

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Agenda Item 7

To: Valley Clean Energy Alliance Board of Directors
From: Mitch Sears, Interim General Manager
Subject: Regulatory Monitoring Report
Date: November 15, 2018

RECOMMENDATION: Receive regulatory monitoring report.

Regulatory Priorities

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

- **PCIA Decision.** The CPUC adopted Commissioner Peterman's Alternate Proposed Decision regarding the PCIA. The most recent estimates provided by PG&E anticipate system average PCIA rates for 2018 and 2019 vintages of \$0.03532/kWh. Going forward, the PCIA proceeding will enter a second phase to consider additional issues. The PCIA Decision also created a new reporting requirement applicable to VCE (due January 31, 2019).
- **ERRA Proceeding will implement the PCIA Decision.** PG&E's 2019 ERRA proceeding will implement the CPUC's PCIA Decision Decision and establish the amount of the PCIA for VCE's 2019 rates. PG&E is expected to provide its "November Update" (updating key information like its revenue requirement and CCA load forecasts) today, after which parties can provide comments through November 19.
- **PG&E General Rate Case.** PG&E notified the CPUC that it expects to file its Phase I General Rate Case between December 10-20.

Attachment: Keyes & Fox November 7, 2018 Regulatory Memorandum

Valley Clean Energy Alliance

Regulatory Monitoring Report

To: Valley Clean Energy Alliance Board of Directors

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

Subject: Regulatory Update

Date: November 7, 2018

Summary

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

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

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

PCIA Rulemaking

On October 19, 2018, the CPUC issued D.18-10-019, a Track 2 Decision adopting Commissioner Peterman's Alternate Proposed Decision. According to an October 31, 2018 revised filing by PG&E, the anticipated system average PCIA rates for 2018 and 2019 vintages are \$0.03532/kWh, with a residential PCIA rate of \$0.03739/kWh for those vintages. The Decision creates a new reporting requirement for CCAs and other LSEs, beginning on January 31, 2019.

- **Background:** The first phase of this proceeding had two tracks. [Track 1](#) addressed the PCIA exemption currently in place for CCA customers participating in the California Alternate Rates for Energy (CARE) and Medical Baseline (MB) programs. [Track 2](#) addressed alternatives to the current PCIA methodology. A second phase of this proceeding is expected to be initiated through a future prehearing conference.
- **Details:** The [Track 2 Decision](#) leaves the current PCIA in place, maintaining the current brown power index, while adopting revised inputs to the benchmarks used to calculate the PCIA for

energy RPS-eligible resources and resource adequacy capacity. It finds that legacy utility-owned generation (UOG) is PCIA-eligible and should continue to be recovered from CCA customers. It also terminates the 10-year limit on PCIA cost recovery for post-2002 UOG and certain storage costs, meaning these costs will be included in the PCIA going forward. In addition, the Decision establishes a maximum annual increase in PCIA of \$0.005/kWh starting in 2020, although the investor-owned utilities (IOUs) will be allowed to propose a revised PCIA rate if the cap results in large balancing accounts equal to 10% of forecasted PCIA revenues. The Decision also adopts an annual PCIA true-up to reconcile any forecast-related errors in the annual PCIA. The RPS and RA true-ups will not go into effect until at least 2020, while the brown power true-up may go into effect as early as January 2019. DA customers and CCAs, on behalf of their customers, will be permitted to pre-pay their PCIA obligations.

Finally, the decision opens a second phase of the PCIA proceeding that will use a working group process to develop a number of proposals regarding portfolio optimization and cost reduction for future consideration by the CPUC. The second phase's purpose is to develop structures, processes, and rules governing portfolio optimization, with the CPUC noting that these proposals should include voluntary auction frameworks. Furthermore, the second phase will develop ways to minimize further accumulation of uneconomic costs and consider shareholder responsibility for portfolio mismanagement. The second phase will also use a workshop-based process to develop a record-based true-up for RA and RECs.

- **Analysis:** D.18-10-019 results in a higher PCIA for VCE's customers. The revised PCIA methodology will be used to calculate the PCIA that takes effect on January 1, 2019. In addition, D.18-10-019 creates new reporting requirements for LSEs, including CCAs, requiring them to submit specific resource contract information on January 31 each year, beginning in 2019.
- **Next Steps:** Applications for Rehearing of the Track 2 Decision are due November 19. A second phase of this proceeding using a working group process will be initiated at a future prehearing conference. A new reporting requirement established in the Decision requires VCE to file specific contract information with the Energy Division by January 31, 2019.
- **Additional Information:** [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); [D.18-07-009](#) resolving SCE & SDG&E PCIA exemption issues (July 23, 2018) (Application for Rehearing and Motion for Stay was issued regarding this decision); [PG&E Settlement Agreement](#) pending on MB customer PCIA exemption (March 28, 2018); [Track 2 Scheduling Memo](#) (May 2, 2018); Docket No. [R.17-06-026](#).

