

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 7

To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Regulatory Monitoring Report – Keyes & Fox

Date: April 9, 2020

Please find attached Keyes & Fox's March 2020 Regulatory Memorandum dated April 1, 2020, an informational summary of the key California regulatory and compliance-related updates from the California Public Utilities Commission (CPUC).

Attachment: Keyes & Fox Regulatory Memorandum dated April 1, 2020

Valley Clean Energy Alliance

Regulatory Monitoring Report

To: Valley Clean Energy Alliance (“VCE”) Board of Directors

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

Subject: Regulatory Update

Date: April 1, 2020

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). A Glossary of Acronyms used is provided at the end of this memo.

In summary, this month’s report includes regulatory updates on the following priority issues:

- **IRP Rulemaking:** The CPUC unanimously approved a Revised Proposed Decision, to be numbered D.20-03-028 upon issuance, adopting a 2019-2020 Reference System Portfolio (RSP). The VCE Board will need to officially approve of VCE’s IRP prior to the IRP due date, which was extended to September 1, 2020.
- **RA Rulemaking (2019-2020):** The ALJ issued a Proposed Decision on the central buyer, rejecting CalCCA’s proposed settlement and proposing that PG&E and SCE serve as the central procurement entity in their territories. The CPUC issued an Order (D.20-03-016) granting limited rehearing of D.19-10-020 on "clarifications" to rules governing the use of imports to meet resource adequacy (RA) requirements. The process for this limited rehearing was set forth through a Ruling issued on March 20, 2020.
- **RA Rulemaking (2021-2022):** Parties filed comments on the Track 1 (RA imports) workshop report and/or proposals. The four Track 2 working groups on qualifying capacity counting conventions filed final. Parties filed comments and reply comments on the Track 2 workshop and proposals. CalCCA late-filed a Track 2 proposal on establishing waivers for system and flexible RA compliance obligations.
- **PCIA Rulemaking:** The CPUC approved a revised Proposed Decision, to be numbered D.20-03-019 upon issuance, on departing load forecast and the presentation of PCIA rate on tariffs and bills, which had been discussed in Working Group 1. Parties filed opening and reply comments, respectively, on the final Working Group 3 report.
- **Investigation of PG&E Bankruptcy Plan:** Opening briefs (including opening comments on the February 18 Ruling) and reply briefs (including reply comments on the February 18 Ruling), respectively, were filed. PG&E submitted two Notices of Amended Plan, filed with the bankruptcy court in March. PG&E also filed (1) a motion and supporting exhibits filed by PG&E in the Bankruptcy Court, which seeks approval of a Case Resolution Contingency Process, to be

implemented if PG&E fails to meet certain dates regarding the administration of the Chapter 11 Cases; (2) a statement in support filed by Gov. Newsom in the Bankruptcy Court; and (3) a Form 8-K that PG&E filed with the U.S. SEC. The ALJ issued an Email Ruling granting PG&E's motion to take official notice of the documents.

- **Investigation into PG&E Violations Related to Wildfires:** PG&E, the Coalition of California Utility Employees, and Thomas del Monte and Wild Tree Foundation filed appeals of the Presiding Officer's Decision, issued in February, that approved a settlement agreement with significant modifications that included increasing PG&E shareholders' penalties to \$2.137 billion for the role PG&E's equipment played in igniting catastrophic wildfires in 2017 and 2018. SED filed a Motion stating it continues to support the Settlement Agreement, but that it neither supports nor opposes the modifications made in the Presiding Officer's Decision. Commissioner Rechtschaffen filed a Motion requesting full CPUC review of the Presiding Officer's Decision. PG&E's Tort Claimants Committee filed a Motion for Party Status and a response to PG&E's appeal. A Ruling shortened the time for responding to appeals and requests for review to April 9, and directs PG&E, SED, and CUE to separately or jointly file a response indicating whether they accept the proposed modifications to the settlement agreement set forth in Commissioner Rechtschaffen's Motion.
- **PG&E's 2019 ERRA Compliance:** CPUC Executive Director Alice Stebbins issued a Ruling categorizing this proceeding as a ratesetting and making a preliminary determination that a hearing is necessary.
- **PG&E's 2020 ERRA Forecast:** PG&E filed AL 5781-E, which implements the final decision (D.20-02-047) in this proceeding, including an uncapped 2020 PCIA rate for the 2017 vintage of \$0.04266/kWh.
- **RPS Rulemaking:** The ALJ issued a Ruling in response to a Petition for Modification filed by EnerCal of D.19-12-042, which addressed 2019 RPS Procurement Plan compliance. The CPUC also issued a Ruling requesting comments on a Staff Proposal on the Bioenergy Market Adjusting Tariff (BioMAT). Parties filed comments on a Staff Proposal recommending changes to confidentiality rules regarding the RPS program.
- **2018 Rate Design Window:** The CPUC issued D.20-03-003 addressing Phase 3 issues (primarily residential fixed charges and minimum bills) that largely retains the overarching design of residential rates as they are now. The proceeding is now closed.
- **PG&E's Phase 1 GRC:** No updates this month.
- **PG&E's Phase 2 GRC:** The ALJ issued an Email Ruling that postponed public participation hearings due to the COVID-19 pandemic and resulting state guidelines restricting public gatherings. PG&E held a public workshop via webinar on the proposed design for a joint study on the essential usage of electricity. PG&E hosted a public workshop to present, and receive feedback on, a new rate proposal to encourage residential electrification, which the CPUC recently ordered be included in its updated testimony.
- **Direct Access Rulemaking:** The ALJ informed parties that the release of Energy Division's report has been delayed, and while it is anticipated to be released in the near future, it was not possible to specify a date. The procedural schedule will be updated accordingly following its release.
- **Wildfire Cost Recovery Methodology Rulemaking:** No updates this month. (An August PG&E Application for Rehearing remains pending regarding D.19-06-027, establishing criteria and a methodology for wildfire cost recovery, which has been referred to as a "Stress Test" for determining how much of wildfire liability costs that utilities can afford to pay.)
- **Investigation into PG&E's Organization, Culture and Governance:** No updates this month.
- **Wildfire Fund Non-Bypassable Charge (AB 1054):** No updates this month.
- **Other Regulatory Developments:**

- **Wildfire Mitigations Plans Rulemaking:** The CPUC issued [D.20-03-004](#) addressing Phase 2 refinements of utility Wildfire Mitigation Plans (WMPs), focused on issues related to community awareness and communications and the process for WMP submissions and reviews going forward.

IRP Rulemaking

On March 12 and 17, 2020, parties filed comments and reply comments, respectively, on a Proposed Decision adopting the Reference System Portfolio (RSP) for 2020 IRPs. On March 13, 2020, parties filed reply comments on updated load forecasts provided by LSEs. On March 26, 2020, the CPUC unanimously approved a Revised Proposed Decision, to be numbered D.20-03-028 upon issuance (or “Decision”), adopting a 2019-2020 RSP. The VCE Board will need to officially approve of VCE’s IRP prior to the IRP due date, which was extended to September 1, 2020.

- **Background:** In the CPUC’s IRP process, the RSP is essentially a proposed statewide IRP portfolio that sets a statewide benchmark for later IRPs filed by individual LSEs. The CPUC ultimately adopts a Preferred System Portfolio (PSP) to be used in statewide planning and future procurement.

The most recent IRP decision, D.19-11-016, addressed the potential RA capacity shortage identified through two tranches. Tranche 1 consists of a *recommendation* that the state Water Resources Control Board (Water Board) extend the retirement dates for several existing generation facilities that use once-through cooling (OTC) systems (~3,750 MW of capacity slated to retire December 31, 2020). Tranche 2 consists of a mandatory procurement of 3,300 MW of additional capacity from resources incremental to baseline capacity included in the 2022 PSP. At least 50% of resources must be on-line by August 1, 2021, 75% by August 1, 2022, and 100% by August 1, 2023. VCE’s incremental system RA procurement requirements for these respective deadlines are 6.3 MW, 9.4 MW, and 12.6 MW.

- **Details:** D.20-03-028 establishes a 2019-2020 RSP based on a GHG target for the electric sector for 2030 of 46 million metric tons (MMT), but, with the revisions adopted, also requires LSEs to file an IRP scenario based on a more aggressive 38 MMT target and allows LSEs to include alternate portfolios. The resulting 2019-2020 RSP under both targets includes a large amount of new solar, wind, and battery storage resources. The CPUC will explore further in the procurement track of this or a successor proceeding how to go about ensuring that these additional resources, or others with equivalent attributes, are planned for and procured for the benefit of the sector as a whole, as well as the need for development of diverse resources and those that may require multiple off-takers in order to be developed.

