

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 7

To: Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Regulatory Monitoring Report – Keyes & Fox

Date: November 12, 2020

Please find attached Keyes & Fox's October 2020 Regulatory Memorandum dated November 5, 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 November 5, 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: November 5, 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:

- **PG&E 2021 ERRA Forecast:** In the 2021 ERRA Forecast proceeding, PG&E hosted a workshop, during which PG&E presented its methodology to adjust its system load forecast due to COVID-19 related impacts. PG&E filed rebuttal testimony and its October Supplement testimony. The ALJ issued a Ruling canceling the evidentiary hearing and granted a joint motion to receive exhibits into evidence on behalf of the Joint CCAs, Agricultural Energy Consumers Association, Sunrun, and PG&E. Opening briefs were filed October 30, 2020. In the ERRA Trigger application proceeding (which is different than the PUBA trigger discussed in the next bullet), a Scoping Memo and Ruling was issued.
- **PG&E 2021 PUBA Trigger:** Joint CCAs, including VCE, filed a Protest on October 19, 2020 of PG&E’s expedited trigger application addressing the undercollection of its PCIA Undercollection Balancing Account (PUBA), which proposed to increase in the system average rate for CCA/DA customers in 2021 by \$0.0055/kWh, and by \$0.0068/kWh for residential customers specifically, or 4.0% over present rates. Alliance for Retail Energy Markets/Direct Access Customer Coalition, Cal Advocates, and TURN also separately filed Protests. PG&E filed a reply to the Protests on October 23, 2020. A prehearing conference was held October 30, 2020.
- **PG&E’s 2019 ERRA Compliance:** The ALJ issued a Ruling extending by one week the deadlines for filing briefs and reply briefs. PG&E, Joint CCAs, and Cal Advocates filed a Joint Motion to Adopt Settlement Agreement. Subsequently, PG&E and Joint CCAs filed opening briefs on the remaining issues not covered by the Settlement Agreement.
- **PCIA Rulemaking:** PG&E submitted Advice Letter 5973-E on establishing a prepayment framework for the PCIA in compliance with D.18-10-019 and D.20-08-004. CalCCA, AReM, and DACC filed a Joint Protest.

- **Investigation into PG&E’s Organization, Culture and Governance:** No updates this month. On September 4, 2020, the ALJ issued a Ruling deciding that this proceeding would be used only to monitor PG&E’s progress on safety culture for the time being.
- **Direct Access Rulemaking:** Parties filed comments and replies in response to the ALJ Ruling providing a Staff Report and recommendation to the Legislature regarding potential additional expansion of direct access for nonresidential customers.
- **RA Rulemaking (2019-2020):** No updates this month. Two applications for rehearing remain the only outstanding items to be addressed in this proceeding, which is now closed.
- **RA Rulemaking (2021-2022):** The ALJ issued a Proposed Decision (PD) in Track 3.A that would adopt a local capacity requirement reduction compensation mechanism based on CalCCA’s proposed “Option 2,” with modifications, and the central procurement entity’s (CPE) competitive neutrality rules as proposed by PG&E and SCE, with modifications. The ALJ issued a Ruling denying OhmConnect’s motion for a partial stay of a previous RA decision that limited the procurement of Demand Response to a Statewide and LSE-specific cap of 8.3%. The CPUC, CAISO and CEC scheduled a November 24, 2020, joint public workshop to consider the potential to provide RA credit to hybrid storage/solar behind-the-meter resources. The CPUC also provided notice of two public workshops scheduled for November on a variety of Track 3.B RA issues. On October 30, 2020, VCE submitted Tier 2 Advice Letter 5-E, requesting a waiver of local RA penalties related to limited remaining local RA procurement shortfalls in 2021-2022 in its contemporaneously submitted Year-Ahead RA Filing.
- **2020 IRP Rulemaking:** The ALJ issued an Email Ruling requesting initial comments on individual IRPs, which were subsequently filed by parties on October 23, 2020. The ALJ also issued a Ruling requesting comments and on electric resource portfolios to be used in CAISO’s 2021-22 Transmission Planning Process which will begin in early 2021.
- **2016 IRP Rulemaking:** The CPUC issued an Order denying two December 2019 applications for rehearing of D.19-11-016, which mandated that LSEs undertake additional system RA procurement by 2021-2023. This proceeding is closed.
- **RPS Rulemaking:** The CPUC issued D.20-10-005 resuming and modifying the ReMAT program. Parties filed comments and replies in response to the September 18, 2020 ALJ Ruling providing the Energy Division’s *Staff Proposal for Alignment and Integration of RPS Procurement Planning and Integrated Resource Planning*.
- **Wildfire Fund Non-Bypassable Charge (AB 1054):** Parties filed comments and replies on the ALJ Ruling proposing to continue the Wildfire Non-Bypassable Charge of \$0.00580/kWh in 2021.
- **PG&E’s Phase 1 GRC:** The ALJs issued a Proposed Decision that would resolve PG&E’s Phase 1 GRC. The ALJs also issued a Ruling scheduling oral argument for November 12, 2020.
- **PG&E’s Phase 2 GRC:** Cal Advocates filed testimony.
- **PG&E Regionalization Plan:** The Assigned Commissioner issued a Scoping Memo and Ruling. A workshop was scheduled for November 20, 2020, to discuss potential refinements to PG&E’s regionalization proposal.
- **Investigation of PG&E Bankruptcy Plan:** On October 26, 2020, the CPUC issued D.20-10-018, closing the proceeding.
- **Investigation into PG&E Violations Related to Wildfires:** No updates this month. On June 8, 2020, Thomas Del Monte and the Wild Tree Foundation filed applications for rehearing of D.20-05-019, which approved penalties on PG&E for its role in igniting the 2017-2018 wildfires.
- **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.)

PG&E 2021 ERRA Forecast

In the ERRA Trigger application proceeding, a Scoping Memo and Ruling was issued on September 30, 2020. In the 2021 ERRA Forecast proceeding, PG&E hosted a workshop on October 1, 2020, during which PG&E presented its methodology to adjust its system load forecast due to COVID-19 related impacts. PG&E filed rebuttal testimony on October 8, 2020 and its October Supplement testimony on October 26, 2020. On October 13, 2020, the ALJ issued a Ruling canceling the evidentiary hearing. On October 29, 2020, the ALJ granted an October 26, 2020, PG&E joint motion to receive exhibits into evidence on behalf of the Joint CCAs, Agricultural Energy Consumers Association, Sunrun, and PG&E. Opening briefs were filed October 30, 2020.

- Background:** Energy Resource and Recovery Account (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. PG&E's 2021 ERRA Forecast application proposed capped PCIA rates of \$0.03115/kWh (system-average 2021 vintage) and \$0.03670/kWh (system-average for 2017 PCIA vintage, which is the system-wide average applicable to most VCE customers). The PCIA rate for most VCE residential customers (*i.e.*, 2017 vintage) would be \$0.03846/kWh, although PG&E will update this figure in November. PG&E's application proposes a total 2021 revenue requirement of \$2.774 billion, comprised of the following components: (1) CAM, \$283 million; (2) PCIA, \$2.803 billion; (3) Ongoing Competitive Transition Charge, \$20 million; (4) Tree Mortality Non-Bypassable Charge, \$73 million; (5) ERRA, \$1.841 billion; (6) PUBA, \$277 million; and *less* (7) Utility-owned generation costs of \$2.522 billion.

PG&E's ERRA Trigger is different than the PUBA trigger in the next section and will affect bundled customers' rates but not VCE's customers' rates. PG&E's ERRA Trigger application states that its ERRA was more than 5% overcollected as of April 30, 2020, and PG&E forecasts that its incremental ERRA overcollection will be 15.7%, or \$793 million, overcollected by December 31, 2020. The Joint CCAs filed a response to PG&E's trigger. Both parties agree a rate change to refund the overcollection is not warranted since the ERRA balance associated with overcollection can be resolved in the utility's 2021 ERRA Forecast Application.

