

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 7

To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Regulatory Monitoring Report – Keyes & Fox

Date: May 14, 2020

Please find attached Keyes & Fox's April 2020 Regulatory Memorandum dated May 6, 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 May 6, 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: May 6, 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:

- **Investigation of PG&E Bankruptcy Plan:** The ALJ issued a Proposed Decision that would approve PG&E’s reorganization plan and establish additional management, operational, and oversight requirements applicable to PG&E.
- **Investigation into PG&E Violations Related to Wildfires:** Parties filed responses to Commissioner Rechtschaffen’s Motion requesting full CPUC review of the Presiding Officer’s Decision and associated appeals. Commissioner Rechtschaffen subsequently filed a Decision Different regarding the penalties and other remedies that should be imposed on PG&E, to which parties responded in comments.
- **IRP Rulemaking:** The CPUC notified parties that it intends to implement a citation program for lateness or failure to file accurate or complete individual IRPs. The CPUC issued D.20-03-028 adopting the 2019-2020 Reference System Portfolio (RSP) that will be used by LSEs to create their individual 2020 IRPs. The ALJ issued a Ruling establishing final individual LSE load forecasts and GHG benchmarks for use in IRPs. The California Energy Storage Alliance filed a Petition for Modification of D.19-11-016, which required LSEs including VCE to make additional resource adequacy procurement for 2021-2023, and parties filed responses.
- **RA Rulemaking (2019-2020):** Parties filed comments and reply comments in response the CPUC’s Proposed Decision on the central buyer structure and identities for local RA beginning 2023. Parties also filed comments and reply comments relating to limited rehearing of D.19-10-020 on "clarifications" to rules governing the use of imports to meet RA requirements.
- **RA Rulemaking (2021-2022):** Parties filed reply comments on the Track 2 proposals. The ALJ issued a Ruling modifying the timeline of the CAISO local and flexible capacity requirements reports in response to a CAISO motion indicating it would not be able to file the reports pursuant to the previously established timeline. CAISO issued its draft 2021 local capacity requirements report, on which parties filed comments. Parties filed draft 2019 load impact evaluations, which

describe how demand response resources receive qualifying capacity values based on application of the load impact protocols. CAISO subsequently filed its final 2021 local capacity requirements report.

- **PCIA Rulemaking:** The CPUC issued D.20-03-019 on departing load forecast and the presentation of the PCIA rate on tariffs and bills, which had been discussed in Working Group 1. Protect Our Communities Foundation and Utility Consumers' Action Network separately filed Motions requesting evidentiary hearings on the final Working Group 3 report.
- **PG&E's 2019 ERRA Compliance:** Joint CCAs and the Public Advocates Office separately filed protests of PG&E's 2019 ERRA Compliance application. PG&E filed supplemental testimony. The ALJ issued an E-mail Ruling setting a prehearing conference.
- **PG&E's 2020 ERRA Forecast:** PG&E filed an Application for Rehearing of D.20-02-047, which was the final decision issued in this proceeding, and the Joint CCAs filed a response. A group of CCAs including VCE filed a protest of PG&E's AL 5781-E, which implements D.20-02-047. Later in April, PG&E filed AL 5661-E and additional supplemental advice letters that implement PG&E's 2020 Annual Electric True-Up.
- **RPS Rulemaking:** Parties filed comments and reply comments on the Staff Proposal on the BioMAT proposal, as well as on a separate Staff Proposal making changes to confidentiality rules regarding the RPS program.
- **PG&E's Phase 1 GRC:** No updates this month.
- **PG&E's Phase 2 GRC:** PG&E filed the IOUs' Final Essential Usage Study Plan. PG&E held workshops on April 14-15, 2020, on its proposals for marginal cost and revenue allocation. The ALJ issued an E-mail Ruling that granted a PG&E request for an extension to file updated testimony and for parties' responsive testimony.
- **Direct Access Rulemaking:** No updates this month. Previously, the ALJ informed parties that the release of Energy Division's recommendation as to whether to expand Direct Access has been delayed.
- **Wildfire Cost Recovery Methodology Rulemaking:** No updates this month. (An August PG&E Application for Rehearing remains pending regarding D.19-06-027, establishing criteria and a methodology for wildfire cost recovery, which has been referred to as a "Stress Test" for determining how much of wildfire liability costs that utilities can afford to pay.)
- **Investigation into PG&E's Organization, Culture and Governance:** No updates this month.
- **Wildfire Fund Non-Bypassable Charge (AB 1054):** No updates this month.
- **Other Regulatory Developments:**
 - **CPUC to Open New IRP Proceeding:** The CPUC will consider opening a new IRP rulemaking by issuing an Order Instituting Rulemaking at its May 7, 2020, meeting. The new proceeding would address IRP planning and procurement issues going forward and close the existing IRP rulemaking.
 - **CPUC Issues Proposed Decision on De-Energization:** The CPUC issued a [Proposed Decision](#) adopting revised guidelines governing PSPS, or "de-energization," events. Also recently, a joint group of parties filed joint [Motion](#) for an emergency order adopting PSPS protocols during the COVID-19 pandemic.
 - **CPUC Issues Proposed Decision on Track 1 Microgrids:** The CPUC issued a [Proposed Decision](#) in Track 1 of its microgrid rulemaking ([R.19-09-009](#)), which addresses actions that would support immediate improvements in resiliency.
 - **CCAs Appeal Large CPUC Fines for RA Violations:** East Bay Community Energy and San Jose Clean Energy filed applications appealing [citations](#) of more than \$600,000 and \$1.1 million, respectively, assessed by the CPUC Consumer Protection and Enforcement

Division related to non-compliance with year-ahead resource adequacy requirements ([K.20-04-006](#) and [K.20-04-005](#)).

