

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 8

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To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Regulatory Monitoring Report

Date: April 11, 2019

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**RECOMMENDATION:** Receive regulatory monitoring report.

### Regulatory Priorities

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

- **Integrated Resource Planning:** The judge issued a Proposed Decision (PD) that would establish a process for potentially moving California to a central procurement model for certain renewable energy, natural gas, and energy storage resources. It also finds VCE's 2018 IRP is not yet approved, instead requiring VCE to file a Tier 2 Advice Letter on June 14 estimating the particulate matter emissions from resources used to serve its load, among other requirements.
- **PG&E's ERRR Compliance:** In late February, PG&E filed its 2018 ERRR Compliance application, which has implications for non-bypassable charges like the PCIA and CAM that VCE's customers pay. Beginning with this month's memo and going forward, we are including updates from this proceeding in the monthly regulatory memos.
- **Resource Adequacy:** Shell Energy filed a Petition for Modification of the CPUC's recent decision implementing multi-year Local RA requirements for LSEs including VCE.

**Attachment:** Keyes & Fox April 4, 2019 Regulatory Memorandum

# Valley Clean Energy Alliance

## Regulatory Monitoring Report

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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: April 4, 2019

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### 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).

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

- Integrated Resource Planning (IRP) Rulemaking
- Resource Adequacy (RA) Rulemaking
- Investigation into PG&E's Organization, Culture and Governance (Safety OII)
- Power Charge Indifference Adjustment (PCIA) Rulemaking
- PG&E's 2018 Energy Resource Recovery Account Compliance
- PG&E's 2019 Energy Resource Recovery Account Forecast
- PG&E's Phase I General Rate Case (GRC)
- Renewables Portfolio Standard (RPS) Rulemaking
- 2018 Rate Design Window (RDW)
- 2019 RDW
- Wildfire Cost Recovery Methodology Rulemaking
- Utility Wildfire Mitigation Plans Rulemaking
- Other Regulatory Developments

### Integrated Resource Planning (IRP) Rulemaking

On March 5, 2019, and March 15, 2019, respectively, parties filed comments and reply comments in response to a February 11, 2019, Ruling on proposed scenarios for the 2019-2020 Reference System Portfolio (RSP). On March 18, 2019 the judge issued a Proposed Decision (PD) that would establish a process for potentially moving California to a central procurement model for certain renewable energy, natural gas, and energy storage resources. An all-party meeting on the PD was held on April 4, 2019.

- **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. In the CPUC's IRP process, it adopts a Preferred System Portfolio (PSP) to be used in statewide planning and future procurement. The Energy Division and CalCCA previously

recommended that the CPUC adopt as the PSP the Hybrid Conforming Portfolio (HCP), which is an aggregation of each LSE's Conforming Portfolios filed in their 2018 IRP that reflect the CPUC's RSP with adjustments to fit within the resource potential and transmission availability assumed in the CPUC's model.

- **Details:** The PD proposes a moving towards a centralized approach to procuring renewable energy and other resources, asserting far greater CPUC control over CCA procurement choices. The PD would reject an aggregation of each of the LSEs' IRPs (the HCP) as the statewide PSP, and instead impose top-down procurement requirements by adopting a modified version of the RSP adopted in D.18-02-018 as its PSP. Modifications to the RSP would be made to reflect the 2017 IEPR assumptions and a new assumption of a 40-year life for natural gas resources.

The basis for this finding is a staff analysis that the HCP does not achieve CA's 2030 GHG reduction and RPS goals. The PD would open a new "procurement track" of the proceeding to determine how LSEs are to procure resources to satisfy the PSP by 2030. In this track, significant issues about the structure and allocation of jurisdiction over CCA procurement decisions would be addressed, including who will procure, and will this be all entities individually, or will some just have their customers pay. It will also address what types of resources will be procured, how much, and when.

