VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Agenda Item 8

To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Regulatory Monitoring Report

Date: January 23, 2019

RECOMMENDATION: Receive regulatory monitoring report.

Regulatory Priorities

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

1. A Proposed Decision has been issued in PG&E's ERRA Forecast proceeding, which will set the PCIA rate in 2019 for VCE customers. That proposed decision, as well as one in the Resource Adequacy rulemaking, could be considered at the CPUC's January 31, 2019 Business Meeting.
2. PG&E filed its Phase I general rate case. Of note, PG&E is proposing a new non-bypassable charge that would shift certain costs related to its hyrdoelectric generation resources from its bundled customers to all customers, including VCE customers.
3. In "Other Regulatory Developments" this month, we had some major developments, including (1) PG&E announcing its intent to reorganize under Chapter 11, (2) CPUC opening two new rulemakings related to wildfire cost recovery and de-energization of power lines, and (3) a U.S. District Court judge modifying the terms of PG&E's probation, which could result in more frequent power outages during Wildfire Season to ensure safety.

Attachment: Keyes & Fox January 16, 2019 Regulatory Memorandum

KEYES&FOX LLP

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, Sr. Analyst, EQ Research, LLC
Subject:	Regulatory Update
Date:	January 16, 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:

- PG&E's 2019 Energy Resource and Recovery Account (ERRA) Forecast
- Resource Adequacy (RA)
- PCIA Rulemaking
- PG&E's Phase I General Rate Case (GRC)
- Renewables Portfolio Standard (RPS) Rulemaking
- Integrated Resource Plans
- Tree Mortality Nonbypassable Charge (NBC)
- 2017 Rate Design Window (RDW)
- 2018 RDW
- Other Regulatory Developments

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

On December 7, 2018, the judge issued a Proposed Decision (PD). On December 27, 2018, the judge issued a Ruling asking parties to confirm or correct the PCIA revenue requirement in his Proposed Decision. The PD was held at the January 10, 2019 meeting until the January 31, 2019 meeting.

- **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. In its November Update, PG&E requested a 2019 total revenue requirement of $2.929 billion, comprised of $1.554 billion related to its ERRA, plus three nonbypassable charges: the ongoing Competition Transition Charge (CTC), $80.3 million; the PCIA, $1.164 billion; and the Cost Allocation Mechanism, $131.1 million. PG&E's forecasted 2019 revenue requirement for the PCIA in its November Update is 84.1% higher than its approved 2018 revenue requirement, whereas the CTC and CAM revenue requirements decreased by 3.3% and 7.5%, respectively.

- **Details**: The PD rejects PG&E's proposals on (1) forecasting sales at the sales price rather than the market price benchmark and (2) allocating the PCIA based on billing determinants less than forecasted system sales. The judge's subsequent Ruling corrected the values initially included in the PD, resulting in a reduction in the PCIA revenue requirement from $1.164 billion to $1.042 billion, a decrease of about $122 million, and the 2019 total revenue requirement from $2.929 billion to $2.907 billion, a decrease of $22 million.
- **Analysis**: This proceeding implements the October Track 2 Decision from the PCIA docket and will 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**: The PD will be considered for adoption, at the earliest, at the CPUC's January 31, 2019 Business Meeting. This delay means new 2019 PCIA rates may not be implemented until March or potentially April, 2019.
- **Additional Information**: Ruling (December 27, 2018); Proposed Decision (December 7, 2018); PG&E November Update with proposed PCIA rates on page 60 (November 9, 2018); 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)

Stakeholders are currently awaiting issuance of a Track 2 Decision that would implement multi-year requirements and establish the utilities as the central buyers for Local RA requirements. The vast majority of comments filed by parties have been critical of the CPUC's central procurement entity proposal. Separately, the judge requested comments on Energy Division's updated Effective Load Carrying Capacity (ELCC) proposal, but later issued a Ruling suspending the date for filing comments.

- **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. Currently in Track 2, the CPUC is considering the adoption of multi-year local RA requirements and moving to a Central Buyer mechanism for local RA. 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.

  The ELCC is a calculation for adjusting the capacity value of a generator for RA counting purposes based how it performs relative to a perfect generator.
- **Details**: Energy Division's ELCC proposal recommends allocating all excess storage capacity to solar because solar is the primary source of over-generation that is used to charge storage, leaving storage with a 100% ELCC and modifying the ELCC of both solar and wind resources. This tends to increase the solar ELCC value relative to what it would be under a split or all wind allocation by a sizable amount during March - May, but decreases it slightly during some other months. For wind, the effect of assigning the storage excess to solar produces a generally opposite effect, reducing the ELCC relative to a split or wind-only allocation most prominently during March - May. Under any storage allocation scenario, the solar and wind ELCC values remain generally lower than the previously adopted ELCC monthly values except for modest increases during winter months.

