

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 10

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To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Regulatory Monitoring Report

Date: September 13, 2018

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**RECOMMENDATION:** Receive regulatory monitoring report.

### Regulatory Priorities

The Keyes and Fox Board report includes several priority issues including:

- **The PCIA Track 2 Proposed Decision and Alternate Proposed Decision were issued.** The Alternate Proposed Decision would result in a higher Power Charge Indifference Adjustment (PCIA) charge on VCE's customers than the Proposed Decision. (The utilities will calculate the actual rate impacts for bundled and departing load customers by vintage and rate schedule, and provide this information later today, August 31.) The Proposed Decision and Alternate Proposed Decision will be considered, at the earliest, at the CPUC's September 13, 2018 Business Meeting.
- **PG&E issued three Advice Letters (ALs) implementing CPUC's Decision on CCA Reentry Fees.** Of note, one of the ALs specified VCE's financial security requirement, and requested CCAs submit a compliance Tier 1 AL to the Energy Division within 30 days of approval.
- **The CPUC issued a Decision in PG&E's Phase II General Rate Case.** The Decision results in significant changes to PG&E's distribution rates applicable to both its bundled and CCA customers, including changing the "on-peak" period to 4pm - 9pm for non-residential customers, creating a super off-peak period in the spring, and reducing the summer season to the June - September period, among other important changes. The Decision also directs PG&E to make substantial changes to its rate designs in its next general rate case.

**Attachment:**

Keyes & Fox August 31, 2018 Regulatory Memorandum

# Valley Clean Energy Alliance

## Regulatory Monitoring Report

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To: Valley Clean Energy Alliance Board of Directors

From: Tim Lindl, Partner, Keyes & Fox LLP  
Ben Inskeep, Energy Analyst, EQ Research, LLC

Subject: Regulatory Update

Date: August 31, 2018

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### Summary

Keyes & Fox LLP and EQ Research, LLC, are pleased to provide VCE's Board of Directors with this monthly informational memo describing key California regulatory and compliance-related updates from the California Public Utilities Commission (CPUC), California Energy Commission (CEC), and California Air Resources Board (CARB).

This month's report includes regulatory updates on the following priority issues:

- Power Charge Indifference Adjustment (PCIA)
- PG&E's 2019 Energy Resource and Recovery Account (ERRA) Forecast
- Resource Adequacy (RA)
- CCA Reentry Fees & Financial Security Requirements
- RPS Rulemaking
- RPS Procurement Plans
- RPS Compliance Reports
- Integrated Resource Plans
- Tree Mortality Nonbypassable Charge (NBC)
- PG&E Rate Design Window (RDW)
- Other Regulatory Developments

### PCIA Rulemaking

On August 14, 2018, Commissioner Peterson issued an Alternate Proposed Decision on Track 2 issues. Comments and reply comments, respectively, were due on September 4 and 10. Comments were also filed on the August 1 Proposed Decision. An all-Party meeting was held September 7.

- **Background:** This proceeding has two tracks. Track 1 addresses the PCIA exemption currently in place for CCA customers participating in the California Alternate Rates for Energy (CARE) and Medical Baseline (MB) programs. Track 2 is considering alternatives to the current PCIA methodology.

In Track 1, PG&E filed a Settlement Agreement on behalf of several parties on March 28, 2018. The Settlement Agreement resolves the availability of the exemption for MB customers taking energy from CCAs in PG&E's service territory, and it will be addressed in a forthcoming decision.

In Track 2, both a Proposed Decision and Alternate Proposed Decision have been issued.

- **Details:** A Track 1 decision pertaining to PG&E's pending Settlement Agreement has not yet been issued.