The PD finds that VCE's 2017-18 IRP filed in August 2018 is not yet approved, requiring VCE to file a Tier 2 Advice Letter by June 14, 2019 which must "[p]rovide best available estimates of emissions of particulate matter associated with all emitting resources used to serve load, including system power" in at least the four study years of 2018, 2022, 2026, and 2030. All LSEs in PG&E's territory would be required to address the need for replacement energy for Diablo Canyon in the June 14, 2019 Advice Letter, although LSEs are not going to be allocated a specific replacement capacity for this retiring resource. In addition, all LSEs would be required to provide information as to the contractual status of individual resource choices within their portfolios (informally by June 14, 2019, and thereafter in their IRP filings).

- **Analysis:** If the judge's PD is adopted, it could potentially diminish VCE's authority and control over its resource procurement decisions, although the specifics would not be determined until the next phase of this proceeding. With the exception of the PD on 2018 LSE IRPs, the proceeding is focused on addressing issues that will be relevant to VCE's 2020 IRP filing.
- **Next Steps:** An all-party meeting was held on April 4, 2019. Comments and reply comments on the PD are due April 8, 2019 and April 15, 2019, respectively. CalCCA is filing comments. The PD may be adopted, at earliest, at the April 25, 2019 CPUC meeting. The PD also notes that the CPUC may hold a closed session ratesetting deliberative meeting in advance of the April 25 open meeting on the PD. If the PD is adopted, VCE's Advice Letter would be due on June 14, 2019. If the PD is adopted, a new "procurement track" would be opened. The CPUC is also expected to issue a new Order Instituting Rulemaking on the 2019-2020 IRP cycle in 2019.
- **Additional Information:** [Proposed Decision](#) (March 18, 2019); [Ruling](#) seeking comments on the Reference System Plan scenarios and analysis for 2019-2020 IRPs (February 11, 2019); [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 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](#).

## Resource Adequacy (RA) Rulemaking

On March 18, 2019, Shell Energy filed a Petition for Modification (PFM) of D.19-02-022, which adopted multi-year local RA requirements beginning for the 2020 RA year, as well as a number of corresponding modifications to the RA program. On March 22, 2019, PG&E submitted information on future planned

central buyer workshops. Parties filed comments and reply comments, respectively, on Track 3 proposals on March 22, 2019 and March 29, 2019.

- **Background:** This proceeding has three tracks, and is currently focused on Track 3. [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 adopted multi-year Local RA requirements and declined to adopt a central buyer mechanism (D.19-02-022 issued March 4, 2019). Parties are holding workshops in 2019 to further address the development of a Local RA central buyer mechanism, with the CPUC indicating it would act by late 2019 if parties did not come to a consensus.

CalCCA submitted a Track 3 proposal on March 22, 2019 incorporating VCE's suggestions to push back the timeline for load forecasting, provide earlier notice to LSEs of California Energy Commission (CEC) plausibility adjustments and an opportunity for LSEs to contest these, penalize LSEs for under-forecasting and compensate impacted LSEs. The CalCCA proposal would also tailor RA purchases to actual month-to-month forecast load.