Joint CCA testimony in the 2021 ERRA Forecast proceeding argued that PG&E's PCIA increase request is unreasonable and would result in a single-year PCIA rate increase of between 16% and 21% for vintages 2009 through 2018. Joint CCA recommendations would result in a PCIA revenue requirement of \$2,537.6 million compared to PG&E's proposal of \$2,802.6 million, a 9.5% reduction. The following rates would apply under the Joint CCA's proposed recommendations, including the 2017 rate for VCE's customers:

Vintage	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2020 Capped	\$0.0243	\$0.0273	\$0.0297	\$0.0296	\$0.0316	\$0.0321	\$0.0319	\$0.0318	\$0.0317	\$0.0317	\$0.0338	\$0.0406	
2020 Uncapped	\$0.0326	\$0.0394	\$0.0414	\$0.0431	\$0.0437	\$0.0438	\$0.0439	\$0.0434	\$0.0427	\$0.0420	\$0.0406	\$0.0406	
2021 Capped	\$0.0293	\$0.0323	\$0.0347	\$0.0346	\$0.0366	\$0.0371	\$0.0369	\$0.0368	\$0.0367	\$0.0367	\$0.0388	\$0.0456	
2021 Uncapped	\$0.0321	\$0.0383	\$0.0400	\$0.0417	\$0.0421	\$0.0423	\$0.0425	\$0.0424	\$0.0433	\$0.0436	\$0.0434	\$0.0270	\$0.0270
2019 ERRA Refund													-\$0.0082
Proposed Rates	\$0.0293	\$0.0323	\$0.0347	\$0.0346	\$0.0366	\$0.0371	\$0.0369	\$0.0368	\$0.0367	\$0.0367	\$0.0306	\$0.0270	\$0.0270
Capped?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	
Proposed % Rate Change	21%	18%	17%	17%	16%	16%	16%	16%	16%	16%	-9%	-34%	

- Details:** PG&E's rebuttal testimony agreed with Joint CCAs in that PG&E had improperly omitted the local RA capacity of six PG&E contracts, which will increase the 2021 Forecast Retained RA Value by \$5.2 million. PG&E will make the corrections through its November Update.

In the second meet-and confer process, nine CCAs including VCE provided PG&E with updated load forecasts, which PG&E adopted. As a result of modifications by CCAs and DA providers,

PG&E's bundled requirement increased slightly from 33,748 GWh to 33,838 GWh (i.e., by 90 GWh).

- **Analysis:** This proceeding will establish the amount of the PCIA for VCE's 2020 rates and the level of PG&E's generation rates for bundled customers. PG&E is proposing another increase to its PCIA to \$0.0367/kWh for the 2017 vintage. In comparison, the last ERRA Forecast proceeding established a capped rate of \$0.0317/kWh for the 2017 vintage, an increase from the previous rate of \$0.0267/kWh.
- **Next Steps:** Reply briefs are due November 9, 2020. PG&E's November Update, due November 9, 2020, will include updates to the PCIA benchmarks for forecasting and true-up purposes; comments on the update are due November 20, 2020. PG&E will file its 2020 Annual Electric True-Up advice letter on November 16, 2020.

A proposed decision will be filed in the ERRA Trigger proceeding by November 29, 2020.

- **Additional Information:** [Ruling](#) canceling evidentiary hearing (October 13, 2020); [Scoping Memo and Ruling](#) in the ERRA Trigger proceeding (September 30, 2020); [Scoping Memo and Ruling](#) (September 12, 2020); [PG&E August Update](#) (August 14, 2020); [PG&E ERRA Trigger Application](#) (July 31, 2020); [PG&E Supplemental Testimony](#) correcting errors in Application (July 17, 2020); [Application](#) (July 1, 2020); Docket Nos. [A.20-07-002](#) (2021 ERRA Forecast); [A.20-07-022](#) (ERRA Trigger).

PG&E 2021 PUBA Trigger

On October 13, 2020, the ALJ issued an Email Ruling establishing the protest deadline and scheduling a prehearing conference for October 30, 2020. Joint CCAs, including VCE, filed a Protest on October 19, 2020 of PG&E's expedited trigger application addressing the undercollection of its PCIA Undercollection Balancing Account (PUBA), which proposed to increase in the system average rate for CCA/DA customers in 2021 by \$0.0055/kWh, and by \$0.0068/kWh for residential customers specifically, or 4.0% over present rates. Alliance for Retail Energy Markets/Direct Access Customer Coalition, Cal Advocates, and TURN also separately filed Protests. PG&E filed a reply to the Protests on October 23, 2020.

- **Background:** The PUBA tracks the differential between capped and uncapped PCIA rates. Once the total revenue differential in the PUBA reaches a trigger threshold, PG&E must file an expedited application to recover part of the amount in the PUBA. Such recovery will take place via a temporary increase to PCIA or PCIA-related rates for VCE's customers.

PG&E's PUBA balance as of the end of August 2020 is undercollected by \$113.0 million, which exceeds the 7% trigger, and PG&E expects the PUBA balance to exceed the 10% threshold by the end of October 2020. PG&E proposes to increase rates for its Departing Load customers, including VCE customers, by developing a vintage-specific rate adder designed to collect the forecasted 2020 year-end PUBA balance of \$252.8 million over 12 months, beginning January 1, 2021. This rate adder would be applied in addition to the authorized PCIA rates. PG&E would decrease bundled customer rates by reducing the bundled generation revenue requirement by the same amount. PG&E's proposal would increase the system average rate for CCA/DA customers by \$0.0055/kWh, and by \$0.0068/kWh for residential customers specifically, or 4.0% over present rates.

- **Details:** Joint CCAs argue in favor of using other ratemaking approaches, such as a 36-month amortization period of PG&E's PUBA, to avoid rate shock for unbundled customers while still making bundled customers whole.
- **Analysis:** If approved, VCE customers would pay a surcharge in 2021 to recover the forecasted PUBA shortfall in addition to the PCIA rate.

The following PUBA Adder rates would apply under PG&E's proposal for 2021:

back to customers. PG&E's rebuttal testimony stated it will make all but \$33.6 million of those adjustments as part of its August 2020 accounting close.

- **Details:** The Settlement Agreement resolves all but two of the disputed issues in Phase I of the proceeding. PG&E agreed with certain accounting errors identified by the Joint CCAs. PG&E also committed to provide additional, specific information requested by the Joint CCAs simultaneous with its ERRA Compliance applications and simplify the presentation of that information, resolving the Joint CCAs concern with transparency of the PG&E data supporting entries to the ERRA, PABA and related balancing accounts. PG&E and the Joint CCAs agreed to engage in discussions about the approach to Resource Adequacy solicitations governed by Appendix S of PG&E's 2014 Bundled Procurement Plan. Finally, PG&E agreed to rebill all commercial and industrial CCA customers assigned an incorrect vintage.

The two remaining issues not covered by the Settlement Agreement are (1) the request in PG&E's rebuttal testimony to reverse the \$92.9 million adjustment it made in response to D.20-02-047 to its PABA regarding the amount of RPS energy the utility retained to serve its bundled customers in 2019; and (2) the utility's decision not to re-vintage four RPS contracts renegotiated during 2019.

- **Analysis:** This proceeding addresses PG&E's balancing accounts, including the PABA, providing a venue for a detailed review of the billed revenues and net CAISO revenues PG&E recorded during 2019. It also determines whether PG&E managed its portfolio of contracts and UOG in a reasonable manner. Efforts from the Joint CCAs to date will reduce the level of the PCIA for VCE's customers in 2021 and/or 2022.
- **Next Steps:** Reply briefs are due November 16, 2020. The schedule for Phase II of this proceeding has not been issued yet.
- **Additional Information:** [Joint Motion to Adopt Settlement Agreement](#) (October 22, 2020); [Ruling](#) modifying extending deadline for briefs and reply briefs (October 12, 2020); [Amended Scoping Memo and Ruling](#) (August 14, 2020); [Scoping Memo and Ruling](#) (June 19, 2020); PG&E's [Application](#) and [Testimony](#) (February 28, 2020); Docket No. [A.20-02-009](#).

PCIA Rulemaking

On October 12, 2020, PG&E submitted Advice Letter 5973-E on establishing a prepayment framework for the PCIA in compliance with D.18-10-019 and D.20-08-004. CalCCA, DACC, and AReM filed protests of PG&E AL 5973-E on November 2, 2020.

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. In the Joint IOUs' PFM of D.18-10-019 in this proceeding, filed concurrently with a PFM of D.17-08-026 in R.02-01-011, the Joint Utilities requested changes to the calculations for applying line losses in the PCIA calculations. First, the Joint IOUs argued that the current formula incorrectly applies line loss adjustments to the RA component of the PCIA calculation. Second, the Joint IOUs argued that the PCIA Template is inconsistent with its application of line losses with respect to the calculation of energy market value. The net impact of these two issues, according to the Joint Utilities, is an overstated forecast of portfolio market value with all customers initially underpaying the PCIA.

Phase 2 relied 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.

D.20-08-004, in response to the recommendations of Working Group 2, (1) adopted the consensus framework of PCIA prepayment agreements; (2) adopted the consensus guiding

principles, except for one principle regarding partial payments; (3) adopted evaluation criteria for prepayment agreements; (4) did not adopt any proposed prepayment concepts; and (5) clarified that risk should be incorporated into the prepayment calculations by using mutually acceptable terms and conditions that adequately mitigate the risks identified by Working Group Two.

