BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Application of Pacific Gas and Electric Company for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2020.	Application No. 18-12-009 (Filed December 13, 2018)

OPENING COMMENTS OF THE JOINT COMMUNITY CHOICE AGGREGATORS ON THE PROPOSED DECISION ADDRESSING THE TEST YEAR 2020 GENERAL RATE CASE OF PACIFIC GAS & ELECTRIC COMPANY

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November 12, 2020

On behalf of the Joint CCAs

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Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), East Bay Community Energy, Marin Clean Energy, Peninsula Clean Energy Authority, Pioneer Community Energy, San José Clean Energy, and Sonoma Clean Power (collectively "JCCAs" or "Joint CCAs") hereby submit these opening comments on the *Proposed Decision Addressing the Test Year 2020 General Rate Case of Pacific Gas & Electric Company* ("Proposed Decision" or "PD").[1]

I. Introduction and Summary of Recommendations.

The Joint CCAs focus these comments on three main issues in the Proposed Decision on which the record must be corrected. First, in accepting the Settlement Agreement's[2] decommissioning revenue requirement, the Proposed Decision ignores substantial evidence demonstrating that the hydroelectric and solar portions of this revenue requirement are unreasonable. The PD should be revised to reflect this evidence and to deny the recovery of these costs, thus avoiding an unnecessary and burdensome increase to generation costs and the Power Charge Indifference Adjustment ("PCIA").

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[1] A.18-12-009, *Proposed Decision Addressing the Test Year 2020 General Rate Case of Pacific Gas & Electric Company* (October 23, 2020) ("Proposed Decision").

[2] A.18-12-009, *Joint Motion of the Public Advocates Office, The Utility Reform Network, Small Business Utility Advocates, Center for Accessible Technology, the National Diversity Coalition, Coalition Of California Utility Employees, California City County Street Light Association, The Office of the Safety Advocate and Pacific Gas and Electric Company for Approval Of Settlement Agreement* (December 20, 2019) ("Settlement Motion"). All references herein to the Settlement Agreement refer to Attachment 1 to the Settlement Motion.

Second, the Proposed Decision misconstrues the Joint CCAs' Customer Care functionalization arguments and associated data, and as a result, fails to appropriately consider significant evidence of the disproportionate utilization of Customer Care services by bundled customers. Further, as a result of this misunderstanding of the data and arguments on the record, the PD fails to order Pacific Gas & Electric Company ("PG&E") to track, going forward, the kind of utilization data for Customer Care services that is needed to ensure costs are allocated to customer groups in proportion with their relative utilization of these services. The PD should be revised to (1) accurately reflect the record on JCCAs' data and arguments, (2) allocate certain Customer Care costs in line with JCCAs' cost allocation proposal, and (3) require PG&E to track detailed utilization data for all Customer Care services going forward.

Finally, the Proposed Decision's discussion of PG&E's Resilience Zones program fails to acknowledge the principles of PG&E's Rule 21, and how these principles dictate the proper functionalization of these program costs. The PD should be revised to provide guidance for future general rate cases ("GRCs") on the proper mode of allocating costs for this program going forward.

II. The Proposed Decision Ignores Substantial Evidence Regarding the Inaccuracy of PG&E's Decommissioning Cost Estimates, Approving Costs That Will Unnecessarily Increase Generation Costs and Raise the PCIA.

The Proposed Decision accepts the Settlement Agreement's decommissioning reserve for PG&E's generation assets, which includes both hydroelectric and solar assets.[3] PG&E clearly has not met its burden of "affirmatively establishing the reasonableness"[4] of these portions of its proposed decommissioning reserve. Notably, the Commission has made clear that this evidentiary burden is entirely the utility's; other parties do not have the burden of proving the unreasonableness of the utility's proposals.[5] Further, in a GRC, the utility's burden of proof varies by proposal, based on the degree to which it is challenged by an intervening party[6]—"[w]here it faces opposition, [the utility's] reasonableness showing is naturally a more difficult undertaking."[7]

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3 Proposed Decision, p. 154.
4 *See* D.09-03-025, p. 8.
5 *See, e.g.*, *id.*; D.06-05-016, p. 7; D.01-10-031, pp. 8-9.
6 D.93-12-043, 1993 Cal. PUC LEXIS 728, *12 (December 17, 1993).
7 D.00-02-046, 2000 Cal. PUC LEXIS 239, *56-*57 (February 17, 2000).

In spite of this standard, the PD affirms these decommissioning reserve terms of the Settlement Agreement, with minimal analysis or discussion, largely ignoring the record evidence presented by the Joint CCAs. This approval of substantial decommissioning costs that are unsupported by the record would drive unnecessary increases in utility-owned generation ("UOG") costs and therefore, the PCIA, which in turn would impact the ability of community choice aggregators ("CCAs") to serve their customers cost effectively.

A. Hydroelectric Decommissioning.

The Proposed Decision accepts the Settlement Agreement's proposal that the Commission approve PG&E's original decommissioning revenue requirement for hydroelectric generation, reduced by $8 million to account for the sales of two specific assets.[8] However, PG&E has not carried its burden to affirmatively establish the reasonableness of these estimates, even in light of this $8 million reduction.[9]

First, five of the 13 units included in the estimate have already been sold, have been ordered to be sold, or are in the process of being sold.[10] As PG&E has acknowledged, selling a hydro asset removes any need for PG&E to decommission the project because decommissioning becomes the responsibility of the new owner.[11] While the Settlement Agreement states that the reduction in the revenue requirement "incudes the impact of sales of the Deer Creek and Narrows facilities[,]"[12] these two facilities represent only a fraction of the assets included in the original decommissioning estimate that are now very likely to be sold rather than decommissioned.

The PD concludes that the $8 million reduction "represents a fair compromise between party positions"[13] and is "appropriate to incorporate the impact of the sales of the Deer Creek and Narrows facilities."[14] In approving the Settlement Agreement's revenue requirement, the PD explains that "[t]he amount of the reserve is based on assets that PG&E currently has and while it

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8 Proposed Decision, p. 154.

