

PUBLIC UTILITIES COMMISSION

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October 25, 2021

Advice Letter 6305-E

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SUBJECT: Joint Tier 2 Advice Letter of Southern California Edison Company, Pacific Gas and Electric Company, and San Diego Gas & Electric Company to Propose Load Forecasting and Renewables Portfolio Standard Methodologies for Voluntary Allocation of the RPS Attributes of the Power Charge Indifference Adjustment Eligible Portfolio

Dear Sidney Bob Dietz II,

Advice Letter 6305-E is partially approved as of 10/25/2021.

Background

The California Public Utilities Commission (CPUC) opened Rulemaking (R.) 17-06-026 on June 26, 2017, to review, revise and consider alternatives to the Power Charge Indifference Adjustment (PCIA). Phase 2 in the Rulemaking included a working group process on portfolio optimization of the investor-owned utilities' (IOUs) Renewables Portfolio Standard (RPS) portfolios. The final Decision on Phase 2 in the PCIA proceeding, Decision (D.) 21-05-030 (Decision), was issued on May 24, 2021.

The Decision authorizes the IOUs to hold a one-time Voluntary Allocation process to allocate a portion of the IOUs' PCIA-eligible RPS portfolios to non-IOU load-serving entities (LSEs).¹ The Decision requires the IOUs to jointly file a Tier 2 Advice Letter to propose a methodology for calculating potential Voluntary Allocation shares based on vintaged, annual load forecasts and a methodology for dividing their RPS portfolios into shares to be allocated.

On August 23, 2021, the IOUs submitted joint Tier 2 Advice Letters requesting approval of an RPS Voluntary Allocation methodology, pursuant to Ordering Paragraph 7 of D.21-05-030. In the Tier 2 Advice Letters, the IOUs propose a Load Forecasting and Voluntary Allocation methodology to non-IOU LSEs. The IOUs also propose that any allocated Renewable Energy Credits (RECs) retain the

¹ Non-IOU load serving entities (LSEs) include Community Choice Aggregators (CCAs) and Electric Service Providers (ESPs).

IOUs' expected RPS Portfolio Content Category (PCC) classification² for compliance with RPS requirements.

Protests

On September 13, 2021, the Alliance for Retail Energy Markets (AREM), California Community Choice Association (CalCCA), Public Advocates Office, and Shell Energy North America (Shell) timely filed protests to the Joint IOUs' Advice Letters 4569-E/6305-E/3835-E.

CalCCA's protest asserts that the CPUC should limit its approval of the Advice Letters to the scope defined in D.21-05-030 related to the methodologies for calculating Voluntary Allocation shares based on load forecasts and for dividing the IOUs' RPS portfolios into shares to be allocated. CalCCA argues that the Advice Letter goes beyond what is required in the Decision and urges Energy Division to defer any extraneous issues raised in the Advice Letter to the RPS proceeding (R.18-07-003).

Public Advocates Office argues that the CPUC should reject the IOUs' proposal to allow allocated RECs to retain the IOUs' expected RPS PCC classification. Public Advocates Office asserts that the IOUs' proposal is inconsistent with Public Utilities Code §399.16(c), D.11-12-052 and D.12-06-038. Like CalCCA, Public Advocates Office states that the PCC proposal is contrary to CPUC direction because it is outside of the scope of Ordering Paragraph 7 of D.21-05-030 and should be addressed in the RPS proceeding.

Similar to Public Advocates Office, AREM's protest asserts that the IOUs' proposed PCC classification modifications are derived from Public Utilities Code § 399.16(d), which only applies to IOU RPS contracts executed prior to June 1, 2010.³ AREM describes stakeholder confusion during the Joint IOU workshop regarding the manner in which PCC 0 RECs are utilized by LSEs for RPS compliance. AREM notes that PCC 0 RECs are not equivalent to PCC 1 RECs and should not be treated as such in the Voluntary Allocation. AREM also asserts that the IOUs should Meet and Confer with ESPs prior to setting final allocation shares to ensure that the load forecast data for ESPs is accurate. AREM requests that the IOU should provide additional data to ESPs prior to a Meet and Confer process, including: a list of customers the IOU believes the ESP serves, account numbers for customers, and PCIA vintages, forecasted load and metered usage data for each account.

Lastly, Shell and AREM assert that the Joint IOU Advice Letters should be amended to include the IOUs in the allocation process and state that the IOUs should be required to accept or reject an allocation from their own portfolios. AREM and Shell argue that D.21-05-030 does not distinguish between IOU and non-IOU LSEs, so the IOUs should participate in the VAMO under the same terms and conditions as non-IOU LSEs.

Joint IOUs' Response

The Joint IOUs timely responded to the four protests on September 20, 2021 and urged the CPUC to reject these protests.

In the Joint IOU Response, the IOUs argue that contrary to Public Advocates Office's assertions, the PCC classification proposal does not conflict with D.21-05-030 or other CPUC decisions regarding

² See Public Utilities Code § 399.16(b), § 399.16(c)(3) and D.11-12-052, Decision Implementing Portfolio Content Categories.

