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EXHIBIT CalCCA-06

Select Pages from Application 24-05-007, Exhibit CCA-01, *Prepared Direct Testimony of Brian Dickman on behalf of the California Community Choice Association in Southern California Edison Company's 2025 ERRR Forecast Proceeding* (Sept. 3, 2024)

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**PREPARED DIRECT TESTIMONY OF BRIAN DICKMAN
ON BEHALF OF
THE CALIFORNIA COMMUNITY CHOICE ASSOCIATION
IN SOUTHERN CALIFORNIA EDISON COMPANY'S
2025 ERRA FORECAST PROCEEDING**

PUBLIC

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1 August 2024 for delivery in 2025 and will be calculated as a single \$/kW price each month.
2 Because SOD compliance is not effective until 2025, it is not clear whether current market
3 prices for RA reflect LSE needs under the existing RA framework or a SOD model.
4 Furthermore, Energy Division will likely need to gather more transactional data than it
5 currently does to understand and quantify the impact of SOD in the market, including
6 whether RA prices vary based on the underlying resource technologies. Without answers
7 to questions like these, SCE’s proposal is premature.

8 **A. Changes to the PCIA framework are not permitted in individual IOU ERRA**
9 **Forecast proceedings.**

10 The Commission and stakeholders have spent considerable time and effort
11 evaluating the SOD framework and preparing for binding implementation in 2025. The
12 Commission, however, has not addressed how—or if—the SOD framework should impact
13 the PCIA framework. While the Commission has approved SOD implementation for RA
14 compliance purposes, it has not provided direction regarding changes that may be required
15 to incorporate RA compliance changes into the PCIA to ensure RA continues to be valued
16 appropriately under SOD.

17 In my experience, the Commission generally does not allow policymaking in
18 ERRA Forecast cases.²⁸ Proposals to change the PCIA ratemaking framework are first
19 reviewed in other proceedings, such as a rulemaking, so that all interested parties have an
20 opportunity to evaluate and respond to those proposals. Because SOD RA compliance
21 applies equally to SCE, Pacific Gas & Electric Company (**PG&E**), and San Diego Gas &
22 Electric Company (**SDG&E**), changes to the PCIA framework must be applied

²⁸ See, e.g., D.18-01-009 at 10 (January 11, 2018) (finding that policy issues are properly addressed in other dockets); see also *id.* at 14, Conclusion of Law (COL) 2 and OP 2 (denying PG&E’s request to modify its line loss calculation).

1 consistently to all three. The simplest way to ensure consistent application will be to adopt
2 the same methodology for all three IOUs in a proceeding in which all three IOUs participate
3 and demonstrate the impact of SOD on their RA compliance.

4 SCE, PG&E, and SDG&E have all signaled in their ERRA Forecasts that they
5 believe SOD will impact how RA value should be calculated for the PCIA, but the three
6 IOUs are not on the same page regarding how or when it should be implemented. In its
7 Supplemental Testimony, SCE proposes a new calculation to determine the MW quantity
8 of RA each resource contributes toward meeting SCE’s SOD compliance requirements. On
9 the other hand, PG&E included testimony with its 2025 ERRA Forecast indicating it
10 anticipates SOD will impact the RA MPBs and recommending the RA MPB be evaluated
11 in a statewide proceeding.²⁹ PG&E’s testimony states the following related to SOD:

12 Because Slice-of-Day impacts the 2025 RA compliance year, **it is not yet**
13 **known what the full impact on the RA market will be and associated**
14 **RA MPBs**; however, one can reasonably conclude that the basic concept of
15 “a MW is not a MW” to carry over to how RA is priced and how many
16 volumes are transacted. For example, RA from storage may trade at a
17 premium to other types of RA since it can be moved around to meet load in
18 any hour of the day compared to a less flexible generation profile such as a
19 solar resource. Similarly, a resource that can be used for all 24 hours of an
20 RA requirement may be more valuable than a resource with a more limited
21 hourly generation profile. If, indeed, the result of the Slice-of-Day
22 implementation is different valuation for different resource types, then it
23 would no longer be appropriate to value all RA in PG&E’s PCIA-eligible
24 portfolio at a single RA MPB.³⁰

25 SDG&E, for its part, acknowledged in its testimony that SOD RA compliance has been
26 adopted by the Commission but that no changes to the PCIA methodology have been
27 approved. SDG&E’s testimony states:

28 D.22-06-050 adopted a 24-hour slice of day (“SOD”) approach to RA
29 program requirements. It is possible that in the future, the PCIA

²⁹ A.24-05-009, PG&E Prepared Testimony, page 2-17 lines 7-10.

³⁰ *Id.* at page 2-14 line 18 through page 2-15 line 3 (emphasis added).

1 methodology for RA may need to be changed to accommodate the SOD
2 approach. At the time of this filing, however, **no changes to the PCIA RA**
3 **methodology for SOD have been discussed in front of the Commission,**
4 **and therefore no changes have been approved.** SDG&E is therefore
5 making no such changes to the PCIA methodology for RA in this filing, and
6 the methodology is consistent with prior years' filings.³¹

7 In sum, of the three IOUs, one proposes to adjust RA quantity (SCE), one believes the RA
8 price will need to be adjusted and recommends further review (PG&E), and one says it is
9 waiting for Commission approval to change the PCIA methodology (SDG&E).