- **Details:** In its PFM of D.19-02-022, Shell requests changes to two components of the recent CPUC Decision adopting a three-year Local RA procurement requirement: (1) the establishment of the multi-year RA requirements even though the CPUC did not designate a central procurement entity, and (2) RA reporting by the Energy Division of LSE-specific resources. On the first issue, Shell contends that the Decision fails to address the interplay between multi-year forward RA procurement and the establishment of a central procurement entity, and that the multi-year requirement without a central procurement structure imposes large risks and costs on LSEs and ratepayers. Shell requests that multi-year RA requirements be deferred until a central procurement mechanism is established. On the second issue, Shell contends that including LSE-specific information would reveal sensitive information about LSE procurement strategy from the prior year and the construction of the LSE's competitive RA portfolio. Shell requests that the Decision be modified so that the report provides information on aggregate RA resources, not LSE-specific resources.
- **Analysis:** D.19-02-022 affected VCE's Local RA compliance obligations beginning in 2020 by requiring procurement over a three-year period instead of an annual period. The design, scope, and implementation timeline of a RA central procurement entity remains uncertain. Moving to a central procurement entity would impact VCE's ability to procure some or all Local RA on its own behalf. If Shell's petition is granted, this would also impact VCE's Local RA compliance obligations and timing. Track 3 of the proceeding addresses further refinements to the RA program, including the load forecasting methodology, which impacts VCE's RA requirements and associated procurement costs.
- **Next Steps:** Central Buyer workshops #1 and #2 (Topic: full vs. residential procurement model) are scheduled for April 22 and 23, 2019. In May 2019, workshops #3 and #4 A final decision regarding the central buyer is anticipated for Q4 2019. With respect to Track 3, a Proposed Decision was originally scheduled for May 2019, and the Final Decision for June 2019.

With respect to local capacity requirements (LCR) and flexible capacity requirements (FCR) issues specifically, CAISO's draft LCR and FCR studies are expected April 4, 2019, with comments on the drafts due April 18, 2019. The final studies are expected May 1, 2019, at which time parties will have the opportunity to file comments and reply comments by May 8, 2019 and May 14, 2019, respectively. A decision is anticipated by the end of June 2019 so that LSEs like VCE have sufficient time to obtain Flexible resources to meet their Flexible RA procurement requirements for 2020.

- **Additional Information:** [Shell Energy Petition for Modification](#) of D.19-0-022 (March 18, 2019); [D.19-02-022](#) (March 4, 2019); [Amended Scoping Memo and Ruling](#) (January 29, 2019); [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](#).

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

On March 28, 2019, Commissioner Picker and the judge issued a Joint Ruling scheduling two public forums on issues relating to PG&E’s corporate governance and structure. On March 29, 2019, a consultant for the CPUC Safety and Enforcement Division submitted an update evaluating PG&E’s implementation of various recommendations the consultant previously made related to safety.

- **Background:** 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. 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 jointly filed comments, CCAs including VCEA, argued PG&E should improve its electric infrastructure safety outcomes by removing itself from the retail generation business and concentrating its attention and investments on its electric transmission and distribution businesses. CCAs also urged the CPUC to put financial stewardship, responsibility and control over programs such as demand response, energy efficiency and transportation electrification under local control.

- **Details:** Topics to be discussed at the April public forums will include the safety practices of PG&E and alternatives to corporate ownership. Additional forums on other issues, including potential changes to PG&E’s corporate structure, may be scheduled later.

The consultant’s update provides the status of PG&E’s implementation of critical recommendations previously made by the consultant. The consultant found “significant improvements in the safety culture and process of PG&E,” while nonetheless identifying myriad remaining issues. For instance, the consultant found that PG&E developed a corporate safety plan, but it does not include all aspects of safety and PG&E did not review existing safety initiatives in the manner the consultant had recommended. It also notes limited progress has been made on increased supervisory time in the field.

- **Analysis:** Given the broad initial scope, this proceeding could have a range of possible impacts on CCAs and their customers. The scoping memo, while focused on PG&E, raised a series of questions regarding the future of the existing models of electricity generation, transmission and distribution in California and the entities participating in providing these services.
- **Next Steps:** The public forums are scheduled for April 15, 2019, and April 26, 2019.
- **Additional Information:** [Joint Ruling](#) (March 28, 2019); [Joint CCA Comments](#) (February 13, 2019); [Scoping Memo](#) (December 21, 2019); [I.15-08-019](#).

## PCIA Rulemaking

On March 20, 2019, the judge issued a Ruling denying a CalCCA Motion to allow CCAs to file certain confidential data under seal. On March 22, 2019, the judge issued an E-mail Ruling setting an April 4 Working Group Two meeting. On March 26, 2019, Working Group One held a workshop on the Benchmark True-Up and Other Benchmarking Issues. On March 27, 2019 PG&E filed Advice Letter (AL) 5507-E.