³ RECs derived from RPS procurement contracts executed by the IOUs prior to June 10, 2010 are generally referred to as "Portfolio Content Category (PCC) 0 RECs" and are not subject to the portfolio balance limitation requirement (Public Utilities Code § 399.16(b) - (d)) implemented in D.11-12-052 and D.12-06-038.

PCC classification rules. The IOUs claim that the PCC classification proposal is equitable because it redistributes the RECs to non-IOU LSEs without changing their value.

In response to Shell and AReM's protests, the IOUs clarify that they will be accepting or rejecting their part of the Voluntary Allocation and state that they will not need to execute new contracts to participate in the VAMO process. The IOUs reiterate that non-IOU LSEs, however, must execute new RPS contracts with the IOUs to receive their share of the Voluntary Allocation. The Joint IOUs also responded to CalCCAs' request for a supplemental Advice Letter by providing answers to questions posed in CalCCA's protest.

Energy Division Disposition

Energy Division reviewed Advice Letter 4569-E/6305-E/3835-E, the protests from AReM, CalCCA, Public Advocates Office and Shell, and the Joint IOUs' response.

Load Forecasting Methodology

Ordering Paragraph 7 of D.21-05-030 required the IOUs to propose a Load Forecasting methodology to non-IOU LSEs. The IOUs propose two different load forecasting methodologies for community choice aggregators (CCAs) and electric service providers (ESPs). For CCAs, the IOUs propose to use existing Meet and Confer processes⁴ with each CCA. The process will result in an allocation of the total CCA annual load forecast set by the Meet and Confer process by vintage and CCA.

For ESPs, the methodology differs as IOUs do not forecast load for individual ESPs. Unlike for CCAs, the ESP Meet and Confer process is limited to load switching from one LSE type to another for the Resource Adequacy year-ahead load forecast. The IOUs forecast total ESP load at or near the current Direct Access cap, however, that load forecast can vary depending on customer usage. The IOUs propose to use recent metered usage data for ESP customers in each vintage to assign shares of each ESP's load to the appropriate vintage. These shares will then be used to calculate the vintaged load forecast to be used in the Voluntary Allocation calculations.

Energy Division approves the IOUs' proposed load forecasting methodology for CCAs. The existing Meet and Confer process is an appropriate venue to discuss, compare, and agree upon CCA load forecasts. Energy Division agrees with AReM that the IOUs should Meet and Confer with individual ESPs, if requested, under the existing Meet and Confer Process.⁵ The Meet and Confer process is open to ESPs, even if ESPs and IOUs do not currently take advantage of it. Energy Division also agrees with the IOUs' reply that AReM's request for specific data ahead of a Meet and Confer is unnecessary. ESPs should be able to request data that they may need during the Meet and Confer process. If ESPs find that the Meet and Confer process does not satisfactorily address load forecasting concerns, they may propose additional data requirements in the RPS proceeding (R.18-07-003) and PCIA proceeding (R.17-06-026).

Therefore, the Joint IOUs' proposal on Load Forecasting is approved with clarification.

Voluntary Allocation Methodology

Ordering Paragraph 7 of D.21-05-030 required the IOUs propose a Voluntary Allocation methodology to non-IOU LSEs. In the Tier 2 Advice Letter, the IOUs propose to offer allocations to non-IOU LSEs once per compliance period, with the first allocation to commence in 2023. The IOUs will execute both

⁴ The existing Meet and Confer process refers to the meet and confer activities in the Energy Resource Recovery Account (ERRA) proceeding and Resource Adequacy (RA) annual filing, as detailed in D.20-03-019.

⁵ See D.19-06-026 Ordering Paragraph 14.

long-term and short-term contracts⁶ and long-term and short-term allocations will be calculated separately based on the amount of each type of RPS contract in the IOUs' portfolios. Additionally, the IOUs state that allocation elections will be made in 10 percent increments of the LSE's vintaged, forecasted annual load share and that LSEs may not decline their accepted share of long-term allocation in future years.

The Joint IOUs also propose that, pursuant to Public Utilities Code § 399.21(a)(5), all Public Utility Regulatory Policies Act (PURPA) contracts will not be included in the Voluntary Allocation. Energy Division agrees with the Joint IOUs proposal to exclude PURPA contracts, including both ReMAT and BioMAT contracts, from the allocation.

In the Advice Letter, the IOUs provide calculations for determining the non-IOU LSE allocation share of PCIA-eligible RPS energy and payment for the allocation. LSEs electing to accept allocations are required to pay the applicable year's Market Price Benchmark (MPB), as calculated by Energy Division each year. Energy Division finds that the calculations for both the allocation shares and payment for the allocations are consistent with D.21-05-030.

Energy Division agrees with the Joint IOUs' reply to Shell and AReM's protest regarding the Voluntary Allocation rules' applicability to the IOUs. There is no need for the IOUs to execute new RPS-eligible contracts to participate in the Voluntary Allocation process. In addition, this is a separate issue outside of the scope of this Advice Letter. Therefore, Shell's protest and Section III of AReM's protest are rejected. Shell and AReM may raise this issue following the CPUC's Rules of Practice and Procedure in the appropriate proceedings, such as the RPS proceeding (R.18-07-003) and the PCIA proceeding (R.17-06-026).