9 *See* A.18-12-009, *Opening Brief of the Joint Community Choice Aggregators*, pp. 52-55 (January 6, 2020) ("Joint CCAs Opening Brief").

10 *See* D.19-10-011 and D.19-10-010; 19 Tr. 2205:3 to 2208:5 (PG&E – Maggard).

11 19 Tr. 2204:16 to 2205:2 (PG&E – Maggard); Exh. 215 at Attachment RTB-2, pp. 4-5 (PG&E Response to Joint CCAs DR 2, Q7(a)).

12 Settlement Agreement, p. 19.

13 Proposed Decision, p. 155.

14 *Id*., p. 154.

is true that assets may suddenly be sold before they are decommissioned, it is not reasonable to assume that this would be the case absent more concrete evidence."[15]

However, this statement ignores the concrete evidence the Joint CCAs have presented on the record regarding the other facilities—beyond Deer Creek and Narrows—that are highly likely to be sold rather than decommissioned. Namely, the record reflects that PG&E has been ordered by FERC to sell the DeSabla-Centerville project, and is in the process of selling the Kern Canyon and Tule units.[16] PG&E has not even attempted to refute these facts or address their impact on the requested revenue requirement,[17] despite its heightened burden to establish the reasonableness of its estimates in light of the Joint CCAs' opposition.[18] On this record, the Proposed Decision should be revised to recognize that there is in fact concrete evidence regarding the likely sale of additional units included within PG&E's decommissioning reserve request.

Further, the Proposed Decision does not appropriately consider the fact that, while PG&E forecasts it will take ten years to decommission a hydroelectric project, the expected decommissioning dates for these projects are far more than ten years in the future.[19] In light of the uncertainty surrounding whether PG&E will decommission or sell these projects, it makes far more sense to wait to accrue decommissioning funds until the projects are within ten years of their decommissioning date.[20] Within that time frame, it should be clear whether PG&E intends to re-license a plant, given the significant time required for the FERC re-licensing process,[21] or sell it.

Moreover, while the Proposed Decision does not give any further insight into the rationale for its approval of this revenue requirement, authorizing the collection of these funds now based on PG&E's "intergenerational equity" concerns would make little sense given that these are decades-old, "forever assets," which have been enjoyed by generations of customers that never contributed to their decommissioning.[22] The interim three years between this GRC

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15 *Id*., p. 155.
16 *See* 19 Tr. 2205:3 to 2208:5 (PG&E – Maggard).
17 *See* A.18-12-009, *Joint Reply Comments of PG&E et al.*, pp. 22-25 (February 5, 2020) ("PG&E Reply Comments on Settlement").
18 D.00-02-046, 2000 Cal. PUC LEXIS 239, *56-*57 (February 17, 2000).
19 Exh. 215 at 33:11-18.
20 *Id.*
21 *Id.*
22 *See* Exh. 71 at 8-6:1 to 8-7:10.

and the next will not allow an entire generation to avoid contributing to decommissioning, but it will allow the Commission to have more information regarding the projects that are actually likely to be sold or decommissioned.

For all these reasons, the Proposed Decision should be revised to more fully reflect JCCAs' evidence on the record, as well as the fact that PG&E has not met its burden of affirmatively establishing the reasonableness of these costs. The Commission should require PG&E to hold off on accruing these hydro decommissioning funds for now, and this issue should be revisited in PG&E's next GRC when more data on the sale of PG&E's hydro assets will be available. In the alternative, if the accruals are to begin via this GRC, such accruals should be lowered in line with Joint CCAs witness Beach's testimony,[23] which provides a revised estimate of $95 million ($7.2 million per year) for a reasonable level of accruals for hydro decommissioning.[24] Notably, if the Commission chooses to disallow this recovery now and revisit this issue again in the next GRC, or if it chooses to set an amount of the accrual that ends up being too low to account for the actual decommissioning costs, PG&E will still, ultimately, be able to recover its actual decommissioning costs.[25] Therefore, in light of the uncertainty surrounding the need to decommission these plants, the Commission should keep these funds in customers' pockets for now rather than PG&E's.

B. Solar Decommissioning.

The Proposed Decision affirms, without any discussion or acknowledgment of the Joint CCAs' evidence, the Settlement Agreement's solar decommissioning revenue requirement.[26] PG&E's proposal to allocate funds to decommission its 152 MW of utility-owned solar generation facilities included decommissioning expenses totaling $100.5 million or about $6 million per year.[27] On a per project basis, this amount is $400/kW, which is over 10 percent of the original cost for these facilities.[28] The PD, in accepting PG&E's estimates—which were

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[23] Exh. 215 at 33:22-28.
[24] *Id.*
[25] 19 Tr. 2211:2-26 (PG&E – Maggard); Exh. 151 (PG&E Data Response to Joint CCAs DR 15, Q04).
[26] Proposed Decision, pp. 154-155.
[27] Exh. 146 at 8-29:8; 19 Tr. 2169:9-21.
[28] Exh. 215 at 36:9-17; Exh. 71 at 5-25:14-16; 19 Tr. 2170:3-6 (PG&E – Royall).

incorporated into the Settlement Agreement[29]—ignores significant record evidence demonstrating that these estimates are completely unreasonable.

First, the PD does not address the fact that PG&E's estimates fail to appropriately account for the potential salvage value of the solar panels and the racking support structures,[30] which would have the potential to substantially or completely offset the costs of decommissioning.[31] The solar panels themselves can be recycled and possibly sold for re-use,[32] while portions of the support structures also can be reused instead of being sold for scrap.[33] The Joint CCAs explained in briefing the various reasons why accounting for these values is the more reasonable approach.[34] Notably, the industry-standard degradation rate for solar panel output is 0.5 percent per year, so despite PG&E's counterarguments that salvage value should not be considered because these solar panels likely will be "outdated" at the time of decommissioning,[35] these panels may still produce 90 percent of their original output after 20 years.[36] While it is true that perhaps not all of the panels will be able to be re-used, there is still significant salvage value even if only a portion of them can. By failing to appropriately consider the issue of likely salvage value, the PD ignored evidence that calls into question a significant aspect of PG&E's methodology in estimating solar decommissioning costs.