  As previously reported, the pending PD designates distribution utilities as the central procurement entity for Local RA for their respective distribution service areas and adopts requirements for implementing a multi-year Local RA procurement process beginning for the 2020 compliance year. Load-serving entities (LSEs) like VCE would continue to procure RA to meet their System and Flexible requirements. The PD also adopts a full procurement model in which the central buyers procure for local resources within their service areas rather than a residual procurement model that would have allowed LSEs to procure local resources based on their preferences. A competitive solicitation process will be conducted by the central buyers for three-year local RA procurement, with bids selected based on a least-cost, best-fit methodology. Finally, the PD directs Energy Division to post a summary list of the resources listed on each LSE's monthly RA plans for the previous year, including the scheduling resource ID, scheduling coordinator ID or counterparty, zonal location, and local area.

- **Analysis**: If adopted by the CPUC, the PD would affect VCE's RA compliance obligations beginning in 2020 and result in a new RA procurement framework in California that would impact VCE's ability to procure Local RA capacity on its own behalf. Costs would be recovered by the IOUs through the CAM charge. The PD would also result in increased transparency regarding which resources each LSE has used to meet its RA obligations in the previous year.
- **Next Steps**: The PD will be considered, at the earliest, at the CPUC's January 31, 2019 Business Meeting. The proceeding will remain open thereafter for Track 3, at which time RA issues not addressed or only partially addressed in the decision may be considered.
- **Additional Information**: Ruling suspending ELCC comment deadline (January 3, 2019); Ruling requesting comments on updated ELCC proposal (December 4, 2018); Track 2 Proposed Decision (November 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.

PCIA Rulemaking

In December, a prehearing conference was held, and parties are now awaiting the issuance of a Scoping Ruling and the Commission's ruling on Applications for Rehearing. In addition, PG&E filed Advice Letter (AL) 5440-E establishing its Portfolio Allocation Balancing Account (PABA) to implement the annual PCIA true-up, pursuant to the Track 2 PCIA Decision issued in October 2018. CalCCA protested the AL as overly broad.

- **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.

  Currently, the CPUC is considering Applications for Rehearing of its Track 2 Decision and has opened Phase 2 of this proceeding to address additional PCIA issues.
- **Details**: CCAs including VCE will be name as a respondent in the forthcoming Phase 2 Scoping Ruling. Working groups will be established to address the following issues: (1) benchmark true-up related to resource adequacy and the RPS, (2) prepayment, (3) portfolio optimization and cost reduction, and (4) allocation and auction. In a December 21 email, the utilities requested that PG&E be assigned to co-chair the Benchmark True-Up working group, SCE co-chair the Portfolio Optimization working group, and SDG&E co-chair the Prepayment working group.
- **Analysis**: Phase 2 of this proceeding could further affect the PCIA paid by VCE's customers in future (post-2019) years, as well as other important PCIA issues that could impact CCAs such as prepayment.
- **Next Steps**: The judge is expected to issue a Scoping Ruling for Phase 2 within the next few weeks. After January 18, 2019, parties that filed Applications for Rehearing may appeal the Commission's decision. A new reporting requirement established in the Track 2 Decision during Phase 1 requires VCE to file specific contract information with the Energy Division by January 31, 2019.
- **Additional Information**: PG&E AL 5440-E (December 10, 2018); ALJ Ruling scheduling prehearing conference (November 29, 2018); Applications for Rehearing of D.18-10-019: PCE,

SCP, and MCE, Shell Energy North America, CalCCA, California Large Energy Consumers Association, Protect Our Communities Foundation and Utility Consumers' Action Network (November 19, 2018); 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 Phase I General Rate Case (GRC)

On December 13, 2018, PG&E filed its Phase I GRC application.

- **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. *Note that PGE's GRC does not include a request for cost recovery related to 2017 and 2018 wildfire liabilities.*

- **Details**: Overall, more than half of PG&E's proposed increase in this GRC is directly related to wildfire prevention, risk reduction, and additional safety enhancements. Specifically, PG&E proposes expanding its integrated wildfire mitigation strategy, the Community Wildfire Safety Program, which PG&E established following the October 2017 North Bay wildfires to mitigate wildfire threats, with plans to spend an incremental $5 billion between 2018-2022. PG&E is also requesting a two-way balancing account for insurance premiums and other financial-risk transfer instruments, under which it would be permitted to recover up to $2 billion in insurance costs.