Energy Division determines that the RPS Voluntary Allocation methodology, as it pertains to calculating proposed allocation shares, in AL 4569-E/6305-E/3835-E is consistent with Ordering Paragraph 7 and Ordering Paragraph 2 (a)-(f) of D.21-05-030 and is approved.

Joint IOUs' PCC Classification Proposal

In AL 4569-E/6305-E/3835-E the IOUs propose that any allocated RECs retain the IOUs' expected RPS PCC classification⁷ for compliance with RPS requirements. Energy Division agrees with CalCCA and Public Advocates Office that the scope of the Advice Letter should be limited to the CPUC direction in Ordering Paragraph 7 of D.21-05-030. Thus, the PCC proposal is outside of the scope of the CPUC's direction in Ordering Paragraph 7 of D.21-05-030. Energy Division also agrees with CalCCA and Public Advocates Office that the Joint IOUs may raise this and other issues following the CPUC's Rules of Practice and Procedure in the appropriate proceedings, such as the RPS proceeding (R.18-07-003).

Therefore, the Joint IOUs' proposal on PCC classification is rejected.

⁶ Long-term contracts will have a term of at least 10 years or more from time of allocation and short-term contracts will have a term of less than 10 years from time of allocation.

⁷ See Public Utilities Code § 399.16(b), § 399.16(c)(3) and D.11-12-052, Decision Implementing Portfolio Content Categories.

AL 6305-E is partially approved as described in this letter.

Sincerely,

Handwritten signature of Edward Randolph, with the initials "(for)" written below it.

Edward Randolph
Deputy Executive Director for Energy and Climate Policy/
Director, Energy Division

cc:

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August 23, 2021

Advice 4569-E
(Southern California Edison Company U 338-E)

Advice 6305-E
(Pacific Gas and Electric Company U 39-E)

Advice 3835-E
(San Diego Gas & Electric Company U 902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Joint Tier 2 Advice Letter of Southern California Edison Company, Pacific Gas and Electric Company, and San Diego Gas & Electric Company to Propose Load Forecasting and Renewables Portfolio Standard Methodologies for Voluntary Allocation of the RPS Attributes of the Power Charge Indifference Adjustment Eligible Portfolio

PURPOSE

Southern California Edison Company (SCE), Pacific Gas and Electric Company (PG&E), and San Diego Gas & Electric Company (SDG&E) (hereinafter referred to as “Joint Investor-Owned Utilities” or “Joint IOUs” or individually an “IOU”) jointly submit this Tier 2 advice letter in compliance with Decision (D.)21-05-030 (Decision), dated May 20, 2021, Ordering Paragraph (OP) 7, which requires the Joint IOUs to jointly submit a Tier 2 advice letter “to propose: (i) a methodology for calculating potential Voluntary Allocation shares based on vintaged, annual load forecasts, and (ii) a methodology for dividing their [Renewables Portfolio Standards] RPS portfolios into shares to be allocated.”¹ This advice letter meets the requirements set forth in D.21-05-030, OP 7, by: (1) describing how the Joint IOUs will prepare “vintaged, annual load forecasts,” and (2) describing the methodology the Joint IOUs will use to divide their RPS portfolios into shares to be allocated.

This Tier 2 advice letter also explains why (i) the RPS attributes (*i.e.*, Renewable Energy Credits (RECs)) of each IOU’s PCIA-eligible portfolio can only be allocated from

¹ D.21-05-030, OP 7, p. 66.

the IOU to other load-serving entities (LSEs) of PCIA-eligible customers; therefore, no downstream allocations are permitted; and (ii) unlike sales of RECs, allocations of RECs to PCIA-eligible customers for whom those RECs were initially purchased for should not result in a reclassification of its portfolio content category (PCC) status.

BACKGROUND

The California Public Utilities Commission (Commission or CPUC) opened Rulemaking (R.)17-06-026 on June 26, 2017 to review, revise, and consider alternatives to the PCIA methodology. Phase 2 of the PCIA proceeding included three working group processes and schedules – (1) benchmarking issues, (2) prepayment, and (3) portfolio optimization. The Decision removed the PCIA cap and trigger mechanism for rate increases and addressed issues related to Working Group 3 (WG3) on portfolio optimization by largely adopting the WG3 Proposal for a voluntary allocation and market offer (VAMO) framework for RPS-eligible energy. This Tier 2 advice letter addresses the Voluntary Allocation for RPS-eligible energy in the IOUs' PCIA portfolios.

The Decision, OP 7, requires the Joint IOUs to “meet and confer” with parties to the PCIA proceeding, before submitting the Tier 2 advice letter. The Joint IOUs held a “meet and confer” with stakeholders from both the PCIA and the RPS Proceedings² on July 26, 2021, from 3-5 pm. At the “meet and confer,” stakeholders received information from the Joint IOUs about their methodology for calculating potential Voluntary Allocation shares based on vintaged, annual load forecasts, and methodology for dividing their RPS portfolios into shares to be allocated, set forth in this Tier 2 advice letter. The Decision, OP 7, also requires that the Joint IOUs must host a joint workshop within 14 days of the submittal of this Tier 2 advice letter. The joint workshop is scheduled for Friday, September 3, 2021, from 10am to 12pm.