Second, the Proposed Decision ignored the evidence on the record that demonstrates that these estimates are dramatically out of step with a range of estimates of decommissioning costs applicable to solar plants in California as well as with PG&E's own experience in decommissioning solar projects. For instance, studies and reports JCCA witness Beach cited establish decommissioning costs at a fraction of those suggested by PG&E, "in the range of $10 to $60 per kW, i.e. at most just 15% of PG&E's estimate."[37] Since virtually all of PG&E's solar plants are located on agricultural land in the Central Valley, these estimates are highly relevant points of comparison, as JCCA witness Beach selected estimates from public decommissioning studies that have been performed as part of siting solar projects in the Central Valley as well as

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29 Settlement Agreement, pp. 18-19.
30 Exh. 215 at 37:8-19.
31 *Id.*
32 *Id*. at 37:8-15.
33 *Id.*
34 Joint CCAs Opening Brief, p. 56. *See also* Exh. 215 at 37:8-18.
35 PG&E Reply Comments on Settlement, p. 25.
36 Exh. 215 at 37:13-15.
37 *Id*. at 37:3-5.

from consultants to landowners who host solar plants on agricultural lands.[38] Importantly, even if the Commission agrees with PG&E that these estimates should not include assumptions regarding panel recycling or reuse, JCCA witness Beach has demonstrated that other decommissioning estimates that do not assume panel recycling or reuse are still far lower than PG&E's estimates, closer to $83/kW.[39] PG&E's own experience also contradicts its estimates in this proceeding: the only PG&E solar project to undergo decommissioning, a small PV plant in a rural part of Fresno County, cost *less than half* of PG&E's estimate to decommission, at approximately $180/kW.[40] Notably, one would expect the decommissioning of these larger projects to bring that $180/kW figure down due to economies of scale.

The Joint CCAs noted in briefing[41] that one reason underpinning the large discrepancy between PG&E's estimates and these numbers highlighted by the Joint CCAs is that utility-scale solar decommissioning is a relatively new practice;[42] as a result, the consultants PG&E used to construct the estimate had never performed any solar photovoltaic decommissioning studies before PG&E's study.[43] In relying on these studies from inexperienced firms, which incorporate highly questionable assumptions, PG&E failed to meet its burden of affirmatively establishing the reasonableness of these costs—especially in light of JCCAs' evidence that the proposed costs are out of line with a wide range of other relevant studies as well as with PG&E's own experience.

The Commission should modify the Proposed Decision to reflect that the Joint CCAs have advanced substantial evidence demonstrating that the Settlement Agreement's solar decommissioning revenue requirement ignores important considerations and is out of step with industry estimates as well as with PG&E's own experience. In light of all this evidence, and given the fact that PG&E will ultimately recover its actual costs for decommissioning even if the Commission defers recovery on this in the instant proceeding,[44] the Proposed Decision should also be revised to reject PG&E's proposed solar decommissioning costs and require the utility to

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38 *Id*. at 37:1-8.
39 *Id*. at 38:4-8.
40 19 Tr. 2171:6-20 (PG&E – Royall); Exh. 152 (PG&E Data Response to Joint CCAs DR 18, Q01).
41 Joint CCAs Opening Brief, pp. 55-56.
42 19 Tr. 2170:7-18 (PG&E – Royall).
43 19 Tr. 2171:2-6 (PG&E – Royall); Exh. 215 at Attachment RTB-2, pp. 31-32 (PG&E Data Response to Joint CCAs DR 6, Q11(d)); Exh. 215 at 38:10-17.
44 19 Tr. 2211:2-26 (PG&E – Maggard).

make a modified proposal in its next GRC. This will allow PG&E more time to study and understand the issue and propose a more reasonable estimate in its next GRC. In the alternative, the Proposed Decision should at the very least significantly reduce the annual accruals PG&E can recover for this decommissioning.

Finally, it is important to understand both PG&E's hydroelectric and solar decommissioning revenue requirement requests in the context of the continued trend of significant annual increases to the PCIA. The PCIA is a charge that recovers the above-market cost (or the "Indifference Amount") of PG&E's generation resource portfolio from both bundled and unbundled customers; it was adopted to ensure that when customers of investor-owned utilities ("IOUs") depart from bundled service and receive their electricity from a non-IOU provider, such as a CCA, those customers remain responsible for costs previously incurred on their behalf by the IOUs.[45] The continued sharp rise in the PCIA—with an annual Indifference Amount growth rate of 26 percent between 2013 and 2020[46]—is due in large part to increases in GRC-related costs of UOG resources, as well as to reductions in the market value of PG&E's portfolio, as administratively determined by the Commission.[47] Notably, 98 percent of the above-market costs projected in 2021 are attributable to PG&E's Legacy UOG and resource vintages prior to 2013.[48]

These sharp rises in the PCIA continue to significantly harm CCAs' ability to provide competitive generation service to their customers. In large part, the mounting problem of these growing PCIA costs can be addressed by the Commission taking a rigorous approach to reviewing the reasonableness of UOG costs like these hydro and solar decommissioning costs at issue here. The Joint CCAs urge the Commission to ensure that its decision regarding these decommissioning costs fully considers all the evidence advanced by JCCAs regarding PG&E's estimates—especially in light of the impact that such a decision ultimately has on the ability of CCAs to serve their customers in a cost-effective manner.

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45 A.20-07-002, *Prepared Direct Testimony of Brian Dickman on Behalf of the Joint Community Choice Aggregators in Pacific Gas and Electric Company's 2021 ERRA Forecast Proceeding*, pp. 7-8 (September 24, 2020) ("A.20-07-002 Testimony").

46 *Id*., p. 12.

47 *Id*., p. 14.

48 *Id*., p. 13.

III. The Proposed Decision Misconstrues JCCAs' Customer Care Arguments and Thus Fails to Fully Address the Underlying Problem with PG&E's Functionalization Practices, Given the Prolific Rise of Unbundling in California.