  Significantly, PG&E is proposing to shift substantial hydroelectric generation costs into a non-bypassable charge, arguing that its hydro facilities provide benefits beyond electricity generation. PG&E proposes to shift costs associated with these alleged public benefits from its generation rates (applicable only to bundled customers) to a non-bypassable charge (e.g., the Electric Public Purpose Programs charge). Examples of current and future costs that would be recovered through the non-bypassable charge include, but are not limited to: (1) protection of the natural habitat of fish, wildlife, and plants; (2) outdoor public recreation; (3) protection of historic resources; (4) compliance with conservation easements on the watershed lands; (5) post-decommissioning activities that are a result of FERC orders. PG&E estimates that the unrecovered historic costs that it would shift to the non-bypassable electric charge are $83.1 million for fish and wildlife and recreation values, plus tens of millions in forecasted future costs, with new license compliance (~$59 million in 2021-2022) expected as the largest subcategory of future expenses.

  PG&E is also proposing to establish solar, fuel cell, and hydroelectric decommissioning reserves, a safety-related shareholder earnings adjustment mechanism. The filing also includes PG&E's 10-year Grid Modernization Plan.

- **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.

  Next Steps: Protests are due January 17, 2019. The CPUC Energy Division and PG&E will be hosting a Public Workshop on January 25, 2019. PG&E will propose its cost allocation and rate design in its 2020 GRC Phase II proceeding, which PG&E plans to file in August 2019.

- **Additional Information**: Application and PG&E GRC Website (December 13, 2018). A.18-12-009

Renewables Portfolio Standard (RPS) Rulemaking

On December 21, 2018, the CPUC issued Draft Resolution E-4977, which would amend the Bioenergy Renewable Auction Mechanism (BioRAM) Program and extend certain contracts pursuant to SB 901. On December 24, 2018, the IOUs filed Advice Letters (ALs) implementing adjustments to their Bioenergy Market Adjusting Tariff (BioMAT) tariffs as required by D.18-11-004. In December and January, parties filed comments and reply comments on the Draft Resolution and the BioMAT staff proposal.

- **Background**: On July 12, 2018, the CPUC adopted an Order Instituting Rulemaking (OIR) establishing this proceeding to address RPS-related issues going forward. The November 2018 scoping memo and ruling clarified that the issues to be addressed in this proceeding are threefold: (1) implementing existing and new statutory requirements that are mandated or may be mandated during the course of this proceeding; (2) continuing and completing specific tasks identified in R.15-02-020 (the now-closed previous RPS docket), but not completed prior to the issuance of this new Order Instituting Rulemaking (OIR); and (3) continuing, monitoring, reviewing, and improving elements of the RPS program that have previously been put in place, including identifying additional program elements that could be developed.
- **Details**: The Draft Resolution orders the IOUs to amend their BioRAM contracts in several ways and to seek to extend certain BioRAM and other biomass contracts by five years, in accordance with SB 901. Parties filed comments on this Draft Resolution on January 11, 2019.

  The ALs implement the CPUC's Decision making changes to interconnection rules for California's Bioenergy Market Adjusting Tariff (BioMAT) program in accordance with Assembly Bill 1923. No parties protested these ALs.
- **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 above-market costs for the PCIA calculation. Potential issues to be addressed that could impact VCE include, but are not limited to, implementing SB 100 (*i.e.,* increasing the RPS to 60% by 2030 and 100% clean energy by 2045), reviewing and revising RPS penalty rules and confidentiality rules, and potentially increasing the RPS procurement percentage for later compliance periods.
- **Next Steps**: Reply comments on the Draft Resolution are due January 16, 2019. A Proposed Decision on individual LSE's 2018 RPS Procurement Plans was anticipated for Q4 2018, but has not been issued. A Ruling on 2019 RPS Procurement Plans is expected in Q2 2019. A Proposed Decision on ELCC, time of delivery factors, and project viability is expected sometime in 2019.
- **Additional Information**: Draft Resolution E-4977 (December 21, 2018); PG&E's AL-5454-E implementing BioMAT changes from D.18-11-004 (December 24, 2018); Scoping Ruling (November 9, 2018); D.18-11-004 on interconnection rules in the BioMAT program per AB 1923 (November 8, 2018); AL-5422 on PG&E RPS transactions (November 2, 2018); Ruling on revised RPS Procurement Plans (September 19, 2018); Order Instituting Rulemaking (July 23, 2018); R-18-07-003.