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

The Energy Division is hosting a workshop on November 8 on integrating the CPUC's recent PCIA decision (D.18-10-019) into each of the utility's 2019 forecast ERRAs proceedings. PG&E and Joint NorCal CCAs filed reply briefs on October 16, 2018, and Joint NorCal CCAs filed a motion to revise the procedural schedule on October 24, 2018.

- **Background:** Utility ERRA proceedings establish the amount of the PCIA and other nonbypassable charges for 2019. More specifically, they determine fuel and purchased power costs associated with serving bundled customers that utilities may recover in rates. PG&E is forecasting a 2019 total revenue requirement of \$2.893 billion, comprised of \$1.597 billion related to its ERRA, plus three nonbypassable charges: the ongoing Competition Transition Charge (CTC), \$82.2 million; the PCIA, \$1.068 billion; and the Cost Allocation Mechanism, \$146.1 million. PG&E also requested approval of its 2019 sales forecast, as well as its 2019 GHG-related forecasts, which includes a net GHG revenue return of \$314.2 million. PG&E's application was protested by CCA Parties and the Office of Ratepayer Advocates.
- **Details:** In its Motion, the Joint NorCal CCAs requested (1) the inclusion of specific detail in the November Update, (2) confidential information provided in the November Update to be made

available to any person who has signed a non-disclosure agreement in either this ERRA proceeding (A.18-06-001) or the PCIA proceeding (R.17-06-026), (3) PG&E to hold an online conference on November 9 (or two days following the November Update) to present their update and give parties the opportunity to ask questions, and (4) a timeline for discovery responses of three business days. Furthermore, they requested an extension of time for comments until November 21, 2018 if the CPUC believes additional time is warranted.

- **Analysis:** This proceeding will implement the October Track 2 Decision from the PCIA docket and establish the amount of the PCIA for VCE's 2019 rates and the level of PG&E's generation rates for bundled customers.
- **Next Steps:** PG&E will update the requested revenue requirements, including NBCs, as well as more current CCA load forecast information, in its November Update on November 7. Comments on the November Update are currently due November 19.
- **Additional Information:** [Joint NorCal CCA Motion](#) (October 24, 2018); [Scoping Memo and Ruling](#) (August 16, 2018); [CCA Parties' Protest](#) (July 5, 2018); [PG&E's Application](#) (June 1, 2018); [PG&E's Testimony](#) (June 1, 2018); Docket No. [A.18-06-001](#).

Resource Adequacy (RA)

In October 2018, parties including CalCCA filed opening and reply comments on SCE's RA central buyer proposal. LSEs including VCE submitted their 2019 Year Ahead RA filing on October 31.

- **Background:** This proceeding has three tracks, and is currently focused on Track 2. [Track 1](#) addressed 2019 local and flexible RA capacity obligations and several near-term refinements to the RA program and is closed. The proceeding is currently in [Track 2](#), which is considering issues like the adoption of multi-year local RA requirements, a "Central Buyer" proposal for potential major revisions to RA procurement, refinements to local RA rules, seasonal local capacity requirements, local RA penalty waiver requirements, and increased transparency regarding which resources are essential for local and sub-area reliability. A future [Track 3](#) will address issues including 2020 RA requirements, potential revisions to RA counting rules for weather-sensitive and local demand response resources, and other issues that arise.
- **Details:** The Ruling on which parties submitted comments and reply comments in October stated that the CPUC is interested in considering in more detail SCE's proposal in which a central buyer would procure Local RA on a residual basis. LSEs would continue to procure RA to meet their System and Flexible requirements with the assumption that their procurement objective will be to secure the least-cost resources to meet their RA needs. If these least-cost resources also meet local area needs, then they would reduce the quantity of Local RA that the central procurement entity needs to procure to meet the residual Local RA need. The LSE would need to have procured the resource for the duration of the three-year compliance period and agree to show the resource as RA in each month of all three years.
- **Analysis:** This proceeding affects VCE's RA compliance obligations for 2019 and 2020, and could potentially result in a new RA procurement framework in California that may impact VCE's ability to procure RA capacity on its own behalf. Changes being considered include requiring LSEs like VCE to procure RA for 3-5 years in advance instead of only for the year ahead, as well as moving to a central buyer model for local capacity requirements, where, under various proposals, PG&E, CAISO or another entity would be responsible for procuring RA capacity on VCE's behalf, either on an upfront or residual basis.
- **Next Steps:** Parties are awaiting next steps on a procedural schedule. The currently applicable Scoping Memo and Ruling indicates that a Proposed Decision is expected in Q4 2018.
- **Additional Information:** [Ruling](#) requesting comments on SCE's proposal (October 5, 2018); [2017 Resource Adequacy Report](#) (August 3, 2018); [D.18-06-030](#) setting local capacity requirements and resource adequacy program revisions and [D.18-06-031](#) adopting flexible

