

**PUBLIC UTILITIES COMMISSION**

505 VAN NESS AVENUE



May 18, 2022

**Advice Letters 5973, AL 5973-E-A**

Erik Jacobson  
Director, Regulatory Relations  
Pacific Gas and Electric Company  
77 Beale Street, Mail Code B10C  
P.O. Box 770000  
San Francisco, CA 94177

**SUBJECT: Establishing a Prepayment Framework for the Power Charge Indifference  
Adjustment in Compliance with Decisions 18-10-019 and 20-08-004.**

Dear Mr. Jacobson:

Advice Letters 5973, AL 5973-E-A is effective as of March 21, 2022, per Resolution E-5134 ordering paragraphs.

Sincerely,

A handwritten signature in cursive script, appearing to read "Pete Skala".

Pete Skala  
Interim Deputy Executive Director for Energy and Climate Policy/  
Interim Director, Energy Division, CPUC



**Sidney Bob Dietz II**  
Director  
Regulatory Relations

Pacific Gas and Electric Company  
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P.O. Box 770000  
San Francisco, CA 94177

Fax: 415-973-3582

August 13, 2021

**Advice 5973-E-A**

Pacific Gas and Electric Company (U 39 E)

Public Utilities Commission of the State of California

**Subject: Supplemental: Establishing a Prepayment Framework for the Power Charge Indifference Adjustment in Compliance with Decisions 18-10-019 and 20-08-004**

**Purpose**

Pacific Gas and Electric Company (PG&E) hereby submits this supplemental advice letter in response to direction provided by the California Public Utilities Commission's (Commission) Energy Division regarding the establishment of a prepayment request processing framework pursuant to Ordering Paragraph (OP) 6 of Decision (D.) 20-08-004 (the Prepayment Decision). Specifically, this supplemental advice letter provides additional details regarding PG&E's proposed (1) negotiating and processing deposit and (2) framework for potential prepaying customers (Prepayment Requestors) to demonstrate their financial viability to prepay their entire Power Charge Indifference Adjustment (PCIA) obligation.

**Background**

In D.18-10-019, the Commission ordered further development of a PCIA prepayment option in Phase 2 of Rulemaking (R.) 17-06-026 and directed the investor-owned utilities (IOU) to submit any prepayment agreements for Commission approval via an Application. On August 12, 2020, the Commission issued the Prepayment Decision, adopting the Working Group 2 consensus guiding principles, except for the partial prepayment principle, and the consensus framework of the PCIA prepayment agreements. In accordance with the Prepayment Decision, PG&E, Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) (collectively, the IOUs) submitted Tier 2 advice letters on October 12, 2020 proposing a prepayment request processing framework.

On May 5 and June 9, 2021, Energy Division staff hosted workshops (collectively, the Workshops) to determine the reasonableness of the IOUs' proposals for: (1) ensuring seriousness and financial viability of Prepayment Requestors and (2) providing for cost recovery of the actual administrative and negotiating costs incurred by the IOUs. While workshop participants generally acknowledged that ensuring seriousness and financial

viability is important, some workshop participants contended that the proposed cash deposit to demonstrate seriousness and financial viability, in lieu of a credit screening and equal to 24 months of a Prepayment Requestor's historical PCIA obligation, is without merit. Similarly, while parties did not protest the Prepayment Decision's order that Prepayment Requestors bear cost responsibility for the administrative and negotiating costs incurred by the IOUs, some workshop participants opposed the IOUs' proposals to recover those costs through the cash deposit intended to demonstrate seriousness and financial viability.<sup>1</sup> Additionally, some workshop participants raised the concern that uncertainty surrounding the magnitude of the administrative and negotiating costs associated with prepayment of the PCIA may present a barrier to some parties pursuing and completing prepayment negotiations.

In response to these discussions at the Workshops, Energy Division staff requested the IOUs to supplement their originally submitted advice letters in order to: (1) provide an estimate of costs the IOUs expect to incur during prepayment negotiations and (2) provide additional details on the proposed financial viability screening for Prepayment Requestors to prepay their entire PCIA obligation.