The CPUC has not yet issued a Proposed Decision regarding Working Group 3.

Details: PG&E AL 5973-E provides a prepayment request processing framework including details on: (1) a solicitation process for requests to prepay the PCIA, (2) how requests will be prioritized and evaluated, (3) guidelines for negotiating the prepayment of the PCIA, and (4) the regulatory approval process. The AL also provides PG&E's new Electric Preliminary Statement Part IK, PCIA Prepayment Balancing Account (PPBA).

The CalCCA/DACC/AReM protest of PG&E AL 5973-E (along with SCE's similar advice letter) questions whether the utilities' annual application window for prepayment negotiation is needed and suggest the application process be open all year. CalCCA/DACC/AReM strongly opposed the size of the requested deposits required to commence negotiations, calling them "wildly excessive." For instance, PG&E's proposal to require 24 months of uncapped PCIA to begin negotiations would result in a deposit in excess of \$200 million for Sonoma Clean Power. Finally, CalCCA/DACC/AReM recommended that utilities be required to report annually on both their successful and unsuccessful prepayment negotiations to facilitate an evaluation of whether they are negotiating in good faith.

- **Analysis:** The Decision on prepayment is expected to make successful prepayments very difficult because it gave utilities significant control over the process and required the prepayment to include a risk premium. The Joint IOUs' PFM of D.18-10-019, if adopted, would increase the PCIA for VCE's customers.
- **Next Steps:** A proposed decision regarding Working Group 3 is expected in Q3 2020.
- **Additional Information:** [CalCCA/DACC/AReM Protest of PG&E AL 5973-E](#) (November 2, 2020); [PG&E AL 5973-E](#) (October 12, 2020); [CalCCA/DACC Response](#) to Joint IOU AL on D.20-03-019 (September 21, 2020); [Joint IOUs PFM of D.18-10-019](#) (August 7, 2020); [D.20-08-004](#) on Working Group 2 PCIA Prepayment (August 6, 2020); [D.20-06-032](#) denying PFM of D.18-07-009 (July 3, 2020); [D.20-03-019](#) on departing load forecast and presentation of the PCIA (April 6, 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); [D.19-10-001](#) (October 17, 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 into PG&E's Organization, Culture and Governance (Safety OII)

No updates this month. On September 4, 2020, the ALJ issued a Ruling deciding that this proceeding would be used only to monitor PG&E's progress on safety culture for the time being.

- **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.

A July 2020 ALJ Ruling described the issues that are potentially still in scope for this proceeding, which include a broad array of issues identified in the December 21, 2018 Scoping Memo, as modified by D.20-05-053 approving PG&E's reorganization plan, plus the ongoing work of NorthStar, the consultant monitoring PG&E. However, the Ruling observed that "it is not clear as a practical matter how many of those issues can be or should be addressed at this time," given

PG&E is now implementing its reorganization plan and has filed its application for regional restructuring. Joint CCAs argued that this proceeding should address whether PG&E should be a “wires-only company” and whether PG&E’s holding company structure should be revoked, and SVCE advocated for addressing whether a distribution system operator model should replace PG&E. Party comments did not explicitly raise the issue of CCA proposals to purchase PG&E electric distribution assets.

- **Details:** The September 4 Ruling filed in the PG&E Safety Culture proceeding (I.15-08-019) and PG&E Bankruptcy proceeding (I.19-09-016) determines that I.15-08-019 will remain open as a vehicle to monitor the progress of PG&E in improving its safety culture, and to address any relevant issues that arise, with the consultant NorthStar continuing in its monitoring role of PG&E. The Ruling declined to close the proceeding (e.g., as requested by PG&E) but also declined to move forward with CCAs’ consideration of whether PG&E’s holding company structure should be revoked and whether PG&E should be a “wires-only company,” as well as developing a plan for service if PG&E’s CPCN is revoked in the future.
- **Analysis:** While the docket remains open to monitor PG&E progress on its safety culture, this proceeding is dormant for the time being. Depending on the issues addressed in the future, 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. Numerous issues proposed in the PG&E Bankruptcy OII, including municipalization and sale of PG&E assets, were deferred and stated to be more properly within the scope of this proceeding. However, under the September 4 Ruling, the focus is now on monitoring PG&E’s progress on safety culture.
- **Next Steps:** The proceeding remains open, but there is no procedural schedule at this time.
- **Additional Information:** [Ruling](#) updating case status (September 4, 2020); [Ruling](#) on case status (July 15, 2020); [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](#).

Direct Access Rulemaking

On October 16, 2020, and October 26, 2020, respectively, parties filed comments and replies in response to the ALJ Ruling providing a Staff Report and recommendation to the Legislature regarding a potential additional expansion of direct access (DA) for nonresidential customers.

- **Background:** In Phase 1 of this proceeding, the CPUC allocated the additional 4,000 GWh of direct access load required by SB 237 (2018, Hertzberg) among the three IOU territories with implementation to begin January 1, 2021.

For Phase 2, 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 September 28, 2020 Ruling attached a Staff Report constituting the draft CPUC recommendations to the Legislature required by SB 237. The Staff Report recommends that the Legislature:
 - Not make a determination as to whether to further expand DA until at least 2024, after the conclusion of the 2021-24 RPS compliance period and the fulfillment of procurement ordered by D.19-11-016.

- Condition any further DA expansion on the performance of Energy Service Providers (ESPs) with respect to IRP, RPS and RA requirements through 2024.
- Make any further DA expansion in increments of 10% of nonresidential load per year, conditioned on ESP ongoing compliance with IRP, RPS and RA requirements.
- “[C]onsider the CPUC’s authority in allowing CCAs to recover the costs of investments that are stranded because of unforeseen load departure to address these potential impacts.”
- "Amend P.U. Code Section 949.25 to provide the CPUC with the authority to revoke ESP licenses **and CCA registration** for repeated non-compliance with [RA], RPS or IRP requirements."

CalCCA’s comments argued that the CPUC should add a condition for reopening DA that will foster attainment of state goals and ensure competitive neutrality for all LSEs. CalCCA recommended establishing a Phase 3, Track 1 process for further development of DA reopening conditions, including competitively neutral switching rules, rules governing CCA stranded cost recovery, clear compliance metrics, and ESP transparency measures. Furthermore, CalCCA recommended establishing a Phase 3, Track 2 to be implemented following the issuance of 2021-2024 Renewable Portfolio Standard (RPS) compliance reports to assess readiness for DA reopening.

ESPs argued against delaying a Legislative determination on further DA reopening, for a faster pace of DA reopening, and that access to additional load should depend on the compliance of each ESP, rather than compliance of all ESPs. Both DA advocates and IOUs opposed stranded asset recovery by CCAs.

- **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. The Staff report recognizes this concern and recommends that if DA is further expanded, the Legislature consider permitting CCAs to recover stranded costs from departing DA customers. The Staff report also recommends the Legislature amend the statute to allow the CPUC to revoke both ESP licenses and CCA registration for repeated non-compliance of RA, RPS, or IRP requirements.
- **Next Steps:** A proposed decision attaching the final staff report is anticipated to be issued next.
- **Additional Information:** [Ruling](#) and [Staff Report](#) (September 28, 2020); [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](#).

RA Rulemaking (2019-2020)

No updates this month. Two applications for rehearing remain the only outstanding items to be addressed in this proceeding, which is now closed.

- **Background:** This proceeding had three tracks, which have now concluded. [Track 1](#) addressed 2019 local and flexible RA capacity obligations and several near-term refinements to the RA program. 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.

In [Track 2](#), the CPUC previously adopted multi-year Local RA requirements and initially declined to adopt a central buyer mechanism (D.19-02-022 issued March 4, 2019).

The second Track 2 Decision, D.20-06-002, adopted 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. The Decision rejected a settlement agreement between CalCCA and seven other parties 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. Under D.20-06-002, 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. A competitive solicitation (RFO) process will be used by the CPEs to procure RA products. Costs incurred by the CPE will be allocated ex post based on load share, using the CAM mechanism. D.20-06-002 also established a Working Group (co-led by CalCCA) to address: (a) the development of an local capacity requirements reduction crediting mechanism, (b) existing local capacity resource contracts (including gas), and (c) incorporating qualitative and possible quantitative criteria into the RFO evaluation process to ensure that gas resources are not selected based only on modest cost differences.

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.

On October 30, 2019, CalCCA filed a PFM of D.19-06-026, seeking the creation of an RA waiver process in 2020 for system and flexible RA obligations.