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

CCA Reentry Fees & Financial Security Requirements

On October 2, 2018, PG&E filed a supplemental Advice Letter (5354-E-A) to resolve AReM and CalCCA's protests. AL 5354-E-A is still pending approval.

- **Background:** Reentry fees include utility administrative costs and procurement costs resulting from a mass involuntary return of CCA customers to utility service. The FSR is used to cover those potential costs. The reentry fee for incremental procurement costs is based on six months of incremental procurement. The CPUC's Decision adopted on June 7, 2018 provided that the administrative per-customer reentry fee is \$4.24 for PG&E (compared to \$1.12 for SDG&E and \$0.50 for SCE) and that the minimum FSR is \$147,000, which can be satisfied by letters of credit, surety bonds, or cash held by a third party.
- **Details:** PG&E previously submitted three ALs implementing the CPUC's decision on CCA financial security requirements (FSR), including one establishing VCE's FSR:
 - [AL 5354-E-A](#) (Tier 2) proposes revisions to electric Rule 23 Community Choice Aggregator Service to incorporate the reentry fees and FSRs.
 - [AL 5350-E](#) (Tier 2), effective September 14, specifies VCE's and other CCA's FSRs, which are redacted in the Public version. Going forward, PG&E will update the FSR amounts biannually (on May 10 and November 10 each year).
 - [AL 5359-E](#) (Tier 1) provides a detailed description of the specific services that are covered under the CCA customer reentry fee for utility administrative costs and how those costs were calculated. It states that PG&E intends to identify the administrative fee as a separate item in its 2020 General Rate Case Phase II testimony and include a description of the components of the fee, how it is calculated, and a comparison of its fee with other major California utilities.
- **Analysis:** This rulemaking proceeding is closed. PG&E's ALs are related to implementing various requirements established in the final decision issued in this proceeding.
- **Next Steps:** CCAs will be required to submit a compliance Tier 1 AL to the Energy Division within 30 days of approval of the ALs, providing notice of compliance with the FSR and requesting return of any interim financial security posted with the CPUC.
- **Additional Information:** [AL 5354-E-A](#) revising electric Rule 23 (October 2, 2018); [AL 5359-E](#) describing reentry fee (August 17, 2018); [AL 5350-E](#) on financial security requirements (August 6, 2018); [D.18-05-022](#) establishing CCA reentry fees and financial security requirements (June 7, 2018); Docket No. [R.03-10-003](#).

Renewables Portfolio Standard (RPS) Rulemaking

In October 2018, parties filed (1) reply comments on original (pre-SB 100) RPS procurement plans; (2) comments on a Proposed Decision implementing AB 1923 (regarding interconnection rules under the Bioenergy feed-in tariff program); and (3) comments and reply comments on Staff's proposal on effective load carrying capability (ELCC), time of delivery factors, and project viability.

- **Background:** On July 12, 2018, the CPUC adopted an Order Instituting Rulemaking (OIR) establishing a new proceeding addressing RPS-related issues, R.18-07-003. The prior RPS docket, R.15-02-020 is now closed except for the limited purpose of addressing pending petitions for modification. Going forward, the new rulemaking proceeding will cover topics relevant to the RPS.

Details: LSEs originally filed their RPS Procurement Plans on August 20, 2018. Comments were filed on September 21, 2018 and reply comments were filed on October 5, 2018. In R.15-02-020, ALJ Mason requested updates to the RPS Procurement Plans to address procurement of resources in compliance with SB 100, which increased California's RPS target to 60% by 2030 and accelerated interim compliance period targets. These updated plans, including VCE's, were filed on October 8, 2018. No parties filed comments on the October 8 (post-SB 100) RPS procurement plans.