- **PG&E Files Application for \$7.5 Billion in Recovery Bonds:** A new PG&E application is requesting the CPUC: (1) apply the Stress Test Methodology adopted by the CPUC in D.19-06-027; and (2) determine that \$7.5 billion of 2017 catastrophic wildfire costs and expenses are Stress Test Costs that may be financed through the issuance of recovery bonds, as provided by SB 901 ([A.20-04-023](#)).
- **CPUC Grants Extension for 2021 ERRAs Forecast Application:** On April 16, 2020, PG&E requested an extension of time to file its 2021 ERRAs Forecast application from June 1, 2020, to July 1, 2020. That extension was granted.

Investigation of PG&E Bankruptcy Plan

On April 20, 2020, the ALJ issued a Proposed Decision that would approve PG&E's reorganization plan and establish additional management, operational, and oversight requirements applicable to PG&E.

- **Background:** This case is addressing 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 is considering the ratemaking implications of the proposed plan and settlement agreement, whether the plan satisfactorily resolves claims for monetary fines or penalties for PG&E's pre-petition conduct, whether to approve the governance structure of the utility and the appropriate disposition of potential changes to PG&E's corporate structure and authorization to operate, whether to make any other approvals related to the confirmation and implementation of the plan, and any other findings necessary to approve a proposed settlement, including but not limited to whether doing so is in the public interest. This proceeding will allow the CPUC to approve a restructuring plan for PG&E, which ultimately must secure approval for the plan by the federal Bankruptcy Court.

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

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

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

In briefing, Joint CCAs argued that PG&E should be required to divest its retail generation and urged rejection of provisions of the reorganization plan that would constrain CPUC authority. It also expressed concern that the ratepayer neutrality requirement of AB 1054 would not be achieved under the reorganization plan. The City and County of San Francisco expressed concern with the high levels of debt and debt leverage that PG&E will have coming out of bankruptcy and argued the reorganization plan fails to meet the requirements of AB 1054. It expressed support for enhanced oversight but recommended specific changes to the process so as not to limit the CPUC's authority regarding enforcement. The City of San Jose also concluded that the reorganization plan fails to meet the ratepayer neutrality requirement of AB 1054 and argued that the CPUC must reject any proposed moratorium on further organizational restructuring, including whether municipalization might be appropriate.

- **Details:** The PD would approve the financial elements of PG&E's reorganization plan and would approve, 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 PD would 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 PD also would reject the Joint CCAs' request to revoke PG&E's existing holding company structure.

Among other determinations, the PD would also:

- Require 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 would be required to file an application for regionalization by June 30, 2020.
 - Require that PG&E to have a separate Chief Risk Officer (CRO) and Chief Safety Officer (CSO). It would establish 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.
 - Clarify and expand 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).
 - Provide for the establishment of additional requirements applicable to the boards of directors of PG&E and PG&E Corp., but allow their membership to remain largely the same.
 - Find that PG&E may not seek cost recovery for wildfire claims except in connection with the proposed nominally offset securitization described in the documents attached to PG&E's March 24, 2020 motion for official notice.
 - Decline 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.
 - Require 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.
 - Adopt an Enhanced Oversight and Enforcement process for PG&E, revised and detailed in Appendix A of the PD, 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.
- **Analysis:** The PD would provide the CPUC's approval allowing PG&E to emerge from bankruptcy under PG&E's reorganization plan, with some additional changes required to its operations, management, and oversight, although key aspects of requirements related to

regionalization and the independent monitor remain to be determined in the future. The PD excludes consideration of municipalization issues and does 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. The stock component of the amended reorganization plan could align tort claimants with PG&E in ways that are detrimental to VCE's bid for municipalization and other interests as well. VCE is a party to this proceeding.

- **Next Steps:** Comments and reply comments on the PD are due May 11, 2020, and May 18, 2020, respectively. The CPUC may consider adopting the PD, at the earliest, at its May 21, 2020 meeting. The CPUC intends to complete the proceeding sufficiently in advance of the June 30, 2020 deadline in order to allow the bankruptcy court sufficient time to address and approve any changes to the plan that result from CPUC directives.
- **Additional Information:** [Proposed Decision](#) (April 20, 2020); [Email Ruling](#) granting PG&E motion to take official notice (March 24, 2020); [PG&E Motion](#) for official notice and [Plan of Reorganization](#) (March 24, 2020); [Ruling](#) requesting comments on the Assigned Commissioner's proposals (February 18, 2020); [Press Release](#) on President's statement on PG&E's bankruptcy plan (February 18, 2020); [PG&E Notice of Amended Plan of Reorganization](#) and [Testimony](#) (January 31, 2019); [Ruling](#) modifying procedural schedule (January 16, 2020); [Ruling](#) on Section 854 (November 27, 2019); [Scoping Memo and Ruling](#) (November 14, 2019); [PG&E Amended Plan](#) (November 5, 2019); [Order Instituting Investigation](#) (October 4, 2019); Docket No. [I.19-09-016](#).

Investigation into PG&E Violations Related to Wildfires

Between April 9 and April 13, 2020, parties filed responses to Commissioner Rechtschaffen's Motion requesting full CPUC review of the Presiding Officer's Decision (POD) and to appeals made of the POD. On April 20, 2020, Commissioner Rechtschaffen filed a "Decision Different" regarding the penalties and other remedies that should be imposed on PG&E. Comments on the Decision Different were filed May 1, 2020.