- **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.

Applications for Rehearing of the CPUC’s Track 2 Decision remain outstanding, and the CPUC has opened Phase 2 of this proceeding to address additional PCIA issues. The Phase 2 Scoping

Memo and Ruling will primarily rely on a working group process to further develop a number of PCIA-related proposals. It provides that three types of issues are within the Phase 2 scope: (1) issues with the highest priority: Benchmark True-Up and Other Benchmarking Issues; (2) issues to be resolved in early 2020: Prepayment; and (3) issues to be resolved by mid-2020: Portfolio Optimization and Cost Reduction, Allocation and Auction.

- **Details:** The March 20 Ruling denies CalCCA's motion for confidential treatment without prejudice and clarifies that each CCA has to follow the process for claims confidential treatment under D.06-06-066 when submitting confidential data to staff. In this instance, on April 4, 2019, CCAs must submit a declaration under penalty of perjury with the data provided to CPUC staff, establishing the five factors required by D.06-06-066, Ordering Paragraph 2, but no motion is initially required.

The March 22 E-Mail Ruling granted a joint motion by SDG&E, Direct Access Customer Coalition, and Alliance for Retail Energy Markets for an extension to April 4, 2019 to hold the initial Working Group Two (Prepayment) workshop.

AL 5507-E observes that the Phase 1 Decision in this proceeding "has the potential to dramatically change PG&E's energy portfolio position," as adoption of the Brown Power Index true-up changed PG&E's bundled electric customer financial exposure to commodity price risk. A confidential attachment to the AL describes how PG&E will manage its Hedging Plan accordingly. PG&E's hedging costs and benefits would be recorded in the ERRA balancing account for allocation only to bundled electric customers, and CCAs and other departed load customers will not share in any costs or benefits of any future hedging transactions.

- **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:** Protests of AL 5507-E were due April 1, 2019. CCA confidentiality declarations are due April 4, 2019. A Working Group One progress report is due on April 22, 2019, with a workshop scheduled for May 13, 2019, and a report on the Brown Power, RPS and RA true up due May 31, 2019, and a second report on remaining high priority issues due July 1, 2019. The initial Working Group Two workshop was scheduled for April 4, 2019, and progress reports are due May 24, 2019 and July 26, 2019. Working Group Three is expected to begin meeting in April 2019 (date TBD); the IOUs are developing a Procurement Process Reference Guide to distribute at least two weeks in advance of the first workshop. Parties may request evidentiary hearings by filing a motion within ten working days of a working group report being filed. A Proposed Decision (PD) on the Brown Power, RPS and RA true-ups are anticipated in September 2019, with a separate PD issued later Fall 2019 on other Working Group One issues.
- **Additional Information:** [AL 5507-E](#) on PG&E's Bundled Procurement Plan and implementation of its Electric Portfolio Hedging Plan (March 27, 2019); [E-mail Ruling](#) setting an April 4 Working Group Two meeting (March 22, 2019); [Ruling](#) denying CalCCA Motion to allow CCAs to file certain data under seal (March 20, 2019); [Phase 2 Scoping Memo and Ruling](#) (February 1, 2019); [PG&E AL 5440-E](#) (December 10, 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's 2018 Energy Resource and Recovery Account Compliance**

On February 28, 2019, PG&E filed its 2018 Energy Resource and Recovery Account (ERRA) Compliance application. On March 14, 2019, the judge issued a Resolution categorizing the proceeding as a ratesetting.