The Decision provides that in their individual IRPs, LSEs are required to, among other things, (1) include Conforming Portfolios reflective of the 46 MMT and 38 MMT targets; (2) demonstrate how their previous and planned resource procurement will help the state collectively meet this optimal portfolio and GHG target; (3) provide information on activities to minimize criteria air pollutants with priority on disadvantaged communities; (4) provide information on activities to evaluate opportunities and include feasible procurement designed to reduce reliance on fossil-fueled power plants; (5) include resources in following the general categories: Long-duration storage (8-12 hours), Short-duration storage (4 hours or less), Renewables, Hybrid resources, and Other resources. The Revised Proposed Decision further extended the IRP deadline for LSEs to September 1, 2020.

Finally, the CPUC clarified in the Decision that the extra system RA it required LSEs to procure under D.19-11-016 cannot include new natural gas generation turbines at new sites, even if storage is added. However, new biomethane or compressed air storage that uses natural gas in its process is not prohibited. Expansion of existing natural gas generation at existing sites is not strictly prohibited, but the addition of gas turbines must be shown to create GHG benefits, such as by reducing the rate of GHG emissions from plant operations by adding storage.

- **Analysis:** The procurement track of this proceeding could potentially diminish VCE’s authority and control over its resource procurement decisions, although the scope of centralized procurement is now limited to establishing a procurement backstop mechanism and procurement of resources requiring collective action. D.20-03-028 clarified several aspects of D.19-11-016 that affect the types of resources VCE is allowed to procure for its additional system RA requirement.

The proposed 2019-2020 RSP would result in large additions of solar and energy storage resources to California’s supply mix, as well as smaller quantities of wind, over the next decade.
- **Next Steps:** Energy Division will provide final IRP templates by May 11, 2020. VCE’s IRP is due on September 1, 2020.
- **Additional Information:** [D.20-03-028](#) on RSP and 2020 IRP filing requirements (revised PD issued on March 25, 2020, and adopted on March 26, 2020); [List of Baseline Resources](#) (December 2, 2019); [D.19-11-016](#) (November 13, 2019); [Ruling](#) initiating procurement track (June 20, 2019); [D.19-04-040](#) on 2018 IRPs and 2020 IRP requirements (May 1, 2019); Docket No. [R.16-02-007](#).

RA Rulemaking (2019-2020)

On March 12, 2020, the CPUC issued an Order (D.20-03-016) granting limited rehearing of D.19-10-020 on "clarifications" to rules governing the use of imports to meet resource adequacy (RA) requirements. The process for this limited rehearing was set forth through a Ruling issued on March 20, 2020. On March 26, 2020, the CPUC issued a Proposed Decision on the central buyer structure and identities for local RA beginning 2023.

- **Background:** This proceeding has three tracks, and is currently focused on remaining central buyer issues in Track 2 as well as limited hearing of certain RA import issues. [Track 1](#) addressed 2019 local and flexible RA capacity obligations and several near-term refinements to the RA program and is closed.

In [Track 2](#), the CPUC previously adopted multi-year Local RA requirements and declined to adopt a central buyer mechanism (D.19-02-022 issued March 4, 2019). A proposed settlement agreement, filed by CalCCA among other parties (but not PG&E), would create an RA Central Procurement Entity ("CPE"), unidentified in the Settlement Agreement, to procure residual collective RA for all CPUC-jurisdictional LSEs that is not met by individual LSEs. Under the proposed settlement, individual LSEs would be able to choose to procure their share of the collective RA requirement, or they may allow the CPE to procure their share on default. Costs would be allocated afterwards based on cost causation principles.

In [Track 3](#), D.19-06-026 adopted CAISO’s recommended 2020-2022 Local Capacity Requirements and CAISO’s 2020 Flexible Capacity Requirements and made no changes to the System capacity requirements. It established an IOU load data sharing requirement, whereby each non-IOU LSE (e.g., CCAs) will annually request data by January 15 and the IOU will be required to provide it by March 1. It also adopted a “Binding Load Forecast” process such that an LSE’s initial load forecast (with CEC load migration and plausibility adjustments based on certain threshold amounts and revisions taken into account) becoming a binding obligation of that LSE, regardless of additional changes in an LSE’s implementation to new customers.

D.19-10-020 purported to affirm existing RA rules regarding imports, but adopted a distinction in the import RA compliance requirements for resource-specific and non-resource specific contracts and required, for the first time, that non-resource-specific resources self-schedule (i.e., bid as a price taker) in the CAISO energy market.

On February 11, 2020, a group of clean energy and energy storage parties filed a Petition for Modification (PFM) of D.20-01-004, seeking a revision to the definition of “Hybrid Resource.”

- **Details:** The PD adopts implementation details for the central procurement of multi-year local RA procurement to begin for the 2023 compliance year in the PG&E and SCE (but not SDG&E)

distribution service areas, including identifying PG&E and SCE as the central procurement entities for their respective distribution service areas and adopting a hybrid central procurement framework. If an LSE procures its own local resource, it may (1) sell the capacity to the CPE, (2) utilize the resource for its own system and flexible RA needs (but not for local RA), or (3) voluntarily show the resource to meet its own system and flexible RA needs, and reduce the amount of local RA the CPE will need to procure for the amount of time the LSE has agreed to show the resource. Under option (3), by showing the resource to the CPE, the LSE does not receive one-for-one credit for shown local resources. Under this structure, LSEs within PG&E's and SCE's TAC areas would not have a local RA requirement beginning in the 2023 compliance year. A competitive solicitation process would be used by the CPEs to procure RA products. Costs incurred by the CPE would be allocated ex post based on load share, using the CAM mechanism.

Notably, the PD would decline to adopt CalCCA's settlement agreement that would have created a residual central buyer structure (and did not specify the identity of the central buyer) and a multi-year requirements for system and flexible RA, finding it not to be a workable plan.

D.20-03-016 finds that limited rehearing of D.19-10-021 should be granted in order to clarify the self-scheduling requirement, provide parties an opportunity for comment, and provide evidentiary support for adoption of the new requirements contained in the Decision. Limited rehearing is also granted to clarify certain specific terms used in D.19-10-021, including "resource-specific" and "resource-non-specific," as well as to clarify the timeframe within which RA importers are required to self-schedule in the CAISO market. The stay of D.19-10-021 (ordered in D.19-12-064) will remain in effect until this limited rehearing is completed.

- **Analysis:** The PD, if approved by the CPUC, would resolve the central buyer issues. Moving to a central procurement entity as proposed would impact VCE's local RA procurement and compliance, including affecting VCE's three-year local RA requirements as part of the transition to the central procurement framework, eliminating the need for monthly local RA showings and associated penalties and/or waiver requests from individual LSEs, but also eliminating VCE's autonomy with regard to local RA procurement and placing this in the hands of PG&E.
- **Next Steps:** Comments and reply comments on the PD are due April 15, 2020, and April 20, 2020, respectively, and the PD may be considered by the CPUC, at the earliest, at its May 7, 2020 meeting. Comments and reply comments on rehearing of D.19-10-021 are due April 6, 2020, and April 13, 2020, respectively.
- **Additional Information:** [Proposed Decision](#) on central buyer (March 26, 2020); [Ruling](#) establishing process for rehearing of D.19-10-021 (March 20, 2020); [D.20-03-016](#) granting limited rehearing of D.19-10-021 (March 12, 2020); [PFM](#) of D.20-01-004 (February 11, 2020); [D.20-01-004](#) on qualifying capacity value of hybrid resources (January 17, 2020); [D.19-12-064](#) granting motion for stay of D.19-10-021 (December 23, 2019); [Petition for Modification](#) of D.19-06-026 by CalCCA (October 30, 2019); [D.19-10-021](#) affirming RA import rules (October 17, 2019); [PG&E PFM](#) regarding PG&E Other disaggregation (September 11, 2019); [Joint Motion](#) to adopt a settlement agreement for a residual central procurement entity (August 30, 2019); [D.19-06-026](#) adopting local and flexible capacity requirements (July 5, 2019); Docket No. [R.17-09-020](#).

RA Rulemaking (2021-2022)

On March 6, 2020, parties filed comments on the Track 1 (RA imports) workshop report and/or proposals. The four Track 2 working groups on qualifying capacity counting conventions filed final reports on March 11, 2020. On March 23, 2020, parties filed comments and reply comments on the Track 2 workshop and proposals. On March 18, 2020, CalCCA late-filed a Track 2 proposal on establishing waivers for system and flexible RA compliance obligations.

- **Background:** Per the Scoping Memo, this proceeding is divided into 4 tracks:
 1. Track 1 considers revisions to the RA import rules.

2. Track 2 considers System and Flexible RA requirements for 2021 and Local RA requirements for 2021-2023. It also considers time-sensitive refinements to the RA program, including modifications to the maximum cumulative capacity (MCC) buckets to address increasing reliance on use-limited resources to meet reliability and needs; using a working group process to consider qualifying capacity counting conventions and requirements for hydro resources, hybrid resources, and third-party demand response resources; re-aggregation of the "PG&E Other" area; and changes to the existing penalty structure and waiver process to address potential market power.
3. Track 3 examines the broader RA capacity structure to address energy attributes and hourly capacity requirements, given the increasing penetration of use-limited resources, greater reliance on preferred resources, rolling off of a significant amount of long-term tolling contracts held by utilities, and material increases in energy and capacity prices experienced in California over the past years.
4. Track 4 will consider the 2022 program year requirements for System and Flexible RA, and the 2022-2024 Local RA requirements.