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

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

The Presiding Officer's Decision provides for penalties on PG&E totaling \$2.137 billion. The total includes 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. Finally, it denied all previously unaddressed motions filed in the docket.

- **Details:** The Decision Different approves with modifications a settlement proposed by PG&E, the Safety and Enforcement Division, the Office of the Safety Advocate, and the Coalition of California Utility Employees. The Decision Different would approve penalties totaling \$2.137 billion, however the \$200 million fine payable to the General Fund would be permanently suspended, resulting in an effective penalty total of \$1.937 billion. In addition, the Decision Different would require 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. The Decision Different also rejects PG&E's attempt to classify the \$200 million fine as a Fire Victim Claim or Fire Claim.

PG&E supports adoption of the Decision Different without modifications. The Official Committee of Tort Claimants also generally supports the Decision Different. Other parties primarily expressed opposition to the permanent suspension of the \$200 million fine.

- **Analysis:** If the Presiding Officer's Decision or Decision Different become final, this investigation will have resulted in the largest penalty in CPUC history. It also will require additional spending by PG&E to mitigate future wildfire risk, potentially positively impacting the quality of service experienced by VCE customers. Monetary penalties will ultimately be handled in the Bankruptcy Court. Prepetition liabilities must be resolved in this proceeding so that PG&E can finalize its reorganization plan within the time frame provided in AB 1054 (*i.e.*, June 30, 2020). The Decision Different, whose key provisions are supported by PG&E and the Official Committee of Tort Claimants, would not hinder PG&E's reorganization plan from moving forward, whereas PG&E has argued that provisions in the Presiding Officer's Decision could imperil the plan.
- **Next Steps:** Consideration of a final decision in this proceeding is on the CPUC's May 7 meeting agenda.
- **Additional Information:** [Decision Different](#) of Commissioner Rechtschaffen (April 20, 2020); [Ruling](#) shortening response time (March 30, 2020); [Motion](#) by Commissioner Rechtschaffen (March 27, 2020); [Appeal](#) of Thomas del Monte and Wild Tree Foundation (March 27, 2020); [Motion for Party Status](#) by PG&E Tort Claimants Committee (March 25, 2020); [Appeal](#) by CUE of Presiding Officer's Decision (March 19, 2020); [Motion](#) by SED (March 18, 2020); [Appeal](#) by PG&E of Presiding Officer's Decision (March 18, 2020); [Presiding Officer's Decision](#) approving the settlement agreement with modifications (February 27, 2020); [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. [1.19-06-015](#).

IRP Rulemaking

On April 1, 2020, the California Energy Storage Alliance (CESA) filed a Petition for Modification (PFM) of D.19-11-016, which required LSEs including VCE to make additional resource adequacy procurement for 2021-2023. On April 3, 2020, the CPUC notified parties that it intends to implement a citation program for lateness or failure to file accurate or complete individual IRPs. On April 6, 2020, the CPUC issued D.20-03-028 adopting the 2019-2020 Reference System Portfolio (RSP) that will be used by LSEs to create their individual 2020 IRPs. On April 15, 2020, the ALJ issued a Ruling establishing final individual LSE load forecasts and GHG benchmarks for use in individual LSE IRPs. Parties filed responses to CESA's PFM on April 21, 2020, pursuant to the ALJ's Email Ruling that shortened the response time.

- **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, addressed the potential RA capacity shortage identified through two tranches. Tranche 1 consists of a *recommendation* that the state Water Resources Control Board (Water Board) extend the retirement dates for several existing natural gas generation facilities that use once-through cooling systems. Tranche 2 consists of a mandatory procurement of 3,300 MW of additional capacity from resources incremental to baseline capacity included in the 2022 PSP. At least 50% of resources must be on-line by August 1, 2021, 75% by August 1, 2022, and 100% by August 1, 2023. VCE's incremental system RA procurement requirements for these respective deadlines are 6.3 MW, 9.4 MW, and 12.6 MW.

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), but, with the revisions adopted, also requires LSEs to file an IRP scenario based on a more aggressive 38 MMT target. The resulting 2019-2020 RSP under both targets includes a large amount of new solar, wind, and battery storage resources. The CPUC will explore further in the procurement track of this or a successor proceeding how to go about ensuring that these additional resources, or others with equivalent attributes, are planned for and procured, as well as the need for development of diverse resources and those that may require multiple off-takers in order to be developed. D.20-03-028 specifies additional requirements for LSEs in their 2020 IRPs.

- **Details:** CESA's PFM requests that the CPUC allow IOUs to submit Tier 2 advice letters for expedited 30-day approval for any incremental resource contracts executed to meet the 2021 compliance requirements under D.19-11-016 and to come online by the August 1, 2021, deadline. In contrast, D.19-11-016 had directed IOUs to use the *Tier 3* advice letter process, which requires a Commissioner-level approval (typically a four to six-month process). CESA is concerned that the longer process would force many projects to proceed with equipment procurement and construction activities without CPUC approval for many months, which it says could endanger the ability of projects to achieve financing, permitting, procurement, and construction milestones.

The ALJ Ruling establishes final individual LSE load forecasts and GHG benchmarks that LSEs are required to use in their next IRP. The Ruling provides that VCE's 2030 load forecast is 761 GWh, which is 1.00% of load within PG&E's territory and corresponds to 2030 GHG benchmarks of 0.156 MMT (under the 46 MMT scenario) and 0.129 MMT (under the 38 MMT scenario).

The ALJ also notified parties that the Energy Division is in the process of developing a citation program similar to those in place for the filing of resource adequacy and RPS filings, which will allow the imposition of fines for late and/or incomplete filings. Additional details on the citation program (e.g., how much potential fines could be and when specifically the program will be established) were not provided.