### **Summary of PG&E's Prepayment Request Processing Framework**

In Advice 5973-E, PG&E proposed an annual PCIA prepayment request processing framework based on standard solicitation processes and structured to balance opportunity, administrative burden, and risk for all parties. PG&E believes the wholly new nature of PCIA prepayment requests, and the significant incremental workload it expects to incur to process prepayment requests, justifies significant caution until more experience is gained by all parties. Consequently, PG&E proposed negotiating with a maximum of ten direct access (DA) customers and two community choice aggregators (CCAs) during the first year of implementation. In the event that more than ten DA customers and two CCAs request to prepay their entire PCIA obligation, PG&E proposed selecting parties to move into the negotiating phase by utilizing a prioritization queue.<sup>2</sup>

Additionally, PG&E proposed requiring potential prepaying customers to provide a Negotiating and Processing (N&P) Deposit, equal to 24 months of a Prepayment Requestor's historical PCIA obligation, in lieu of a more traditional credit and risk screening mechanism.<sup>3</sup> While the N&P Deposit was proposed primarily to ensure parties pursuing a PCIA prepayment are doing so in good faith and are financially capable of prepaying their entire PCIA obligation, PG&E proposed recovering any

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<sup>1</sup> PG&E Advice 5973-E, p. 6.

<sup>2</sup> *Id.*, pp. 3-4.

<sup>3</sup> *Id.*, pp. 4-5.

administrative and negotiating costs from the N&P Deposit given the uncertainty surrounding the expected costs to be incurred by PG&E.

In Section A of this supplemental advice letter, PG&E provides additional details regarding the expected administrative and negotiating costs to be incurred as part of any prepayment request. In Section B of this supplemental advice letter, PG&E proposes to modify its proposed framework submitted in Advice 5973-E for potential prepaying customers to demonstrate their financial viability to prepay their entire PCIA obligation.

### **Modifications to PG&E's Prepayment Request Processing Framework**

#### **A. Pay-As-You-Go**

In Advice 5973-E, PG&E described a framework for recovering the actual administrative and negotiating costs incurred by PG&E from the proposed N&P Deposit. This framework was designed to promote administrative simplicity and ensure that non-prepaying customers do not experience a cost shift as a result of PCIA prepayment requests, consistent with the Prepayment Decision and statutory requirements.<sup>4</sup> Considering these requirements and the concerns presented by participants during the Workshops, PG&E proposes modifying the mechanism by which administrative and negotiating costs will be recovered.

Rather than recover the actual administrative and negotiating costs incurred by PG&E from the proposed N&P Deposit, PG&E proposes to calculate the actual costs on a regular basis and invoice the Prepayment Requestor with payment being due the following month. This process will continue until PG&E and the Prepayment Requestor finalize negotiations, or the Prepayment Requestor elects to terminate the prepayment negotiations. This approach is intended to provide the Prepayment Requestor with a near-real-time tally of expenses associated with the prepayment negotiations and enable them to evaluate the negotiation status and make business decisions, while ensuring non-prepaying customers are kept indifferent.

In the section below, PG&E provides an estimate of hours required to administer and negotiate a potential PCIA prepayment obligation.

#### 1. Estimate of Hours Required to Administer and Negotiate a PCIA Prepayment Obligation

Table 1 identifies the tasks and associated hours that PG&E expects to be required to administer and negotiate a potential PCIA prepayment obligation. The tasks identified

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<sup>4</sup> D.20-08-004, Conclusion of Law 11.

are an expectation based on professional experience and judgment with other procurement-based workstreams. Due to the fact that PCIA prepayments are entirely new, it is reasonable to expect that PG&E will carry out unexpected tasks not identified in the table below. Similarly, the estimated hours represent an approximation based on professional experience and judgment and are associated with a significant degree of uncertainty. Absent parties' experience with this nascent PCIA prepayment framework, PG&E believes this estimate can provide CCAs and DA customers with a reasonable expectation of the scale of work required by parties to complete PCIA prepayment negotiations.<sup>5</sup> Additionally, PG&E's labor costs using an estimated average fully loaded (baseline salary plus overhead) employee rate of \$114 an hour can be used for reference; however, this estimated average should not be interpreted as providing cost certainty.