Track 1 Staff Proposal

In Track 1, the Energy Division is proposing the following measures to reduce speculation and potential gaming in the RA import market to ensure electricity is delivered into California when it is actually needed:

1. Require resource-specific RA imports to be pseudo-tied or dynamically scheduled into the CAISO day-ahead and real-time markets and to have resource-specific IDs;
2. Require non-resource specific RA imports (i.e., energy contracts) to (a) have contractually specified fixed energy price provisions and contain no curtailment provisions, (b) deliver or schedule energy into the day-ahead and real-time markets, and (c) deliver energy at least during the availability assessment hours regularly throughout the RA compliance month; and
3. Require load-serving entities (LSEs) to provide RA import contracts in a timely manner, with no provisions redacted, to Energy Division staff in order for the RA import contracts to count towards an LSE's RA obligation.

Track 2 Staff Proposal

In Track 2, with respect to Energy Division's MCC proposal, for background, the MCC bucket system, which was last updated in 2012, groups capacity resources into categories (currently 5 in total) based on their monthly availability limits during summer (i.e., peak) months, and limits the amount of capacity that may be procured from use-limited resources to specified percentages of RA capacity needs. The Staff Proposal contains four options for updating the MCC bucket system and recommends Option #4b (essentially an all of the above option). Of note, solar and wind are currently considered "unrestricted" resources (Category 4), meaning that they are not limited to specified maximum quantities. Energy Division's proposal would retain solar and wind within Category 4, but modify it to provide that at least 56.1% of resources must be 24-hour dispatchable resources. This amount was arrived at by analyzing the MCC bucket percentages using net load duration curves (i.e., load minus solar and wind).

Energy Division's other Track 2 proposals include re-aggregating the PG&E "Other" Local Area; requiring all non-emergency DR except DR auction mechanism (DRAM) resources be required to dispatch for a four-hour period during RA measurement hours on three days during the July - September time frame; establishing an optional alternative to the use of LIPs for non-IOU DR resources; supporting the design and application of the current interim methodology for hybrid resource (i.e., generation resources paired with energy storage); capping the effective flexible capacity of energy storage resources; recommending that the CPUC affirm several reporting elements that are largely reflected in the 2020 RA Filing Guide to avoid confusion about how capacity should be reported; and proposing to clarify the meaning of notices indicating an RA deficiency versus a need for corrections; and modifying the RA penalty structure by increasing penalties for summer months and decreasing penalties in non-summer months. It also requested comments on whether it is appropriate to penalize an LSE twice when a month ahead deficiency

is redundant to a year ahead deficiency that was not cured in the interim and whether a procedure should be established to remove LSEs that consistently cannot procure sufficient capacity from the market, and a potential alternative where penalties are escalated for repeated violations.

- **Details:** The working group reports each summarize the discussions of the working group and consensus and non-consensus items for CPUC consideration. Highlights include:
 - The ELCC working group featured presentations from SCE on moving from a marginal ELCC from an average ELCC, but there was not consensus on this. There was broad support for the discussion of additional refinements to the ELCC methodology. Calpine presented a proposal on energy storage ELCC, but parties continue to disagree about the need to transition to an ELCC QC methodology for standalone storage in the near term. Parties agree that the CPUC should provide more certainty about the future RA counting of standalone storage.
 - The Hybrid working group consensus items include that QC methodologies should be developed for four use cases (Hybrid – ITC Limited; Hybrid – Non-ITC Limited; Co-located – ITC Limited; and Co-located – Non-ITC Limited). Co-Chairs also recommend that (1) the CPUC provide a means for additional stakeholder discussion of modifications to the SCE proposal for the ITC Limited charging case where 100% of the energy is from on-site charging, and (2) working groups should be allowed to continue to resolve the specified issues, sync up with the CAISO hybrid initiative, and review the Joint IOU ELCC study results performed as part of the RPS proceeding.
 - The Hydro working group resulted in a joint proposal by CAISO, PG&E, and SCE to address all non-consensus items. The agreed-upon methodology calculates a monthly hydro QC based on the previous 10 years of same-month bid-in availability, and would be an option (and not a requirement) for hydro resources. It also supported a 2021 implementation timeframe, with recognition of the potential increase in local RA waiver requests in the near-term.
 - The DR working ground recommends a modified schedule of decision making in which Track 2 would continue to address (1) whether modifications to the load impact protocols are needed (e.g., to ensure demand response resources provide local and system reliability benefits), and (2) what rules should be required for third party demand response (e.g., operation, testing). After Track 2, the Working Group recommends the CPUC address how load-modifying demand response should be counted.

CalCCA's Track 2 proposal recommends establishing waivers for system and flexible RA compliance obligations and proposes such a waiver process. (Currently, only local RA obligations are subject to the established RA waiver process.)

- **Analysis:** Regulatory developments under consideration in this proceeding that may impact VCE's capacity procurement obligations include the consideration of hourly capacity requirements in light of the increasing penetration of use-limited resources; modifications to maximum cumulative capacity buckets and whether the RA program should cap use-limited and preferred resources; whether the CPUC should cap imports; the potential expansion of multi-year local forward RA to system or flexible resources; RA penalties and waivers; counting conventions for hydro, hybrid resources, and DR resources; and Marginal ELCC counting conventions for solar, wind and hybrid resources.
- **Next Steps:** A Track 1 proposed decision is anticipated to be issued in April.

Track 2 reply comments are due April 2, 2020, and a proposed decision on Track 2 issues is anticipated to be issued in May. Flexible and local RA issues will be addressed in April-May, kicking off with the CAISO draft 2021 LCR Report filed on April 1, 2020, with comments due April 15, 2020, and the final report issued May 1, 2020. Comments and reply comments on the final report are due May 8, 2020, and May 13, 2020, respectively.

In Track 3, proposals from parties and Energy Division are due July 10, 2020.

The schedule and scope of issues for Track 4 will be established in a later Scoping Memo.

- **Additional Information:** [Email Ruling](#) extending deadline on Track 2 comments (March 26, 2020); [DR Working Group Final Report](#), [Hybrid Counting Working Group Final Report](#), [Hydro Working Group Final Report](#) and [ELCC Working Group Final Report](#) (March 11, 2020); [Ruling](#) providing Energy Division's Track 1 Proposal (February 28, 2020); [Ruling](#) modifying Track 2 schedule (February 28, 2020); [Scoping Memo and Ruling](#) (January 22, 2020); [Ruling](#) attaching Energy Division's Track 2 proposals (February 21, 2020); [Ruling](#) attaching Energy Division's Maximum Cumulative Capacity (MCC) buckets proposal (February 7, 2020); [Order Instituting Rulemaking](#) (November 13, 2019); Docket No. [R.19-11-009](#).

PCIA Rulemaking

On March 16, 2020, and March 23, 2020, parties filed opening and reply comments, respectively, on the second Working Group 1 PD. On March 13, 2020, and 27, 2020, parties filed opening and reply comments, respectively, on the final Working Group 3 report. On March 26, 2020, the CPUC approved a revised Proposed Decision, to be numbered D.20-03-019 upon issuance, on departing load forecast and the presentation of PCIA rate on tariffs and bills, which had been discussed in Working Group 1.

- **Background:** D.18-10-019 was issued on October 19, 2018, in Phase 1 of this proceeding and left the current PCIA in place, maintained the current brown power index, and adopted revised inputs to the benchmarks used to calculate the PCIA for energy RPS-eligible resources and resource adequacy capacity.

Phase 2 relies primarily on a working group process to further develop a number of PCIA-related proposals. Three workgroups examined three issues: (1) issues with the highest priority: Benchmark True-Up and Other Benchmarking Issues; (2) issues to be resolved in early 2020: Prepayment; and (3) issues to be resolved by mid-2020: Portfolio Optimization and Cost Reduction, Allocation and Auction.

