to show that the Decision's determination regarding pre-2019 banked RECs is not supported by adequate findings.

CalCCA alleges that the Decision's determination on pre-2019 banked RECs is not supported by adequate findings pursuant to section 1757(a)(3). (Rehg. App., at p. 37.) CalCCA asserts that the Decision errs because it does not evaluate the merits of SCE's methodology, but instead acknowledges that the Commission will take up this issue in a separate proceeding. (*Ibid.*) As such, CalCCA asserts that the Decision errs because it does not rely on the merits of SCE's methodology. (*Id.* at pp. 37-38.)

The Decision's determination to adopt SCE's proposed valuation is supported by Findings of Fact 122 through 127 as well as Conclusions of Law 14 through 15. (Decision, at pp. 161-162, 166.) Based on these findings and conclusions, the Decision finds that SCE's proposal is a reasonable interim methodology to adopt while this issue is being extensively examined in the ERRA Rulemaking.

CalCCA does not explain why these findings are inadequate pursuant to section 1757(a)(3). What CalCCA's argument really amounts to is a disagreement with the

Commission's determination to approve SCE's proposal. However, merely because the Decision does not reach the rehearing applicant's preferred findings does not equate to a legal error. (See *Order Denying Rehearing of Decision 21-03-056* (2021) [D.21-09-045], at p. 7.)

E. CalCCA fails to show that the Decision's determination regarding pre-2019 banked RECs is not supported by substantial evidence on the record.

CalCCA next alleges legal error pursuant to section 1757(a)(4), which requires that the Commission's findings be backed by substantial evidence on the record. (Rehg. App., at p. 38.) CalCCA contends that the Decision fails this test because a reasonable person could not have reached the same determination to approve SCE's proposal to approve a zero-dollar RECs value. (*Ibid.*) As support for this contention, CalCCA asserts that the Decision is "fundamentally dissonant" because – according to CalCCA it avoids wading into the record while simultaneously finding SCE's proposal reasonable. (*Id.* at p. 39.)

The burden is on the rehearing applicant to show that a reasonable person could not have reached the same conclusion. (See *Securus Technologies, LLC v. Public Utilities Com.* (2023) 88 Cal.App.5th 787, 802.) CalCCA fails to meet this burden. The Commission was presented with two proposals for valuing pre-2019 banked RECs. While D.19-10-001 modified the then-existing practice for valuing banked RECs at the time of procurement, this decision expressly states that "[t]he methods adopted in this Decision apply to RECs generated commencing January 1, 2019 and going forward." (D.19-10-001, *supra*, at p. 47, FOF 8.)

D.19-10-001 did not resolve whether the valuation methodology for RECs banked prior to this date should also be modified. In this proceeding, the Commission was thus presented with two proposals for treating pre-2019 banked RECs and opted to adopt the utility's proposal as an interim measure while the issue was being thoroughly examined, and a definitive rule formulated, in the ERRA Rulemaking. (*Ponderosa Tel. Co. v. Public Utilities Com.* (2019) 36 Cal.App.5th 999, 1013 ["[i]t is for the agency to weigh

the preponderance of conflicting evidence, and its findings are not open to attack for insufficiency if they are supported by any reasonable construction of the evidence”].)

The Decision’s approach is reasonable and CalCCA fails to show otherwise.

Further, record evidence presented to the Commission raises various issues with regard to CalCCA’s RPS Adder proposal. As summarized in the Decision, SCE raised a significant issue regarding the legality of CalCCA’s proposal with regard to maintaining indifference, and further argued that CalCCA’s RPS Adder proposal misunderstands how SCE allocates credits of banked REC, with the result being that adoption of the proposal would “misalign costs and benefits.” (Decision, at p. 107.)

Given the absence of a demonstration that the Commission was legally required to adopt CalCCA’s RPS Adder proposal, the Decision’s determination to adopt SCE’s zero-dollar value as an interim solution while these significant issues were thoroughly examined in the ERRA Rulemaking is reasonable and supported by the record.

F. CalCCA fails to show that the Decision’s pre-2019 banked RECs determination constitutes an abuse of discretion.

CalCCA asserts that the Commission has “exceeded the bounds of reason” in approving SCE’s proposed valuation method, and thus, the Decision constitutes an abuse of discretion. (Rehg. App., at p. 40.) Similar to its argument regarding a purported lack of substantial evidence, CalCCA asserts that the Commission has abused its discretion because the Decision lacks evidentiary support. (*Ibid.*)

This contention has been addressed above. The Decision explains the basis for its determination to approve SCE’s valuation method for pre-2019 banked RECs as an interim measure, while the Commission considers and formulates an industry-wide rule in the ERRA Rulemaking. The Commission’s determination is supported by findings and by the record and is particularly reasonable given the significant legal and policy issues raised by SCE during the course of this proceeding that deserve serious consideration.

III. CONCLUSION

For the reasons explained herein, CalCCA fails to show legal error in the Decision and otherwise fails to justify rehearing. As such, CalCCA's application for rehearing is denied as is CalCCA's request for oral argument. (See Rule 16.3(a) [the Commission has the discretion to determine the appropriateness of oral argument in any particular matter]; *Ordering Denying Rehearing* (2024) [D.24-06-027], at p. 12 [noting same].)

THEREFORE, IT IS ORDERED that:

1. The application for rehearing of Decision 25-12-028 is denied.
2. This proceeding is closed.

This order is effective today.

Dated October 8, 2026, at Sacramento, California.

JOHN REYNOLDS
President

DARCIE L. HOUCK
KAREN DOUGLAS
CHRISTINE HARADA
MATTHEW BAKER
Commissioners