- **Analysis:** CESA's PFM, if granted, would only impact the approval process for IOU procurement and would not directly impact VCE's required procurement.

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

The 2019-2020 RSP provides for large additions of solar and energy storage resources to California's supply mix, as well as smaller quantities of wind, over the next decade.

LSEs must use the individual load forecasts established in the ALJ Ruling in developing their IRPs. VCE's 2030 load forecast in its 2018 IRP was 726 GWh, which is less than the 761 GWh load forecast for its 2020 IRP.

The need for the creation of the IRP citation program stems from Commercial Energy of California's failure to file any IRP in 2018, according to the ALJ. While the amount and process for assessing penalties for non-compliant IRPs is unclear, the CPUC's move to establish such a program fits a broader trend of the CPUC providing enhanced scrutiny of LSE compliance filings.

- **Next Steps:** Energy Division will provide final IRP templates by May 11, 2020. VCE's IRP is due on September 1, 2020.
- **Additional Information:** [Ruling](#) establishing LSE load forecasts (April 15, 2020); [D.20-03-028](#) on RSP and 2020 IRP filing requirements (April 6, 2020); [CESA's PFM](#) of D.19-11-016 (April 1, 2020); [List of Baseline Resources](#) (December 2, 2019); [D.19-11-016](#) (November 13, 2019); [Ruling](#) initiating procurement track (June 20, 2019); [D.19-04-040](#) on 2018 IRPs and 2020 IRP requirements (May 1, 2019); Docket No. [R.16-02-007](#).

RA Rulemaking (2019-2020)

Parties filed comments and reply comments on April 6, 2020, and April 13, 2020, respectively, in response to an ALJ Ruling relating to limited rehearing of D.19-10-020 on "clarifications" to rules governing the use of imports to meet RA requirements. Parties filed comments and reply comments, respectively, on April 15, 2020, and April 20, 2020, in response to the CPUC's Proposed Decision on the central buyer structure and identities for local RA beginning 2023.

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

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

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

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

On February 11, 2020, a group of clean energy and energy storage parties filed a PFM of D.20-01-004, seeking a revision to the definition of "Hybrid Resource."

The pending PD would adopt implementation details for the central procurement of multi-year local RA procurement to begin for the 2023 compliance year in the PG&E and SCE (but not SDG&E) distribution service areas, including identifying PG&E and SCE as the central procurement entities for their respective distribution service areas and adopting a hybrid central procurement framework. If an LSE procures its own local resource, it may (1) sell the capacity to the CPE, (2) utilize the resource for its own system and flexible RA needs (but not for local RA), or (3) voluntarily show the resource to meet its own system and flexible RA needs, and reduce the amount of local RA the CPE will need to procure for the amount of time the LSE has agreed to show the resource. Under option (3), by showing the resource to the CPE, the LSE does not receive one-for-one credit for shown local resources. Under this structure, LSEs within PG&E's

and SCE's TAC areas would not have a local RA requirement beginning in the 2023 compliance year. A competitive solicitation process would be used by the CPEs to procure RA products. Costs incurred by the CPE would be allocated ex post based on load share, using the CAM mechanism. Notably, the PD would reject CalCCA's settlement agreement that would have created a residual central buyer structure (and did not specify the identity of the central buyer) and a multi-year requirements for system and flexible RA, finding it not to be a workable plan.

- **Details:** Parties have also had numerous ex parte meetings with the CPUC Commissioners and their staff this month regarding the central buyer PD. CalCCA argued in comments that if the settlement agreement is not adopted, the CPUC should incorporate a financial crediting mechanism for LSEs that “show” local RA resources to the CPE to avoid undermining incentives for the development of local preferred or energy storage resources by LSEs. CalCCA also made recommendations for improving the CPE procurement process, urged the CPUC to employ an LSE-specific generation-side charge for cost recovery that uses the methodology developed for purposes of the IRP procurement track in the central procurement process, and requested that the IOUs be deemed the CPE on an interim basis only as an alternative is developed.
- **Analysis:** The PD, if approved by the CPUC, would resolve the central buyer issues. Moving to a central procurement entity as proposed would impact VCE's local RA procurement and compliance, including affecting VCE's three-year local RA requirements as part of the transition to the central procurement framework, eliminating the need for monthly local RA showings and associated penalties and/or waiver requests from individual LSEs, but also eliminating VCE's autonomy with regard to local RA procurement and placing this in the hands of PG&E.
- **Next Steps:** The PD is on the [Consent Agenda](#) for the CPUC's May 7, 2020 meeting.
- **Additional Information:** [Proposed Decision](#) on central buyer (March 26, 2020); [Ruling](#) establishing process for rehearing of D.19-10-021 (March 20, 2020); [D.20-03-016](#) granting limited rehearing of D.19-10-021 (March 12, 2020); [PFM](#) of D.20-01-004 (February 11, 2020); [D.20-01-004](#) on qualifying capacity value of hybrid resources (January 17, 2020); [D.19-12-064](#) granting motion for stay of D.19-10-021 (December 23, 2019); [Petition for Modification](#) of D.19-06-026 by CalCCA (October 30, 2019); [D.19-10-021](#) affirming RA import rules (October 17, 2019); [PG&E PFM](#) regarding PG&E Other disaggregation (September 11, 2019); [Joint Motion](#) to adopt a settlement agreement for a residual central procurement entity (August 30, 2019); [D.19-06-026](#) adopting local and flexible capacity requirements (July 5, 2019); Docket No. [R.17-09-020](#).