- **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 ERRA balancing account.
- **Details:** In its application, PG&E requested that the CPUC find that it 2018 PG&E complied with its CPUC-approved Bundled Procurement Plan (BPP) in the areas of fuel procurement, administration of power purchase contracts, greenhouse gas compliance instrument procurement, and least-cost dispatch of electric generation resources, as well as that it managed its utility-owned generation (UOG) facilities reasonably. PG&E also requested recovery of \$4.7 million for Diablo Canyon seismic study costs.
- **Analysis:** This proceeding impacts PG&E’s PCIA and Cost Allocation Mechanism non-bypassable charges paid by CCA customers, as the levels of both are affected by whether PG&E correctly calculated and accounted for the actual costs it incurs and whether it is managing its portfolio of contracts and UOG in a reasonable manner.
- **Next Steps:** Responses to the application are due April 5, 2019.
- **Additional Information:** [Resolution](#) categorizing proceeding as ratesetting (March 14, 2019); [PG&E Application](#) (February 28, 2019); Docket No. [A.19-02-018](#).

## PG&E’s 2019 Energy Resource and Recovery Account Forecast

On March 18, 2019, the CPUC Executive Director approved a PG&E request for an extension to April 18, 2019 to file an advice letter implementing the CPUC’s recent decision.

- **Background:** Energy Resource and Recovery Account (ERRA) forecast proceedings establish the amount of the PCIA and other non-bypassable charges for the following year. More specifically, they determine fuel and purchased power costs associated with serving bundled customers that utilities may recover in rates. The CPUC’s March 2019 Decision (D.19-02-023) granted the brown power true-up for target year 2018, resulting in a total 2019 PCIA revenue requirement that decreases further from the \$1.043 billion in the Proposed Decision (PD), which itself was a decrease of \$122 million. It also revised the methodology for calculating the brown power true-up, which will likely reduce the amount of the true up compared to original estimates. The exact further amount of the reduction will be determined in an advice letter to be filed by PG&E in mid-April. It also rejected 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.
- **Details:** PG&E asserted that it needs more time to complete its analysis of “millions of data points” for calculating the Brown Power true-up required by D.19-02-023, as well as to develop an auditable process for accumulating the CAISO transaction information on a vintage basis, as the Portfolio Allocation Balancing Account established in D.18-10-019 is not yet approved.
- **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. Any under or over-collections between January 1, 2019 and the date of the PG&E’s Annual Electric True-Up implementing the ERRA (currently anticipated May 1, 2019) will be recovered in 2020 rates.
- **Next Steps:** PG&E will file an advice letter on April 18, 2019, to implement the changes associated with D.19-02-023. The delay in the filing of the Tier 2 Advice Letter implementing D.19-02-023 means new 2019 PCIA rates will not be implemented until at least July 1, 2019 via a third version of its Annual Electric True-Up (AET-C). If resolution of the Tier 2 Advice Letter does not occur prior to July 1, 2019, AET-C may not be filed until September 1, 2019. PG&E has stated informally it will file an AET-B on May 1, 2019, that will include updated transmission rates only. AET-A was filed with an effective date of March 1, 2019.

- **Additional Information:** Executive Director Letter (emailed to service list March 18, 2019); [D.19-02-023](#) (March 4, 2019); [PG&E's Application](#) (June 1, 2018); [PG&E's Testimony](#) (June 1, 2018); Docket No. [A.18-06-001](#).

## PG&E Phase I General Rate Case (GRC)

On March 8, 2019, Commissioner Picker issued a Scoping Memo and Ruling. On March 25, 2019, PG&E filed revised testimony on real estate. On March 29, 2019, the CPUC Executive Director granted PG&E's request for an extension in filing its Phase 2 GRC from August 1, 2019 to November 22, 2019.

- **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.

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.

- **Details:** The Scoping Memo and Ruling provides a detailed procedural schedule for the remainder of this proceeding.
- **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:** Public Advocates Office testimony is due June 28, 2019, followed by intervenor testimony on July 26, 2019. Public participation hearings will be held in July/August 2019. An evidentiary hearing is scheduled to begin September 23, 2019. A proposed GRC Phase 1 decision is targeted for Q1 2020. PG&E will propose its cost allocation and rate design in its 2020 GRC Phase 2 proceeding, which PG&E plans to file by November 22, 2019.