Details: The only two remaining items to be addressed in this proceeding are two applications for rehearing filed by Western Power Trading Forum (WPTF). First, on July 17, 2020, WPTF filed an Application for Rehearing of D.20-06-002, the Track 2 Decision creating a multi-year central procurement regime for local RA capacity. It requested rehearing and reconsideration of the rejected settlement agreement between WPTF, CalCCA, and other parties, arguing that D.20-06-002 will discourage the procurement of local resources by individual LSEs, discriminates against natural gas resources while increasing the need for CAISO backstop procurement, may undermine reliability by making it more difficult to integrate renewables with the larger western grid, and creates a "sale for resale" procurement construct that could place it under FERC's jurisdiction as a wholesale, rather than a retail, transaction.

Second, on August 5, 2020, WPTF filed an Application for Rehearing of D.20-06-028 with respect to the self-scheduling requirements for non-resource specific RA imports.

- **Analysis:** D.20-06-002 established a central procurement entity and mostly resolved the central buyer issues, although several details are being refined through a Working Group. Moving to a central procurement entity beginning for the 2023 RA compliance year will 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. Eventually, it will eliminate the need for monthly local RA showings and associated penalties and/or waiver requests from individual LSEs, but it also eliminates VCE's autonomy with regard to local RA procurement and places it in the hands of PG&E.

The Track 1 Decision on RA imports most directly impacted LSEs relying on RA imports to meet their RA obligations by increasing the difficulty of procuring such RA in the future.

- **Next Steps:** The only issues remaining to be addressed in this proceeding are WPTF's Applications for Rehearing. Remaining RA issues will be addressed in the successor RA rulemaking, R.19-11-009.
- **Additional Information:** [D.20-09-003](#) denying PFM's filed by PG&E, CalCCA, and Joint Parties (September 16, 2020); WPTF's [Application for Rehearing](#) of D.20-06-028 (August 5, 2020); WPTF's [Application for Rehearing](#) of D.20-06-002 (July 17, 2020); [D.20-06-028](#) on Track 1 RA Imports (approved June 25, 2020); [D.20-06-002](#) establishing a central procurement mechanisms for local RA (June 17, 2020); [D.20-03-016](#) granting limited rehearing of D.19-10-021 (March 12, 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); [D.19-10-021](#) affirming RA import rules (October 17, 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 October 20, 2020, the ALJ issued a Ruling denying OhmConnect's motion for a partial stay of a previous RA decision that limited the eligible procurement of Demand Response to a statewide and LSE-specific cap of 8.3%. On October 20, 2020, the CPUC, CAISO and CEC scheduled a November 24, 2020, joint public workshop to consider the potential to provide RA credit to hybrid storage/solar behind-the-meter resources. On October 23, 2020 the ALJ issued a Proposed Decision (PD) in Track 3.A that would adopt a local capacity requirement reduction compensation mechanism based on CalCCA's proposed "Option 2," with modifications, and the central procurement entity's (CPE) competitive neutrality rules as proposed by PG&E and SCE, with modifications. Also on October 23, 2020, the CPUC provided notice of two public workshops scheduled for November on a variety of Track 3.B RA issues. On October 30, 2020, VCE submitted Tier 2 Advice Letter 5-E, requesting a waiver of local RA penalties related to limited remaining local RA procurement shortfalls in 2021-2022 in its contemporaneously submitted Year-Ahead RA Filing.

- **Background:** This proceeding is divided into 4 tracks. The first two tracks have concluded, and the proceeding focused on Track 3 issues. Track 3 is divided into Track 3.A and Track 3.B, which are proceeding in parallel. Track 3.A issues include the following topics: (1) evaluation of CAISO's updated LCR reliability criteria; (2) evaluation of an LCR reduction compensation mechanism; (3) consideration of the CPE's Competitive Neutrality Rules; (4) NQC for BTM hybrid resources; and (4) other time-sensitive issues.

Track 3.B focuses on an examination of 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. Other refinements to the RA program identified during Track 1 or Track 2 will also be considered, including refinements to the MCC buckets adopted in D.20-06-031.

A future Track 4 will consider the 2022 program year requirements for System and Flexible RA, and the 2022-2024 Local RA requirements.

- **Details:** OhmConnect's Motion requested an immediate narrow partial stay of D.20-06-031 in advance of the October 31, 2020 Year-Ahead RA compliance filings, until the issues discussed in its motion are fully considered and resolved in Track 3. OhmConnect's motion took issue with the adopted refinement to the Maximum Cumulative Capacity (MCC) Buckets that included adopting an 8.3% Statewide and LSE-specific cap on DR resources to meet RA requirements. OhmConnect pointed out that although the Decision made it appear like this cap would still allow for a doubling of DR resources, under the current construct, if an LSE chooses not to procure DR up to its 8.3% cap, the resulting "headroom" is not actually available to other LSEs that might be interested in procuring greater amounts of DR capacity. The ALJ denied the motion, saying this issue had already been considered and decided by the CPUC.

The Track 3.A PD would address the issues of the financial credit mechanism and competitive neutrality rules for the central procurement entities, PG&E and SCE. For reference, in adopting the central procurement framework in D.20-06-002, the CPUC recognized that a financial credit mechanism could provide LSEs with additional incentives for investments in preferred and energy storage local resources in constrained local areas, but rejected a CalCCA proposal to give a one-for-one MW value to LSEs for existing preferred or energy storage local resources shown to the CPE. The PD would find that the most workable solution proposed was CalCCA's proposed "Option 2," with modifications, which allows the CPE to evaluate the shown resource alongside bid resources to assess the effectiveness of the portfolio. The financial credit mechanism would apply only to new preferred or energy storage resources (i.e., non-fossil-based resources) with a contract executed on or after June 17, 2020.

The PD would also adopt PG&E's competitive neutrality proposal for PG&E's service territory and SCE's competitive neutrality proposal for SCE's service. The PD would reject assertions by AReM and CalCCA that PG&E's proposed rule contains insufficient detail as compared to SCE's proposal, such as the lack of enforcement for inadvertent disclosure.

Finally, the PD would find that the Local Capacity Requirements Working Group should continue to discuss recommendations and develop solutions for consideration in CAISO's 2022 LCR process, and notes there will be an opportunity to provide comments on the behind-the-meter hybrid solar/storage workshop, scheduled for November 2020, in Track 4 of this proceeding.

- **Analysis:** Regulatory developments under consideration in this proceeding could have a significant impact on VCE's capacity procurement obligations and RA compliance filing requirements. A broad array of changes to the RA construct are under consideration, including the consideration of hourly capacity requirements in light of the increasing deployment of use-limited resources; modifications to maximum cumulative capacity buckets and whether the RA program should cap use-limited and preferred resources such as wind and solar; the potential expansion of multi-year local forward RA to system or flexible resources; RA penalties and waivers; and Marginal ELCC counting conventions for solar, wind and hybrid resources. The resolution of these issues could impact the extent to which VCE is permitted to rely on use-limited resources such as solar and wind to meet its RA obligations, the amount of RA that is credited to these types of resources, and what penalties (and waivers) would apply should there be a deficiency in meeting an RA requirement.
- **Next Steps:** In Track 3.A, comments on the PD are due November 12, replies are due November 17, and the PD may be heard, at the earliest, at the Commission's December 3, 2020 Business Meeting. The PD would direct the draft Local Capacity Requirements Working Group Report and/or proposals to be due January 22, 2021, and the final Working Group Report and/or proposals by February 12, 2021.

In Track 3.B public workshops on Track 3.B issues are scheduled for November 18, 2020, and November 23, 2020 (9:30-4:30pm). Revised Track 3.B proposals are due December 18, 2020, comments on revised Track 3.B proposals are due January 15, 2021, a workshop on revised Track 3.B proposals is anticipated for February 2021, second revised Track 3.B proposals and comments on additional process are due March 9, 2021, a Proposed Decision is expected May 2021, and a final Decision on Track 3.B and Track 4 is expected June 2021.

A joint public workshop to consider the potential to provide RA credit to hybrid storage/solar behind-the-meter resources is scheduled for November 24, 2020.

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

- **Additional Information:** [Proposed Decision](#) on Track 3.A issues (October 23, 2020); [Ruling](#) denying OhmConnect motion for partial stay of 8.3% DR cap (October 20, 2020); [Ruling](#) (September 23, 2020); [Ruling](#) providing Energy Division's Track 3.B proposal (August 7, 2020); [Amended Scoping Memo](#) on Track 3 (July 7, 2020); [D.20-06-031](#) on local and flexible RA requirements and RA program refinements (June 30, 2020); [Ruling](#) suspending Track 3 schedule (June 23, 2020); [2021 Final Flexible Capacity Needs Assessment](#) (May 15, 2020); [2021 Final](#)

[Local Capacity Technical Study](#) (May 1, 2020); [Scoping Memo and Ruling](#) (January 22, 2020); [Order Instituting Rulemaking](#) (November 13, 2019); Docket No. [R.19-11-009](#).