Integrated Resource Planning (IRP)

In December and early January, parties filed comments and reply comments on three separate rulings regarding (1) the 2019-2020 Reference System Plan (RSP) modeling (November 29, 2018 Ruling), (2) how to address emerging electricity market issues in the near-to-medium term that may overlap with resource adequacy issues (November 16, 2018 Ruling), and (3) the production cost modeling approach and schedule (November 15, 2018 Ruling). On January 11, 2019, the judge issued a Ruling providing the recommended preferred system portfolio to support the Preferred System Plan (PSP) for the 2017-2018 IRP cycle, as well as recommendations for CAISO's 2019-2020 Transmission Planning Process (TPP).

- **Background**: In February 2018, the CPUC established the 2017-2018 IRP filing requirements and statewide RSP. VCE submitted its IRP on August 1, 2018. Its next IRP filing is due May 1, 2020.
- **Details**: The January 11, 2019 Ruling seeks comments on the analysis supporting its preferred system portfolio recommendation, whether the recommended preferred system portfolio is reasonable, and any actions the CPUC should take as a result of the recommended portfolio. The preferred system portfolio is the result of aggregation of data from individual LSE IRP submissions in 2018 as well as modeling relating to reliability. CPUC Staff recommend the adoption of the hybrid conforming portfolio as the basis for the 2017-2018 RSP. Regarding the 2019-2020 TPP, CPUC Staff recommend that the hybrid conforming portfolio (aggregation of the LSE IRPs) be transmitted to CAISO as the reliability base case and the policy-driven base case.
- **Analysis**: The proceeding is now focused on addressing issues that will be relevant to VCE's 2020 IRP filing.
- **Next Steps**: Comments on the January 11, 2019 Ruling are due January 31, 2019, with reply comments due February 11, 2019. A proposed decision on the PSP and individual LSE's 2018 IRPs is anticipated in March 2019. The CPUC is also expected to issue a new Order Initiating a Rulemaking on the 2019-2020 IRP cycle in early 2019.
- **Additional Information**: Ruling and attachments on Proposed Preferred System Portfolio for 2017-2018 and Proposed IRP Portfolios for 2019-2020 CAISO Transmission Planning Process (January 11, 2019); Ruling seeking comments on 2019-2020 Reference System Plan (November 29, 2018); Ruling seeking comments on reliability issues (November 16, 2018); Ruling finalizing production cost modeling approach and schedule (November 15, 2018); VCE's 2018 IRP (August 1, 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)

On December 21, 2018, the CPUC issued Decision (D.)18-12-003, establishing a methodology for calculating a non-bypassable charge that will collect revenue to pay for certain biomass energy procurement by utilities including PG&E.

- **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 defined the costs to be allocated as net costs factoring in all contract costs net of energy, ancillary service, and renewable energy credit values.
- **Details**: The Decision establishes the non-bypassable charge that will recover the net costs to the utilities of the tree mortality-related biomass energy procurement, *i.e.*, excluding revenue received by the utilities through sales of energy and ancillary services and the value of RECs related to the procurement. The Decision also clarified that resource adequacy attributes and RECs may not be valued at zero if the attributes are RECs are used by the IOUs for compliance purposes. Costs will be recovered through the Public Purpose Program Charge.
- **Analysis**: The Decision results in additional costs being recovered from VCE customers through the Public Purpose Program Charge.
- **Next Steps**: The proceeding is now closed and will be removed from Board Memoranda going forward.
- **Additional Information**: D.18-12-003 establishing non-bypassable charge (December 13, 2018); Proposed Decision (November 8, 2018); Scoping Memo and Ruling establishing the scope and procedural schedule (May 30, 2018); Ruling denying CalCCA's Motion to include consolidated cost recovery in the scope of this proceeding (March 14, 2018); Docket No. A.16-11-005.

2017 Rate Design Window (RDW)

On December 21, 2018, the CPUC issued Decision (D.)18-12-004 in Phase IIA of the proceeding, primarily addressing SDG&E's residential default time-of-use rate design proposal and transition implementation. In January, hearings were held in 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 Decision resolved Phase IIA issues. It primarily addressed SDG&E's proposed default TOU rate and plan to transition customers. However, the PD also adopted proposals from PG&E and SCE to transition their discounted programs (CARE for PG&E and CARE and Family Electric Rate Assistance for SCE) to provide a percentage-based bill discount in place of the current practice of establishing separate tariffs with discounted rates for these customers. PG&E's and SCE's additional rate design proposals and implementation issues related to their transitions to default TOU rates, which are set to begin in October 2020, will be considered in a subsequent phase of this proceeding.