- **Details:** D.20-03-019 concludes the work of Working Group 1 and declines to adopt any technical modifications to departing load forecasting. It requires each IOU to report their meet-and-confer activities with the CCAs in ERRA application testimony and in their initial annual RA load forecasting filing. It directs the IOUs to collaborate to submit a joint proposal for bill and tariff changes to show a PCIA line item in their tariffs and bill summary table on all customer bills, with each utility submitting a Tier 3 Advice Letter by August 31, 2020, to implement the joint proposal by the last business day of 2021. It also allows the IOUs to file a petition to modify to correct the mathematical errors claimed to exist in the PCIA template. Finally, the PD denies a motion for evidentiary hearings filed by Protect Our Communities on August 2, 2019.
- **Analysis:** D.20-03-019 increases the transparency between bundled and unbundled customers' bills and is beneficial for the CCAs overall.
- **Next Steps:** A proposed decision is anticipated to be issued soon on issues addressed by Working Group Two (Prepayment). With respect to the Working Group 3, motions for an evidentiary hearing are due April 3, 2020, and a proposed decision is expected in Q3 2020.
- **Additional Information:** [D.20-03-019](#) on departing load forecast and presentation of the PCIA (revised PD issued March 24, 2020 and adopted March 26, 2020); [Ruling](#) modifying procedural schedule for working group 3 (January 22, 2020); [D.20-01-030](#) denying rehearing of D.18-10-019 as modified (January 21, 2020); [Ruling](#) modifying procedural schedule (January 15, 2020); [Ruling](#) modifying procedural schedule (December 18, 2019); [Working Group 2 Final Report](#) (December 9, 2019); [AL 5705-E](#) (December 2, 2019); [D.19-10-001](#) (October 17, 2019); [AL 5624-E](#) establishing PCIA Undercollection Balancing Account and Trigger Mechanism (August 30, 2019). [Phase 2 Scoping Memo and Ruling](#) (February 1, 2019); [D.18-10-019](#) Track 2 Decisions adopting

the Alternate Proposed Decision (October 19, 2018); [D.18-09-013](#) Track 1 Decision approving PG&E Settlement Agreement (September 20, 2018); Docket No. [R.17-06-026](#).

Investigation of PG&E Bankruptcy Plan

Opening briefs (including opening comments on the February 18 Ruling) and reply briefs (including reply comments on the February 18 Ruling), respectively, were filed March 13, 2020, and March 26, 2020. PG&E submitted two Notices of Amended Plan, filed with the bankruptcy court on March 9, 2020, and March 16, 2020. On March 23, 2020, PG&E filed (1) a motion and supporting exhibits filed by PG&E in the Bankruptcy Court, which seeks approval of a Case Resolution Contingency Process, to be implemented if PG&E fails to meet certain dates regarding the administration of the Chapter 11 Cases; (2) a statement in support filed by Gov. Newsom in the Bankruptcy Court; and (3) a Form 8-K that PG&E filed with the U.S. SEC. On March 24, 2020, the ALJ issued an Email Ruling granting PG&E's motion to take official notice of the documents.

- **Background:** This case is addressing regulatory review and approval of PG&E's bankruptcy plan, in particular the questions surrounding whether the plan meets the requirements AB 1054 imposes for PG&E to participate in the newly established Wildfire Fund, which is encumbered by a June 30, 2020 deadline. Under AB 1054, in order for PG&E to be eligible to participate in the Wildfire Fund, its plan must be "neutral, on average, to ratepayers." This proceeding will consider the ratemaking implications of the proposed plan and settlement agreement, whether the plan satisfactorily resolves claims for monetary fines or penalties for PG&E's pre-petition conduct, whether to approve the governance structure of the utility and the appropriate disposition of potential changes to PG&E's corporate structure and authorization to operate, whether to make any other approvals related to the confirmation and implementation of the plan, and any other findings necessary to approve a proposed settlement, including but not limited to whether doing so is in the public interest. This proceeding will allow the CPUC to approve a restructuring plan for PG&E, which ultimately must secure approval for the plan by the federal Bankruptcy Court.

PG&E's reorganization plan would result in a \$13.5 billion Fire Victim Trust and a \$11 billion settlement with insurance claim holders and companies. The original reorganization plan also specified that the Fire Victim Trust would be funded through \$6.75 billion in cash, and \$6.75 billion in stock of reorganized PG&E Corp., representing at least a 20.9% share ownership of the reorganized PG&E Corp. Notably, tort claimants of PG&E have shifted their support from the plan of the Ad Hoc Committee of Senior Unsecured Noteholders of PG&E to the amended plan proposed by PG&E.

On January 22, 2020, PG&E announced that it had reached an agreement with AHC regarding its reorganization plan. This agreement was approved by the Bankruptcy Court on February 4, 2020. PG&E's amended reorganization plan now addresses the claims of holders of utility prepetition funded debt, separately classifies Ghost Ship Fire Claims from other Fire Claims (i.e., rather than channeling them through the Fire Victim Trust), clarifies that all accrued and unpaid payments as of the Effective Date that are due under the Debtors' Employee Benefit Plans will be paid on or as soon as practicable after the Effective Date, and incorporates agreements with IBEW Local 1245.

On February 18, 2020, the Assigned Commissioner (President Batjer) issued a Ruling requesting parties' comments on ten Proposals (attached to the Ruling in Appendix A) that include changes to PG&E's financial and operational structure. The Ruling identifies ten proposals for providing more oversight of PG&E along with management and operational changes at PG&E. Among the proposals is for PG&E to create local operating regions, including appointing regional officers to manage each region and having each region have its own risk officer and safety officer. The last of the ten proposals identifies a roadmap for how the CPUC will closely monitor PG&E's performance, specifying various steps that PG&E could progress through if repeatedly found to be non-compliant, with the last step being a review and possible revocation of its Certificate of Public Convenience and Necessity.

- **Details:** Gov. Newsom's statement provides that he believes that PG&E's Plan, supplemented by the additional proposals endorsed by PG&E's Post-Hearing Brief and Comments on Assigned Commissioner's Proposals, is compliant with AB 1054. PG&E's Motion also includes certain additional commitments, such as if PG&E's anticipated application for a post-emergence securitization is not granted, then it will not seek to recover in rates any of the amounts paid in respect of Fire Victim Claims under PG&E's Plan. In addition, it provides that PG&E Corporation will not pay dividends until it has recognized \$6.2 billion in Non-GAAP Core Earnings following the Effective Date. Other amendments that have been made relative to the original reorganization plan include:
 - Clarifying that the provisions included in the CPUC's final decision in the 2020 Cost of Capital Proceeding are satisfactory for purposes of the CPUC Approval condition to the confirmation and effectiveness of the Plan.
 - Making amendments to the formula for calculating the amount of New HoldCo Common Stock to be distributed to the holders of Allowed HoldCo Rescission or Damage Claims.
 - Clarifying the crediting provisions that apply to distributions from the Fire Victim Trust to holders of Fire Victim Claims who have insurance coverage in respect of their Fire Victim Claims. The Amended Plan includes a provision that prohibits any party from bringing a preference action under the Bankruptcy Code to recover payments made as result of damages caused by wildfires.
 - Removing the various references to Wildfire Victim Recovery Bonds, as PG&E is not planning to issue WVRBs.
 - Clarifying that Administrative Expense Claims which have not been paid prior to or on the Effective Date will not be discharged under the Plan. States that Environmental Claims will ride through the chapter 11 cases and will not be discharged under the Plan.
 - Separately classifying HoldCo Rescission or Damage Claims arising from PG&E Corporation's common stock and providing for satisfaction of such claims through distribution of New HoldCo Common Stock to holders of such Claims.
 - Removing "satisfactory resolution" of claims for fines and penalties from among PG&E's conditions precedent to confirmation (but retains that as a condition precedent to the Effective Date).

In briefing, Joint CCAs argued that PG&E should be required to divest its retail generation and urged rejection of provisions of the reorganization plan that would constrain CPUC authority. It also expressed concern that the ratepayer neutrality requirement of AB 1054 would not be achieved under the reorganization plan.

The City and County of San Francisco expressed concern with the high levels of debt and debt leverage that PG&E will have coming out of bankruptcy and argued the reorganization plan fails to meet the requirements of AB 1054. It expressed support for enhanced oversight but recommended specific changes to the process so as not to limit the CPUC's authority regarding enforcement.

The City of San Jose also concluded that the reorganization plan fails to meet the ratepayer neutrality requirement of AB 1054 and argued that the CPUC must reject any proposed moratorium on further organizational restructuring, including whether municipalization might be appropriate.

- **Analysis:** PG&E cleared a major hurdle in emerging from bankruptcy by securing the support of Gov. Newsom after making additional changes to its plan. However, the economic recession and extreme market volatility as a result of COVID-19 has created new concerns about PG&E's plan. The express exclusion of municipalization issues from the scope of the proceeding has implications for VCE and its bid to PG&E to purchase the transmission and distribution assets of PG&E as part of PG&E's restructuring. The stock component of the amended reorganization plan

could align tort claimants with PG&E in ways that are detrimental to VCE's bid for municipalization and other interests as well. VCE is a party to this proceeding.

- **Next Steps:** A PD on financial issues is targeted for April 2020. The CPUC intends to complete the proceeding sufficiently in advance of the June 30, 2020 deadline in order to allow the bankruptcy court sufficient time to address and approve any changes to the plan that result from CPUC directives.
- **Additional Information:** [Email Ruling](#) granting PG&E motion to take official notice (March 24, 2020); [PG&E Motion](#) for official notice and [Plan of Reorganization](#) (March 24, 2020); [Ruling](#) requesting comments on the Assigned Commissioner's proposals (February 18, 2020); [Press Release](#) on President's statement on PG&E's bankruptcy plan (February 18, 2020); [PG&E Notice of Amended Plan of Reorganization](#) and [Testimony](#) (January 31, 2019); Ruling modifying procedural schedule (January 16, 2020); [Ruling](#) on Section 854 (November 27, 2019); [Scoping Memo and Ruling](#) (November 14, 2019); [PG&E Amended Plan](#) (November 5, 2019); [Order Instituting Investigation](#) (October 4, 2019); Docket No. [I.19-09-016](#).