A September Ruling requested comments on the Energy Division Staff Proposal on three components of the Least-Cost Best-Fit (LCBF) methodology: ELCC, Time of Delivery (TOD) factors, and project viability. For reference, the LCBF methodology applies to how IOUs evaluate bids related to RPS procurement. In their LCBF valuations, the IOUs currently include the bid's capacity benefits by valuing the RA benefits expressed in the form of an assigned Net Qualifying Capacity (NQC) of each offer bid; unlike SDG&E and SCE, PG&E uses a form of ELCC to determine NQC values of each renewable bid. Staff proposed that the three IOUs should use a standardized ELCC approach that is specific to RPS procurement within their LCBF methodologies. Comments in response to the Ruling were filed on October 5.

Finally, a pending October Proposed Decision would implement changes to interconnection rules for the BioMAT program pursuant to AB 1923. For reference, the Bioenergy Market Adjusting Tariff (BioMAT) is a procurement program within the RPS that requires the three large IOUs (and not CCAs) to procure up to 250 MW of renewable feed-in-tariff resources from small-scale bioenergy projects.

- **Analysis:** This proceeding will affect VCE's RPS compliance obligations in 2019 and thereafter. This proceeding will also impact PG&E's RPS compliance obligations and impacts on above-market costs for the PCIA calculation. However, a final scope and procedural schedule have not yet been established.
- **Next Steps:** Parties are awaiting the issuance of a final scoping memo.
- **Additional Information:** [Proposed Decision](#) on interconnection rules in the BioMAT program per AB 1923 (October 5, 2018); [Ruling](#) on revised RPS Procurement Plans (September 19, 2018); [Ruling](#) requesting comments on ELCC (September 12, 2018); [Order Instituting Rulemaking](#) (July 23, 2018); [R-18-07-003](#).

Integrated Resource Planning (IRP)

On October 31, 2018, the CPUC held a workshop on aggregated LSE portfolios and production cost modeling for validating the Preferred System Plan, and the proposed reliability base case for the CAISO Transmission Planning Process. Earlier in October, parties filed comments and reply comments in on production cost modeling in response to a Staff proposal.

- **Background:** In February 2018, the CPUC established the 2017-2018 IRP filing requirements and statewide reference system plan. VCE submitted its IRP on August 1, 2018. Its next IRP filing is due May 1, 2020.

Details: On September 25, 2018, Staff published its proposal for integrating energy efficiency into the IRP process. Staff's Proposal is intended to begin the process of determining how best to incorporate energy efficiency into the IRP optimization process, with a focus on exploring the feasibility of optimizing energy efficiency measures as candidate resources. Attachment A detailed how production cost modeling will be used by the CPUC in the IRP process going forward. Attachment B was a Powerpoint slide deck detailing the production cost modeling and analysis that CPUC Staff has conducted.

An October 5 Ruling granted motions to file the following types of information confidentially: load forecasts; contracted resource adequacy volumes; and specific details of contracted resources such as resource names and IDs, as well as contract IDs. The questions posed in the Ruling relate to confidential treatment of IRPs going forward, as well as CPUC confidentiality precedent

relating to CCAs and other parties more broadly. The October 5 Ruling also finds that evidentiary hearings will not be held in this proceeding and also that LSEs will not be required to update their 2018 IRPs to address the requirements of 2018 SB 100. SB 100 will be addressed in the 2019-2020 IRP cycle.

- **Analysis:** The proceeding is now focused on addressing issues that will be relevant to VCE's 2020 IRP filing. Based on LSE IRP submissions, the CPUC will now be aggregating data to inform development of the recommended Preferred System Plan described in Decision (D.) 18-02-018.
- **Next Steps:** Comments on future confidentiality treatment in LSE's IRPs, and potentially more broadly, are due November 16, with reply comments due November 30. A Ruling on production cost modeling guidelines and the aggregated LSE portfolio dataset is expected in early November according to slides from the October 31 workshop.
- **Additional Information:** [Workshop Materials](#) (October 31, 2018); [Notice of Public Workshop](#) on aggregated LSE portfolios and production cost modeling (October 29, 2018); [Ruling](#) on confidentiality motions (October 5, 2018); [Ruling](#) requesting comments on production cost modeling (September 24, 2018); [Staff Proposal](#) for incorporating energy efficiency into the IRP process (September 18, 2018); [VCE's 2018 IRP](#) (August 1, 2018); [Ruling](#) adopting final load forecasts and GHG reduction benchmarks (June 18, 2018); [Ruling](#) adopting GHG accounting method and benchmarks (May 25, 2018); [D.18-02-018](#) adopting IRP reference plan and load-serving entity requirements (February 13, 2018); Docket No. [R.16-02-007](#).