The Track 2 Proposed Decision (PD) rejects the utilities' proposals (*i.e.*, the Green Allocation Methodology and Portfolio Monetization Mechanism (GAM/PMM)) and CalCCA's proposal for higher administrative benchmarks, and leaves the current PCIA in place, maintaining the current brown power index, but adopting revised inputs to the benchmarks used to calculate the PCIA for RPS resources and resource adequacy. It determines that CCAs do not need to pay for either pre-2002 or post-2002 costs of non-renewable utility owned generation (UOG), or for storage-related costs beyond the 10-year limit. It also adopts an annual PCIA true-up mechanism and a "rate collar" (*i.e.*, a floor set at zero and a cap initially set at \$0.022/kWh, with the annual change of the PCIA limited to \$0.005/kWh for any PCIA charge above \$0.015/kWh) intended to limit the change of the PCIA rate from one year to the next.

The Track 2 Alternate Proposed Decision (APD) differs from the PD in four significant ways. First, it finds that legacy UOG is PCIA-eligible and should be recovered from CCA customers. Second, the APD terminates the 10-year limit on PCIA cost recovery for post-2002 UOG and certain storage costs, meaning these costs would be included in the PCIA going forward. Third, the APD establishes a PCIA collar starting in 2020, with the cap limiting upward or downward changes in the PCIA to 25% in either direction from the prior year. Finally, the APD adopts the Platt's Portfolio Content Category 1 REC index value for the Market Price Benchmark's RPS Adder, but only for the 2019 Energy Resource and Recovery Account Forecast.

- **Analysis:** The Track 2 APD would result in a higher PCIA for VCE's customers than under the Track 2 PD. (The utilities were directed by the judge to provide detailed information on Total Costs and Total Above-Market Costs directly for each resource -- and actual rate impacts for bundled and departing load customers by vintage and rate schedule for the PD and APD -- by August 31.) The revised PCIA methodology will be used to calculate the PCIA that takes effect on January 1, 2019. In addition, the PD and APD create new reporting requirements for LSEs, including CCAs, requiring them to submit specific resource contract information on January 31 each year, beginning in 2019.
- **Next Steps:** The PD and APD may be heard, at the earliest, at the CPUC's September 13, 2018 Business Meeting. The PD and APD would also open a second phase of this proceeding, forming a working group to "consider the development and implementation of a comprehensive solution to the issue of excess resources in utility portfolios." A decision regarding PG&E's pending Settlement Agreement of Track 1 issues is forthcoming.
- **Additional Information:** [Track 2 Alternate Proposed Decision](#) (August 14, 2018); [Track 2 Proposed Decision](#) (August 1, 2018); [D.18-07-009](#) resolving SCE & SDG&E PCIA exemption issues (July 23, 2018); [PG&E Settlement Agreement](#) pending on MB customer PCIA exemption (March 28, 2018); [Track 2 Scheduling Memo](#) (May 2, 2018); Docket No. [R.17-06-026](#).

## PG&E's 2019 Energy Resource and Recovery Account Forecast

On August 16, 2018, the judge issued a Scoping Memo and Ruling in PG&E's 2019 Energy Resource and Recovery Account (ERRA) Forecast application proceeding. The Northern California CCAs (CCA Parties) submitted opening testimony on August 21, and PG&E's rebuttal testimony was filed on September 7.

- **Background:** Utility ERRA proceedings establish the amount of the PCIA and other nonbypassable charges for 2019. More specifically, they determine fuel and purchased power costs associated with serving bundled customers that utilities may recover in rates. PG&E is forecasting a 2019 total revenue requirement of \$2.893 billion, comprised of \$1.597 billion related to its ERRA, plus three nonbypassable charges: the ongoing Competition Transition Charge (CTC), \$82.2 million; the PCIA, \$1.068 billion; and the Cost Allocation Mechanism, \$146.1 million. PG&E also requested approval of its 2019 sales forecast, as well as its 2019 GHG-related

forecasts, which includes a net GHG revenue return of \$314.2 million. PG&E's application was protested by CCA Parties and the Office of Ratepayer Advocates.