"The Commission has repeatedly affirmed the policy that costs should be allocated to those customers on whose behalf the costs were incurred."[49] This cost causation principle is vitally important to the Commission's charge to set just and reasonable rates,[50] and by adhering to this principle, the Commission ensures that there are no cross-subsidizations or cost shifts between different groups of customers, in violation of California law.[51] Indeed, the PD also cites to cost causation as a guiding principle in considering cost allocation issues.[52] However, the PD fails to strictly adhere to it in ruling on the Joint CCAs' Customer Care cost allocation proposal because it agrees to use PG&E's long-standing and outdated method of assigning all such costs to the electric distribution and gas distribution functions.

In the past, when all or most electric customers in PG&E's system received bundled service, the precise allocation of costs across the electric distribution, transmission, and generation cost functions was not as impactful in terms of the risk that costs might be inequitably shifted between customers groups. However, customers are increasingly taking unbundled service,[53] and thus only receiving and paying for a subset of these utility services—for instance, CCA customers receive generation services from their local CCA, and receive transmission, distribution, billing, and other services from the utility. In this new energy service landscape, it is critical that costs are properly functionalized to reflect cost causation. Indeed, this new energy service model requires a reassessment of PG&E's historical functionalization methodologies to ensure that customers pay only the costs that are associated with the level of service they receive from PG&E.

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49 D.19-09-004, p. 9 (citing D.99-06-058, p. 7; D.02-11-022, p. 61; and D.12-12-004, pp. 52-53).

50 *See* Cal. Pub. Util. Code §§ 451, 454 (a).

51 *See* Cal. Pub. Util. Code §§ 365.2, 366.3. *See also* D.19-09-004, pp. 8-9 ("The Commission is required to ensure that there is no cost-shifting between bundled and unbundled customers and that unbundled customers such as CCA customers do not experience cost increases as a result of an allocation of costs that were not incurred on their behalf") (citing Cal. Pub. Util. Code §§ 365.2, 366.3).

52 Proposed Decision, p. 294.

53 Based on PG&E's forecast, in 2019, Unbundled Electric Customers comprised 53% of PG&E's load share. Exh. 216 at Attachment JAM-2, p. 3 (PG&E Data Response to Alliance for Nuclear Responsibility DR 2, Q07).

This means both that (1) costs that support a particular rate function (*e.g.*, electric generation, electric distribution, electric transmission, gas distribution, or gas transmission) should be allocated entirely to that rate function, and that (2) "common" costs for programs and services that are available to and used by all customers should generally be allocated based on the relative *utilization* of those programs and services, as between bundled electric, unbundled electric, and gas customers. While these "common" programs and services may be *equally available* to all customers, the costs should not be shared assuming equal usage between all customers when utilization data suggests otherwise, because such an allocation would not equitably allocate costs to cost causers.

For instance, consider that, in the context of allocating costs for electricity, electricity is also *equally available* to any electric customer, but PG&E and other utilities only charge electric customers based on the actual amount of energy that they use—not the amount of energy that is available to them. Customers that use more electricity cause more costs than customers that use less, and therefore should be allocated a greater share of responsibility. Similarly, customers that use more shared services cause more of the associated costs than customers that use less, and should be allocated a greater share of these common costs in proportion to their usage.

Using PG&E's own data, the Joint CCAs have demonstrated in this proceeding how failing to adhere to this cost causation principle in the context of certain Customer Care costs has resulted in an allocation that would require unbundled customers to pay for services in a proportion that is not aligned with their utilization of such services. Such an allocation would result in an inequitable cost shift for the unbundled customer, as well as an unjust competitive advantage for PG&E (over CCAs and other load-serving entities), as PG&E would be recovering costs of serving bundled customers from unbundled customers. To prevent such inequitable results, the Legislature has made clear that "[t]he commission shall . . . ensure 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."[54]

The Joint CCAs have demonstrated in this proceeding how the Commission can use PG&E's own utilization data to reallocate certain Customer Care costs in line with cost causation principles and this statutory mandate. However, because the Proposed Decision misconstrues the Joint CCAs' data and arguments on this issue, it (1) finds there is not sufficient evidence to

[54] Cal. Pub. Util. Code § 366.3.

support reallocating Customer Care costs so that they are better aligned with cost causation, and (2) fails to require PG&E to provide, in future proceedings, the utilization data necessary to inform cost allocation proposals that assign costs in proportion to the degree to which different customer groups drive the costs.

The Proposed Decision should be modified to accurately reflect the record on the Joint CCAs' Customer Care functionalization arguments. Based on this clearer understanding of the record, the Proposed Decision should also be revised to reject the Settlement Agreement's proposed cost allocation of Customer Care expenses as unreasonable in light of this record.[55] The Commission should both accept the Joint CCAs' proposed reallocation of certain Customer Care costs[56] and require PG&E, in future proceedings, to track the relative utilization (among bundled electric, unbundled electric, and gas customers) of all Customer Care services.

A. The Proposed Decision Misconstrues JCCAs' Functionalization Argument.

In its discussion concluding that it is reasonable for PG&E to maintain its current functionalization of Customer Care costs based on the proportion of electric to gas customers that it serves,[57] the Proposed Decision misconstrues the Joint CCAs' core cost allocation arguments. In particular, the Proposed Decision states:

> Because the data does not clearly delineate the amount of support PG&E's customer care services provide to its individual utility functions (gas distribution, electric distribution or electric generation), the record is unclear as to whether generation customers use more or less customer care services than gas or electric distribution customers, or cause PG&E to incur more or less Customer Care costs than gas or electric distribution customers.[58]

The Proposed Decision reasons here that, because there is no data clearly showing how Customer Care services support the different *utility functions*, there is no clear record on the degree to which different types of customers utilize these services. However, this reasoning

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55 *See* D.17-05-013, p. 220.

56 Specifically, those related to Customer Engagement, Contact Centers, and Customer Service Offices, which are specific service lines for which PG&E collects and has provided utilization data to the JCCAs in this proceeding.

57 Proposed Decision, p. 313. *See also id*., p. 311 ("PG&E allocates the Customer Care costs between its electric distribution and gas distribution functions, based on the number of its electrical and gas service agreements, resulting in an allocation of 55 percent of the costs to electric distribution and 45 percent of the costs to gas distribution.").