2020 IRP Rulemaking

On October 9, 2020, the ALJ issued an Email Ruling requesting initial comments on individual IRPs, which were subsequently filed by parties on October 23, 2020. On October 20, 2020, the ALJ issued a Ruling requesting comments and on electric resource portfolios to be used in CAISO's 2021-22 Transmission Planning Process (TPP) which will begin in early 2021.

- **Background:** In the CPUC's IRP process, the Reference System Portfolio (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) after LSEs submit individual IRPs to be used in statewide planning and future procurement. On September 1, 2020, LSEs including VCE filed their 2020 IRPs, which included updates on each LSE's progress towards completing additional system RA procurement ordered for the 2021-2023 years under D.19-11-016.
- The June 15, 2020 ALJ Ruling proposed a three-year cycle for the IRP process, instead of the current structure of conducting each cycle every two years. There would be opportunities for new procurement requirements at least twice during every three-year cycle, beginning with a Q1 2021 Ruling proposing resource procurement, followed by the issuance of a PD/Decision in Q2 2021 ordering additional procurement.

The September 24 Scoping Memo and Ruling clarifies that the issues planned to be resolved into this proceeding are organized into the following tracks:

1. General IRP oversight issues: The Assigned Commissioner indicates that a Proposed Decision is forthcoming on the issues identified in the June 15 Ruling regarding the possibility of moving from a two-year to a three-year IRP cycle. Other issues to be determined in this track include IRP filing requirements and interagency work implementing SB 100.
 2. Procurement track: First, the proceeding will resolve capacity procurement issues with respect to D.19-11-016, as discussed in the June 5 Ruling. The CPUC will then focus on examining LSE plans to replace Diablo Canyon capacity and conduct an overall assessment and gap analysis to inform a procurement order that could direct LSEs to procure additional capacity. Other issues to be addressed in this track include (1) evaluation of development needs for long-duration storage, out-of-state wind, offshore wind, geothermal, and other resources with long development lead times; (2) local reliability needs; and (3) analysis of the need for specific natural gas plants in local areas. Additional procurement requirements may also be considered.
 3. Preferred System Portfolio Development: The CPUC will aggregate LSE portfolios, analyze the aggregate portfolio, and adopt a PSP.
 4. Transmission Planning Process (TPP): The PSP analysis will likely lead to a portfolio to be transmitted by the CPUC to the CAISO for use in its TPP analysis.
 5. Reference System Portfolio Development: To the extent that a new round of RSP analysis is conducted for the next IRP cycle, this proceeding will be the venue for developing and vetting the resource assumptions associated with that analysis in preparation for the next IRP cycle.
- **Details:** The October 20 ALJ Ruling on portfolios for use in the TPP included three attachments. The "Framework for TPP Portfolio Selection" document guides the Commission's portfolio recommendations annually (for this and future TPP cycles). The "Descriptions of the Proposed Portfolios for the 2021-22 TPP" document includes a Staff recommendation to use a 46 million metric ton (MMT) target by 2030, but updating it with more recent data and assumptions from the

CEC’s 2019 Integrated Energy Policy Report as both the reliability and policy-driven base case. The “Methodology for Resource-to-Busbar Mapping and Assumptions for the 2021-22 TPP” document details how resources will be mapped to specific locations on the transmission system and augments the specific approaches for mapping battery storage resources and non-battery resources.

In response to the October 9 ALJ Ruling, parties filed comments on individual LSE IRPs, but no party provided any comments that were directly critical of VCE’s IRP narrative.

- **Analysis:** This proceeding impacts VCE’s compliance requirements, including its IRP filing, as well as issues that could impact VCE’s autonomy over its procurement decisions and cost recovery of related procurement directives. The September 24 Scoping Memo and Order indicates that the CPUC could issue a decision on Diablo Canyon replacement capacity in May 2021; this decision could direct VCE and other LSEs to procure additional capacity if it finds LSE IRPs contained insufficient resources to ensure reliability with the retirement of Diablo Canyon. In addition, the June 15, 2020 Ruling proposes changes to the IRP cycle that could change the frequency of IRP filings to once every three years and provide the CPUC two opportunities per three-year cycle to order additional procurement. Under the newly created IRP Citation Program, if the CPUC identifies any deficiencies in VCE’s IRP filings, it will have 10 days to cure the identified deficiencies, after which time it would be subject to a financial penalty.
- **Next Steps:** Comments and replies, respectively, in response to the ALJ Ruling on portfolios to use in the 2021-2022 Transmission Planning Process are due November 10, 2020, and November 20, 2020.

Through January 2021, the schedule is as follows:

1. **General IRP oversight issues:** A Proposed Decision on moving from two-year to three-year IRP cycle is anticipated to be issued soon.
 2. **Procurement track:** Fall 2020: Commission staff conducts analysis of LSE commitments to address Diablo Canyon replacement power, as included in individual IRPs. October 2020: Proposed decision addressing backstop procurement and cost allocation (emanating from D.19-11-016). November 2020: Commission decision on backstop procurement and cost allocation. January 2021: Ruling circulating Diablo Canyon replacement power analysis, gap analysis, and proposing procurement strategy for any additional needed power, along with proposed broader framework for IRP procurement.
 3. **Preferred System Portfolio Development:** Fall 2020: (1) Modeling Advisory Group meeting examining GHG emissions benchmarking and modeling differences; and (2) Ruling on resubmittals of information for deficient LSE IRPs, if needed.
 4. **TPP:** November 2020: Party comments and reply comments on proposed portfolio(s) for 2021-2022 TPP. January 2021: Proposed Decision recommending portfolio(s) for 2021-22 TPP.
 5. **Reference System Portfolio Development:** N/A.
- **Additional Information:** [Ruling](#) on Portfolios for 2021-2022 Transmission Planning Process (October 20, 2020); [Email Ruling](#) requesting comments on individual LSE IRPs (October 9, 2020); [Scoping Memo and Ruling](#) (September 24, 2020); [Resolution E-5080](#) (August 7, 2020); [Ruling](#) on IRP cycle and schedule (June 15, 2020); [Ruling](#) on backstop procurement and cost allocation mechanisms (June 5, 2020); [Order Instituting Rulemaking](#) (May 14, 2020); Docket No. [R.20-05-003](#).

2016 IRP Rulemaking

On October 27, 2020, the CPUC issued an Order (D.20-10-028) denying two December 2019 applications for rehearing of D.19-11-016, which mandated that LSEs undertake additional system RA procurement by 2021-2023. This proceeding is closed.

- **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.

D.19-11-016 directed VCE to procure 6.3 MW, 9.4 MW, and 12.6 MW of additional resources, to be online by line by August 1, 2021, August 1, 2022, and August 1, 2023, respectively. In addition, D.20-03-028 established a 2019-2020 RSP based on a GHG target for the electric sector for 2030 of 46 million metric tons (MMT), while also requiring LSEs to file an IRP scenario based on a more aggressive 38 MMT target in their IRPs due September 1, 2020.

D.20-09-026 granted CalCCA's Petition for Modification of D.19-11-016, which required LSEs to procure additional system RA to come online in 2021-2023. First, it granted CalCCA's request and determine that the methodology included in D.20-06-031 will be used to determine Qualifying Capacity for hybrid resources used to comply with the requirements of D.19-11-016 (unless or until the methodology is modified again). Second, D.20-09-026 effectively punted on deciding the issue of cost recovery to the new IRP proceeding, R.20-05-003. CalCCA's PFM had argued that the Commission should modify the cost recovery mechanism adopted in D.19-11-016 by requiring an IOU that provides system resource adequacy backstop procurement to an LSE to bill that entity directly for all costs associated with the procurement. However, the Decision granted CalCCA's request to modify D.19-11-016 by eliminating the language that would have limited the mechanism to a customer-billed non-bypassable charge. Finally, the Decision closed this docket.

- **Details:** The Order denied two applications for rehearing. In one application for rehearing, Protect Our Communities (POC) argued that the entire Decision is in error. POC's primary objection was to the foundational basis for the establishment of the procurement requirement, a potential shortage of RA and potential reliability issues stemming from that. It had argued that the justification is based on a CPUC misinterpretation of an unreliable analysis. It also argued that the Decision erroneously concluded that renewables-paired storage cannot provide reliable power as an alternative to fossil fuel resources, and that the result of the procurement, as well as the recommended extensions of once-through-cooling compliance deadlines, will cause further environmental harm and are contrary to California's clean energy policies.