10 The final answer to the question of what impacts SOD will have on the PCIA
11 framework may be a combination of modifications to how to forecast the RA quantity and
12 price, but the Commission, the three IOUs, and other interested parties including CalCCA
13 should conduct further analysis before reaching a conclusion. In fact, even SCE seems to
14 agree that further Commission action is required. In discovery, SCE explained that it did
15 not propose changes to the RA MPB in this case because any change “would require action
16 by the Commission that cannot reasonably occur prior to the setting of 2025 forecast
17 rates.”³² The same logic should apply to SCE’s proposals setting forth a change to the
18 forecasted quantity of RA capacity within SCE’s PCIA-eligible resource portfolio.

19 The Commission should defer consideration of SCE’s proposed modifications to
20 the PCIA RA methodology to a rulemaking. The Commission should not decide on a
21 precedential ratemaking policy likely to affect all three IOUs without evaluating the
22 application and impacts of that policy in PG&E and SDG&E service territories. Addressing
23 SOD in individual ERRA Forecasts will inevitably lead to inconsistent changes to the
24 common PCIA framework, decreasing the transparency of the PCIA rate calculation and

³¹ A.24-05-010, SDG&E Prepared Direct Testimony of Sheri Miller, page SM-6 lines 3-9 (emphasis added).

³² SCE response to CalCCA 6.06.

1 reducing the comparability of PCIA rates between IOUs. To avoid this outcome, CalCCA
2 recommends the Commission first establish a process to evaluate the impact of SOD RA
3 compliance on the PCIA framework as applicable to SCE, PG&E, and SDG&E. After
4 completing that evaluation, each IOU should consistently implement the resulting
5 Commission directives in their individual ERRA Forecast proceedings. That is the process
6 the Commission has followed in the past and should follow again here.

7 **B. SCE’s proposal is not consistent with the approved PCIA framework.**

8 The Commission has modified the PCIA framework over time to update how RA
9 attributes are included and valued in the Indifference Amount. For example, in D.11-12-
10 018 the Commission updated “[t]he capacity adder in the MPB [to use] the Net Qualifying
11 Capacity of the utility electric supply portfolio and the most recent California Energy
12 Commission estimate of the going forward costs of a combustion turbine.”³³ In D.18-10-
13 019 the Commission updated the methodology for setting the price for RA from “the going
14 forward costs of a combustion turbine” to today’s RA Adder. It also determined the market
15 value of SCE’s capacity resources should be calculated as ‘NQC V x RA Adder’ where
16 ‘NQC V’ is the net qualifying capacity of RA resources in a PCIA vintage year.³⁴ And in
17 D.19-10-001 the Commission established that Forecast Retained RA equals the ‘Final RA
18 Allocations’ multiplied by the Forecast RA Adder, as defined in that decision.³⁵ Final RA
19 Allocations refers to the final NQC of generation resources available in an IOU resource
20 portfolio published by CAISO annually.³⁶

³³ D.11-12-018 at OP 8; *see also id.* at 30, Finding of Fact 14, COL 5, and OP 5.

³⁴ D.18-10-019 at OP 1, OP 2, COL 4 and Appendix 1.

³⁵ D.19-10-001 at OP 2, Attachment B, Table II.

³⁶ *Id.* at 41.

1 [REDACTED]. SCE did not explain why [REDACTED]

2 [REDACTED]

3 [REDACTED] And because SCE makes no adjustment to the RA Adder MPB, [REDACTED]

4 [REDACTED]

5 [REDACTED].

6 **2. Changes to RA quantity should be reviewed together with RA prices.**

7 SCE explains in testimony that it does not assume any changes to the MPB price
8 used to value RA for SOD compared to the current single hour RA compliance
9 framework.⁴⁸ Effectively, SCE’s approach treats the value of RA capacity in each hour of
10 the day as if it is worth the same. However, SCE also states in testimony, “the requirement
11 for RA compliance in each hour of the day implies the possibility of an hourly structured
12 RA price. This is because higher RA requirements in certain hours can lead to higher RA
13 price in those hours.”⁴⁹ When asked in discovery why SCE proposes no change to the RA
14 price or MPB, SCE responded that “developing an hourly RA price structure is a complex
15 process due to the absence of an hourly RA trading market to inform the hourly shape,
16 which would likely require a fundamental study to establish” and “additional changes
17 would also likely be needed to the Commission-issued market price benchmarks, which
18 would require action by the Commission that cannot reasonably occur prior to the setting
19 of 2025 forecast rates.”⁵⁰

20 Hourly prices have no relevance to a resource with a flat generation profile, but
21 hourly prices will affect the value of resources that are able to provide capacity only during

⁴⁸ SCE-04C at 7:20-21.
⁴⁹ *Id.* at 8:3-5.
⁵⁰ SCE response to CalCCA 6.05 and 6.06.