58 *Id*., p. 314.

relies on a faulty premise—*i.e.*, that the Joint CCAs were attempting to show with their data how the Customer Care services support the different utility functions. This is not the case.

The Joint CCAs do not argue that PG&E should allocate Customer Care costs between the generation, distribution, and gas functions based on whether the cost at issue is distribution-related, generation-related, or transmission-related. Indeed, this would not be a logical approach, as these services cannot easily or even accurately be tracked in this manner. Other services (Locate and Mark, for example) are capable of being classified as supporting a particular function, but costs related to customer service typically are not. For instance, consider whether a customer's call to a Contact Center asking why their bill is so high is a generation or distribution related call. This is not a question that can be easily answered, and the Joint CCAs submit that this, in fact, is not the right question to ask; this is not the appropriate way to categorize the interaction.

Instead, as the Joint CCAs have argued throughout this proceeding, PG&E should track the utilization of these Customer Care services, as between bundled, unbundled, and gas customers. This is the logical approach for a few key reasons. First, it is a clearer, easier, and more straightforward way to categorize utilization of these kinds of common services—*e.g.*, track which type of customer (bundled, unbundled, or gas) placed the call to the Contact Center, rather than attempting to discern to which utility function the call is most related.[59] Second, this approach is logical given the discrepancies between the utilization rates of certain Customer Care services, as between bundled and unbundled electric customers, which have been clearly demonstrated by the Joint CCAs on the record,[60] and which underscore the need for a corresponding allocation of costs reflective of usage and therefore, cost causation.

While the Joint CCAs' primary rationale for reallocating these Customer Care costs is the utilization data clearly supporting this reallocation, the Joint CCAs also note that this utilization discrepancy can be easily understood when one considers that CCA customers receive some customer services from PG&E and others from their CCA, while bundled customers only receive customer service support from PG&E. This is because there are types of customer services that

[59] Note that the Joint CCAs recommend requiring PG&E to track whether the customer utilizing the service is a bundled, unbundled, or gas customer. Where the customer is a dual gas and electric customer, then it may also be necessary to track whether the utilization of the service is related to gas or electric service, or both. The Joint CCAs also note this distinction in its redline of the Proposed Decision attached as part of Appendix A hereto.

[60] Joint CCAs Opening Brief, pp. 62-75.

PG&E cannot or does not provide unbundled customers, and that unbundled customers therefore must receive from their CCA, and because CCAs in some instances provide very similar customer services directly to their customers, thus reducing the degree to which CCA customers rely on PG&E for such services.

For instance, many CCAs have call centers that handle customer inquiries, which logically would relieve some of the burden on PG&E's Contact Centers.[61] PG&E also refers customers to CCA call centers for many issues[62]—in 2018, for example, its automated phone system automatically diverted 25,092 customer calls to CCAs for resolution.[63] This represents over 25,000 examples of PG&E not providing customer service to an unbundled customer that it would have provided a bundled customer. As another example, while PG&E provides services supporting its demand-side management programs,[64] some CCAs also run similar programs and provide associated customer services to its customers. While bundled customers rightly do not pay any costs associated with CCA-provided customer services offered to and utilized entirely by CCA customers, under PG&E's current functionalization methodology, unbundled customers end up paying both for these CCA-only services as well as for more than their fair share of PG&E's customer services, which are at least in some circumstances disproportionately utilized by bundled customers

The Proposed Decision's misunderstanding of the Joint CCAs' proposal is further evidenced in its reasoning regarding what the record reflects with respect to how these Customer Care services support the different functional categories:

> Because the record shows that customer care services support bundled and unbundled customers equally on electric distribution issues but does not show that customer care services directly support PG&E's generation function, it is reasonable for PG&E to maintain its current functionalization of Customer Care expenses to the electric distribution and gas distribution functions until we have better data showing the extent of customer service that PG&E provides for its generation and distribution functions.[65]

Again, this reasoning exhibits a fundamental misunderstanding of the data that the Joint CCAs have presented. JCCAs' data, which it received from PG&E in discovery, clearly shows

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61 *Id*., p. 72.

62 Exh. 104 at 2-3 (PG&E Data Response to Joint CCAs DR 15, Q11); 15 Tr. 1584:20 to 1585:7 (PG&E – Zenner).

63 Joint CCAs Opening Brief, pp. 73-74.

64 Proposed Decision, p. 314.

65 *Id*., pp. 314-315.

different utilization rates for certain Customer Care services among bundled, unbundled, and gas customers; it does *not* attempt to show the extent to which these services support the electric distribution, electric generation, or gas distribution utility functions. Therefore, in focusing on the extent to which these services support the different customer groups on "electric distribution issues" versus "generation issues", the Proposed Decision fails to address the relevant issue: which customers cause such costs to be incurred?

Moreover, the Proposed Decision's reasoning in this same paragraph that "[b]oth bundled and unbundled electric customers need customer support on issues related to system reliability, service planning, demand-side management programs, billing, payments, start, stop or transfer services, outages, gas leaks, and emergencies"[66] misses the point. While these services may be equally available to both bundled and unbundled customers, and while both bundled and unbundled customers may indeed use these services to a certain extent, it is not logical to thus conclude, as the PD does, that these services "support . . . issues that affect both bundled and unbundled customers equally."[67] To determine whether these services support issues that affect these two customer groups equally, the Commission would need to understand how these customer groups actually *use* these services in practice. The Joint CCAs have done this analysis with PG&E's utilization data, and have demonstrated that many Customer Care services in fact are not utilized equally between these customer groups.

The confusion in the PD surrounding the Joint CCAs' proposal may be due to the manner in which the Joint CCAs have proposed to effectuate its cost allocation proposal. As the Joint CCAs explained in their Opening Brief:

> [If] a particular service offering is provided 40% to bundled electric customers, 25% to unbundled electric customers, and 35% to gas customers, the rates each of those types of customers pay should be developed to recover each customer type's pro rata utilization of that service offering. To produce cost recovery that reflects that utilization . . . [PG&E should] weight the allocation of customer service-related costs between PG&E's three utility functions such that the portion of costs allocated to Electric Generation when combined with the bundled customer's share of the Electric Distribution revenue requirement will produce rates paid by electric bundled and electric unbundled customers that reflect their pro rata utilization of each customer service-related program.[68]

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66 *Id*., p. 314.
67 *Id*.
68 Joint CCAs Opening Brief, pp. 63-64.