A second application for rehearing by environmental parties opposed specific provisions of the decision that would have allowed fossil fuel generators to be eligible for the additional procurement. In denying rehearing, the CPUC found that D.20-03-028 had addressed some of the issues raised.

- **Analysis:** In rejecting the applications for rehearing, D.20-10-028 leaves in place the procurement mandate established under D.19-11-016 and did not modify any of its determinations.
- **Next Steps:** The proceeding is now closed. All other IRP issues will be addressed through R.20-05-003.
- **Additional Information:** [D.20-10-028](#) denying Applications for Rehearing of D.19-11-016 (October 27, 2020); [D.20-09-026](#) (approved at CPUC's September 24, 2020 meeting); [D.20-07-009](#) denying CESA PFM of D.19-11-016 (July 21, 2020); [D.20-06-025](#) dismissing GenOn Holdings Application for Rehearing (June 22, 2020); [Ruling](#) correcting LSE load forecasts (May 20, 2020); PG&E's [Advice 5826-E](#) (May 18, 2020); [D.20-03-028](#) on RSP and 2020 IRP filing requirements (April 6, 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](#).

RPS Rulemaking

On October 16, 2020, the CPUC issued D.20-10-005 resuming and modifying the ReMAT program. Parties filed comments and replies, respectively, on October 9, 2020, and October 20, 2020 in response to the September 18, 2020 ALJ Ruling providing the Energy Division's *Staff Proposal for Alignment and Integration of RPS Procurement Planning and Integrated Resource Planning*.

- **Background:** This proceeding addresses ongoing RPS issues. VCE submitted its 2020 RPS Procurement Plan on July 6, 2020 and its 2019 RPS Compliance Report on August 3, 2020. On August 12, 2020, VCE filed a Motion requesting to update its 2020 RPS Procurement Plan to make several minor clerical corrections to its Plan and noting to the CPUC that VCE anticipated terminating its PPA with Rugged Solar in August 2020.

On February 27, 2020, the ALJ 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).

Staff's Proposed Framework for integrating RPS Procurement Plan requirements into the IRP proceeding uses a two-phased approach that makes a relatively minor change to RPS reporting in the current IRP cycle, while fully integrating all elements of RPS Procurement Plans into the next IRP cycle, proposed to commence in the 2023 calendar year (instead of 2022, under the current two-year cycle, although the issue of a two-year versus three-year cycle is not discussed):

1. Phase I: 2021-2022: Staff proposes to maintain the status quo in Phase I, where LSEs would continue to prepare and submit annual RPS Procurement Plans, subject to subsequent rulings issued by the Assigned Commissioner and Assigned ALJ. The single deviation from the current RPS Plans procedure, as proposed by staff, is to transition the Cost Quantification reporting requirement away from the RPS Plans and establish an annual data response for Cost Quantification reporting due February 15 of each calendar year, continuing through Phase II and beyond.
2. Phase II: 2023 and Beyond:
 - *IRP Filing Years ("On-Years," e.g., 2023, 2026, etc. if the CPUC adopts a three-year IRP cycle, as has been separately proposed): Full Integration of RPS Requirements.* In Phase II, the CPUC intends to fully combine RPS Procurement Plans filings with the IRP process. With the exception of the proposed February 15 Cost Quantification filing, retail sellers would only be required to file IRPs in the IRP filing years, and the modified IRP would satisfy that year's RPS Procurement Plan requirements. The IRP Narrative Template will be modified to include the necessary RPS reporting items in two of the current IRP chapters and will also add a chapter specifically devoted to capturing any RPS-required information that does not align into an existing IRP section. If an LSE modifies its planned RPS procurement outside of an IRP year, it would be required to file a Motion to Update.
 - *IRP "Off-Years" (e.g., 2024, 2025; 2027, 2028, etc.): Statutorily Mandated RPS Reporting.* LSEs would be required to file Tier 3 advice letters that contain the statutorily-required RPS information. The information required will not vary from year to year. All RPS Plan requirements in IRP off-years would be due July 15 of each calendar year. If an LSE's procurement (or sales) needs change or if further procurement authorizations are required in IRP off-years, LSEs would be required to file a Motion to Amend their IRP as part of the RPS off-year filing.

Details: CalCCA's comments in response to the Staff proposal aligning IRP and RPS compliance filings were generally supportive of the proposal, while recommending some modifications. CalCCA recommended that Staff withdraw the proposed additional reporting requirement on

February 15 as it will not be feasible for LSEs to provide accurate or complete year-end data by this time. CalCCA also pointed out additional efficiencies that could be gained by further streamlining certain reporting requirements.

The ReMAT program is a feed-in tariff program for renewable facilities of 3 MW or less. The revisions in D.20-10-005 update the ReMAT to bring the program into compliance with a 2017 federal district court order (the Winding Creek Order), which found that the bi-monthly program period capacity caps for ReMAT and the pricing mechanism were not compliant with PURPA (i.e., did not represent avoided costs). The changes would not apply to already executed ReMAT contracts. It adopts, with modifications, a June 2020 Staff Proposal for revising the program and directing the filing of Tier 2 advice letters by SCE and PG&E by November 6, 2020, to implement the revisions. The revised tariffs and standard contracts are to become effective immediately upon approval by the Energy Division. The ReMAT pricing calculation used in D.20-10-005 produced the following prices, as detailed in Appendix A of the Decision: (1) As Available Non-Peaking: \$57.40/MWh; (2) As-Available Peaking: \$52.34/MWh; (3) Baseload: \$73.50/MWh.

- **Analysis:** The Staff proposal on integrating RPS/IRP issues would largely maintain the existing compliance framework through 2022, limiting any benefits that could arise from better coordinating these compliance filings until 2023 and thereafter. Beginning in 2023, the Staff proposal would reduce RPS Procurement Plan filing requirements by integrating them with the IRP filing in IRP filing years, and significantly slimming them down to the statutory requirements in IRP off-years, made via an Advice Letter filing that would be subject to full Commission approval.

D.20-08-043, which reopened the Bioenergy Market Adjusting Tariff (BioMAT) program, will impact VCE customer rates, as the program and associated cost recovery is through a non-bypassable charge would be extended through 2025. It does not allow VCE to directly enter into BioMAT contracts.

The reopening of the ReMAT program could impact VCE by reopening a program that could compete with VCE with respect to the procurement of small-scale renewable energy facilities.

The previously issued Staff Proposal on RPS confidentiality rules in this proceeding included 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.

Next Steps: A proposed decision aligning RPS/IRP filings is anticipated to be issued in Q4 2020.

A PD/Decision on the 2020 RPS Procurement Plans is also anticipated in Q4 2020, after which retail sellers may file “Final” 2020 RPS Procurement Plans, also expected in Q4 2020.

PG&E and SCE will file Tier 2 advice letters implementing D.20-10-005 reopening and revising the ReMAT program by November 6, 2020.

It is unclear if the CPUC intends to issue a PD regarding RPS confidentiality and transparency issues, as had been proposed in a February 2020 Ruling.

- **Additional Information:** [D.20-10-005](#) resuming and modifying the ReMAT program (October 16, 2020); [D.20-09-022](#) on new CCA 2019 RPS Procurement Plans (approved at CPUC’s September 24, 2020 meeting); [Ruling](#) on [Staff proposal](#) aligning RPS/IRP filings (September 18, 2020); [D.20-08-043](#) resuming and modifying the BioMAT program (September 1, 2020); [VCE Motion to Update](#) its 2020 RPS Procurement Plan (August 12, 2020); [Ruling](#) extending procedural schedule on RPS Procurement Plan review (July 10, 2020); Assigned Commissioner [Ruling \(ACR\)](#) establishing 2020 RPS Procurement Plan requirements (May 6, 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); [D.19-12-042](#) on 2019 RPS Procurement Plans (December 30, 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](#).

Wildfire Fund Non-Bypassable Charge (AB 1054)

On October 14, 2020, and October 21, 2020, respectively, parties filed comments and replies on the ALJ Ruling proposing to continue the Wildfire Non-Bypassable Charge (NBC) of \$0.00580/kWh for January 1, 2021 through December 31, 2021.

- **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 was 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:** The September 30 Ruling proposed to maintain the Wildfire Fund NBC at its current level for 2021.
- **Analysis:** This proceeding established a new non-bypassable charge of \$0.00580/kWh from eligible VCE customers beginning October 1, 2020, to fund the Wildfire Fund under AB 1054.
- **Next Steps:** The Wildfire Fund NBC went into effect on October 1, 2020. The ALJ will next issue a proposed decision adopting the 2021 Wildfire Fund NBC.
- **Additional Information:** [Ruling](#) requesting comments on 2021 Wildfire Fund NBC (September 30, 2020); [D.20-09-023](#) adopting 2020 Wildfire NBC (September 30, 2020); [D.20-07-014](#) approving servicing orders (July 24, 2020); [Ruling](#) on Wildfire NBC implementation (July 3, 2020); [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](#).