Investigation into PG&E Violations Related to Wildfires

On March 18 and 19, 2020, PG&E and the Coalition of California Utility Employees (CUE), respectively, filed appeals of the Presiding Officer's Decision, issued in February, that approved a Settlement Agreement with significant modifications that included increasing PG&E shareholders' penalties to \$2.137 billion for the role PG&E's equipment played in igniting catastrophic wildfires in 2017 and 2018. SED filed a Motion on March 18, 2020, stating it continues to support the Settlement Agreement, but that it neither supports nor opposes the modifications made in the Presiding Officer's Decision. On March 25, 2020, PG&E's Tort Claimants Committee filed a Motion for Party Status and a response to PG&E's appeal. On March 27, 2020, Commissioner Rechtschaffen filed a Motion requesting full CPUC review of the Presiding Officer's Decision, and Thomas del Monte and Wild Tree Foundation filed an Appeal. On March 30, 2020, the ALJ issued a Ruling shortening the time for responding to appeals and requests for review and directing PG&E, SED, and CUE to separately or jointly file a response indicating whether they accept the proposed modifications to the settlement agreement set forth in Commissioner Rechtschaffen's Motion.

- **Background:** The scope of the proceeding includes violations of law by PG&E with respect to the 2017 and 2018 wildfires, including the 2017 Tubbs Fire and the 2018 Camp Fire, what penalties should be assessed, what remedies or corrective actions should occur, and what if any systemic issues contributed to the ignition of the wildfires. SED issued a Fire Report on June 13, 2019 that found deficiencies in PG&E's vegetation management practices and procedures and equipment operations in severe conditions. CAL FIRE also found that PG&E's electrical facilities ignited all but one of the fires addressed in this investigation. This investigation orders PG&E to take immediate corrective actions to come into compliance with CPUC requirements.

The terms of the Settlement Agreement between PG&E, SED, the CPUC's Office of the Safety Advocate, and CUE specified that PG&E's shareholders are on the hook for \$1.675 billion in financial obligations as a result of numerous wildfires its equipment played a role in sparking in 2017 and 2018. Specifically, PG&E would not be permitted seek rate recovery of wildfire-related expenses and capital expenditures totaling \$1.625 billion. In addition, PG&E would be required to spend \$50 million in shareholder-provided settlement funds on specified System Enhancement Initiatives.

The Presiding Officer's Decision increased by \$198 million the disallowances for wildfire-related expenditures that was provided in the settlement agreement. It also increased PG&E's System Enhancement Initiatives and corrective actions by \$64 million. The Presiding Officer's Decision also added a \$200 million fine, payable to the General Fund. In total, these changes increased PG&E's penalties by \$462 million relative to the settlement agreement. The Presiding Officer's Decision also required any tax savings associated with the shareholder payments under the settlement agreement, as modified by this decision, to be returned to the benefit of ratepayers. Finally, it denied all previously unaddressed motions filed in the docket.

- Details:** In its Motion Requesting Other Relief and a separate Appeal that contest the Presiding Officer's Decision, PG&E asserts that the Presiding Officer's Decision modifies the Settlement Agreement to add nearly \$1 billion to the effective penalty amount compared to the terms of the Settlement and creates unacceptable risks to its Plan of Reorganization (PoR). PG&E requests the original settlement be approved, or that the Presiding Officer's Decision modified to (1) eliminate the Tax Modification, arguing it is contrary to CPUC precedent and invites PG&E to violate the IRS normalization rules, and because it is unclear whether it considered the impact of a potential \$518 million increase in penalties that may result from the Tax Modification; and (2) order that any fine payable to the General Fund, including the proposed \$200 million fine, is a Fire Victim Claim under the PoR, will be paid out of the Fire Victim Trust, and will be subordinated to the Trust's payments to fire victims. The Coalition of California Utility Employees strongly supported the proposed modifications to the Presiding Officer's Decision recommended by PG&E.

The Tort Claimants Committee argued in its response to PG&E's appeal that the CPUC should adopt the Settlement Agreement, but if it instead adopts the Presiding Officer's Decision, it should prioritize wildfire victims and reject PG&E's proposed modification that would make any fine payable to the General Fund, including the proposed \$200 million fine, a Fire Victim Claim under the PoR.

Commissioner Rechtschaffen's Motion requesting full CPUC review of the Presiding Officer's Decision argues that (1) the \$200 million cash fine payable to the General Fund should be permanently suspended, and (2) changes should be made to eliminate any potential legal conflict with IRS normalization rules and preserve the tax benefits for shareholders from an estimated \$403 million in capital expenditures.

Thomas del Monte and Wild Tree Foundation's Appeal of the Presiding Officer's Decision argues that the \$200 million fine is woefully inadequate but supports the higher penalties in the Presiding Officer's Decision relative to the original settlement agreement and ensuring ratepayers rather than shareholders retain any resulting tax benefit.

- Analysis:** If the Presiding Officer's Decision becomes final, this investigation will have resulted in the largest penalty in CPUC history. It also will require additional spending by PG&E to mitigate future wildfire risk, potentially positively impacting the quality of service experienced by VCE customers. Monetary penalties will ultimately be handled in the Bankruptcy Court. Prepetition liabilities must be resolved in this proceeding so that PG&E can emerge from bankruptcy within the time frame provided in AB 1054 (*i.e.*, June 30, 2020).
- Next Steps:** Any party may file a Response to an Appeal or Request for Review by April 9, 2020.
- Additional Information:** [Ruling](#) shortening response time (March 30, 2020); [Motion](#) by Commissioner Rechtschaffen (March 27, 2020); [Appeal](#) of Thomas del Monte and Wild Tree Foundation (March 27, 2020); [Motion for Party Status](#) by PG&E Tort Claimants Committee (March 25, 2020); [Appeal](#) by CUE of Presiding Officer's Decision (March 19, 2020); [Motion](#) by SED (March 18, 2020); [Appeal](#) by PG&E of Presiding Officer's Decision (March 18, 2020); [Presiding Officer's Decision](#) approving the settlement agreement with modifications (February 27, 2020); [Ruling](#) denying AHC motion to withdraw and rulings on other motions (February 24, 2020); [Ruling](#) modifying procedural schedule (January 21, 2020); [Joint Motion for Approval of Settlement Agreement](#) (December 17, 2019); [Ruling](#) amending scope (December 5, 2019); [Report on Camp Fire](#) (November 26, 2019; *Note: Large File, 259 MB*); [Ruling](#) granting extension of proceeding schedule (November 25, 2019); [Amended Scoping Memo and Ruling](#) (October 28, 2019); GO 95 [Rule 31.1](#); GO 95 [Rule 35](#); GO 95 [Rule 38](#); [Order Instituting Investigation](#) (June 27, 2019); Docket No. [I.19-06-015](#).

PG&E's 2019 ERRA Compliance

On March 12, 2020, CPUC Executive Director Alice Stebbins issued a Ruling categorizing this proceeding as a ratesetting and making a preliminary determination that a hearing is necessary.

- **Background:** ERRA compliance review proceedings review the utility's compliance in the preceding year regarding energy resource contract administration, least-cost dispatch, fuel procurement, and the PABA balancing account (which determines the true up values for the PCIA each year). In its 2019 ERRA compliance application, PG&E requested that the CPUC find that its PABA entries for 2019 were accurate, it complied with its Bundled Procurement Plan in 2019 in the areas of fuel procurement, administration of power purchase contracts, greenhouse gas compliance instrument procurement, RA sales, and least-cost dispatch of electric generation resources. PG&E also requests that the CPUC find that during the record period PG&E managed its utility-owned generation facilities reasonably. Finally, PG&E requests cost recovery of revenue requirements totaling about \$4.0 million for Diablo Canyon seismic study costs.
- **Details:** A prehearing conference followed by the issuance of a scoping memo and ruling are anticipated to be the next steps in this proceeding.
- **Analysis:** This proceeding addresses PG&E's PABA, providing a venue for a detailed review of the billed revenues and costs (net of CAISO revenues) from PG&E's generation fleet, which impact the level of the PCIA. It also determines whether PG&E managed its portfolio of contracts and UOG in a reasonable manner.
- **Next Steps:** Protests and responses are due April 2, 2020. PG&E will provide supplemental testimony as necessary on April 13, 2020.
- **Additional Information:** [Resolution](#) on category and need for hearing (March 12, 2020); PG&E's [Application](#) and [Testimony](#) (February 28, 2020); Docket No. [A.20-02-009](#).

PG&E's 2020 ERRA Forecast

On March 13, 2020, PG&E filed AL 5781-E, which implements the final decision (D.20-02-047) in this proceeding, including 2020 PCIA rates.