- **Additional Information:** [Scoping Memo and Ruling](#) (March 8, 2019); [Joint CCAs' Protest](#) (January 17, 2019); [Application](#) and [PG&E GRC Website](#) (December 13, 2018); [A.18-12-009](#).

## Renewables Portfolio Standard (RPS) Rulemaking

On March 11, 2019, parties filed reply comments in response to a February 11, 2019 Ruling on the method of establishing the procurement quantity requirements for compliance periods subsequent to 2030. On March 15, 2019, PG&E filed its Final, Conforming 2018 RPS Procurement Plan.

- **Background:** On February 28, 2019, the CPUC issued D.19-02-007, approving RPS Procurement Plans filed in 2018 by LSEs, including VCE. Remaining issues to be addressed in this proceeding are threefold: (1) implementing existing and new statutory requirements (*e.g.*, SB 100) 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:** N/A.
- **Analysis:** D.19-02-007 issued in February 2019 affects VCE's RPS compliance obligations in 2019 and thereafter. Additionally, remaining issues in this proceeding could 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), and details such as the straight-line methodology, reviewing and revising RPS penalty rules and confidentiality rules, and potentially increasing the RPS procurement percentage for later compliance periods.
- **Next Steps:** 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:** [PG&E Final, Conforming 2018 RPS Procurement Plan](#) (March 15, 2019); [D.19-02-007](#) (February 28, 2019); [Ruling](#) requesting comments on SB 100 implementation (February 11, 2019); [Scoping Ruling](#) (November 9, 2018); [D.18-11-004](#) on interconnection rules in the BioMAT program per AB 1923 (November 8, 2018); [Ruling](#) on revised RPS Procurement Plans (September 19, 2018); [Order Instituting Rulemaking](#) (July 23, 2018); [R.18-07-003](#).

## 2018 Rate Design Window (RDW)

On March 8, 2019, parties filed Phase IIB reply briefs. On March 29, 2019, PG&E, SCE and SDG&E filed supplemental testimony on their Phase III fixed charge proposals.

- **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. A December 2018 Phase IIA Decision addressed PG&E restructuring of the CARE discounts into a single line item percentage discount to the customer's total bill.

The proceeding is currently focused on Phase IIB and Phase III. Phase IIB addresses PG&E's 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 considers the IOUs' proposals for fixed charges and/or minimum bills.

- **Details:** PG&E's Phase III supplemental testimony updates its calculations to reflect tax-related changes based on the Internal Revenue Code and provides as a single, stand-alone exhibit for all the Phase III fixed charge showings. Adoption of a residential monthly fixed charge will take effect

no earlier than one year after the expected October 2020 start of PG&E's full roll-out of default TOU rates. In its initial updated testimony, PG&E is now proposing that the delivery minimum bill amount remain at its current \$10 level until 2022, rather than being increased to \$15 as it had initially proposed, and then be replaced with a fixed charge. For rate schedules E-TOU-C, E-TOU-B and E-1, PG&E's updated proposed fixed charge, \$7.10 per month, is a reduction from its initial \$7.40 per month proposal. PG&E proposes to introduce its fixed charge in two phases, implementing half the amount in 2022 (\$3.55 per month) and the remaining half in 2023.

- **Analysis:** This proceeding will impact the timing, details, and implementation of residential TOU rates for bundled PG&E customers as well as VCE customers via rate design changes to the distribution component of customer bills. It could affect the level of VCE's rates compared to PG&E's, and to the extent VCE mirrors PG&E's residential rate design, lead to changes in the way VCE structures its residential rates.
- **Next Steps:** In Phase IIB, a Proposed Decision is expected in June 2019. In Phase III, intervenor testimony is due May 31, 2019 and rebuttal testimony due June 28, 2019, with evidentiary hearings scheduled for August 5-16, 2019. Phase III briefs and reply briefs, respectively, are due September 13, 2019, and October 4, 2019, with a Proposed Decision expected in Q1 2020.
- **Additional Information:** PG&E Phase III revised testimony on fixed charges (March 29, 2019); [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).