PG&E's Phase 1 GRC

On October 23, 2020, the ALJs issued a Proposed Decision (PD) that would resolve PG&E's Phase 1 GRC. On October 29, 2020, the ALJs issued a Ruling scheduling oral argument.

- **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:** The PD adopts, with modifications, the Settlement Agreement filed in December 2019. The PD adopts a 2020 test year revenue requirement of \$9.102 billion, which is an increase of \$584 million, or 6.9%, over the authorized base revenue requirement for 2019. In addition, it allows PG&E to raise rates an additional \$339 million, or 3.7%, for 2021 and \$344 million, or 3.6%, for 2022. However, both the 2020 and 2021 impacts would be incorporated in 2021, resulting in an average residential customer seeing a monthly bill increase of \$12.55 (\$9.86 for electric and \$2.69 for gas), or 7.6%, in 2021. Modifications to the Settlement Agreement include the reduction of the authorized Community Wildfire Safety Program capital forecasts for 2021 and 2022, as well as more stringent filing requirements for recovery of undercollections tracked by certain regulatory accounts and for closure of up to 10 customer services branch offices. The PD applies the 4% cap on the percentage of residential customer accounts that PG&E can disconnect from utility service in this GRC cycle pursuant to D.20-06-003.

The PD would allow PG&E to maintain its current functionalization of Customer Care costs, allocating Customer Care costs between gas distribution and electric distribution functions, based on the number of gas and electric service agreements. However, it would direct PG&E to provide in its next GRC a better showing of its cost functionalization process in response to Joint CCA arguments, including directing PG&E to provide detailed testimony showing and justifying how it allocates costs across its various utility functions, including how it derives its functional allocations. The PD would not adopt Joint CCA's recommendation to reject the \$10 million decommissioning revenue requirement for PG&E generation assets. The PD would also not adopt Joint CCA recommendations regarding Resilience Zone issues, such as a request to accommodate generation that the CCAs procure, determining it is out of the scope and more appropriately addressed in R.19-09-009. Likewise, the PD would find the issue raised by Joint CCAs regarding access to grid modernization data is more appropriately addressed in R.14-08-013.

- **Analysis:** PG&E's GRC proposals included 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 under the Settlement Agreement and Proposed Decision. The remaining CCA-related issues in the case include the Joint CCAs' recommendations that the Commission:
 1. Revise the allocation of certain customer-service costs since unbundled customers use those services far less than bundled customers.
 2. Ensure CCAs can connect clean generation to PG&E's temporary microgrids during PSPS events.
 3. Revise the settlement's exorbitant decommissioning costs for PG&E's PCIA-eligible facilities.

4. 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:** Opening and reply comments, respectively, are due November 12, 2020, and November 17, 2020. Oral argument is set for November 12, 2020.
 - **Additional Information:** [Ruling](#) setting oral argument (October 29, 2020); [Proposed Decision](#) (October 23, 2020); [PG&E Motion](#) to update the Settlement Agreement (August 13, 2020); [Ruling](#) adopting confidential modeling procedures (August 13, 2020); [E-mail Ruling](#) granting in part PG&E's Motion for Official Notice and Joint CCAs Motion to file sur-reply (June 5, 2020); Joint CCAs' [PG&E Motion](#) for Official Notice of Facts (January 27, 2020); [Joint Motion](#) for Settlement Agreement (January 14, 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

Cal Advocates filed testimony on October 23, 2020.

- **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.

PG&E's final EUS plan describes how the IOUs' study will identify the essential usage of electricity for the IOUs' residential customers. The EUS will determine 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.

D.20-09-021 authorized each large IOU to file a Tier 1 advice letter that will establish an EUS cost recovery balancing account for tracking each IOUs' respective share of the actual costs associated with the EUS, with a cost allocation of: PG&E, 45%; SCE, 43%; and SDG&E, 12%. The IOUs estimate that the final EUS report will be completed in January 2022.

- **Details:** No updates this month.
- **Analysis:** This proceeding will not impact the transparency between a bundled and unbundled customer's bills because of the Working Group 1 decision in the PCIA rulemaking. 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:** Two public participation hearings are scheduled for November 6, 2020. Intervenor testimony is due November 20, 2020. Rebuttal testimony is due February 15, 2021. An evidentiary hearing is tentatively scheduled for March 1-12, 2021. A CPUC decision is anticipated for September 2021.
- **Additional Information:** [Notice](#) of virtual public participation hearing (October 15, 2020); [D.20-09-021](#) on EUS budget (September 28, 2020); [Ruling](#) scheduling public participation hearings (August 20, 2020); [Ruling](#) extending procedural schedule (July 13, 2020); [Exhibit \(PG&E-5\)](#) (May 15, 2020); [Scoping Memo and Ruling](#) (February 10, 2020); [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](#).

PG&E Regionalization Plan

The Assigned Commissioner issued a Scoping Memo and Ruling on October 2, 2020. On October 30, 2020, a workshop was scheduled for November 20, 2020 to discuss potential refinements to PG&E's regionalization proposal.

- **Background:** PG&E was directed to file a regionalization proposal as a condition of CPUC approval of its Plan of Reorganization in I.19-09-016. On June 30, 2020, PG&E filed its regionalization proposal, which describes how it plans to reorganize operations into new regions. PG&E proposes to divide its service area into five new regions: North Coast, Sierra, Bay Area, Central Coast, and Central Valley. The regional boundaries will align with county boundaries. Yolo County would be part of PG&E Region 1 (North Coast), grouped together with the following counties: Colusa, Glenn, Humboldt, Lake, Mendocino, Napa, Sacramento, Solano, Sonoma, and Trinity. PG&E will appoint a Regional Vice President by June 2021 to lead each region, along with Regional Safety Directors to lead its safety efforts in each region.

The new regions would include five functional groups that report to the Regional Vice President encompassing various functions including: (1) Customer Field Operations, (2) Local Electric Maintenance and Construction, (3) Local Gas M&C, (4) Regional Planning and Coordination, and (5) Community and Customer Engagement. Other functions will remain centralized, such as electric and gas operations, risk management, enterprise health and safety, the majority of existing Customer Care and regulatory and external affairs, supply, power generation, human resources, finance, and general counsel. PG&E will propose in a separate proceeding the enterprise-level safety and operational metrics it is developing that could also be considered to evaluate the effectiveness of its regionalization implementation. PG&E proposes a phased implementation, with progress establishing all regions in 2021, although some functions would not be fully shifted until 2022. PG&E also proposes to establish a Regional Plan Memorandum Account to record any incremental costs PG&E may incur in connection with development and implementation of regionalization.

In August, parties filed protests and responses to PG&E's application. Of note, South San Joaquin Irrigation District filed a Protest arguing that PG&E's regionalization effort should not create a moratorium or interfere with municipalization efforts. In addition, five CCAs filed responses or protests to PG&E's application, with MCE and EBCE filing protests and City of San Jose, City and County of San Francisco, and Pioneer Community Energy filing responses. CCA responses/protests sought more information on the implications of regionalization on CCA customers, CCA operations, and CCA-PG&E coordination; PG&E's overarching purpose, goals, and metrics to judge success of regionalization; the delineation between centralized and decentralized functions in PG&E's application; and budgets and cost recovery related to

regionalization, among other issues. CCAs also identified various concerns specific to their CCAs (e.g., EBCE's and MCE's service areas would both be split across two PG&E regions; SJCE expressed concern with its service area being assigned to the Central Coast region; Pioneer expressed concern that it would be the only CCA in its region, which would be the only region not to be "anchored" by an urban area).