The Joint CCAs have proposed to allocate costs to the cost causers, weighted based on actual utilization rates of bundled, unbundled, and gas customers. Given the functional categories PG&E uses to allocate costs, the only means available to accomplish this allocation as between bundled and unbundled customers is to take the amount of bundled customer utilization that is higher than this customer group's proportionate share and allocate the associated costs to the generation rate function (which only bundled customers pay), to ensure that only bundled customers pay for it.

Ratemaking authorities like The National Association of Regulatory Utility Commissioners ("NARUC") stress the importance of this kind of more nuanced approach to the allocation of customer-related costs.[69] NARUC recognizes that, instead of simply allocating these kinds of costs between electric distribution and gas distribution functions based on customer counts, as PG&E does, it is appropriate for utilities to incorporate customer weighting factors to reflect cost differences.[70] Generally, these customer-related costs should be understood as a distinct cost category—separate from simply generation-related, distribution-related, transmission-related, etc.—that PG&E should allocate based on utilization rates to ensure that each relevant, distinct category of customers utilizing these services pays for their fair share, based on their relative utilization level. While PG&E does further allocate costs between customer classes in Phase II of its GRCs, PG&E does not differentiate rates between bundled and unbundled customers. Such a difference in cost recovery between bundled and unbundled customers is handled in GRC Phase I proceedings through functionalization.

Thus, the Joint CCAs' proposal does ultimately involve assigning costs to the different rate functions based on PG&E's utilization data, but it does *not* involve determining, as the PD

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[69] Exh. 216 at 14:7-29. The Commission also has recognized more nuanced approaches to the allocation of customer-related costs. *See, e.g.*, D.90-04-021, 1990 Cal. PUC LEXIS 185, *103-*104 (April 11, 1990) (recognizing that within the cost allocation process, "before the costs can be allocated to the different customer classes, there is another step that must be performed. The costs within each functional category must first be 'classified'. That is, all of the costs within each functional category are classified as either being commodity related, demand related, or customer related . . . Once the costs are functionalized and classified, they are allocated to the different customer classes using the allocation factors adopted by the Commission. All customer-related costs are allocated on the basis of weighted number of customers."); D.91-12-075, 1991 Cal. PUC LEXIS 910, *55 (December 20, 1991) ("The costs incurred by SoCal's Market Services Department (which includes conservation), which amount to over $64.5 million per year, are currently classified as customer-related and allocated based upon the number of customers in each class, weighted by undepreciated distribution plant").

[70] Exh. 216 at 14:7-29.

assumes, "the amount of support PG&E's customer care services provide to its individual utility functions."[71] The Proposed Decision's discussion of cost allocation of Customer Care expenses should be revised to accurately reflect the Joint CCAs' arguments and data, as discussed herein.

B. The PD Incorrectly Concludes that JCCAs Lacked Sufficient Data to Justify Their Proposed Customer Care Functionalization Adjustments.

The Proposed Decision maintains PG&E's current functionalization of Customer Care costs—which allocates these costs between electric distribution and gas distribution functions based on the proportion of electric to gas customers that PG&E serves—while at the same time concluding that it is "appropriate to allocate the Customer Care costs following the principle of cost causation, which allocates costs to the group of customers that incur the costs."[72]

An allocation of shared costs based just on overall customer counts is not an allocation based on cost causation. Indeed, the PD does not explain its reasoning regarding how the current allocation is well aligned with this cost causation principle that the Commission seeks to uphold here. Rather, the Commission seems to allow PG&E to maintain its current functionalization based on its conclusion that the record does not clearly show the degree to which Customer Care services support electric distribution related versus generation related functions.[73] Specifically, the Proposed Decision finds:

> Because the data does not clearly delineate the amount of support PG&E's customer care services provide to its individual utility functions (gas distribution, electric distribution or electric generation), the record is unclear as to whether generation customers use more or less customer care services than gas or electric distribution customers, or cause PG&E to incur more or less Customer Care costs than gas or electric distribution customers. Furthermore, the record data does not allow us to confidently extrapolate the extent of customer service usage by generation customers relative to gas or electric distribution customers, or the extent of costs generation customers impose on Customer Care services compared to gas or electric distribution customers.[74]

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[71] Proposed Decision, p. 314.

[72] *Id*., pp. 313-314.

[73] *Id*., pp. 314-315 ("Because the record shows that customer care services support bundled and unbundled customers equally on electric distribution issues but does not show that customer care services directly support PG&E's generation function, it is reasonable for PG&E to maintain its current functionalization of Customer Care expenses to the electric distribution and gas distribution functions until we have better data showing the extent of customer service that PG&E provides for its generation and distribution functions").

[74] *Id*., p. 314.

The PD suggests that, due to this lack of clear data showing the degree to which these services support the different utility functions, it is reasonable to maintain the current functionalization "until we have better data showing the extent of customer service that PG&E provides for its generation and distribution functions."[75]

The Joint CCAs agree that there is no data on the record that demonstrates the degree to which Customer Care services support or are specifically related to the different utility functions. Indeed, the Joint CCAs did not attempt to provide data of this nature. As discussed in Section III.A herein, the Joint CCAs have provided data clearly demonstrating the different utilization rates among bundled electric, unbundled electric, and gas customers for Customer Engagement costs, Contact Center costs, and Customer Service Office costs.[76] Correcting PG&E's functional allocation factors to appropriately reflect these cost of service differences for Customer Care across these customer groups reduces the Electric Distribution revenue requirement by $12.22 million, increases Electric Generation by $13.27 million, and decreases Gas Distribution by $1.05 million.[77]

Because the Proposed Decision misconstrues the data that the Joint CCAs presented on the record, its rejection of the Joint CCAs' proposed functionalization of Customer Care costs rests on a faulty premise. The Proposed Decision should be revised to accurately reflect the data that the Joint CCAs presented.