**TABLE 1  
ESTIMATED HOURS REQUIRED FOR PREPAYMENT NEGOTIATIONS BY STAGE AND TASK**

<u>Stage</u>	<u>Task</u>	<u>Hours (If Fully Subscribed)</u>	<u>Hours Per Negotiating Party</u>
Pre-Negotiation	Deposit Processing	6 hours	0.5 hours
	Confidentiality Assessment	2,560 hours	213 hours
	Training	1,280 hours	107 hours
	Calculate Risk Premium	176 hours	14.5 hours
	Calculate Prepayment Obligation	500-1,000 hours	42-84 hours
Negotiation	Negotiations	1,920-5,760 hours	160-480 hours
Application Development	Application Preparation	NA	160 hours
	Legal Review		300 hours
	Case Management		300 hours
	Case Coordination		150 hours
	Witness Preparation		1,000 hours
<b>Total</b>			<b>2,447-2,809 hours</b>

This list is subject to change and will be updated as necessary based on experience gained and as may be required for specific parties or circumstances. PG&E will review

<sup>5</sup> Hourly estimates enumerated assume that the prepayment lottery will be fully subscribed. In other words, where it was only feasible to provide an estimate of hours per prepayment cycle, the per party estimate was calculated by dividing the per cycle estimate by twelve. Additionally, estimates for the Application Development stage were developed on a per Application basis assuming that one Application would be filed containing a negotiated agreement with one party. Consistent with PG&E's Advice 5973-E and D.20-08-004, PG&E will endeavor, where possible, to include multiple negotiated agreements in one Application. However, it is presently unclear how and to what degree that will impact hours required for Application Development. While it is likely that including multiple negotiated agreements will decrease the hours required per party, PG&E is not presently able to quantify any potential effects.

the prepayment process for effectiveness, apply lessons learned, and make changes as necessary to increase efficiency and improve the administration of PCIA prepayment requests and negotiations.<sup>6</sup>

## **B. Mechanism to Demonstrate Financial Viability to Prepay the PCIA Obligation**

In Advice 5973-E, PG&E proposed requiring a Prepayment Requestor to provide a N&P Deposit equivalent to 24 months of the prepaying customer's PCIA obligation, in lieu of conducting a traditional credit screening.<sup>7</sup> Additionally, PG&E proposed that the N&P Deposit would also be used to recover the actual administrative and negotiating costs incurred by PG&E during the negotiating window. In response to concerns presented by participants to the Workshops, PG&E will no longer recover the actual administrative and negotiating costs from Prepaying Requestors through the N&P Deposit. Instead, PG&E proposes a Pay-As-You-Go mechanism as outlined above. However, PG&E continues to support a mechanism to ensure that parties pursuing PCIA prepayment are doing so in good faith and are financially capable of prepaying their entire PCIA obligation.

Notably, in the Prepayment Decision, the Commission determined that "a viability screen may be necessary to determine serious interest and viability of parties interested in a prepayment agreement; and going beyond the standard due diligence may be necessary in some instances" and ordered the IOUs to provide the criteria and metrics by which a potential Prepayment Requestor will be evaluated should the IOU use a viability screen.<sup>8</sup> Accordingly, PG&E proposes a mechanism by which financial viability will be based solely on whether Prepayment Requestors provide the required Seriousness and Viability (S&V) Deposit. PG&E will require potential Prepayment Requestors to provide a S&V Deposit to PG&E, in the form of cash or letter of credit, prior to PG&E commencing negotiations with the Prepayment Requestor.<sup>9</sup>

In response to some workshop participants' concerns, PG&E is proposing to lower the S&V Deposit amount from 24 months to 12 months of historical PCIA obligation. PG&E believes this is a reasonable compromise while still providing an equitable and

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<sup>6</sup> Advice 5973-E, p. 9.

<sup>7</sup> *Id.*, pp. 5-6.

<sup>8</sup> D.20-08-004, p. 19.