- **Details:** The Scoping Memo and Ruling identified the issues that will be considered in this proceeding, determined an evidentiary hearing is needed, and established a procedural schedule.
- **Analysis:** This proceeding will establish the amount of the PCIA for VCE's 2019 rates and the level of PG&E's generation rates for bundled customers. VCE will not know the final amount of any PCIA increase or generation rate decrease until November, when an update to PG&E's testimony will be provided, although estimates can be made from PG&E's initial testimony, which was filed with the application.
- **Next Steps:** An evidentiary hearing (if required) is scheduled for September 20-21, opening briefs are due October 2, and reply briefs are due October 16. PG&E will update the requested revenue requirements, including NBCs, as well as more current CCA load forecast information, in its November Update, due on the later of November 7 or five business days after the Energy Division sets the Market Price Benchmark.
- **Additional Information:** [Scoping Memo and Ruling](#) (August 16, 2018); [CCA Parties' Protest](#) (July 5, 2018); [PG&E's Application](#) (June 1, 2018); [PG&E's Testimony](#) (June 1, 2018); Docket No. [A.18-06-001](#).

## Resource Adequacy (RA)

A prehearing conference was held on August 2, 2018, and comments were filed on August 8. The CPUC cancelled a workshop for August 29. The Energy Division also issued its 2017 RA Report and preliminary RA filing materials in early August.

- **Background:** This proceeding has three tracks, and is currently focused on Track 2. [Track 1](#) addressed 2019 local and flexible RA capacity obligations and several near-term refinements to the RA program and is closed. [Track 2](#) issues include consideration of the adoption of multi-year local RA requirements, a "Central Buyer" proposal for potential major revisions to RA procurement, refinements to local RA rules, seasonal local capacity requirements, local RA penalty waiver requirements, and increased transparency regarding which resources are essential for local and sub-area reliability. [Track 3](#) issues include 2020 RA requirements, potential revisions to RA counting rules for weather-sensitive and local demand response resources, and other issues that arise.
- **Details:** The August 29 workshop would have focused on a discussion of developing multiyear RA requirements. With the workshop's cancellation, it is unclear what the next steps will be.  
  
The CPUC released its 2017 RA Report, finding that the RA program successfully provided sufficient resources to meet peak load in 2017. The CPUC has also released 2019 RA compliance materials, including a draft redlined RA compliance guide (updated from the 2018 version), RA deadlines, and RA compliance templates.
- **Analysis:** This proceeding affects VCE's RA compliance obligations for 2019 and 2020, and could potentially result in a new RA procurement framework in California that may impact VCE's ability to procure RA capacity on its own behalf. Changes being considered include requiring LSEs like VCE to procure RA for 3-5 years in advance instead of only for the year ahead, as well as moving to a central buyer model for local capacity requirements, where, under various proposals, PG&E, CAISO or another entity would be responsible for procuring RA capacity on VCE's behalf.
- **Next Steps:** A new procedural schedule for Track 2 is forthcoming. The draft 2019 RA guide provides that the deadline to file final 2019 year-ahead RA filings is October 31, 2018, among other deadlines.
- **Additional Information:** [2017 Resource Adequacy Report](#) (August 3, 2018); [D.18-06-030](#) setting local capacity requirements and resource adequacy program revisions and [D.18-06-031](#) adopting

flexible capacity requirements for 2019 (both on June 22, 2018); [Scoping Memo and Ruling](#) (January 1, 2018; [modified](#) in part on May 2, 2018); Docket No. [R.17-09-020](#).

## CCA Reentry Fees & Financial Security Requirements

In August 2018, PG&E submitted three Advice Letters (ALs) implementing the CPUC's decision on CCA financial security requirements (FSR), including one establishing VCE's FSR.

- **Background:** Reentry fees include utility administrative costs and procurement costs resulting from a mass involuntary return of CCA customers to utility service. The FSR is used to cover those potential costs. The reentry fee for incremental procurement costs is based on six months of incremental procurement. The CPUC's Decision adopted on June 7, 2018 provided that the administrative per-customer reentry fee is \$4.24 for PG&E (compared to \$1.12 for SDG&E and \$0.50 for SCE) and that the minimum FSR is \$147,000, which can be satisfied by letters of credit, surety bonds, or cash held by a third party.
- **Details:** [AL 5350-E](#) (Tier 2) specifies VCE's and other CCA's FSRs, which are redacted in the Public version. The advice letter requests that, upon approval of AL 5350-E, each CCA post the financial security instrument covering their FSR with PG&E within 30 days. Going forward, PG&E will update the FSR amounts biannually (on May 10 and November 10 each year).