VOLUNTARY ALLOCATION OVERVIEW

The Decision largely adopts, at Conclusion of Law (COL) 4,³ the WG3 Proposal regarding VAMO of “PCIA-eligible RPS resources to the extent that it is consistent with the Commission’s compliance programs and proceedings, as well as tailored to mitigate risks of unintended consequences.” The Decision, at COL 2, pp. 63-64, sets forth the Commission’s requirements for Voluntary Allocations:

Voluntary Allocations of [RPS] resources shall include the following features:

- (1) Voluntary Allocations shall comprise a “slice” of an IOU’s entire PCIA-eligible RPS portfolio. Load serving entities (LSEs) may elect to take a short-term allocation, a long-term allocation, or may choose to decline all or a portion of their allocation.

² R.17-06-026 (PCIA) and R.18-07-003 (RPS).

³ Decision, COL 4, p. 58.

- (2) LSEs will be offered allocations of the RPS portfolio in proportion to their vintaged, forecasted annual load share. Each election shall be made in 10 percent increments of the LSE's vintaged, forecasted annual load share.
- (3) LSEs electing to accept allocations shall be required to pay the IOU at the applicable year's market price benchmark (MPB) for the RPS attributes elected and may be required to meet certain credit or collateral requirements, netting agreements or other commercial arrangements established by each IOU for such payments.
- (4) Long-term allocations shall last through the end of the term of the longest contract in the particular PCIA vintage,⁴ with the exclusion of evergreen contracts and utility-owned generation resources. Once accepted through a written confirmation, the LSE may not decline its long-term allocation election in future years.
- (5) An LSE's long-term allocation election shall be set at a fixed percentage of its forecasted, vintaged, annual load share. Both the LSE's forecasted vintaged, annual load shares and the RPS energy deliveries will change from year to year based on the updated forecasts of vintaged, annual loads and the actual RPS energy volumes realized in each year of the allocation term.
- (6) LSEs shall be able to resell Voluntary Allocation shares of RPS energy, subject to the same RPS compliance requirements which already apply to IOU sales of RPS in their portfolios today. The RPS proceeding shall establish LSE reporting requirements for the resale of Voluntary Allocations shares.⁵

The methodology set forth in this advice letter fully complies with each of these requirements because:

- 1) The RPS Allocation Methodology below provides that Voluntary Allocations of PCIA-eligible RPS energy shall comprise a "slice" of an IOU's entire PCIA-eligible RPS portfolio. LSEs may elect to take a short-term allocation, a long-term allocation, or may choose to decline all or a portion of their allocation.
- 2) The RPS Allocation Methodology below provides that LSEs will be offered allocations of the RPS portfolio in proportion to their vintaged, forecasted annual load share as determined through the methodology described in the section on Load Forecasting

⁴ Long-term allocations must last at least 10 years from the allocation start date. See, D.21-05-030, COL 6, p.58.

⁵ D.21-05-030, COL 2, pp. 58-60.

Methodology. Each election shall be made in 10 percent increments of the LSE's vintaged, forecasted annual load share.

- 3) The RPS Allocation Methodology below includes that each LSE electing to accept an RPS allocation is required to pay for it at each applicable year's RPS MPB for the allocated volumes elected and will be required to meet certain credit or collateral requirements, netting agreements or other commercial arrangements established by each IOU for such payments.
- 4) The RPS Allocation Methodology below includes long-term allocations lasting through the end of the term of the longest contract in the particular PCIA vintage, which must last at least 10 years from the allocation start date, with the exclusion of evergreen contracts and utility-owned generation resources. But once the long-term RPS Allocation is accepted, the LSE may not decline its long-term allocation election in future years.
- 5) The Load Forecasting Methodology below describes how each LSE's forecasted vintaged, annual load shares and the RPS energy deliveries will change from year-to-year based on the updated forecasts of vintaged, annual loads and the actual RPS energy volumes realized in each year of the allocation term.
- 6) The discussion entitled "Allocated RECs Should Retain Their Original Product Content Category Classification" below explains that the RECs allocated to LSEs retain their original PCC classification upon allocation under the current RPS rules. However, if the LSE receiving the RECs chooses to re-sell them, the RECs would be subject to the same RPS compliance requirements that the Commission previously established for resales of RPS energy.

The only COL item not addressed in this advice letter (COL 2) is the establishment of LSE reporting requirements in Item 6, which the RPS proceeding will address.

LOAD FORECASTING METHODOLOGY

Due to process differences associated with community choice aggregators (CCA) and electric service providers (ESP), the respective load forecasting methodologies are presented separately.