RA Rulemaking (2021-2022)

Parties filed reply comments on the Track 2 proposals on April 2, 2020. Also on April 2, 2020, the ALJ issued a Ruling modifying the timeline of the CAISO local and flexible capacity requirements reports in response to a CAISO motion indicating it would not be able to file the reports pursuant to the previously established timeline. On April 8, 2020, CAISO issued its draft 2021 local capacity requirements report, on which parties filed comments on April 17, 2020. On April 30, 2020, parties filed draft 2019 load impact evaluations, which describe how demand response resources receive qualifying capacity values based on application of the load impact protocols. CAISO filed its final 2021 local capacity requirements report on May 1, 2020.

- **Background:** Per the Scoping Memo, this proceeding is divided into 4 tracks:
 1. Track 1 considers revisions to the RA import rules.
 2. Track 2 considers System and Flexible RA requirements for 2021 and Local RA requirements for 2021-2023. It also considers time-sensitive refinements to the RA program, including modifications to the maximum cumulative capacity (MCC) buckets to address increasing reliance on use-limited resources to meet reliability and needs; using a working group process to consider qualifying capacity counting conventions and requirements for hydro resources, hybrid resources, and third-party demand response

resources; re-aggregation of the “PG&E Other” area; and changes to the existing penalty structure and waiver process to address potential market power.

3. Track 3 examines the broader RA capacity structure to address energy attributes and hourly capacity requirements, given the increasing penetration of use-limited resources, greater reliance on preferred resources, rolling off of a significant amount of long-term tolling contracts held by utilities, and material increases in energy and capacity prices experienced in California over the past years.
4. Track 4 will consider the 2022 program year requirements for System and Flexible RA, and the 2022-2024 Local RA requirements.

Track 1 Staff Proposal

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

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

Track 2 Staff Proposal

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

Energy Division’s other Track 2 proposals include re-aggregating the PG&E “Other” Local Area; requiring all non-emergency DR except DR auction mechanism (DRAM) resources be required to dispatch for a four-hour period during RA measurement hours on three days during the July - September time frame; establishing an optional alternative to the use of LIPs for non-IOU DR resources; supporting the design and application of the current interim methodology for hybrid resource (i.e., generation resources paired with energy storage); capping the effective flexible capacity of energy storage resources; recommending that the CPUC affirm several reporting elements that are largely reflected in the 2020 RA Filing Guide to avoid confusion about how capacity should be reported; and proposing to clarify the meaning of notices indicating an RA deficiency versus a need for corrections; and modifying the RA penalty structure by increasing penalties for summer months and decreasing penalties in non-summer months. It also requested comments on whether it is appropriate to penalize an LSE twice when a month ahead deficiency is redundant to a year ahead deficiency that was not cured in the interim and whether a procedure should be established to remove LSEs that consistently cannot procure sufficient capacity from the market, and a potential alternative where penalties are escalated for repeated violations.

- **Details:** CAISO's 2021 Final Local Capacity Technical Study results will be used by CPUC for consideration in its 2021 resource adequacy requirements program and by CAISO as Local Capacity Requirements and for assisting in the allocation of costs of any CAISO procurement of capacity needed to achieve the reliability standards. The report also provides details regarding CAISO's estimates of battery storage needs for local areas.
- **Analysis:** Regulatory developments under consideration in this proceeding that may impact VCE's capacity procurement obligations include the consideration of hourly capacity requirements in light of the increasing penetration of use-limited resources; modifications to maximum cumulative capacity buckets and whether the RA program should cap use-limited and preferred resources; whether the CPUC should cap imports; the potential expansion of multi-year local forward RA to system or flexible resources; RA penalties and waivers; counting conventions for hydro, hybrid resources, and DR resources; and Marginal ELCC counting conventions for solar, wind and hybrid resources.
- **Next Steps:** A Track 1 proposed decision is anticipated to be issued soon.
A proposed decision on Track 2 issues is anticipated to be issued in May.
Also in Track 2, comments and reply comments on the final CAISO local capacity requirements report are due May 8, 2020, and May 13, 2020, respectively. CAISO will issue its final 2021 flexible capacity requirements report on May 15, 2020, with comments due on May 20, 2020.
In Track 3, proposals from parties and Energy Division are due July 10, 2020.
The schedule and scope of issues for Track 4 will be established in a later Scoping Memo.
- **Additional Information:** [2021 Final Local Capacity Technical Study](#) (May 1, 2020); [DR Working Group Final Report](#), [Hybrid Counting Working Group Final Report](#), [Hydro Working Group Final Report](#) and [ELCC Working Group Final Report](#) (March 11, 2020); [Ruling](#) providing Energy Division's Track 1 Proposal (February 28, 2020); [Ruling](#) modifying Track 2 schedule (February 28, 2020); [Scoping Memo and Ruling](#) (January 22, 2020); [Ruling](#) attaching Energy Division's Track 2 proposals (February 21, 2020); [Ruling](#) attaching Energy Division's Maximum Cumulative Capacity (MCC) buckets proposal (February 7, 2020); [Order Instituting Rulemaking](#) (November 13, 2019); Docket No. [R.19-11-009](#).

PCIA Rulemaking

On April 1, 2020, Protect Our Communities Foundation and Utility Consumers' Action Network separately filed Motions requesting evidentiary hearings on the final Working Group 3 report. On April 6, 2020, the CPUC issued D.20-03-019 on departing load forecast and the presentation of the PCIA rate on tariffs and bills, which had been discussed in Working Group 1.

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

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

The CPUC has not yet issued Proposed Decisions regarding Working Group 2 or 3.