[AL 5359-E](#) (Tier 1) provides a detailed description of the specific services that are covered under the CCA customer reentry fee for utility administrative costs and how those costs were calculated. It states that PG&E intends to identify the administrative fee as a separate item in its 2020 General Rate Case Phase II testimony and include a description of the components of the fee, how it is calculated, and a comparison of its fee with other major California utilities.

[AL 5354-E](#) (Tier 2) proposes revisions to electric Rule 23 Community Choice Aggregator Service to incorporate the reentry fees and FSRs.

- **Analysis:** This rulemaking proceeding is closed. PG&E's ALs are related to implementing various requirements established in the final decision issued in this proceeding.
- **Next Steps:** Protests for each of the three ALs were due between late August and early September. The advice letters request CCAs submit a compliance Tier 1 AL to the Energy Division within 30 days of approval of AL 5350-E, providing notice of compliance with the FSR and requesting return of any interim financial security posted with the CPUC.
- **Additional Information:** [AL 5359-E](#) describing reentry fee (August 17, 2018); [AL 5354-E](#) revising electric Rule 23 (August 15, 2018); [AL 5350-E](#) on financial security requirements (August 6, 2018); [D.18-05-022](#) establishing CCA reentry fees and financial security requirements (June 7, 2018); Docket No. [R.03-10-003](#).

## Renewables Portfolio Standard (RPS) Rulemaking

On August 13, 2018, Parties filed comments on the preliminary scoping memo. Furthermore, on August 22, the Independent Energy Producers Association requested that that CPUC direct the Energy Division to prepare a report on 2018 RPS Procurement Plans (filed in R.15-02-020).

- **Background:** On July 12, 2018, the CPUC adopted an Order Instituting Rulemaking (OIR) establishing a new proceeding addressing RPS-related issues. The preliminary scoping memo provides that the existing RPS rulemaking (R.15-02-020) is now closed except for the limited purpose of addressing pending petitions for modification. Going forward, this rulemaking proceeding will cover topics relevant to the RPS.
- **Details:** Topics to be covered in this proceeding, as identified in the preliminary scope, include general implementation and administration of the RPS, resolving remaining issues from the predecessor RPS docket (e.g., implementing RPS compliance waiver determinations), and

continued monitoring and improvement of the RPS (e.g., possible RPS compliance obligations beyond 2030, integrating GHG emission reduction goals into the RPS, reviewing confidentiality rules, RPS procurement plan and compliance review, RPS enforcement, and safety issues related to the RPS program and/or climate change).

The Independent Energy Producers Association has requested the Energy Division be directed to prepared a report by November 20 on the LSE's 2018 RPS Procurement Plans submitted on August 20. The report would include a comprehensive review of the 2018 RPS Procurement Plans, using aggregated data as appropriate, and address the extent to which the LSEs individually and collectively are meeting or are preparing to meet their RPS obligations in a timely manner.

- **Analysis:** This proceeding will affect VCE's RPS compliance obligations in 2019 and thereafter. This proceeding will also impact PG&E's RPS compliance obligations and impacts on above-market costs for the PCIA calculation (pending changes to the PCIA in R.17-02-026). However, a final scope and procedural schedule have not yet been established.
- **Next Steps:** A prehearing conference has been set for September 24. A final scoping memo is expected in Q4 2018.
- **Additional Information:** [Order Instituting Rulemaking](#) (July 23, 2018); [R-18-07-003](#).

## RPS Procurement Plans

On August 17, 2018, the CPUC issued a Proposed Decision closing the docket, with RPS matters to be addressed in the new RPS proceeding, R.18-07-003, going forward. On August 20, LSEs including VCE submitted their 2018 RPS Procurement Plans.