- **Background:** ERRA forecast proceedings establish the amount of the PCIA and other non-bypassable charges for the following year, as well as fuel and purchased power costs associated with serving bundled customers that utilities may recover in rates. In this proceeding, D.20-02-047 approved a 2020 ERRA revenue requirement of \$3.014 billion and a PCIA revenue requirement of \$3.056 billion. It also adopted a revision made to the original PD that deducted \$92.9 million from the PABA balance, finding the 20% of starting bank RECs included in PG&E AL 5554-E should not be counted as unsold RPS.

Details: AL 5781-E reports a \$130 million variance between the forecast adopted in D.20-02-047 and the advice letter, meaning the indifference amount and PCIA rates increase based on the true-up of Q4. AL 5781-E also shows PG&E under-recovering \$409.4 million during the course of 2020 due to the capping of PCIA rates. The PUBA trigger mechanism at the 7% filing level is \$112.5 million, and the 10% Trigger Threshold is \$160.7 million.
- **Analysis:** The decision resulted in an uncapped system-average PCIA of \$0.041/kWh for the 2017 vintage, but that uncapped rate rises to \$0.04266/kWh under the Advice Letter. A capped rate of \$0.0317/kWh for the 2017 vintage likely will be effective May 1, 2020, an increases from the current rate of \$0.0267/kWh.
- **Next Steps:** Protests of AL 5781-E are due April 2, 2020, and PG&E proposes an effective date for rate changes of May 1, 2020. VCE is protesting the advice letter, along with seven other CCAs. This proceeding is now closed.
- **Additional Information:** PG&E [AL 5781-E](#) implementing D.20-02-047 (March 13, 2020); [D.20-02-047](#) (February 28, 2020); [Scoping Memo and Ruling](#) (August 22, 2019); [Application](#) (June 3, 2019); [Testimony](#) available on PG&E's regulatory webpage (June 3, 2019); Docket No. [A.19-06-001](#).

RPS Rulemaking

On March 5, 2020, the ALJ issued a Ruling in response to a January 7, 2020, Petition for Modification filed by EnerCal of D.19-12-042, which addressed 2019 RPS Procurement Plan compliance. On March 10, 2020, the CPUC issued a Ruling requesting comments on a Staff Proposal on the Bioenergy Market Adjusting Tariff (BioMAT). On March 30, 2020, parties filed comments on the Staff Proposal recommending changes to confidentiality rules regarding the RPS program.

- **Background:** This proceeding addresses ongoing RPS issues. VCE filed its 2019 RPS Procurement Plan on June 21, 2019, and its 2018 RPS Compliance Report on August 1, 2019. D.19-12-042, issued December 2019, required VCE to file an updated 2019 RPS Procurement Plan to address two deficiencies identified: (1) Least-Cost, Best-Fit (LCBF) information and (2) demonstration of compliance with the long-term contracting requirement.

On February 27, 2020, the CPUC issued a Ruling requesting comments on a Staff Proposal making changes to confidentiality rules regarding the RPS program. Among other proposals, the Energy Division has proposed to make CCAs' RPS procurement contract terms (e.g., price, quantity, resource type, location, etc.) publicly available 30 days after deliveries begin. The contract price would also be publicly available six months after a contract is signed (if that occurs sooner than 30 days after deliveries begin).

The BioMAT is a feed-in tariff available for up to 250 MW of small bioenergy projects (5 MW or less) that uses a market-based mechanism to arrive at the contract price. The program is broken in categories for biogas (Category 1, 110 MW), dairy and other agricultural bioenergy (Category 2, 90 MW), and sustainable forest management byproducts (Category 3, 50 MW).

- **Details:** The BioMAT Staff Proposal would extend the end date for the program from February 2021 to December 31, 2025. It would also allocate the net costs via a non-bypassable charge to all customers and allow all LSEs to enter into contracts at the offer price and collect their expenses through the same charge. (Currently, only IOUs can enter into BioMAT contracts.)

The Ruling on EnerCal's PFM is narrowly focused on how the Decision addressed EnerCal's reporting obligations.

CalCCA's comments on the Energy Division's proposed changes to RPS confidentiality rules generally supports the proposed changes. CalCCA requests, however, that the CPUC contemporaneously grant CalCCA's pending PFM seeking to align protection of confidential CCA data with the protection of confidential data for other LSEs. CalCCA also proposes modifying the Staff Proposal impacting contracts that do not require CPUC approval (e.g., CCA contracts), so that contract price would be publicly available one year after the contract is executed, rather than six months after contract execution as proposed by Energy Division.

- **Analysis:** The Staff Proposal on the BioMAT program, if adopted, could impact VCE customer rates, as the program and associated cost recovery through a non-bypassable charge would be extended through 2025. In addition, it would allow VCE to directly enter into BioMAT contracts.

The Staff Proposal on RPS confidentiality rules include provisions that, if adopted, would result in VCE being required to provide more transparency on various RPS information, such as RPS PPA pricing and other contract information.

Other issues to be addressed in this proceeding could further impact future RPS compliance obligations, such as potentially allowing LSEs like VCE to forgo filing a separate RPS Procurement Plan in 2022 by using its 2022 IRP filing instead.

- **Next Steps:** Comments and reply comments, respectively, on the Staff Proposal on the BioMAT proposal are due April 1, 2020, and April 15, 2020.

Reply comments on the Staff Proposal making changes to confidentiality rules regarding the RPS program are due April 17, 2020.

The 2020 RPS Procurement Plan is due June 21, 2020, and the 2019 RPS Compliance Report is due August 1, 2020.

In 2020, the Energy Division is developing a proposal (potentially including workshops or working groups) on integrating the IRP and RPS Procurement Plan filings, but the possibility of combining these filings will not occur prior to 2022, per D.19-12-042.

- **Additional Information:** [CalCCA Comments](#) on RPS confidentiality (March 30, 2020); [Ruling](#) requesting comments on BioMAT (March 10, 2020); [D.20-02-040](#) correcting D.19-12-042 on 2019 RPS Procurement Plans (February 21, 2020); [Ruling](#) on RPS confidentiality and transparency issues (February 27, 2020); [EnerCal's Petition for Modification](#) of D.19-12-042 (January 7, 2020); [D.19-12-042](#) on 2019 RPS Procurement Plans (December 30, 2019); [D.19-09-043](#) on ELCC modeling (September 26, 2019); [D.19-09-007](#) on new CCAs' 2018 RPS Procurement Plans (September 18, 2019); [D.19-08-007](#) on RPS enforcement actions (August 7, 2019); [D.19-06-023](#) on implementing SB 100 (May 22, 2019); [Ruling](#) extending procedural schedule (May 7, 2019); [Ruling](#) identifying issues, schedule and 2019 RPS Procurement Plan requirements (April 19, 2019); [D.19-02-007](#) (February 28, 2019); [Scoping Ruling](#) (November 9, 2018); Docket No. [R.18-07-003](#).

2018 Rate Design Window

On March 19, 2020, the CPUC issued D.20-03-003 addressing Phase 3 issues (primarily residential fixed charges and minimum bills) that largely retains the overarching design of residential rates as they are now. The proceeding is now closed.

- **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 1](#) Decision granted PG&E approval to begin transitioning eligible residential customers to TOU rates beginning in October 2020. A December 2018 [Phase 2A](#) Decision addressed PG&E's restructuring of the CARE discounts into a single line item percentage discount to the customer's total bill. The July 2019 [Phase 2B](#) Decision made determinations regarding PG&E's rate design under its default TOU roll out beginning in October 2020 and established a process for a CCA wishing to have its customers defaulted to TOU generation rates. [Phase 3](#) considered the IOUs' proposals for fixed charges and/or minimum bills.
- **Details:** The D.20-03-003 finds that the utilities failed to demonstrate that their fixed charge proposals would be met with customer acceptance and understanding of what would be a novel rate design for California. It rejects PG&E's proposal to establish a \$6.37/month fixed charge but allows PG&E to increase the standard minimum bill amount, currently \$10/month, for 2020 to reflect the CPI inflation percentages for 2018 and 2019, with an annual CPI adjustment beginning in 2021. The CARE rate will remain at the current \$5/month rate as adjusted for inflation.

D.20-03-003 also provides that the minimum bill amounts be calculated based on distribution charges only beginning October 1, 2020. This is a shift from present design under which the minimum bill is assessed based on all non-generation volumetric rates, which also include transmission and other non-bypassable charges. It determines that if a customer does pay a fixed charge under an optional rate that they choose to enroll in, the customer may not also be charged a minimum bill.
- **Analysis:** The Track 3 Decision did not result in major residential rate design changes for PG&E customers, as it rejected PG&E's proposed fixed charge and only slightly modifies PG&E's existing minimum bill.
- **Next Steps:** The proceeding is now closed.
- **Additional Information:** [Decision](#) on Track 3 issues (February 5, 2020); [D.19-07-004](#) in Phase IIB (July 19, 2019); PG&E Phase III [Revised Testimony](#) on fixed charges (April 12, 2019, and March 29, 2019); [D.18-12-004](#) on Phase IIA Issues (December 21, 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).