1 specific hours of the day (e.g., solar) or that require capacity to charge before they can
2 discharge (e.g., battery storage). However, there is insufficient data available to know what
3 changes may be required to the RA Adder MPB or the quantity applied to the MPB. For
4 example, SCE indicated in discovery that it has not yet developed an hourly RA price curve
5 for 2025 but may potentially develop one for future years pending developments of SOD
6 implementation.⁵¹

7 Moreover, SCE’s proposal discounts the quantity of RA provided by energy storage
8 which results in a discounted RA value when the quantity is applied to the single monthly
9 RA Adder MPB. However, in the block quote above, PG&E’s ERRRA Forecast testimony
10 states that in an SOD compliance framework RA from storage *may trade at a premium* to
11 other types of RA since it can be moved around to meet load in any hour of the day
12 compared to a less flexible generation profile such as a solar resource. SCE’s adjustment
13 to discount the value of RA from energy storage does not make sense if PG&E is correct,
14 and the market ends up placing a premium on storage RA.

15 In sum, SCE proposes to modify the calculation of RA value in the PCIA by
16 calculating RA quantity on a more granular basis but without making price more granular.
17 However, both price and quantity should be evaluated at the same time. Attempting to
18 ‘normalize’ the RA quantity into a single 24-hour average monthly MW capacity ignores
19 the intra-day value differences in an hourly RA compliance scheme.

20 **3. The Commission should take the time needed to ensure changes to the**
21 **PCIA framework represent the best ratemaking approach.**

22 On a practical level, SCE's SOD proposal presented in its Supplemental Testimony
23 has a small effect on the 2025 Indifference Amount in this case, and SCE’s proposed rates

⁵¹ SCE response to CalCCA 6.08.

1 changed only slightly.⁵² In fact, SCE's proposed changes for SOD RA capacity actually
2 reduce the overall Indifference Amount to the benefit of CalCCA members' customers.
3 Thus, SCE has identified no substantial cost shift that drives the need for an urgent change
4 to the PCIA methodology from the Commission.

5 Instead, the Commission should take its time. While the net impact is small for
6 SCE's ERRA Forecast, that outcome is due to the net effect of many moving pieces, and
7 SCE's proposal might not have the same effect if implemented for PG&E and SDG&E
8 whose resource portfolios comprise different mixes of baseload, intermittent, and storage
9 resources. It is important the Commission weigh the impact of SCE's proposal in other
10 service territories, especially because this is not simply a forecasting issue that will work
11 itself out when actual results are recorded to the ERRA and PABA balancing accounts.
12 That is, next year's true-up will not fix any errors in this year's forecast.

13 Also cautioning against moving quickly is the fact parties have had little time to
14 test SCE's methodology. The Commission took four years to develop its SOD compliance
15 framework, and another year to test it. After the Commission issued D.24-06-004
16 confirming SOD RA compliance will be binding in 2025, SCE waited almost two months
17 to submit its proposal in Supplemental Testimony on August 16, 2024, and SCE's
18 testimony itself acknowledges the utility is still working on finalizing its approach.⁵³ Due
19 to the expedited nature of this proceeding, intervenors like CalCCA have had only two
20 weeks to issue discovery, review that discovery, and then draft testimony on this issue.
21 CalCCA endeavored to complete that large task in the time available. It submitted two sets

⁵² SCE-04C at 22. Note that the rates in SCE's Supplemental Testimony also include minor updates to unrelated to the SOD proposal.

⁵³ See, e.g., *id.* at 1:9-11.

1 of discovery on the two business days (August 19 and 20) immediately following the
2 business day SCE’s testimony was filed (August 16). While SCE began providing
3 responses on August 23, it objected to providing some of the requested information. The
4 two parties were able to resolve some of their discovery disputes, but CalCCA did not
5 receive responses to all of its SOD-specific discovery until August 29, just two business
6 days before the due date for CalCCA’s testimony; and even then, the gaps and questions
7 discussed in this testimony remain. Simply put, this is not the sort of process that begets
8 good ratemaking, and the Commission should defer consideration of SCE’s proposal to a
9 rulemaking proceeding.

10 **IV. SCE’S CALCULATION OF THE 2025 PCIA REVENUE REQUIREMENT**

11 During its review of SCE’s testimony and workpapers supporting its calculation of
12 the 2025 PCIA revenue requirement CalCCA discovered several errors and issues that
13 require adjustment. Addressing these issues will ensure the PCIA rates are correctly stated
14 and based on Commission-approved cost recovery methods.

15 **A. SCE should increase the amount of RA it forecasts it will sell in 2025.**

16 SCE’s 2025 Indifference Amount includes the projected value of its RA capacity
17 from its PCIA-eligible resources. RA capacity is defined in D.18-10-019 to reflect three
18 different types of RA: system, local, and flexible.⁵⁴ To forecast the value of its PCIA-
19 eligible RA capacity, SCE forecasts three different outcomes for that capacity.

20 First, SCE forecasts its Retained RA. SCE is required to retain sufficient RA
21 capacity to meet its compliance obligations on behalf of bundled customers. For 2025, SCE
22 calculated its month-ahead RA position based on its RA requirements and the available

⁵⁴ D.18-10-019 at 74.