- **Details:** Per the Scoping Memo and Ruling, the scope of this proceeding will include examining (1) whether PG&E should be authorized to implement its Regionalization Proposal, as modified in this proceeding; (2) whether PG&E's proposed five regional boundaries are reasonable; (3) whether PG&E's proposals for regional leadership and a regional organizational structure are consistent with the Commission's direction; (4) whether PG&E's proposed implementation timeline for regionalization is reasonable; (5) whether PG&E's regionalization proposal is reasonable, including its impact on safety and its cost effectiveness; (6) the adequacy and completeness of PG&E's regionalization plan; (7) the process and timeline for regionalization, the cost of regionalization, the criteria to be used for identifying and delineating regions, and the division of responsibilities and decision-making between PG&E's central office and its regional offices; and (8) issues relating to potential cost recovery and the corresponding ratemaking treatment. The Scoping Memo and Ruling did not discuss how municipalization proposals would be impacted by PG&E's regionalization plan, which had been the subject of a Protest of PG&E's application filed by South San Joaquin Irrigation District.
- **Analysis:** As noted in the responses and protests of CCAs, the implications of PG&E's regionalization plan on CCA operations, customers, and costs is largely unclear based on the information presented in PG&E's application. PG&E's regionalization plan could impact PG&E's responsiveness and management of local government relations and local and regional issues, such as safety, that directly impact VCE customers beginning in 2021. It could also impact municipalization efforts, although this issue has not been explicitly addressed and remains unclear at this time. As part of Region 1, VCE would be grouped with several coastal and northern counties.
- **Next Steps:** A workshop will be held November 20, 2020, comments are due December 16, 2020, an updated PG&E proposal is due January 14, 2021, a workshop will be held the week of January 25, 2021, and comments are due February 24, 2021. PG&E must engage its Regional Vice Presidents and Regional Safety Directors by June 1, 2021.
- **Additional Information:** [Scoping Memo and Ruling](#) (October 2, 2020); [Application](#) (June 30, 2020); [A.20-06-011](#).

Investigation of PG&E Bankruptcy Plan

On October 26, 2020, the CPUC issued D.20-10-018, closing the proceeding.

- **Background:** This case addressed regulatory review and approval of PG&E's bankruptcy plan, in particular whether the plan meets the AB 1054 Wildfire Fund requirements, which imposes 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 considered 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.

D.20-05-053 approved the financial elements of PG&E's reorganization plan, including:

1. \$13.5 billion Fire Victim Trust. The reorganization plan also specifies 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.
2. \$11 billion settlement with insurance claim holders and companies.
3. Reinstatement of \$9.575 billion in existing, prepetition PG&E-funded debt claims.
4. Refinancing of \$11.85 billion in existing, prepetition PG&E debt with newly issued debt.
5. Payment in full of general unsecured claims and certain other liabilities, with interest at the legal rate.
6. A \$7.5 billion post-emergence 30-year securitization transaction.

D.20-05-053 also approved, with modifications, numerous proposals put forth by CPUC President Batjer for providing more oversight of PG&E along with management and operational changes at PG&E. The Decision did not address the Joint CCAs' recommendation that the CPUC develop a plan to phase out PG&E's retail electric generation service to customers or CCA requests that the CPUC require PG&E to undertake asset sales, instead determining that the PG&E Safety Culture proceeding (I.15-08-019) is the more appropriate forum for these issues. The Decision also rejected the Joint CCAs' request to revoke PG&E's existing holding company structure. Among other determinations, the Decision:

7. Requires that PG&E implement regional restructuring, resulting in local PG&E operating regions led by an officer of the utility that reports directly to the CEO. PG&E is required to file an application for regionalization by June 30, 2020.
8. Requires PG&E to have a separate Chief Risk Officer (CRO) and Chief Safety Officer (CSO). It establishes an Independent Safety Monitor that would functionally act in the same capacity as the federal court monitor after the termination of the federal monitor. The details on implementing the Independent Safety Monitor would be determined in the future.
9. Clarifies and expands the authority of the Safety and Nuclear Oversight (SNO) Committees of PG&E's boards of directors (e.g., the SNO Committees would have oversight over PG&E's Wildfire Mitigation Plan and PSPS program, among others).
10. Provides for the establishment of additional requirements applicable to the boards of directors of PG&E and PG&E Corp., but allows their membership to remain largely the same.
11. Finds that PG&E may not seek cost recovery for 2017/2018 wildfire claims except via the proposed securitization.
12. Declines to adopt a safety-based earnings adjustment mechanism, but it will continue to be considered in the future, either in the PG&E Safety Culture proceeding (I.15-08-019) or another proceeding.
13. Requires PG&E to reimburse the CPUC for, and bar cost recovery on, various costs the CPUC incurred for outside expertise in relation to the Chapter 11 bankruptcy cases.
14. Adopt an Enhanced Oversight and Enforcement process for PG&E, revised and detailed in Appendix A, designed to provide a clear roadmap for how the CPUC will closely monitor PG&E's performance. The proposal specifies 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.

The Decision excluded consideration of municipalization issues and did not address VCE's bid to PG&E to purchase the transmission and distribution assets of PG&E as part of PG&E's restructuring, along with other proposals for more significant reforms of PG&E's structure and operations.

- **Details:** Per D.20-10-018, issues that were brought up but not resolved in this proceeding can be addressed in the PG&E Safety Culture proceeding (I.15-08-019), although that proceeding is now only monitoring PG&E's progress in this area.
- **Analysis:** D.20-10-018 closes the proceeding.
- **Next Steps:** The proceeding is now closed.
- **Additional Information:** [D.20-10-018](#) closing the proceeding (October 26, 2020); [Ruling](#) (July 15, 2020); [D.20-05-053](#) (June 1, 2020); [PG&E Motion](#) for official notice and [Plan of Reorganization](#) (March 24, 2020); [Order Instituting Investigation](#) (October 4, 2019); Docket No. [I.19-09-016](#).

Investigation into PG&E Violations Related to Wildfires

No updates this month. On June 8, 2020, Thomas Del Monte and the Wild Tree Foundation filed applications for rehearing of D.20-05-019, which approved penalties on PG&E for its role in igniting the 2017-2018 wildfires.

- **Background:** The scope of the proceeding included 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 ordered 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 would have resulted in \$1.675 billion in PG&E penalties. Specifically, PG&E would not have been permitted seek rate recovery of wildfire-related expenses and capital expenditures totaling \$1.625 billion. In addition, PG&E would have been required to spend \$50 million in shareholder-provided settlement funds on specified System Enhancement Initiatives.

The Presiding Officer's Decision provided for penalties on PG&E totaling \$2.137 billion. The total included an increase of \$198 million in 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 and 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.

D.20-05-019 approved with modifications the Settlement Agreement, as provided in Commissioner Rechtschaffen's "Decision Different." It approved penalties totaling \$2.137 billion, however the \$200 million fine payable to the General Fund is permanently suspended, resulting in an effective penalty total of \$1.937 billion. In addition, the decision required any tax savings associated with the shareholder obligations for *operating expenses* under the Settlement Agreement (but not tax savings associated with capital expenditures, in order to avoid any potential legal conflict with IRS normalization rules) to be returned to the benefit of ratepayers in PG&E's next GRC. Finally, the decision rejected PG&E's attempt to classify the \$200 million fine as a Fire Victim Claim or Fire Claim.

- **Details:** The Wild Tree Foundation and Thomas Del Monte each filed Applications for Rehearing (attached) of D.20-05-019, which approved penalties on PG&E for its role in igniting the 2017-2018 wildfires. The Applications for Rehearing both challenge the permanent suspension of the \$200 million fine imposed on PG&E, as well as other aspects of the settlement that was approved with modifications.

- **Analysis:** D.20-05-019 resulted in the largest penalty in CPUC history. It required additional spending by PG&E to mitigate future wildfire risk, potentially positively impacting the quality of service experienced by VCE customers. The decision did not hinder PG&E's reorganization plan from moving forward, whereas PG&E had argued that provisions in the original Presiding Officer's Decision could have imperiled the plan.
- **Next Steps:** The applications for rehearing are the only remaining items in this proceeding.
- **Additional Information:** [Thomas Del Monte Application for Rehearing](#) (June 8, 2020); [Wild Tree Foundation Application for Rehearing](#) (June 8, 2020); [D.20-05-019](#) (May 8, 2020); [Decision Different](#) of Commissioner Rechtschaffen (April 20, 2020); [Motion](#) by Commissioner Rechtschaffen (March 27, 2020); [Presiding Officer's Decision](#) approving the settlement agreement with modifications (February 27, 2020); [Joint Motion for Approval of Settlement Agreement](#) (December 17, 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](#).

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.

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
CPE	Central Procurement Entity
CPUC	California Public Utilities Commission
CPCN	Certificate of Public Convenience and Necessity
CTC	Competition Transition Charge
DA	Direct Access
DWR	California Department of Water Resources
ELCC	Effective Load Carrying Capacity
ERRA	Energy Resource and Recovery Account
EUS	Essential Usage Study
GRC	General Rate Case
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
OII	Order Instituting Investigation
OIR	Order Instituting Rulemaking
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
ReMAT	Renewable Market Adjusting Tariff
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
TOU	Time of Use
TURN	The Utility Reform Network
UOG	Utility-Owned Generation
WMP	Wildfire Mitigation Plan
WSD	Wildfire Safety Division (CPUC)