PG&E's Phase 1 GRC

No updates this month.

- **Background:** PG&E's three-year GRC covers the 2020-2022 period. For 2020, it has requested an additional \$1.058 billion (from \$8.518 billion to \$9.576 billion), or a 12.4% increase over its 2019 authorized revenue requirement, comprised of increases related to its gas distribution (\$2.097 billion total, or a \$134 million increase), electric distribution (\$5.113 billion total, or a \$749 million increase), and generation (\$2.366 billion total, or a \$175 million increase) services. If approved, it would increase a typical monthly residential electric (500 kWh) and natural gas (34 therms) customer bill by \$10.57, or 6.4%, comprised of an electric bill increase of \$8.73 and a gas bill increase of \$1.84. For 2021 and 2022, PG&E requested total increases of \$454 million and \$486 million, respectively. PGE's GRC does not include a request for cost recovery related to 2017 and 2018 wildfire liabilities.

The Settlement Agreement, filed December 30, 2019, would result in an increase in PG&E's 2020 revenue requirement of \$575 million (*i.e.*, \$483 million lower than PG&E's original request), with additional increases of \$318 million, or 3.5% in 2021, and \$367 million, or 3.9%, in 2022. The Settlement Agreement would result in PG&E withdrawing its proposal for a non-bypassable charge related to its hydroelectric facilities. It would require PG&E to develop new and enhanced reporting to provide increased visibility into the work it performed. It also provides for PG&E's ability to purchase insurance coverage up to \$1.4 billion to protect against wildfire risk and other liabilities, reflected in PG&E's forecast as a cost of \$307 million. The consolidated 2020 electric and gas bill impact would be 3.4%.

- **Details:** N/A.
- **Analysis:** PG&E's GRC proposals include shifting substantial costs associated with its hydroelectric generation from its generation rates (applicable only to its bundled customers) into a non-bypassable charge affecting all of its distribution customers, including VCE customers, which would negatively affect the competitiveness of VCE's rates relative to PG&E's. However, that proposal would be withdrawn if the Settlement Agreement is approved. The remaining CCA-related issues in the case include the Joint CCAs' recommendations that the Commission:
 - Revise the allocation of certain customer-service costs since unbundled customers use those services far less than bundled customers.
 - Ensure CCAs can connect clean generation to PG&E's temporary microgrids during PSPS events.
 - Revise the settlement's exorbitant decommissioning costs for PG&E's PCIA-eligible facilities.
 - Revise the settlement to ensure grid modernization data is accessible to CCAs to ensure a level playing field in the provision of grid services.
- **Next Steps:** The ALJs will issue a proposed decision.
- **Additional Information:** Joint CCAs' [PG&E Motion](#) for Official Notice of Facts (January 27, 2020); [Joint Motion](#) for Settlement Agreement (January 14, 2020); [E-Mail Ruling](#) granting oral argument (January 6, 2020); [E-Mail Ruling](#) modifying procedural schedule (December 2, 2019); [E-Mail Ruling](#) suspending briefing deadlines (November 25, 2019); [D.19-11-014](#) (November 14, 2019); [Ruling](#) setting public participation hearings (May 7, 2019); [Scoping Memo and Ruling](#) (March 8, 2019); [Joint CCAs' Protest](#) (January 17, 2019); [Application](#) and [PG&E GRC Website](#) (December 13, 2018); Docket No. [A.18-12-009](#).

PG&E's Phase 2 GRC

On March 17, 2020, the ALJ issued an Email Ruling that postponed public participation hearings due to the COVID-19 pandemic and resulting state guidelines restricting public gatherings. On March 18, 2020, PG&E held a public workshop via webinar on the proposed design for a joint study on the essential usage of electricity. On April 1, 2020, PG&E hosted a public workshop to present, and receive feedback on, a new rate proposal to encourage residential electrification, which the CPUC recently ordered be included in its updated testimony.

- **Background:** PG&E's 2020 Phase 2 General Rate Case (GRC) addresses marginal cost, revenue allocation and rate design issues covering the next three years. PG&E's pending Phase 1 GRC (filed in December 2018 via a separate proceeding) will set the revenue requirement that will carry through to the rates ultimately adopted in this proceeding.

In this proceeding, PG&E seeks modifications to its rates for distribution, generation, and its public purpose program (PPP) non-bypassable charge. PG&E proposes to implement a plan to move all customer classes to their full cost of service over a six-year period (the first three years of which are covered by this GRC Phase 2) via incremental annual steps. PG&E proposes to use marginal costs for purposes of revenue allocation and to adjust distribution one-sixth of the way to full cost of service each year over a six-year transition period.

Of note, PG&E is proposing changes to the DA/CCA event-based fees that were not updated in the 2017 Phase 2 GRC proceeding. In addition, PG&E proposes to remove the PCIA revenue from bundled generation revenue and allocate that cost separately to bundled customers, collecting the PCIA from bundled customers on a non-time differentiated, per-kWh basis (i.e., the same way it is collected from DA/CCA customers). PG&E will continue to display the PCIA with other generation charges on customer bills, but will unbundle the PCIA as part of unbundled charges in each rate schedule.

- **Details:** The ALJ indicated his intent to reschedule the public participation hearings to occur before the end of the year, but no additional timeframe has been established yet.

The essential usage study determines what constitutes essential usage for residential customers (e.g., cooking, lighting, space conditioning) in the different IOU service territories and climate zones. The apparent use case is that essential service be reflected in the Tier I baseline quantities.

- **Analysis:** This proceeding may not impact the transparency between a bundled and unbundled customer's bills because of the Working Group 1 proposed decision discussed in the PCIA docket below. However, it will affect the allocation of PG&E's revenues requirements among VCE's different rate classes. It will also affect distribution and PPP charges paid by VCE customers to PG&E. Further, PG&E includes a cost-of-service study the purpose of which is to establish the groundwork for separating net metering customers into a separate customer class in the utility's next rate case. If PG&E's proposed CCA fee revisions are adopted, it will increase the cost VCE pays to PG&E for various services.
- **Next Steps:** PG&E will file its essential usage study design proposal on April 1, 2020, and opening and reply comments on the proposal, respectively, are due May 1 and May 15, 2020. The schedule for general issues in this proceeding includes the following key dates: PG&E hosts public workshop on marginal costs and revenue allocation proposals the week of April 13, 2020; PG&E serves updated testimony on May 1, 2020; and intervenor direct testimony is due September 25, 2020. A CPUC decision is anticipated for September 2021.
- **Additional Information:** [Scoping Memo and Ruling](#) (February 10, 2020); [E-mail Ruling](#) extending Protest deadline (December 3, 2019); [Application, Exhibit \(PG&E-1\): Overview and Policy, Exhibit \(PG&E-2\): Cost of Service, Exhibit \(PG&E-3\): Revenue Allocation, Rate Design and Rate Programs](#), and [Exhibit \(PG&E-4\): Appendices](#) (November 22, 2019); Docket No. [A.19-11-019](#).

Direct Access Rulemaking

On March 24, 2020, the ALJ informed parties that the release of Energy Division's report has been delayed, and while it is anticipated to be released in the near future, it was not possible to specify a date. The procedural schedule will be updated accordingly following its release.

- **Background:** Phase 1 issues were resolved on May 30, 2019. For Phase 2 of this proceeding, the CPUC will address the SB 237 mandate requiring the CPUC to, by June 1, 2020, provide recommendations to the Legislature on "implementing a further direct transactions reopening schedule, including, but not limited to, the phase-in period over which further direct transactions shall occur for all remaining nonresidential customer accounts in each electrical corporation's service territory." The Commission is required to make certain findings regarding the consistency of its recommendation with state climate, air pollution, reliability and cost-shifting policies.
- **Details:** The Energy Division held a workshop on January 8, 2020, and accepted post-workshop informal comments and reply comments on January 21, 2020 and January 27, 2020, respectively.
- **Analysis:** This proceeding will impact the CPUC's recommendations to the Legislature regarding the potential future expansion of DA in California, including a potential lifting of the existing cap on nonresidential DA transactions altogether. Further expansion of DA in California could result in non-residential customer departures from VCE and make it more difficult for VCE to forecast load and conduct resource planning. CalCCA has argued that further expansion of nonresidential DA is likely to adversely impact attainment of the state's environmental and reliability goals, and will result in cost-shifting to both bundled and CCA customers.
- **Next Steps:** A report containing the Energy Division's draft recommendations to the Legislature will be published in the near future, which will be followed by a ruling updating the procedural schedule. There will be an opportunity for comments on the report, followed by a proposed decision.
- **Additional Information:** [Amended Scoping Memo and Ruling](#) adding issues and a schedule for Phase 2 (December 19, 2019); Docket No. [R.19-03-009](#); see also [SB 237](#).