Load Forecasting Methodology for CCAs

The Joint IOUs propose using the existing Energy Resource Recovery Account (ERRA) and Resource Adequacy (RA) Meet and Confer process with each CCA to determine

the year-ahead load forecast by CCA.⁶ In this process, each IOU and respective CCAs in their service territory forecast year-ahead load and customer accounts separately and compare results. Methodologies for forecasting CCA load vary by IOU, but in general the load and account forecasts are produced by applying sector-level growth rates to recent CCA metered usage and account data. If applicable, expansions and new formations of CCAs are added to, and load and accounts departing to ESPs from that CCA's service territory are subtracted from, that CCA's total load and accounts.

The ERRA and RA Meet and Confer processes conclude with each IOU adopting a CCA's year-ahead load forecast or, if they cannot come to an agreement, using an internally IOU-produced load forecast for that CCA. Once the Meet and Confer process has concluded, each IOU can then determine the vintage responsibility with that load forecast as the base.

The CCA vintaging process will result in an allocation of the total CCA annual load forecast set by the Meet and Confer process to annual load forecast by vintage and CCA. Historical data on customer movements will determine a CCA's vintage responsibility. Customers forecasted to join a CCA or form a new CCA will be represented in a new vintage determined by the date of departure. For each CCA, recent metered usage data for customers in each vintage will be used to calculate that vintage's share of the CCA's annual forecasted load. Finally, these shares are used to calculate the vintaged load to be used in the allocation calculations described in the following sections.

Load Forecasting Methodology for ESPs

At this time, the IOUs do not forecast Direct Access (DA) load at the individual ESP level. The Meet and Confer process is limited to customers and load switching from one LSE type to another for that year-ahead load forecast. IOUs forecast total DA load at or near the current DA cap, however, that load forecast can vary depending on customer usage and could deviate from the cap.

The DA vintaging process will allocate the total DA annual load forecast to annual load by vintage and ESP. As with the CCA vintaging process, historical data on customer movements will determine an ESP's vintage responsibility. Customers forecasted to join an ESP will be represented in a new vintage determined by the date of departure. IOUs will use recent metered usage data for each ESP's customers in each vintage to calculate the share of each ESP-vintage combination in the annual forecasted DA load. Finally, these shares are used to calculate the vintaged load forecast to be used in the allocation calculations described in the following sections. Load calculated for certain

⁶ D.20-03-019, OP 1 (requiring reporting of meet-and-confer activities and information exchange as part of ERRA Forecast Testimony and initial annual RA load forecast filing).

vintages will be excluded from allocation calculations that are described in the following sections since that load is exempt from paying the PCIA.

RPS ALLOCATION METHODOLOGY TO NON-IOU LSEs

The Joint IOUs propose to offer Voluntary Allocations of long-term and short-term PCIA-eligible RPS energy to non-IOU LSEs. The long-term RPS allocations will consist of the respective IOU's long-term RPS portfolio of contracts with terms of at least 10 years or more from the year of allocation. The short-term allocations will consist of the respective IOU's short-term RPS portfolio of contracts with terms of less than 10 years in length from the year of allocation. Per the Decision, elections from the long-term bucket should last through the end of the term of the longest contract in the particular PCIA vintage, with the exclusion of evergreen contracts and utility-owned generation resources. These allocations will be offered to non-LSEs once per RPS compliance period. Once accepted, the LSE may not decline its long-term allocation election in future years. An LSE's long-term allocation election should be set at a fixed percentage of its forecasted, vintaged, annual load share. Both the LSE's forecasted vintaged, annual load shares and the RPS energy deliveries could change from year-to-year based on the updated forecasts of vintaged, annual loads and the actual RPS energy volumes realized in each year of the allocation term.

Each non-IOU LSE's RPS allocation share from the long-term and short-term RPS portfolios will be calculated based on their responsibility from each vintage. Each of the Joint IOUs will apply the vintage allocation factor derived from the load forecasting process and apply it to RPS generation for each vintage. Total allocations for each LSE will be calculated by adding the RPS share from all the PCIA-eligible vintages.

Total LSE Allocation Share of PCIA-eligible RPS Energy = $[(RPS_Gen_{vintage1}) * (\% LSE_load_share_{vintage1})] + [(RPS_Gen_{vintage2}) * (\% LSE_load_share_{vintage2})] + \dots + [(RPS_Gen_{vintage(n)}) * (\% LSE_load_share_{vintage(n)})]$

Where the payment owed for the RPS Allocation would be calculated and due upon the LSE's election as follows (using calendar year 2023 as an example):

Total LSE Initial Payment of PCIA-eligible RPS Energy for Calendar Year 2023 = $[(RPS_Gen_{vintage1}) * (\% LSE_load_share_{vintage1})] + [(RPS_Gen_{vintage2}) * (\% LSE_load_share_{vintage2})] + \dots + [(RPS_Gen_{vintage(n)}) * (\% LSE_load_share_{vintage(n)})] * [\% Elected] * \text{Forecasted 2023 RPS MPB}$

The initial payment owed by the LSE for each calendar year's RPS Allocation election will be trued up upon the Energy Division's determination of the Trued Up (Final) RPS MPB in or around October of each calendar year, which could result in a further payment owed from the LSE to the IOU, or a credit owed to the LSE from the IOU.