## 2019 RDW

On March 5, 2019, parties filed a settlement agreement that would resolve all issues in the proceeding. The judge issued a Ruling on March 13, 2019, establishing a procedural schedule and directing PG&E to file additional information, which it did on March 25, 2019.

- **Background:** The filing stems from PG&E's recently completed 2017 Phase 2 general rate case (GRC), 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 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. PG&E states that its 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 on an opt-in basis, and avoid customer confusion (i.e., by adopting the 2017 GRC rates only to have them replaced soon thereafter).
- **Details:** Settling Parties agreed to rate modifications to the 2017 GRC Phase 2 rates proposed in PG&E's 2019 RDW testimony, including the addition of time-of-use differentiation to the distribution component, modification of Schedule AG-C demand charges, and addition of a higher load factor rate for customers under 35 kW. As part of a transition from connected load to metered demand (which can adversely affect some agricultural customers when their metered demand exceeds their connected load used for billing), parties also agreed to transition all AG-A customers who are not highly-impacted to the new 2019 RDW rates in March 2021, and to transition all highly-impacted AG-A customers to the new 2019 RDW rates in March 2022. **However, highly impacted customers are not eligible for this delay in transitioning to new rates if they are CCA, direct access, or net metering customers.**

The judge's Ruling eliminated a deadline for rebuttal testimony and canceled the evidentiary hearing, and instead directed PG&E to file additional clarifying information on the proposed Settlement by March 25.

- **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 Proposed Decision and final Decision are anticipated in Q2 2019.
- **Additional Information:** [Ruling](#) setting procedural schedule (March 13, 2019); [Settlement Agreement](#) (March 5, 2019); [Scoping Memo and Ruling](#) (January 24, 2019); [PG&E Application](#) (November 26, 2018); [A.18-11-013](#).

## Wildfire Cost Recovery Methodology Rulemaking

On March 29, 2019, Commissioner Picker issued a Scoping Memo and Ruling.

- **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." Costs that would ordinarily be disallowed as not being "just and reasonable" may not exceed this maximum amount. This proceeding will implement the provisions of SB 901 by adopting criteria and a methodology for use by the CPUC in future applications for cost recovery of wildfire costs. The OIR will not adopt a specific financial outcome for purposes of cost recovery in a future wildfire cost recovery application by a utility. Furthermore, the scope of this proceeding does not include the consideration of cost recovery for any specific wildfire.

PG&E argued in its comments on the OIR that its threshold should be based on the amount of debt it can carry, as it is unable to raise equity at this time. PG&E argued that given its distressed state, the CPUC should set the threshold to allow it to achieve a BBB- rating (on S&P's scale) after it emerges from Chapter 11 bankruptcy, and an A- rating over time.

- **Details:** The Scoping Memo and Ruling establishes the procedural schedule, with dates specified for April 2019. It also denied a joint motion filed earlier in March 2019 by Wild Tree Foundation, The Utility Reform Network, Mussey Grade Road Alliance, Protect Our Communities Foundation, and the City and County of San Francisco, who had requested public participation hearings in this proceeding.
- **Analysis:** This proceeding will establish the methodology the CPUC will then use to determine, in a separate proceeding, the specific costs that PG&E may recover associated with 2017 or future wildfires.
- **Next Steps:** A CPUC Staff Report will be published by April 5, 2019, and a workshop addressing the Staff Report will be held on April 10, 2019. Comments and reply comments, respectively, are due April 19, 2019, and April 26, 2019. No evidentiary hearing will be held.
- **Additional Information:** [Scoping Memo and Ruling](#) (March 29, 2019); [Order Instituting Rulemaking](#) (January 18, 2019); [R.19-01-006](#). See also [SB 901](#), enacted September 21, 2018.