Further, the Proposed Decision should be revised to recognize that, because the record contains detailed utilization data for these Customer Care services across bundled electric, unbundled electric, and gas customers, this data should be used to allocate these costs in line with cost causation principles. Doing so would effectuate the Commission's stated intention to "allocate the Customer Care costs following the principle of cost causation, which allocates costs to the group of customers that incur the costs."[78]

Any doubt that PG&E casts on its own utilization data should be set aside. It is true that after providing this utilization data, and after JCCAs proposed adjustments in testimony based on that data, PG&E has since attempted to argue that some of it was estimated, and pointed to

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75 *Id*., p. 315.
76 Joint CCAs Opening Brief, pp. 65-75.
77 Exh. 216 at 5 (Table 1).
78 Proposed Decision, p. 314.

reasons why the data may not be perfectly reflective of actual utilization.[79] However, these arguments are unavailing as they seek to make perfection the enemy of the good. The data PG&E has provided is the only utilization data available, and allocation based on it is the only way to move PG&E closer to allocating costs in line with cost causation. PG&E's current allocator might have made sense in the context of an older energy services model that did not include large and growing numbers of unbundled customers, but it has no bearing on the energy services model of today and is certainly less reflective of actual utilization data than JCCAs' approach. A new approach based on the utilization data that is currently available is much more reasonable than adopting an approach, by default, rooted in an outdated understanding of energy service.

Finally, the Joint CCAs recognize that while we have presented detailed data with respect to the relative utilization of Customer Engagement costs, Contact Center costs, and Customer Service Office costs, our proposal that PG&E adopt a composite allocator allocating the remaining common costs within Customer Care is not based on detailed data specific to those costs.[80] As such, the Joint CCAs believe it is reasonable to wait until the next GRC, when it will be possible to propose allocations of these costs based on more detailed utilization data. Specifically, if the Commission orders PG&E to track utilization data in the next GRC, in line with the Joint CCAs' proposed revisions to the PD discussed in Section III.C herein, then in that proceeding it will be possible to deduce with greater accuracy exactly how these costs should be allocated to be aligned with cost causation.

Therefore, in order to allocate Customer Engagement costs, Contact Center costs, and Customer Service Office costs in line with the detailed utilization data provided on the record, such that costs are proportionately allocated to those customers that drive the costs, the Commission should revise the PD to reflect the cost reallocations for these costs recommended by the Joint CCAs.[81]

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79 *See* A.18-12-009, *PG&E's Reply Brief on Unresolved Issues*, pp. 32-36 (January 27, 2020) ("PG&E Reply Brief"). In addition, with respect to Contact Center costs, PG&E raised minor challenges to the Joint CCAs' utilization data, which the Joint CCAs demonstrated to be inconsequential in briefing. *See* Joint CCAs Opening Brief, pp. 70-74.

80 Joint CCAs Opening Brief, pp. 76-78.

81 Exh. 216 at 5 (Table 1).

C. While the Proposed Decision Rightly Recognizes the Import of Functionalization Issues and Orders Important Changes to PG&E's Presentation of its Proposed Functionalization in Future Proceedings, Because the PD Misconstrues JCCAs' Arguments on Customer Care Functionalization, it Orders PG&E to Provide the Wrong Data on These Services In Future Proceedings.

The Proposed Decision rightly recognizes the import of ensuring that costs are aligned with the principle of cost causation, and that there are no cost shifts between bundled and unbundled customers in violation of California law.[82] In particular, in discussing required changes to PG&E's future presentation of its cost allocation proposals, more generally, the PD finds:

> To prevent possible cost subsidies between the bundled and unbundled customers, we direct PG&E to provide in its next GRC a better showing of its cost functionalization process. Specifically, we direct PG&E to provide in its next GRC detailed testimony showing and justifying how it allocates costs across its various utility functions, including how it derives its functional allocations. PG&E shall also include how PG&E functionalizes "common costs" and Customer Care expenses, given the additional data we directed PG&E to collect for its customer care operations.[83]

This recognition of the fact that PG&E must undertake additional steps in future GRCs to ensure that its presentation of its proposed cost functionalization is more transparent and detailed, and that it sufficiently justifies the utility's request, is an important step in the right direction. While the Joint CCAs' functionalization arguments in this GRC focused largely on issues related to certain Customer Care costs, this focus is attributable to the fact that these were the common cost categories for which the Joint CCAs were able to obtain significant PG&E data via discovery. These particular costs serve as just one example of this much larger issue with how PG&E presents its testimony in GRC proceedings. Going forward, it will be important to closely scrutinize all commonly allocated costs to ensure the allocations reflect cost causation principles when services are not utilized equally among various types of customers. And, across all of its testimony, PG&E must provide more transparency into how it functionalizes costs to ensure that there are no improper cost shifts among customer groups.[84]

While this high-level direction regarding the functionalization details PG&E must provide in future proceedings does represent an important step forward on this critical issue, the

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82 Proposed Decision, pp. 316-317.
83 *Id*., p. 317.
84 Joint CCAs Opening Brief, pp. 79-82.

Proposed Decision's direction to PG&E regarding how to present Customer Care costs, in particular, in future GRCs misses the mark. The PD orders "PG&E to track and report data showing the extent to which its Customer Care services and programs support its electric generation function as compared to its electric distribution and gas distribution functions."[85] This order seems to be based on the PD's misunderstanding of the Joint CCAs' arguments and data on Customer Care costs, as discussed in detail in Section III.A herein.

To ensure that these costs are allocated to those customers on whose behalf they were incurred, the Commission does not need this information about the utility function to which the common service or program is most related. As discussed in Section III.A herein, there may not be an easy or even an accurate way to accomplish such tracking. As a result, such categorizations could end up being quite subjective—for instance, in the example of the customer who calls a Contact Center regarding an issue with their high bill, PG&E may have trouble categorizing such a call as distribution or generation related, and may have to force this interaction into one of these categories without sufficient justification.