Details: D.20-03-019 concluded the work of Working Group 1, declining to adopt any technical modifications to departing load forecasting. It requires each IOU to report their meet-and-confer activities with the CCAs in ERRAs application testimony and in their initial annual RA load

forecasting filing. It directs the IOUs to collaborate to submit a joint proposal for bill and tariff changes to show a PCIA line item in their tariffs and bill summary table on all bundled customer bills, with each utility submitting a Tier 3 Advice Letter by August 31, 2020, to implement the joint proposal by the last business day of 2021.

- **Analysis:** D.20-03-019 increases the transparency between bundled and unbundled customers' bills and is beneficial for the CCAs overall.
- **Next Steps:** A proposed decision is anticipated to be issued soon on issues addressed by Working Group 2, and a proposed decision regarding Working Group 3 is expected in Q3 2020.
- **Additional Information:** [UCAN Motion](#) for evidentiary hearing (April 3, 2020); [POC Motion](#) for evidentiary hearing (April 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); [Ruling](#) modifying procedural schedule (January 15, 2020); [Working Group 2 Final Report](#) (December 9, 2019); [AL 5705-E](#) (December 2, 2019); [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](#).

PG&E's 2019 ERRA Compliance

On April 2, 2020, Joint CCAs and the Public Advocates Office separately filed protests of PG&E's 2019 ERRA Compliance application. PG&E filed supplemental testimony on April 13, 2020. On April 16, 2020, the ALJ issued an E-mail Ruling setting a prehearing conference.

- **Background:** ERRA compliance review proceedings review the utility's compliance in the preceding year regarding energy resource contract administration, least-cost dispatch, fuel procurement, and the PABA balancing account (which determines the true up values for the PCIA each year). In its 2019 ERRA compliance application, PG&E requested that the CPUC find that its PABA entries for 2019 were accurate, it complied with its Bundled Procurement Plan in 2019 in the areas of fuel procurement, administration of power purchase contracts, greenhouse gas compliance instrument procurement, RA sales, and least-cost dispatch of electric generation resources. PG&E also requests that the CPUC find that during the record period PG&E managed its utility-owned generation facilities reasonably. Finally, PG&E requests cost recovery of revenue requirements totaling about \$4.0 million for Diablo Canyon seismic study costs.
- **Details:** PG&E's supplemental testimony (1) describes PG&E's PSPS Program and when it was used in 2019; (2) provides an accounting of the 2019 PSPS events, including a description of how balancing accounts forecast in PG&E's annual ERRA Forecast proceeding and reviewed in the 2019 ERRA Compliance Review proceeding may have been impacted and; (3) describes the difference between load forecasting for ratemaking purposes and load forecasting for PSPS events.

A prehearing conference followed by the issuance of a scoping memo and ruling are anticipated to be the next steps in this proceeding.

- **Analysis:** This proceeding addresses PG&E's PABA, providing a venue for a detailed review of the billed revenues and net CAISO revenues from PG&E's generation fleet, which impact the level of the PCIA. It also determines whether PG&E managed its portfolio of contracts and UOG in a reasonable manner.
- **Next Steps:** A prehearing conference is scheduled for May 12, 2020.
- **Additional Information:** [E-mail Ruling](#) setting prehearing conference (April 16, 2020); [Resolution](#) on category and need for hearing (March 12, 2020); PG&E's [Application](#) and [Testimony](#) (February 28, 2020); Docket No. [A.20-02-009](#).

PG&E's 2020 ERRA Forecast

On March 30, 2020, PG&E filed an Application for Rehearing of D.20-02-047, which was the final decision issued in this proceeding. Joint CCAs filed a response to PG&E's Application for Rehearing on April 14, 2020. A group of CCAs including VCE filed a protest of PG&E's AL 5781-E, which implements D.20-02-047. Later in April, PG&E filed AL 5661-E and additional supplemental advice letters that implement PG&E's 2020 Annual Electric True-Up.

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

AL 5781-E, which was protested by a group of CCAs including VCE, reports a \$130 million variance between the forecast adopted in D.20-02-047 and the advice letter, meaning the indifference amount and PCIA rates increase based on the true-up of Q4. AL 5781-E also shows PG&E under-recovering \$409.4 million during the course of 2020 due to the capping of PCIA rates. The PUBA trigger mechanism at the 7% filing level is \$112.5 million, and the 10% Trigger Threshold is \$160.7 million. Energy Division issued a standard disposition letter approving AL 5781-E.

- Details:** PG&E takes issue with the decision's discussion of Unsold RPS and requests that the CPUC revise D.20-02-047 to clarify that there are only annual RPS compliance *targets*, not annual compliance *requirements*. In addition, it requests a correction to the sales volumes calculations so that they are aligned with the methodology announced in the Decision. PG&E says it accepts the methodology in the decision that it cannot count any RPS volume as unsold if the volume results in PG&E's retained RPS being below the year's annual RPS compliance target. PG&E also says it accepts the deduction of \$92.9 million from the Portfolio Allocation Balancing Account required by the Decision and does not seek to reverse the decision or use a different amount.

Joint CCAs responded to PG&E's Application for Rehearing by objecting to the apparent motivation behind it, which they said was to relitigate the methodology for calculating Retained RPS energy in the 2019 ERRA Compliance proceeding (A.20-02-009), as well as to the substance of both of PG&E's specific requested changes, which it argued were unnecessary and relitigating conclusions already reached by the CPUC, respectively.

AL 5661-E and subsequent supplemental advice letters implement PG&E's 2020 Annual Electric True-Up, including reflecting updated PCIA rates pursuant to the final decision in this proceeding and previously proposed to be implemented by PG&E through AL 5781-E. It results in a 9.0% increase in PG&E's system average rate.