- **Background:** CCAs and other retail sellers are required to submit annual RPS Procurement Plans to the CPUC.
- **Details:** The CPUC has opened a new rulemaking docket (see above) to address RPS issues going forward and is closing this proceeding except for the limited purpose of addressing pending petitions for modification.
- **Analysis:** VCE has now completed this compliance filing for 2018, although it can file a motion to update its plan if needed. In 2019, the filing deadline will be July 20 for VCE's RPS Procurement Plan.
- **Next Steps:** Comments on RPS Procurement Plans and Ruling questions are due September 14, and reply comments on RPS Procurement Plans are due September 28. Motions to update RPS Procurement Plans are due September 28.
- **Additional Information:** [VCE 2018 RPS Procurement Plan](#) (August 20, 2018); [Proposed Decision](#) closing proceeding (August 17, 2018); [Ruling](#) setting requirements and schedule for 2018 RPS Procurement filings (June 21, 2018); [D.18-05-026](#) implementing provisions in SB 350 (2015) related to penalties and compliance waivers (June 6, 2018); Docket No. [R.15-02-020](#).

## RPS Compliance Report

On August 31, 2018, LSEs including VCE submitted their 2017 Annual RPS Compliance Reports.

- **Background:** RPS Compliance Reports filed in 2018 are used to demonstrate RPS Compliance for the 2017 calendar year. In an email to EQ Research staff, CPUC Staff clarified that the Energy Division required all LSEs to submit the compliance reports even if they did not serve load in 2017.
- **Details:** VCE's 2017 RPS Compliance Report provided details on its load forecasts and procurement up through August 31, 2018. VCE also submitted information on the executed RPS

contracts procured through August 31. In future RPS Compliance Reports, VCE will also need to submit information demonstrating retirements for RPS compliance purposes for the prior year.

- **Analysis:** VCE has now completed this compliance filing for 2018. In 2019, the filing deadline will be August 1 for VCE's 2018 RPS Compliance Report.
- **Next Steps:** The CPUC will use the LSE's RPS Compliance Reports to create a report to the Legislature each November on the progress of the RPS program.
- **Additional Information:** CPUC Notice of Revised RPS Compliance Report Template (emailed July 17, 2018); Docket No. [R.15-02-020](#).

## Integrated Resource Planning (IRP)

On August 18, 2018, PG&E provided its first set of data requests regarding IRPs submitted by eleven CCAs, including VCE, on August 1.

- **Background:** In February 2018, the CPUC established the 2017-2018 IRP filing requirements and statewide reference system plan. In May 2018, the CPUC adopted a methodology to apportion GHG emissions to load-serving entities based on their projected hourly demand. The focus going forward in this proceeding will be: (1) actual LSE IRPs (filed August 1, 2018), (2) consideration of those IRPs and the adoption of a Preferred System Plan (PSR), and (3) groundwork and preparation (e.g., policy issues) for the 2019-2020 IRP cycle.
- **Details:** VCE submitted its IRP on August 1, and a workshop was held on August 7 to discuss the IRP filings of 44 different LSEs in California. Parties filed confidential versions of their IRPs by August 20.
- **Analysis:** Comments on VCE's IRP, if any are submitted, will shed light on the degree to which PG&E and other parties consider VCE's IRP to be in compliance with the CPUC's directives.
- **Next Steps:** Comments on IRPs were due September 12, and reply comments are due September 26.
- **Additional Information:** [VCE's 2018 IRP](#) (August 1, 2018); [Ruling](#) adopting final load forecasts and GHG reduction benchmarks (June 18, 2018); [Ruling](#) adopting GHG accounting method and benchmarks (May 25, 2018); [D.18-02-018](#) adopting IRP reference plan and load-serving entity requirements (February 13, 2018); Docket No. [R.16-02-007](#).

## Tree Mortality Nonbypassable Charge (NBC)

Parties filed opening briefs on August 13, 2018, and reply briefs on August 31.