<sup>9</sup> The Letter(s) of Credit must be one or more irrevocable, non-transferable standby letters of credit issued by a U.S. commercial bank or a foreign bank with a U.S. branch with such bank having a Credit Rating of at least A- from S&P and A3 from Moody's if rated by both rating agencies; or at least A- from S&P or A3 from Moody's if rated by either S&P or Moody's but not both rating agencies. The Letter(s) of Credit must be in a form acceptable to the IOU in its sole discretion.

transparent mechanism for ensuring that parties pursuing prepayment enter into negotiations with serious intent and with the necessary wherewithal to provide the potentially significant amount of PCIA prepayment. Ensuring seriousness and financial viability is a crucial concern. Firstly, the teams at PG&E responsible for administering PCIA prepayment negotiations are also responsible for system reliability procurement and other mandated procurement vital to ensuring California's customers continue to receive clean, reliable, and affordable electric service. PG&E believes its modified proposal to include an S&V Deposit will ensure that parties pursuing PCIA prepayment are doing so in good faith and are financially capable of prepaying their entire PCIA obligation.

PG&E determined the appropriateness of the S&V Deposit amount following a careful analysis and review of its PCIA portfolio. That analysis showed that the proposed S&V Deposit amount would be less than ten percent of a Prepaying Requestor's entire PCIA obligation or less than a single payment under a five-year levelized PCIA prepayment plan. Considering this, if a Prepaying Requestor cannot demonstrate the financial capability to provide less than ten percent of its entire PCIA obligation through the S&V Deposit, PG&E has serious concerns that the same Prepaying Requestor would have the ability to meet even its first PCIA prepayment – approximately 20 percent of its entire PCIA obligation under a five-year payment plan.

### Protests

**\*\*\*Due to the COVID-19 pandemic, PG&E is currently unable to receive protests or comments to this advice letter via U.S. mail or fax. Please submit protests or comments to this advice letter to [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov) and [PGETariffs@pge.com](mailto:PGETariffs@pge.com)\*\*\***

Anyone wishing to protest this submittal may do so by letter sent via U.S. mail, facsimile or e-mail, no later than September 2, 2021, which is 20 days after the date of this submittal. Protests must be submitted to:

CPUC Energy Division  
ED Tariff Unit  
505 Van Ness Avenue, 4<sup>th</sup> Floor  
San Francisco, California 94102

Facsimile: (415) 703-2200  
E-mail: [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest shall also be sent to PG&E either via e-mail or U.S. mail (and by facsimile, if possible) at the address shown below on the same date it is mailed or delivered to the Commission:

Sidney Bob Dietz II  
Director, Regulatory Relations  
c/o Megan Lawson  
Pacific Gas and Electric Company  
77 Beale Street, Mail Code B13U  
P.O. Box 770000  
San Francisco, California 94177

Facsimile: (415) 973-3582  
E-mail: PGETariffs@pge.com

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order 96-B, Section 7.4). The protest shall contain the following information: specification of the advice letter protested; grounds for the protest; supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (General Order 96-B, Section 3.11).

### **Effective Date**

PG&E respectfully requests that this Tier 2 supplemental advice letter become effective upon approval of Advice 5973-E.

### **Notice**

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the parties on the service list for R.17-06-026. Address changes to the General Order 96-B service list should be directed to PG&E at email address PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process\_Office@cpuc.ca.gov. Send all electronic approvals to PGETariffs@pge.com. Advice letter submittals can also be accessed electronically at: <http://www.pge.com/tariffs/>.

/S/

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Sidney Bob Dietz II  
Director, Regulatory Relations

cc: Service List R.17-06-026



# ADVICE LETTER SUMMARY

## ENERGY UTILITY



MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.: Pacific Gas and Electric Company (ID U39E)

Utility type:

- ELC       GAS       WATER  
 PLC       HEAT

Contact Person: Kimberly Loo

Phone #: (415)973-4587

E-mail: PGETariffs@pge.com

E-mail Disposition Notice to: KELM@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric      GAS = Gas      WATER = Water  
 PLC = Pipeline      HEAT = Heat