## Utility Wildfire Mitigation Plans Rulemaking

On March 8, 2019, the IOUs filed responses to the judge's March 5 Ruling requesting additional information on their Wildfire Mitigation Plans. Intervenor comments on the Wildfire Mitigation Plans were filed March 13, 2019, and utility reply comments were filed March 22, 2019. On March 21-22, 2019, the CPUC co-hosted a Wildfire Technology Innovation Summit.

- **Background:** This proceeding implements electric utility Wildfire Mitigation Plans pursuant to SB 901 (2018). PG&E's Wildfire Mitigation Plan provides for an expanded use by PG&E of its Public Safety Power Shutoff (PSPS) program to prevent wildfires from occurring during extreme weather events and dry vegetation conditions, with the number of electric customer premises potentially impacted by PSPS events increasing year-over-year from 570,000 to 5.4 million. The Plan also

includes increasing vegetation management (removing 375,000 trees in 2019, up 235% from 2017); more frequent inspections of transmission and distribution system infrastructure; 150 circuit miles of system hardening (e.g., undergrounding power lines); enhanced situational awareness through additional weather stations and cameras; and resilience zones. PG&E plans to use pre-installed interconnection hubs (PIH), to be able to quickly and safely connect temporary mobile generation to energize an isolated Resilience Zone to provide service to central community resources like grocery stores when PG&E de-energizes power lines in the area due to wildfire risk conditions. PG&E suggested that the PIHs could evolve into Resilience Zone Microgrids over time, as preferred resource combinations begin to meet technical requirements, and as PG&E's capability to operate these systems matures.

- **Details:** Intervenors continue to conduct discovery and the utilities are publicly posting discovery responses on a weekly basis. PG&E is providing weekly updates (every Monday) to its data site containing discovery responses.
- **Analysis:** PG&E's Wildfire Mitigation Plan establishes its management approach to preventing wildfires in the future and includes provisions impacting the quality of service experienced by VCE customers (e.g., PG&E's procedures for de-energizing electrical lines) and costs paid by VCE customers (e.g., PG&E's expenditures related to maintaining its transmission and distribution systems are paid by all distribution customers, including VCE customers).
- **Next Steps:** The CPUC is expected to issue a decision approving the IOUs' Wildfire Mitigation Plans within three months of their submission (i.e., May 6, 2019).
- **Additional Information:** [PG&E Response](#) to Second Ruling (March 8, 2019); [Second Ruling](#) seeking additional information on Wildfire Mitigation Plans (March 5, 2019); [PG&E Response](#) providing additional information on wildfire mitigation plan (February 26, 2019); [Ruling](#) seeking additional information on Wildfire Mitigation Plans (February 21, 2019); [PG&E Wildfire Mitigation Plan](#) (February 6, 2019); [Ruling](#) on independent evaluator (January 30, 2019); [Scoping Memo and Ruling](#) (December 7, 2018); [Order Instituting Rulemaking](#) (October 25, 2018); [R.18-10-007](#).

## Other Regulatory Developments

- **PG&E Advice Letter on CCA Financial Security Requirements.** PG&E provided notice via email that its advice letter setting financial security requirements for CCAs ([AL 5423-E](#)) was suspended for up to 120 days beginning December 13, 2018 (i.e., through April 12, 2019).
- **Rulemaking on De-Energization to Prevent Wildfires.** On March 28, 2019, the CPUC issued a [Ruling](#) requesting comments by April 8, 2019, on the incorporation of recently adopted state Alert and Warning Guidelines into the record of its investigation of rules governing de-energization of power lines during dangerous conditions. For reference, the guidelines (attached to the Ruling) are intended to plot out a comprehensive alert and warning program as a critical component of communities' ability to effectively respond to emergencies. Phase 1 of the proceeding addressing notice and communication issues is ongoing, expected to result in the issuance of a Proposed Decision in late April 2019.