- **Background:** On November 14, 2016, PG&E, SCE, and SDG&E filed an application seeking a "Tree Mortality Non-Bypassable Charge," and proposed cost recovery through the Public Purpose Program Charge. The utilities asserted that SB 859 (2016) required these costs be allocated to all customers, including unbundled customers. The utilities define the costs to be allocated as net costs factoring in all contract costs net of energy, ancillary service, and renewable energy credit values.
- **Details:** The judge also denied an August 13 motion filed by the Office of Ratepayer Advocates (ORA) that had requested that the record be kept open in the proceeding so that parties can provide proposals and further comment on how to allocate tree mortality contracts' resource adequacy benefits that cannot be credited retrospectively. In an Email Ruling, the judge found ORA's motion untimely, as the proceeding remained open until reply briefs were filed on August 31. Parties are now awaiting the issuance of a Proposed Decision.
- **Analysis:** This proceeding could result in additional costs being recovered through the Public Purpose Program Charge on CCA and bundled customers.

- **Next Steps:** A Decision is expected by late Fall 2018.
- **Additional Information:** [ORA Motion](#) (August 13, 2018); [Scoping Memo and Ruling](#) establishing the scope and procedural schedule (May 30, 2018); [Ruling](#) denying CalCCA's Motion to include consolidated cost recovery in the scope of this proceeding (March 14, 2018); Docket No. [A.16-11-005](#).

## PG&E Rate Design Window (RDW)

On August 17, 2018, PG&E, SDG&E and SCE filed Supplemental Testimony on Phase IIB topics, which include a number of CCA issues related to the roll-out of residential TOU rates.

- **Background:** The IOUs' RDW applications have been consolidated into one proceeding. This proceeding is divided into three phases, with the second phase further bifurcated. A May 2018 [Phase I](#) Decision granted PG&E approval to begin transitioning eligible residential customers to TOU rates beginning in October 2020.

The proceeding is now focused on [Phase II](#), which is considering the IOUs' specific rate design proposals for default TOU and other rate options, as well as implementation issues for default TOU. With respect to PG&E, [Phase IIA](#) is focused on PG&E's proposal to restructure the CARE discounts into a single line item percentage discount to the customer's total bill, and [Phase IIB](#) is addressing its rate design proposals and implementation, including a number of issues impacting CCA customers (e.g., PG&E's CCA rate comparison tool and TOU rate design roll out to CCA customers).

[Phase III](#) will consider the IOUs' proposals for fixed charges and/or minimum bills. PG&E proposed raising its minimum bill from \$10/month to \$15/month and implementing a fixed charge beginning at \$3.70/month in the first year and rising to \$7.40/month in the second year.

- **Details:** The Ruling observes that although the IOUs used the same methodology to calculate GHG reductions, they did not use consistent values or assumptions, and that PG&E and SDG&E specifically did not explain all of the values and assumptions they used in the calculations. Furthermore, it states that the Energy Division might want to propose a variant of the "Itron Methodology" used in the GHG calculations. Accordingly, it directs the IOUs to consult with the Energy Division and parties to discuss the accuracy of the Itron model, and to develop a consistent set of values and assumptions to be used in their calculations of cost estimates and GHG reductions, and to present revised calculations in supplemental testimony.
- **Analysis:** This proceeding will impact the timing, details, and implementation of residential TOU rates for bundled PG&E customers as well as VCE customers via rate design changes to the distribution component of customer bills. It could affect the level of VCE's rates compared to PG&E's, and to the extent VCE mirrors PG&E's residential rate design, lead to changes in the way VCE structures its residential rates.
- **Next Steps:** In Phase IIA, a Proposed Decision is expected in November, with a final Decision by December 13, 2018. The Office of Ratepayer Advocates and other Parties will file Testimony on September 26. In addition, the IOUs will file supplemental testimony on September 26 regarding GHG reduction cost estimates. There are no Phase III procedural deadlines scheduled until March 2019.
- **Additional Information:** [Ruling](#) requesting supplemental testimony on GHG reduction cost estimates (August 17, 2018); [PG&E Supplemental Testimony](#) (August 17, 2018); [Ruling](#) clarifying scope (July 31, 2018); [D.18-05-011](#) (Phase I) on the timing of a transition to default TOU rates (May 17, 2018); [Amended Scoping Memo](#) (April 10, 2018); PG&E Rate Design Window Application & Testimony (December 20, 2017); Docket No. [A.17-12-011](#) (consolidated).