Tree Mortality Nonbypassable Charge (NBC)

Briefs have been filed and parties are awaiting a Proposed Decision. On October 29, 2018, PG&E, SCE and SDG&E filed a Joint Motion requesting the record be reopened for the purpose of taking official notice of SB 901 (2018), which addressed wildfire issues, including requiring LSEs to seek extensions to Tree Mortality Procurement contracts.

- **Background:** On November 14, 2016, PG&E, SCE, and SDG&E filed an application seeking a "Tree Mortality Non-Bypassable Charge," and proposed cost recovery through the Public Purpose Program Charge. The utilities asserted that SB 859 (2016) required these costs be allocated to all customers, including unbundled customers. The utilities define the costs to be allocated as net costs factoring in all contract costs net of energy, ancillary service, and renewable energy credit values.
- **Details:** Parties are now awaiting the issuance of a Proposed Decision.
- **Analysis:** This proceeding could result in additional costs being recovered through the Public Purpose Program Charge on CCA and bundled customers.
- **Next Steps:** A Decision is expected by late Fall 2018.
- **Additional Information:** [Scoping Memo and Ruling](#) establishing the scope and procedural schedule (May 30, 2018); [Ruling](#) denying CalCCA's Motion to include consolidated cost recovery in the scope of this proceeding (March 14, 2018); Docket No. [A.16-11-005](#).

PG&E Rate Design Window (RDW)

On October 26, 2018, parties including several (jointly filing) CCAs filed Testimony on Phase IIB.

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

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

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

- **Details:** The CCA's argue that IOU programmatic offerings should be available to both bundled and unbundled customers. They also take issue with PG&E's proposal to roll out default TOU rates to its service territory over the course of a year, while proposing to roll out TOU to each county in a CCA service area over a single month at PG&E's discretion.
- **Analysis:** This proceeding will impact the timing, details, and implementation of residential TOU rates for bundled PG&E customers as well as VCE customers via rate design changes to the distribution component of customer bills. It could affect the level of VCE's rates compared to PG&E's, and to the extent VCE mirrors PG&E's residential rate design, lead to changes in the way VCE structures its residential rates.
- **Next Steps:** In Phase IIA, a Proposed Decision is expected in November, with a final Decision by December 13, 2018. In Phase IIB, ORA and intervenor testimony were due October 26 and rebuttal testimony is due December 7. A Phase IIB Decision is expected in July 2019. There are no Phase III procedural deadlines scheduled until March 2019.
- **Additional Information:** [Ruling](#) requesting supplemental testimony on GHG reduction cost estimates (August 17, 2018); [PG&E Supplemental Testimony](#) (August 17, 2018); [Ruling](#) clarifying scope (July 31, 2018); [D.18-05-011](#) (Phase I) on the timing of a transition to default TOU rates (May 17, 2018); [Amended Scoping Memo](#) (April 10, 2018); PG&E Rate Design Window Application & Testimony (December 20, 2017); Docket No. [A.17-12-011](#) (consolidated).

Other Regulatory Developments

- **PG&E Phase I General Rate Case (GRC).** In an October 15, 2018 letter to the Commission, PG&E stated that it will file its Phase I GRC between December 10 – 20, 2018.
- **Utility Wildfire Mitigation Plans.** On November 2, 2018 the CPUC [opened](#) an Order Instituting Rulemaking ([R.18-07-007](#)) to implement electric utility wildfire mitigation plans pursuant to [SB 901](#) (2018). For reference, under SB 901, wildfire mitigation plans must include a number of specific provisions, including a description of the utility's preventive strategies and programs to be adopted to minimize the risk of its electrical lines and equipment causing catastrophic wildfires, including consideration of dynamic climate change risks; protocols for disabling reclosers and deenergizing portions of the electrical distribution system that consider the associated impacts on public safety, as well as protocols related to mitigating the public safety impacts of those protocols, including impacts on critical first responders and on health and communication infrastructure; appropriate and feasible procedures for notifying a customer who may be impacted by the deenergizing of electrical lines; plans for vegetation management; plans for inspections of the electrical corporation's electrical infrastructure; a list that identifies, describes, and prioritizes all wildfire risks, and drivers for those risks, throughout the electrical corporation's service territory; identification of any geographic area in the electrical corporation's service territory that is a higher wildfire threat than is currently identified in a commission fire threat map; and plans to prepare for, and to restore service after, a wildfire.
- **PG&E 2018 Energy Storage Procurement.** On October 31, 2018 the CPUC issued [D.18-10-036](#) on the major IOUs' 2018 storage procurement plans under California's AB 2514 energy storage