Instead of ordering the collection of this less helpful data, the Commission should, in line with the Joint CCAs' arguments throughout this proceeding, order PG&E to track the relative utilization (among bundled electric, unbundled electric, and gas customers) of all Customer Care costs.[86] This utilization data can then inform a determination of cost responsibility across customer groups. This data will be useful to inform allocators that can appropriately assign costs to these customers, via the electric generation, electric distribution, and gas distribution utility functions, to ensure that each customer group is paying for their proportionate share of the service in question.

This utilization data for all Customer Care costs is necessary to ensure that the information provided by PG&E in the future will serve the Proposed Decision's stated intention of aligning costs with cost causation.[87] Some of this utilization data is likely to show higher utilization rates among unbundled customers and to therefore support a disproportionate allocation of such costs to the distribution function to properly recover such costs from unbundled customers. Such was the case with the utilization data for "third-party relations"

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85 Proposed Decision, p. 315.
86 Joint CCAs Opening Brief, pp. 78-79.
87 Proposed Decision, pp. 314, 316-317.

services in this proceeding.[88] Notwithstanding this fact, the Joint CCAs continue to advocate for full transparency into all these utilization data to ensure that all these costs are allocated to the customers that have caused the costs.

The Proposed Decision should therefore be revised to require PG&E to more carefully track bundled, unbundled, and gas customers' utilization of all Customer Care costs so that it can more precisely allocate such costs in future GRCs. The Commission should order this tracking and reporting of utilization data instead of its current order that PG&E track data "showing the extent to which its Customer Care services and programs support its electric generation function as compared to its electric distribution and gas distribution functions."[89]

IV. The Proposed Decision Should Be Revised to Provide Guidance on Cost Allocation for PG&E's Resilience Zones Program Going Forward.

The Proposed Decision approves the allocation of Resilience Zones costs fully to the electric distribution function, finding that the Resilience Zones program directly supports PG&E's electric distribution infrastructure and will benefit all distribution customers.[90] In addition, the PD notes that "in this proceeding, PG&E is only requesting to recover the costs of building the interconnection facilities that enable the Resilience Zones to interconnect with generic generation resources. PG&E is not proposing to interconnect the Resilience Zones with any specific generation resource."[91] Further, PG&E is "not seeking to own the generation or specify the generation resources that will be used in the Resilience Zones."[92]

The PD thus clarifies that the Commission is not determining, in this proceeding, which entities will be permitted to install or contract for the generation that will connect to these Resilience Zone interconnection hubs. Without knowing this key piece of information, it is not possible to apply the established principles of PG&E's Rule 21 to determine how the costs associated with this program should be properly functionalized. This is so because under Rule 21, any costs associated with the interconnection of a generation facility or microgrid—*including costs of interconnection facilities and distribution system upgrades*—are borne by the entity

88 Joint CCAs Opening Brief, p. 68.
89 Proposed Decision, p. 315.
90 *Id*., p. 307.
91 *Id*.
92 *Id*., p. 306.

developing and installing the generation or the microgrid for facilities greater than 1 MW.[93] The costs triggered by an Interconnection Request are the responsibility of the party triggering the Interconnection Request.[94]

This is why the Joint CCAs argued in this proceeding that if PG&E is, through this program, building infrastructure to accommodate temporary generation only it will procure, then it is the cost causer, and the entity that should pay for the related interconnection facilities.[95] This approach would ensure that PG&E is treated the same as other entities that install generation facilities or microgrids; note that if a third party like a CCA developed a generation facility and microgrid to facilitate its own resilience plans, that party would need to proceed through PG&E's interconnection procedures. Again, those procedures require any costs associated with that interconnection to be borne by the entity developing and installing the generation or the microgrid for facilities greater than 1 MW.[96]

Because it remains unknown what entities will eventually be triggering the Interconnection Requests associated with this program, the Joint CCAs acknowledge that the Commission cannot allocate costs associated with this program in line with these Rule 21 principles in this proceeding. Therefore, the Joint CCAs do not contest, at this point, the PD's conclusion that all these costs should be functionalized as electric distribution. However, the Joint CCAs do contest (1) the PD's lack of acknowledgment of this commonly accepted principle and what it dictates in terms of the cost allocation of these interconnection-related costs, and (2) the PD's resulting reliance entirely on a discussion of which types of customers benefit from the program to guide its decision on cost allocation.[97] The Proposed Decision should be revised to clarify the application of this Rule 21 interconnection principle to the context of the Resilience Zones proposal, as such a clarification will provide important guidance on cost functionalization issues in this area going forward.

Specifically, the PD should be revised to state that if the Commission determines in R.19-09-009 or another microgrids-related proceeding that only PG&E will be permitted to develop

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93 Exh. 23 (pages from PG&E's Rule 21), Section E.4(a), (e) and Table E.2 (clearly showing that interconnection facilities and distribution upgrades are the responsibility of the "producer").

94 *See* Exh. 23 (pages from PG&E's Rule 21), Section E.4(e); Cal. Pub. Util. Code § 2812.5.

95 Joint CCAs Opening Brief, pp. 23-26.

96 Exh. 23 (pages from PG&E's Rule 21), Section E.4(a), (e) and Table E.2 (clearly showing that interconnection facilities and distribution upgrades are the responsibility of the "producer").

97 Proposed Decision, p. 307.

and install the generation or the microgrid associated with these Resilience Zones, consistency with Commission interconnection practices in other circumstances requires PG&E to functionalize Resilience Zones as generation costs. If the program is permitted to be a partnership between PG&E, other load-serving entities, and local governments, as the JCCAs proposed in this proceeding, more widely socializing the costs of the program through distribution rates or the public purpose program charge is a reasonable approach. This revision to the PD would serve as important guidance for the next GRC, when the allocation of these or similar costs may again be at issue.

V. Conclusion.

The Joint CCAs urge the Commission to revise the Proposed Decision in line with the recommendations herein and attached hereto in Appendix A. In Appendix A, the Joint CCAs (1) list proposed revisions to the PD's Findings of Fact and Conclusions of Law, and (2) include a full redline of the PD to demonstrate how the Commission can effectuate the recommendations herein.

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