- **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 it residential rates.

- **Next Steps**: In Phase IIB, opening briefs are due February 15, 2019, reply briefs are due March 8, 2019, and a Proposed Decision is expected in June 2019. In Phase III, supplemental IOU testimony on the impacts of federal tax changes is due March 29, 2019, with intervenor testimony due May 31, 2019 and rebuttal testimony due June 28, 2019. A Proposed Decision is expected in Q1 2020.

- **Additional Information**: D.18-12-004 on Phase IIA Issues (December 21, 2018); 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).

2018 RDW

In December, the Agricultural Energy Consumers Association and California Farm Bureau Federation filed Protests. On January 4, 2019, a prehearing conference was held.

- **Background**: The filing stems from PG&E's recently completed Phase 2 rate case, where a new set of default rates (AG-A, AG-B, and AG-C) and opt-in rates (AG-RA, AG-RB, and AG-RC) were adopted to replace the legacy set of agricultural rate schedules. The associated settlement required to PG&E to file a 2019 RDW proposal seeking bill mitigation measures for "highly impacted" customers, defined as those that would see bill increases over 7% and $100 per year.
- **Details**: PG&E states that these new rates would replace all of the rates adopted in the 2017 GRC and consequently requests a decision on the RDW Application by April 2019 in order to implement the rates by March 2020, and avoid customer confusion (i.e., by adopting the 2017 GRC rates only to have them replaced soon thereafter).
- **Analysis**: This proceeding could result in changes to rates for PG&E's agricultural customers as well as VCE's customers to the extent they mirror PG&E's rates.
- **Next Steps**: A scoping ruling is likely to be issued.
- **Additional Information**: PG&E Application (November 26, 2018); A.18-11-013.

Other Regulatory Developments

- **PG&E Bankruptcy Filing Imminent.** On January 14, 2019, PG&E provided the required 15-day advance notice that it intends to file petitions on January 29, 2019 to reorganize under Chapter 11 of the U.S. Bankruptcy Code.
- **Federal Judge Orders PG&E to Operate Grid Safely.** A U.S. District Court judge issued a sharply worded Order modifying the terms of PG&E's probation in light of wildfires allegedly caused by its equipment. The Order requires PG&E to re-inspect its entire grid before the 2019 Wildfire Season in light of PG&E's "history of falsification of inspection reports." During the 2019 Wildfire Season, PG&E would be required to de-energize any part of its grid not yet rated as safe by PG&E. In determining safety, PG&E is forbidden from considering the need for reliability of service, the inconvenience to customers resulting from interruption in service, or its impact upon PG&E's revenues and profits. Parties may respond to the Order by January 23, 2019, to explain why PG&E's conditions of probation should not be modified as described therein. The judge invited the CPUC and CAL FIRE to file comments by January 25, 2019, and attend the hearing that it set for January 30, 2019.
- **Wildfire Cost Recovery (SB 901) Rulemaking Opened**. At its January 10, 2019 Business Meeting, the CPUC issued an Order Instituting Rulemaking (OIR) on wildfire cost recovery pursuant to SB 901 (R.19-01-006). (Note: The adopted OIR was had not been posted to the CPUC website at the time this memo was written.) This OIR will adopt criteria and a methodology for use by the Commission in future applications for cost recovery of wildfire costs.
- **De-energizing Power Lines Rulemaking Opened.** On December 19, 2018, the CPUC issued an Order Instituting Rulemaking to examine its rules on allowing electric utilities to de-energize power lines in case of dangerous conditions that threaten life or property in California (R.18-12-005). Staff held workshops in December and January to gather input from first responders, affected communities, and other stakeholders. Comments are due 45 after the issuance of the OIR, which is February 2, 2019; since that is a Saturday, comments will be due Monday, February 4, 2019.
- **PG&E Organization and Governance Scrutinized.** On December 21, 2019, 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 (I.15-08-019). The next phase of this proceeding will consider a broad range of alternatives to current management and operational structures for providing electric and natural gas in Northern California, including whether PG&E should be turned into one or more publicly owned utilities, transitioned to a "wires-only" company, or have its electric and natural gas divisions separated into different companies, among a list of other possibilities.