Total non-IOU LSE allocation shares will be calculated separately based on eligible long-term and short-term RPS contracts in each respective IOU's portfolio. Non-IOU LSEs must elect their slice from the long-term and short-term portfolio.⁷

Each IOU will transfer the LSE's allocation share of RPS energy based on actual deliveries during the month. LSEs electing to accept their allocation would be required to pay the applicable year's RPS MPB as discussed above.

LSEs will be offered allocations of the RPS portfolio in proportion to their vintaged, forecasted annual load share as determined through the methodology described in the section on Load Forecasting Methodology above. Each election shall be made in 10 percent increments of the LSE's vintaged, forecasted annual load share.

Additionally, the Joint IOUs propose not to allocate RECs generated from PCIA-eligible contracts procured under the Public Utility Regulatory Policies Act (PURPA) and Renewable Market Adjusting Tariff (ReMAT) programs due to the statutory limitations. For example, regarding certain PURPA procurement, Section 399.21 (a) (4) of the California Public Utilities Code (PU Code), RECs are not created for pre-2005 procurement unless the original contract addressed ownership of RECs. Additionally under PU Code Section 399.20 (h), Joint IOU ReMAT procurement is required to count toward the individual IOUs' RPS procurement target.

Hence, statutory and/or regulatory restrictions appear to limit the IOUs from allocating RECs from the PURPA and ReMAT programs to other LSEs. Accordingly, the Joint IOUs propose to exclude PURPA and ReMAT RECs from VAMO entirely.

DOWNSTREAM ALLOCATIONS ARE NOT PERMITTED AND ALLOCATED RECs SHOULD RETAIN THEIR ORIGINAL PRODUCT CONTENT CATEGORY CLASSIFICATION

The framework proposed by the Joint IOUs assumes that all RECs allocated through the Voluntary Allocation process retain their original PCC classification.⁸ It also assumes that allocations are only permitted from an IOU's PCIA-eligible portfolio to non-IOU LSEs of PCIA-eligible customers and that downstream allocations of the RPS attributes of an IOU's PCIA-eligible portfolio are prohibited. Thus, a PCC 1 REC that is allocated by the IOU to a non-IOU LSE would continue to be classified as a PCC 1 REC, a PCC 3 REC would continue to be classified as a PCC 3 REC, and so on. This approach ensures that the full benefit of the RPS-eligible resources procured in support of California's clean energy policy goals continue to be conveyed to the customers for

⁷ IOUs may participate in Market Offers they administer. Rules for such participation will be reviewed by the Commission as part of the IOUs' Market Offer Proposals. See, D.21-05-030, p.26.

⁸ Public Utilities Code Section 399.16(b) establishes the three PCC classifications for RPS procurement and defines the criteria by which inclusion in each category is determined. See *also* Decision (D.) 11-12-052. All statutory references herein are to the Public Utilities Code unless otherwise noted.

whom they were originally procured. In essence, this approach allows RPS procurement that has been approved by the Commission to “follow” customers who move from bundled service to CCA or DA service (and potentially back to bundled service) without alteration of the benefits conveyed by such procurement.

Consistent with this approach, PCC 0 RECs allocated from the IOU’s PCIA-eligible portfolio to non-IOU LSEs through the Voluntary Allocation process would retain their PCC 0 classification, with the same benefits and limitations that apply to IOUs’ use of PCC 0 RECs.⁹ D.11-12-052 establishes that PCC 0 RECs may be used by the IOUs without limitation to satisfy RPS compliance requirements, but upon re-sale to a third-party the PCC classification of such RECs changes to PCC 1, PCC 2 or PCC 3 depending on the nature of the transaction and/or the characteristics of the underlying resource.¹⁰ The Joint IOUs propose that the PCC 0 RECs that follow departed load customers function in the exact same manner; PCC 0 RECs allocated from the IOU’s PCIA-eligible portfolio to a non-IOU LSE through the Voluntary Allocation process could, similarly, be used without limitation to satisfy RPS compliance requirements, and no downstream allocations among recipients of these allocations would be permitted. Thus, post-allocation re-sale of a PCC 0 REC by a non-IOU LSE would alter the classification of the PCC 0 REC to either PCC 1, PCC 2, or PCC 3 according to the same rules that apply today to any resale.

This approach is straightforward and equitable. It is also consistent with the statutory mandate to preserve cost indifference between bundled service customers and departed load customers. Arguments that an IOU’s allocation of PCC 0 RECs to non-IOU LSEs through the Voluntary Allocation process should result in PCC 0 RECs being re-classified are without merit. First, D.11-12-052 addresses a PCC 0 “re-sale” scenario rather than an IOU allocation through a Commission-approved and overseen regulatory mechanism to LSEs of eligible customers who are obligated to pay the above market costs of such procurement regardless of allocation.¹¹ Second, implementation of an approach that reduces the value of PCC 0 RECs automatically upon allocation to departed load customers violates statutory cost indifference principles.