procurement mandate. Requests for rehearing are due November 30. The Decision accepts PG&E's plan to conduct a 2018 solicitation for up to 190 MW. PG&E is directed to hold its solicitation by the later of December 1, 2018 or shortly after the date the Decision is approved. However, pending Draft Resolution E-4949 (issued September 20) would allow three third-party owned storage contracts and one utility-owned facility, totaling 567.5 MW, to count towards PG&E's AB 2514 targets; if approved, PG&E must file a Tier 1 advice letter on how the approval impacts its 2018 storage RFO.

- **PG&E Diablo Canyon.** On October 16, 2018, the CPUC issued a [Proposed Decision](#) (PD) implementing [SB 1090](#) (2018) and modifying its January 2018 Decision ([D.18-01-022](#)) addressing planning for the retirement of the Diablo Canyon nuclear power plant and associated funding for employee retention and community impact mitigation programs. Comments on the PD are due November 5, replies are due November 12, and the PD may be adopted, at earliest, at the CPUC's November 29 meeting. The PD authorizes PG&E to collect an additional \$225.8 million in rates over the amounts authorized in D.18-01-022 for PG&E's employee retention and community mitigation measures associated with the plant closure. The change stems from SB 1090, which requires the CPUC to fully fund the employee retention program as proposed by PG&E in its initial application, and the community impact mitigation program (CIMP) included in the initially proposed settlement. D.18-01-006 did not permit the utility to recover CIMP costs totaling \$85 million, and cut the amount of cost recovery for the employee retention program by \$141 million from PG&E's original request. The increase is to be recovered in PG&E's base rates.
- **CAISO Issue Paper on RA.** On October 22, 2018, the CAISO published its [Issue Paper](#) for its new initiative targeting enhancements to the RA program. Stakeholder comments on the Issue Paper are due November 12 and the CAISO anticipates issuing a Phase 1 Straw Proposal on December 20. Further expected deadlines extend through a November 2019 presentation of a final proposal to the CAISO Board. (Many of these dates are likely to change as the initiative moves forward.) Phase 1 will address changes to the CAISO's RA program intended to support a multi-year RA proposal presently being considered by the CPUC, while Phase 2 will address other enhancements necessary to further align CAISO planning and procurement processes with operational needs to maintain system reliability.
- **Customer Choice Initiative.** On October 23, 2018, the CPUC issued its [Draft Gap Analysis/Choice Action Plan](#) (GA/CAP). The CPUC held an [En Banc](#) hearing on October 29, 2018 to review the GA/CAP and receive oral comments. Post-meeting written comments are due by November 13, 2018. The Draft GA/CAP was developed to examine the fundamental questions raised in the August 2018 [California Customer Choice Paper](#) and identify critical issues that require a solution. The Draft GA/CAP focuses on the key issues of consumer protection, duty to serve, and reliability/resource procurement. Within these overarching categories, specific issues are analyzed in order to identify the gap (if any), determine the processes (if any) underway to address the gap and finally, recommend either (1) monitoring, (2) additional analysis, or (3) immediate action.
- **2018 Annual RPS Report.** According to the CPUC's [2018 Annual RPS Report](#), California's large IOUs are on pace to reach 50% renewable energy by 2020, with PG&E (33%), SCE (32%) and SDG&E (44%) each currently exceeding their 2017 RPS target of 27%. CCAs operating in 2017 already had an average RPS percentage of 50%, although they will need to procure additional renewable resources to maintain or increase that percentage. The CCAs actual RPS percentages in 2017 varied from 38% to 64%. Based on the CCAs' Renewable Net Short calculations, the CCAs will have an immediate RPS procurement need of approximately 6,900 GWh beginning in 2020. Finally, renewable contract prices continued to fall in 2017, reaching a historic low price of \$47/MWh for average annual RPS eligible energy contracts for all technology types.