## Other Regulatory Developments

- PG&E Phase 2 General Rate Case (GRC).** The CPUC has issued a [Decision](#) in PG&E's Phase 2 GRC. The Decision approves settlements among parties that result in significant changes to PG&E's rate design, including (1) creating 4pm – 9pm peak period for most non-residential customers and a 5pm – 8pm peak period for agricultural customers, (2) creating a super off-peak period in the spring, (3) reducing PG&E's summer season from the six-month May – October period to the four-month June – September period, and (4) creating an "Option S" rate for certain energy storage customers, among other changes. The CPUC criticized PG&E for its non-residential TOU customer rate design proposals, finding the substantial increases to PG&E's non-coincident demand charges "promote inefficient use of energy contrary to state policy goals encouraging economically efficient and socially beneficial energy usage." Although the Decision ultimately approves most of the rate designs that parties agreed to in Settlement Agreements, it also requires PG&E to propose specific, different rate designs in their next GRC Phase 2 proceeding that reflect more cost-based rates, based on full Equal Percent of Marginal Cost (EPMC) scaling of all marginal cost components, for its non-residential TOU customers. It must also propose a menu of TOU options for all non-residential TOU customers, and file a transmission cost causation study that examines the appropriate allocation of transmission costs between non-coincident demand charges and system peak demand charges.
- PG&E Energy Storage Procurement Application.** In August, stakeholders filed comments on on prioritizing technology diversity in utility energy storage procurements under California's energy storage mandate in response to a CPUC issued a [Ruling](#). Topics on which the CPUC had requested addition comments include whether the CPUC's goal of "transforming" the energy storage market can be considered achieved if only one technology (lithium ion batteries, comprising 89% of existing contracts entered into under the mandate) comprises the majority of systems in the IOUs' service territories; potential grid or customer benefits associated with attributes of storage technologies other than lithium ion batteries; and how a non-lithium ion carve-out for the 2018 solicitation could be designed.
- California Customer Choice.** On August 7, 2018, the CPUC issued its [Final California Customer Choice Paper](#), addressing "the changing electric market in California and resulting new challenges that are confronting the state's energy future and reliability." The paper examines California's current electricity market and analyzes customer choice trends in which fewer and fewer customers are getting power from traditional large regional utilities, so as to address the following overarching problem statement: "How does increased customer choice occurring in the electric sector impact California's ability to achieve its policy objectives of affordability, decarbonization, and reliability?" The associated email notice describes the changes compared to the May 2018 draft as "non-material" in nature.

The CPUC stated it would conduct a gap analysis and draft an action plan for addressing the issues identified in the paper, with the customer choice project team identifying critical issues requiring resolution, mapping those issues to current CPUC proceedings and determining the appropriate forum(s) where they can be addressed (CPUC or elsewhere), identifying areas requiring further analysis, and developing recommendations. A draft action plan is slated for publication in September, followed by a public workshop in mid-October. Specific dates for future stakeholder engagement have not yet been established.

- PG&E Distribution-Rate Cost Recovery of TOU Expenses.** PG&E filed a [Proposal](#) requesting to recover \$20.5 million in 2015-2016 costs plus interest recorded in the Residential Rate Reform Memorandum Account (RRRMA) through its distribution rates. The costs relate to those PG&E spent implementing rate design reforms, including TOU pilots and studies, marketing, education and outreach, IT, data analysis, and other reasonable expenditures required to implement residential TOU rates. On August 10, CCA Parties filed a protest of PG&E's proposal.