⁹ See Section 399.16(d). A “PCC 0” REC is a REC associated with energy generated by RPS-eligible resources under a contract originally executed prior to June 1, 2010, where all of the following conditions are met: (1) the resource was eligible under the RPS rules in place at the time the contract was executed; (2) the contract has been approved by the Commission, even if that approval occurs after June 1, 2010; and (3) any contract amendments or modifications occurring after June 1, 2010, do not increase the nameplate capacity or expected quantities of annual generation, or substitute a different renewable energy resource. Section 399.16(d)(1)-(3); D.11-12-052, Appendix A, p. 2.

¹⁰ D.11-12-052, pp. 62-63.

¹¹ D.11-12-052, p. 62 (“If any RECs from a contract signed prior to June 1, 2010, **are unbundled and sold separately after June 1, 2010**, the underlying energy may not be used for RPS compliance; and the unbundled RECs will be counted in accordance with the limitations on § 399.16(b)(3), as set out in § 399.16(c)(2).” (Emphasis added).

As explained in D.11-12-052, a re-sale transaction involves a retail seller contracting to buy all or a part of another entity's contracted procurement.¹² Under the Voluntary Allocation process, PCC 0 RECs are being allocated from IOUs to the LSEs of the customers for whom the RPS-eligible energy was originally procured – RECs are not being “sold” because departed load customers are *already* bound to pay the above-market costs of such RPS-eligible resources pursuant to the Commission decisions approving rate recovery of RPS contract costs and directing allocation of a share of such costs to departed load customers. Allocation of the RECs under the Voluntary Allocation process simply allows the value of PCC 0 RECs to follow the departed load customers who are already obligated to pay for them.

Second, altering the classification of PCC 0 RECs allocated to departed load customers through the Voluntary Allocation process could reduce their value in violation of statutory cost indifference principles.¹³ Under the PCC classification rules currently applied pursuant to D.11-12-052, certain RPS-eligible contracts signed before June 1, 2010, (*e.g.*, contracts with out-of-state wind resources or unbundled REC purchases) generate PCC 0 RECs as long as they remain in the IOU's portfolio but would be reclassified as PCC 2 or PCC 3 RECs upon re-sale. Thus, if allocation through the Voluntary Allocation process is treated as a “re-sale” transaction and RECs that are PCC 0 while held by bundled service customers become PCC 2 or PCC 3 (and thus presumably lose value) upon allocation, the cost of RPS compliance would be comparatively greater for departed load customers, which could violate the Commission's statutory obligation to ensure cost indifference. The approach of retaining the original PCC classification of all RECs allocated through the Voluntary Allocation process including PCC 0 RECs, ensures that departed load customers receive the same benefits from pre-June 1, 2010 RPS procurement (and are subject to the same limitations) as bundled service customers.

However, after allocated RECs are transferred, the LSEs receiving those RECs may resell Voluntary Allocation shares of RPS energy, subject to the same RPS compliance requirements which already apply to resales of RPS energy in any LSE portfolio. So, if an LSE is allocated PCC 0 RECs that are subsequently resold, those RECs will be reclassified upon resale as PCC 1, PCC 2, or PCC 3 RECs consistent with the requirements of D.11-12-052.

Accordingly, for reasons discussed above, two important elements of the Joint IOUs' RPS Allocation methodology are (i) the RPS attributes (*i.e.*, RECs) of each IOU's PCIA-eligible portfolio can only be allocated once from the IOU's PCIA-eligible portfolio to other LSEs of PCIA-eligible customers with no subsequent downstream allocations permitted; and (ii) unlike resales of RECs, the REC allocation process authorized in D.21-05-030 should not result in a reclassification of the PCC status of any RECs in the IOU portfolios directly allocated to LSEs of PCIA-eligible customers for whom the RECs were initially procured.

¹² See, *e.g.*, D.11-12-052, pp. 36-37, 62-63.

¹³ See, *e.g.*, Sections 365.2, 366.2(a)(4), 366.2(d)(1) and 366.3.

COST INFORMATION

No cost information is required for this advice letter.

This advice letter will not increase any rate or charge, cause the withdrawal of service, or conflict with any other schedule or rule.

TIER DESIGNATION

Pursuant to the Decision, OP 7, this advice letter is submitted with a Tier 2 designation.

EFFECTIVE DATE

This advice letter will become effective on September 22, 2021, the 30th calendar day after the date submitted.

NOTICE

Anyone wishing to protest this advice letter may do so by letter via U.S. Mail, facsimile, or electronically, any of which must be received no later than 20 days after the date of this advice letter. Protests should be submitted to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, California 94102
E-mail: EDTariffUnit@cpuc.ca.gov

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004 (same address above).

In addition, protests and all other correspondence regarding this advice letter should also be sent by letter and transmitted via facsimile or electronically to the attention of the following at each of the respective IOUs:

SCE:

Shinjini C. Menon
Managing Director, State Regulatory Operations
Southern California Edison Company
8631 Rush Street
Rosemead, California 91770
Telephone: (626) 302-3377
Facsimile: (626) 302-6396
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Tara S. Kaushik
Managing Director, Regulatory Relations
c/o Karyn Gansecki
Southern California Edison Company
601 Van Ness Avenue, Suite 2030
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E-mail: Karyn.Gansecki@sce.com

PG&E:

Sidney Bob Dietz II
Director, Regulatory Relations
c/o Megan Lawson
Pacific Gas and Electric Company
77 Beale Street, Mail Code B13U
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SDG&E:

Attn: Greg Anderson
Regulatory Tariff Manager
E-mail: GAnderson@SDGE.com

There are no restrictions on who may submit a protest, but the protest shall set forth specifically the grounds upon which it is based and must be received by the deadline shown above.