Wildfire Cost Recovery Methodology Rulemaking

No updates this month. An August 7, 2019, PG&E Application for Rehearing remains pending regarding the CPUC's recent Decision establishing criteria and a methodology for wildfire cost recovery, which has been referred to as a "Stress Test" for determining how much of wildfire liability costs that utilities can afford to pay (D.19-06-027).

- **Background:** SB 901 requires the CPUC to determine, when considering cost recovery associated with 2017 California wildfires, that the utility's rates and charges are "just and reasonable." In addition, and notwithstanding this basic rule, the CPUC must "consider the electrical corporation's financial status and determine the maximum amount the corporation can pay without harming ratepayers or materially impacting its ability to provide adequate and safe service."

D.19-06-027 found that the Stress Test cannot be applied to a utility that has filed for Chapter 11 bankruptcy protection (i.e., PG&E) because under those circumstances the CPUC cannot determine essential components of the utility's financial status. In that instance, a reorganization plan will inevitably address all pre-petition debts, include 2017 wildfire costs, as part of the bankruptcy process. The framework proposed for adoption in the PD is based on an April 2019 Staff Proposal, with some modifications. The framework requires a utility to pay the greatest amount of costs while maintaining an investment grade rating. It also requires utilities to propose ratepayer protection measures in Stress Test applications and establishes two options for doing so.

PG&E's application for rehearing challenges the CPUC's prohibition on applying the Stress Test to utilities like itself that have filed for Chapter 11 bankruptcy. PG&E's rationale is that SB 901 requires the CPUC to determine that the stress test methodology to be applied to all IOUs. Several parties filed responses to PG&E's application for rehearing disagreeing with PG&E.

- **Details:** N/A.
- **Analysis:** This proceeding established the methodology the CPUC will use to determine, in a separate proceeding, the specific costs that the IOUs (other than PG&E) may recover associated with 2017 or future wildfires.
- **Next Steps:** The only matter remaining to be resolved in this proceeding is PG&E's application for rehearing. This proceeding is otherwise closed.
- **Additional Information:** [PG&E Application for Rehearing](#) (August 7, 2019); [D.19-06-027](#) (July 8, 2019); [Assigned Commissioner's Ruling](#) releasing Staff Proposal (April 5, 2019); [Scoping Memo and Ruling](#) (March 29, 2019); [Order Instituting Rulemaking](#) (January 18, 2019); Docket No. [R.19-01-006](#). See also [SB 901](#), enacted September 21, 2018.

Investigation into PG&E's Organization, Culture and Governance (Safety OII)

No updates this month.

- **Background:** On December 21, 2018, the CPUC issued a Scoping Memo opening the next phase of an ongoing investigation into whether PG&E's organizational culture and governance prioritize safety. This current phase of the proceeding is considering alternatives to current management and operational structures for providing electric and natural gas in Northern California.

In June 2019, D.19-06-008 ordered PG&E to report on the safety experience and qualifications of the PG&E Board of Directors and establishes an advisory panel on corporate governance. The brief Decision required PG&E to provide a variety of information on each PG&E and PG&E Corporation Board member involving safety training, related work experience, previous positions held, and current professional commitments.

- **Details:** N/A.
- **Analysis:** This proceeding could have a range of possible impacts on CCAs within PG&E's territory and their customers, given the broad issues under investigation pertaining to PG&E's corporate structure and governance.
- **Next Steps:** TBD.
- **Additional Information:** [Ruling](#) on proposals to improve PG&E safety culture (June 18, 2019); [D.19-06-008](#) directing PG&E to report on safety experience and qualifications of board members (June 18, 2019); [Scoping Memo](#) (December 21, 2018); Docket No. [I.15-08-019](#).

Wildfire Fund Non-Bypassable Charge (AB 1054)

No updates this month.

- **Background:** This rulemaking implemented AB 1054 and extended a non-bypassable charge on ratepayers to fund the Wildfire Fund. The scope of this proceeding was limited to consideration of whether the CPUC should authorize ratepayer funding of the Wildfire Fund established by AB 1054, enacted in July 2019, via the continuation of an existing non-bypassable charge (Department of Water Resources bond charge) that would have otherwise expired by the end of

2021. On August 26, 2019, the Bankruptcy Court tentatively granted PG&E's request to participate in the Wildfire Fund.

D.19-10-056, issued in October 2019, approved the establishment of a non-bypassable charge on IOU customers to provide revenue for the newly established state Wildfire Fund pursuant to 2019 AB 1054. The charge will only be assessed on customers of utilities that participate in the Wildfire Fund (i.e., PG&E, SCE, and SDG&E), and will expire at the end of 2035. The Decision also provides that once a large IOU commits to Wildfire Fund participation, it may not later revoke its participation. The annual revenue requirement for the charge among the large IOUs will total \$902.4 million, allocated at \$404.6 million for PG&E, \$408.2 million for SCE, and \$89.6 million for SDG&E. (There is a June 30, 2020, deadline for PG&E to satisfactorily complete its insolvency proceeding under AB 1054, and therefore become eligible to participate in the Wildfire Fund.) The Wildfire Fund NBC will be collected on a \$/kWh basis, with the revenue requirement allocated based on each class's share of energy sales. Residential CARE and medical baseline customers are exempt. The Wildfire Fund NBC cannot take effect until the DWR Bond charge sunsets, which may take place as early as the second half of 2020.

- **Details:** N/A.
- **Analysis:** This proceeding established a new non-bypassable charge on VCE customers beginning as early as the second half of 2020 to fund the Wildfire Fund under AB 1054. Whether customers in PG&E's territory will be subject to the charge will be determined only after its Bankruptcy proceeding is complete. D.19-10-056 kept the proceeding open to later consider the annual revenue requirement and sales forecast for the Wildfire Fund non-bypassable charge in 2020.
- **Next Steps:** The non-bypassable charge will go into effect as early as the second half of 2020.
- **Additional Information:** [D.20-02-070](#) denying Application for Rehearing (March 2, 2020); [D.19-10-056](#) approving a non-bypassable charge (October 24, 2019); [Scoping Memo and Ruling](#) (August 14, 2019); [Order Instituting Rulemaking](#) (August 2, 2019); Docket No. [R.19-07-017](#). See also [AB 1054](#).

Other Regulatory Developments

- **Wildfire Mitigations Plans Rulemaking:** The CPUC issued [D.20-03-004](#) addressing Phase 2 refinements of utility Wildfire Mitigation Plans (WMPs), focused on issues related to community awareness and communications and the process for WMP submissions and reviews going forward. Note that 2020 WMPs were due February 7, but pursuant to 2019 AB 1054 the utility plans are reviewed outside of the proceeding by the newly established Wildfire Safety Division of the CPUC, which will present the Commission with Resolutions on the plans before the beginning of the next wildfire season. With respect to community awareness and communications issues, the Decision determines that utilities must communicate before, during and after a wildfire with community residents, businesses, state and local first responders, and community organizations in English, Spanish, Chinese, Tagalog, and Vietnamese, and all languages that are "prevalent" in their service territories. Utilities must consider a variety of means to make these communications, including broadcast-type methods (e.g., TV, radio) and numerous others (e.g., social network notices, in-person contact, text messages). Further portions of the Decision direct utilities to conduct surveys to evaluate the effectiveness of their communications and direct them to file budgets to conduct additional outreach if such is required for them to accomplish the directives made in the Decision.

Glossary of Acronyms

AB	Assembly Bill
AET	Annual Electric True-up

ALJ	Administrative Law Judge
BioMAT	Bioenergy Market Adjusting Tariff
BTM	Behind the Meter
CAISO	California Independent System Operator
CAM	Cost Allocation Mechanism
CARB	California Air Resources Board
CEC	California Energy Commission
CPUC	California Public Utilities Commission
CTC	Competition Transition Charge
DA	Direct Access
GRC	General Rate Case
ELCC	Effective Load Carrying Capacity
ERRA	Energy Resource and Recovery Account
IEPR	Integrated Energy Policy Report
IFOM	In Front of the Meter
IRP	Integrated Resource Plan
IOU	Investor-Owned Utility
ITC	Investment Tax Credit
LSE	Load-Serving Entity
MCC	Maximum Cumulative Capacity
PABA	Portfolio Allocation Balancing Account
PD	Proposed Decision
PG&E	Pacific Gas & Electric
PFM	Petition for Modification
PCIA	Power Charge Indifference Adjustment
PSPS	Public Safety Power Shutoff
PUBA	PCIA Undercollection Balancing Account
QC	Qualifying Capacity
RA	Resource Adequacy
RDW	Rate Design Window
RPS	Renewables Portfolio Standard
SCE	Southern California Edison
SED	Safety and Enforcement Division (CPUC)
SDG&E	San Diego Gas & Electric
TCJA	Tax Cuts and Jobs Act of 2017
TURN	The Utility Reform Network
UOG	Utility-Owned Generation

WMP Wildfire Mitigation Plan
WSD Wildfire Safety Division (CPUC)