- Analysis:** The decision resulted in an uncapped system-average PCIA of \$0.041/kWh for the 2017 vintage, but that uncapped rate rises to \$0.04266/kWh under the Advice Letter. A capped rate of \$0.0317/kWh for the 2017 vintage likely will be effective May 1, 2020, an increase from the current rate of \$0.0267/kWh.
- Next Steps:** PG&E's proposed rate changes went into effect as of May 1, 2020. This proceeding is now closed.
- Additional Information:** PG&E [AL 5661-E-C](#) (April 30, 2020); PG&E [AL 5661-E-B](#) (April 28, 2020); PG&E [AL 5561-E-A](#) 2020 Annual Electric True-Up (April 22, 2020); PG&E [Application for Rehearing](#) (March 30, 2020); PG&E [AL 5781-E](#) implementing D.20-02-047 (March 13, 2020); [D.20-02-047](#) (February 28, 2020); [Scoping Memo and Ruling](#) (August 22, 2019); [Application](#)

(June 3, 2019); [Testimony](#) available on PG&E's regulatory webpage (June 3, 2019); Docket No. [A.19-06-001](#).

RPS Rulemaking

Parties filed comments and reply comments on the Staff Proposal on the BioMAT proposal on April 1, 2020, and April 15, 2020, respectively. On April 17, 2020, parties filed reply comments on the Staff Proposal making changes to confidentiality rules regarding the RPS program.

- **Background:** This proceeding addresses ongoing RPS issues. VCE filed its 2019 RPS Procurement Plan on June 21, 2019, and its 2018 RPS Compliance Report on August 1, 2019. D.19-12-042, issued December 2019, required VCE to file an updated 2019 RPS Procurement Plan. VCE did so, and its final report was accepted by the Energy Division.

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

The BioMAT is a feed-in tariff available for up to 250 MW of small bioenergy projects (5 MW or less) that uses a market-based mechanism to arrive at the contract price. The BioMAT Staff Proposal would extend the end date for the program from February 2021 to December 31, 2025. It would also allocate the net costs via a non-bypassable charge to all customers and allow all LSEs to enter into contracts at the offer price and collect their expenses through the same charge.

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

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

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

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

- **Next Steps:** The 2020 RPS Procurement Plan is due June 21, 2020, and the 2019 RPS Compliance Report is due August 1, 2020.

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

- **Additional Information:** [CalCCA Comments](#) on RPS confidentiality (March 30, 2020); [Ruling](#) requesting comments on BioMAT (March 10, 2020); [D.20-02-040](#) correcting D.19-12-042 on 2019 RPS Procurement Plans (February 21, 2020); [Ruling](#) on RPS confidentiality and transparency issues (February 27, 2020); [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](#).

PG&E's Phase 1 GRC

No updates this month.

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

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

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

PG&E's Phase 2 GRC

On April 10, 2020, PG&E filed the IOUs' Final Essential Usage Study (EUS) Plan. PG&E held workshops on April 14-15, 2020, on its proposals for marginal cost and revenue allocation. On April 27, 2020, the ALJ issued an E-mail Ruling that granted a PG&E request for an extension to file updated testimony and for parties' responsive testimony.

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

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

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

- **Details:** 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.
- **Analysis:** This proceeding may not impact the transparency between a bundled and unbundled customer's bills because of the Working Group 1 proposed decision discussed in the PCIA docket below. However, it will affect the allocation of PG&E's revenues requirements among VCE's different rate classes. It will also affect distribution and PPP charges paid by VCE customers to PG&E. Further, PG&E includes a cost-of-service study the purpose of which is to establish the groundwork for separating net metering customers into a separate customer class in the utility's next rate case. If PG&E's proposed CCA fee revisions are adopted, it will increase the cost VCE pays to PG&E for various services.
- **Next Steps:** Opening and reply comments on the final EUS proposal, respectively, are due May 11 and May 26, 2020. The schedule for general issues in this proceeding includes the following key dates: PG&E serves updated testimony on May 15, 2020; and intervenor direct testimony is due October 9, 2020. A CPUC decision is anticipated for September 2021.
- **Additional Information:** [Scoping Memo and Ruling](#) (February 10, 2020); [E-mail Ruling](#) extending Protest deadline (December 3, 2019); [Application, Exhibit \(PG&E-1\): Overview and Policy, Exhibit \(PG&E-2\): Cost of Service, Exhibit \(PG&E-3\): Revenue Allocation, Rate Design and Rate Programs](#), and [Exhibit \(PG&E-4\): Appendices](#) (November 22, 2019); Docket No. [A.19-11-019](#).

Direct Access Rulemaking

No update this month. On March 24, 2020, the ALJ informed parties that the release of Energy Division's report has been delayed. The procedural schedule will be updated accordingly following its release.

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

Wildfire Cost Recovery Methodology Rulemaking

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

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

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

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

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

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

No updates this month.

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

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

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

Wildfire Fund Non-Bypassable Charge (AB 1054)

No updates this month.

- **Background:** This rulemaking implemented AB 1054 and extended a non-bypassable charge on ratepayers to fund the Wildfire Fund. The scope of this proceeding was limited to consideration of whether the CPUC should authorize ratepayer funding of the Wildfire Fund established by AB 1054, enacted in July 2019, via the continuation of an existing non-bypassable charge (Department of Water Resources bond charge) that would have otherwise expired by the end of 2021. On August 26, 2019, the Bankruptcy Court tentatively granted PG&E’s request to participate in the Wildfire Fund.