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #: 5973-E-A

Tier Designation: 2

Subject of AL: Supplemental: Establishing a Prepayment Framework for the Power Charge Indifference Adjustment in Compliance with Decisions 18-10-019 and 20-08-004

Keywords (choose from CPUC listing): Compliance

AL Type:  Monthly  Quarterly  Annual  One-Time  Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #: D.18-10-019 and D.20-08-004

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL:

Confidential treatment requested?  Yes  No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information:

Resolution required?  Yes  No

Requested effective date: 11/11/20

No. of tariff sheets:

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed<sup>1</sup>: N/A

Pending advice letters that revise the same tariff sheets: N/A

<sup>1</sup>Discuss in AL if more space is needed.

**Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this submittal, unless otherwise authorized by the Commission, and shall be sent to:**

CPUC, Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, CA 94102  
Email: [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)

Name: Sidney Bob Dietz II, c/o Megan Lawson  
Title: Director, Regulatory Relations  
Utility Name: Pacific Gas and Electric Company  
Address: 77 Beale Street, Mail Code B13U  
City: San Francisco, CA 94177  
State: California Zip: 94177  
Telephone (xxx) xxx-xxxx: (415)973-2093  
Facsimile (xxx) xxx-xxxx: (415)973-3582  
Email: [PGETariffs@pge.com](mailto:PGETariffs@pge.com)

Name:  
Title:  
Utility Name:  
Address:  
City:  
State: District of Columbia Zip:  
Telephone (xxx) xxx-xxxx:  
Facsimile (xxx) xxx-xxxx:  
Email:

**PG&E Gas and Electric  
Advice Submittal List  
General Order 96-B, Section IV**

AT&T  
Albion Power Company

Alta Power Group, LLC  
Anderson & Poole

Atlas ReFuel  
BART

Barkovich & Yap, Inc.  
California Cotton Ginners & Growers Assn  
California Energy Commission

California Hub for Energy Efficiency  
Financing

California Alternative Energy and  
Advanced Transportation Financing  
Authority  
California Public Utilities Commission  
Calpine

Cameron-Daniel, P.C.  
Casner, Steve  
Cenergy Power  
Center for Biological Diversity

Chevron Pipeline and Power  
City of Palo Alto

City of San Jose  
Clean Power Research  
Coast Economic Consulting  
Commercial Energy  
Crossborder Energy  
Crown Road Energy, LLC  
Davis Wright Tremaine LLP  
Day Carter Murphy

Dept of General Services  
Don Pickett & Associates, Inc.  
Douglass & Liddell

East Bay Community Energy Ellison  
Schneider & Harris LLP Energy  
Management Service  
Engineers and Scientists of California

GenOn Energy, Inc.  
Goodin, MacBride, Squeri, Schlotz &  
Ritchie

Green Power Institute  
Hanna & Morton  
ICF

IGS Energy  
International Power Technology  
Intestate Gas Services, Inc.  
Kelly Group  
Ken Bohn Consulting  
Keyes & Fox LLP  
Leviton Manufacturing Co., Inc.

Los Angeles County Integrated  
Waste Management Task Force  
MRW & Associates  
Manatt Phelps Phillips  
Marin Energy Authority  
McKenzie & Associates

Modesto Irrigation District  
NLine Energy, Inc.  
NRG Solar

OnGrid Solar  
Pacific Gas and Electric Company  
Peninsula Clean Energy

Pioneer Community Energy

Public Advocates Office

Redwood Coast Energy Authority  
Regulatory & Cogeneration Service, Inc.  
SCD Energy Solutions  
San Diego Gas & Electric Company

SPURR  
San Francisco Water Power and Sewer  
Sempra Utilities

Sierra Telephone Company, Inc.  
Southern California Edison Company  
Southern California Gas Company  
Spark Energy  
Sun Light & Power  
Sunshine Design  
Tecogen, Inc.  
TerraVerde Renewable Partners  
Tiger Natural Gas, Inc.

TransCanada  
Utility Cost Management  
Utility Power Solutions  
Water and Energy Consulting Wellhead  
Electric Company  
Western Manufactured Housing  
Communities Association (WMA)  
Yep Energy