In accordance with General Rule 4 of GO 96-B, SCE is serving copies of this advice letter to the interested parties shown on the attached GO 96-B, R.17-06-026, and R.18-07-003 service lists. Address change requests to the GO 96-B service list should be directed by electronic mail to AdviceTariffManager@sce.com or at (626) 302-3719, PGETariffs@pge.com, SDG&ETariffs@SDGE.com. For changes to all other service lists, please contact the Commission's Process Office at (415) 703-2021 or by electronic mail at Process_Office@cpuc.ca.gov.

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by submitting and keeping the advice letter at SCE's corporate headquarters, PG&E's corporate headquarters, and SDG&E's corporate headquarter. To view other SCE advice letters submitted with the Commission, log on to SCE's web site at <https://www.sce.com/wps/portal/home/regulatory/advice-letters>. To view other PG&E advice letters submitted with the Commission, log on to PG&E's web site at <https://www.pge.com/tariffs/advice-letters.page>. To view other SDG&E advice letters

submitted with the Commission, log on to SDG&E's web site at <https://www.sdge.com/rates-and-regulations/tariff-information/advice-letters>.

For questions, please contact for SCE, Raffi Minasian at (626) 302-8905 or by electronic mail at raffi.minasian@sce.com, for PG&E, Tom Jarman by electronic mail at taj8@pge.com, for SDG&E, Greg Anderson by electronic mail at GAnderson@SDGE.com.

PG&E and SDG&E have authorized SCE to make this joint advice letter submittal on their behalf.

Southern California Edison Company

/s/ Shinjini C. Menon
Shinjini C. Menon

SCM:rm:cm
Enclosures



ADVICE LETTER SUMMARY

ENERGY UTILITY



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

Company name/CPUC Utility No.: Southern California Edison Company (U 338-E)

Utility type:

- ELC GAS WATER
 PLC HEAT

Contact Person: Darrah Morgan

Phone #: (626) 302-2086

E-mail: AdviceTariffManager@sce.com

E-mail Disposition Notice to: AdviceTariffManager@sce.com

EXPLANATION OF UTILITY TYPE

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

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #: 4569-E et al.

Tier Designation: 2

Subject of AL: Joint Tier 2 Advice Letter of Southern California Edison Company, Pacific Gas and Electric Company, and San Diego Gas & Electric Company to Propose Load Forecasting and Renewables Portfolio Standard Methodologies for Voluntary Allocation of the RPS Attributes of the Power Charge Indifference Adjustme

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 #: Decision 21-05-030

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL:

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: 9/22/21

No. of tariff sheets: -0-

Estimated system annual revenue effect (%):

Estimated system average rate effect (%):

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: None

Service affected and changes proposed¹:

Pending advice letters that revise the same tariff sheets: None

¹Discuss 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

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ENERGY Advice Letter Keywords

Affiliate	Direct Access	Preliminary Statement
Agreements	Disconnect Service	Procurement
Agriculture	ECAC / Energy Cost Adjustment	Qualifying Facility
Avoided Cost	EOR / Enhanced Oil Recovery	Rebates
Balancing Account	Energy Charge	Refunds
Baseline	Energy Efficiency	Reliability
Bilingual	Establish Service	Re-MAT/Bio-MAT
Billings	Expand Service Area	Revenue Allocation
Bioenergy	Forms	Rule 21
Brokerage Fees	Franchise Fee / User Tax	Rules
CARE	G.O. 131-D	Section 851
CPUC Reimbursement Fee	GRC / General Rate Case	Self Generation
Capacity	Hazardous Waste	Service Area Map
Cogeneration	Increase Rates	Service Outage
Compliance	Interruptible Service	Solar
Conditions of Service	Interutility Transportation	Standby Service
Connection	LIEE / Low-Income Energy Efficiency	Storage
Conservation	LIRA / Low-Income Ratepayer Assistance	Street Lights
Consolidate Tariffs	Late Payment Charge	Surcharges
Contracts	Line Extensions	Tariffs
Core	Memorandum Account	Taxes
Credit	Metered Energy Efficiency	Text Changes
Curtable Service	Metering	Transformer
Customer Charge	Mobile Home Parks	Transition Cost
Customer Owned Generation	Name Change	Transmission Lines
Decrease Rates	Non-Core	Transportation Electrification
Demand Charge	Non-firm Service Contracts	Transportation Rates
Demand Side Fund	Nuclear	Undergrounding
Demand Side Management	Oil Pipelines	Voltage Discount
Demand Side Response	PBR / Performance Based Ratemaking	Wind Power
Deposits	Portfolio	Withdrawal of Service
Depreciation	Power Lines	

General Order No. 96-B
ADVICE LETTER SUBMITTAL MAILING LIST

cc: (w/enclosures)

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

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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