D.19-10-056, issued in October 2019, approved the establishment of a non-bypassable charge on IOU customers to provide revenue for the newly established state Wildfire Fund pursuant to 2019 AB 1054. The charge will only be assessed on customers of utilities that participate in the Wildfire Fund (i.e., PG&E, SCE, and SDG&E), and will expire at the end of 2035. The Decision also provides that once a large IOU commits to Wildfire Fund participation, it may not later revoke

its participation. The annual revenue requirement for the charge among the large IOUs will total \$902.4 million, allocated at \$404.6 million for PG&E, \$408.2 million for SCE, and \$89.6 million for SDG&E. (There is a June 30, 2020, deadline for PG&E to satisfactorily complete its insolvency proceeding under AB 1054, and therefore become eligible to participate in the Wildfire Fund.) The Wildfire Fund NBC will be collected on a \$/kWh basis, with the revenue requirement allocated based on each class's share of energy sales. Residential CARE and medical baseline customers are exempt. The Wildfire Fund NBC cannot take effect until the DWR Bond charge sunsets, which may take place as early as the second half of 2020.

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

Other Regulatory Developments

- **CPUC to Open New IRP Proceeding:** The CPUC will consider opening a new IRP rulemaking by issuing an [Order Instituting Rulemaking](#) at its May 7, 2020, meeting. The new proceeding would address IRP planning and procurement issues going forward and close the existing IRP rulemaking. Notably, the planning period will now move beyond 2030 and cover up to at least 2035. The proceeding would be divided into two concurrent tracks: (1) a Planning Track, and (2) a Procurement Track. The first priority of the Planning Track is establishing the Preferred System Portfolio based on individual IRPs to be filed by LSEs in September. The OIR also indicates this proceeding will be the "umbrella venue" for addressing coordination on a number of issues including resource adequacy, energy efficiency, demand response, renewables, storage, transmission, and conventional generation resources.
- **CPUC Issues Proposed Decision on De-Energization:** The CPUC issued a [Proposed Decision](#) for adopting revised guidelines governing PSPS, or "de-energization" events. Comments on the PD are due May 18, replies are due May 25, and the PD may be adopted, at earliest, at the May 28 CPUC meeting. The PD adopts, with modifications, revised guidelines initially proposed in a January 2020 Ruling. Also recently, a joint group of parties filed joint [Motion](#) for an emergency order adopting PSPS protocols during the COVID-19 pandemic for circumstances where an Emergency Order or shelter-in-place order is in effect.
- **CPUC Issues Proposed Decision on Track 1 Microgrids:** The CPUC issued a [Proposed Decision](#) in Track 1 of its microgrid rulemaking ([R.19-09-009](#)), which addresses actions that would support immediate improvements in resiliency. The PD adopts a series of proposals developed in an earlier Staff White paper and also addresses resiliency programs proposed by SDG&E and PG&E. Comments on the PD are due May 19, replies are due May 25, and the PD may be adopted, at earliest, at the June 11 CPUC meeting.
- **CCAs Appeal Large CPUC Fines for RA Violations:** East Bay Community Energy and San Jose Clean Energy filed applications appealing [citations](#) of more than \$600,000 and \$1.1 million, respectively, assessed by the CPUC Consumer Protection and Enforcement Division related to non-compliance with year-ahead resource adequacy requirements ([K.20-04-006](#) and [K.20-04-005](#)).

- **PG&E Files Application for \$7.5 Billion in Recovery Bonds:** In an [application](#) filed on April 30, 2020, PG&E requested the CPUC: (1) apply the Stress Test Methodology adopted by the CPUC in D.19-06-027; and (2) determine that \$7.5 billion of 2017 catastrophic wildfire costs and expenses are Stress Test Costs that may be financed through the issuance of recovery bonds, as provided by SB 901 ([A.20-04-023](#)).
- **CPUC Grants Extension for 2021 ERRA Forecast Application:** On April 16, 2020, PG&E requested an extension of time to file its 2021 ERRA Forecast application from June 1, 2020, to July 1, 2020. That extension was granted.

Glossary of Acronyms

AB	Assembly Bill
AET	Annual Electric True-up
ALJ	Administrative Law Judge
BioMAT	Bioenergy Market Adjusting Tariff
BTM	Behind the Meter
CAISO	California Independent System Operator
CAM	Cost Allocation Mechanism
CARB	California Air Resources Board
CEC	California Energy Commission
CPUC	California Public Utilities Commission
CTC	Competition Transition Charge
DA	Direct Access
GRC	General Rate Case
ELCC	Effective Load Carrying Capacity
ERRA	Energy Resource and Recovery Account
EUS	Essential Usage Study
IEPR	Integrated Energy Policy Report
IFOM	In Front of the Meter
IRP	Integrated Resource Plan
IOU	Investor-Owned Utility
ITC	Investment Tax Credit
LSE	Load-Serving Entity
MCC	Maximum Cumulative Capacity
PABA	Portfolio Allocation Balancing Account
PD	Proposed Decision
PG&E	Pacific Gas & Electric
PFM	Petition for Modification
PCIA	Power Charge Indifference Adjustment
PSPS	Public Safety Power Shutoff

PUBA	PCIA Undercollection Balancing Account
QC	Qualifying Capacity
RA	Resource Adequacy
RDW	Rate Design Window
RPS	Renewables Portfolio Standard
SCE	Southern California Edison
SED	Safety and Enforcement Division (CPUC)
SDG&E	San Diego Gas & Electric
TCJA	Tax Cuts and Jobs Act of 2017
TURN	The Utility Reform Network
UOG	Utility-Owned Generation
WMP	Wildfire Mitigation Plan
WSD	Wildfire Safety Division (CPUC)