VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 8

To: Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Regulatory Monitoring Report – Keyes & Fox

Date: May 13, 2021

Please find attached Keyes & Fox's April 2021 Regulatory Memorandum dated May 5, 2021, 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 5, 2021.

KEYES&FOX LLP

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 5, 2021

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:

- **PCIA Rulemaking:** On April 5, 2021, the ALJ issued a Proposed Decision in Phase 2. Parties filed comments and replies in response to the PD on April 26, 2021, and May 3, 2021. On May 5, 2021, Energy Division staff facilitated a workshop on the Prepayment Frameworks pursuant to D.20-08-004. The CPUC also issued D.21-03-051 at the end of March, granting a petition for modification filed by the IOUs of D.18-10-019 that was unopposed by CalCCA or other parties.
- **Provider of Last Resort Rulemaking:** Parties submitted comments in response to the CPUC's Order Instituting Rulemaking opening this proceeding to address issues regarding the provider of last resort.
- **2022-2023 Wildfire Fund Nonbypassable Charge Rulemaking:** A prehearing conference was held April 26, 2021.
- **PG&E's 2020 ERRA Compliance:** A group of CCAs and the Public Advocates Office filed Protests of PG&E's 2020 ERRA Compliance application, and a prehearing conference was held on April 29, 2021.
- **IRP Rulemaking:** The ALJ issued a Ruling setting August 1, 2021, as the compliance filing deadline for LSEs to provide updated information on their required procurement to avoid backstop procurement. Parties also filed reply comments in response to the February 22, 2021 ALJ Ruling that provided the results of staff's analysis on mid-term reliability and proposed a new 7,500 MW by 2025 procurement mandate that would be allocated across LSEs.
- **Ensuring Summer 2021 Reliability:** A workshop on Non-IOU CPP Programs and Alternative Load Shedding Programs was held. Following the workshop, President Batjer requested via a staff email to the service list to hear from the CCAs on what load shed programs they are intending to have in place this summer to help the CPUC better understand this summer's load shed capabilities. Several parties filed applications for rehearing of D.21-03-056, challenging the

CPUC's approval of the use of diesel backup generation in demand response programs, among other determinations. The ALJ and Assigned Commissioner issued a Ruling stating that the CPUC anticipates that a proposed order may be brought to the CPUC for a vote soon to modify D.21-03-056 to clarify certain identified inconsistencies. OhmConnect subsequently requested the opportunity to file comments in response to this ruling prior to the CPUC voting on changes.

- **RPS Rulemaking:** The ALJs issued a Ruling denying as premature the Joint IOUs' request for an extension to the filing deadline for Retail Sellers' draft 2021 RPS Procurement Plans. Subsequently, EBCE also requested a one-month extension, which is currently pending. The ALJs separately issued a Ruling requesting information from parties regarding several outstanding petitions to modify D.12-05-035 and D.13-05-034, which adopted and modified the Renewable Market Adjusting Tariff (ReMAT) Program. The ALJ clarified the questions in the Ruling and extended the deadlines for filing comments and replies on the ReMAT program through subsequent Ruling. The CPUC also issued Draft Resolution E-5143, which would modify the RPS citation rules and penalty amounts for non-compliance.
- **RA Rulemaking (2021-2022):** The ALJ issued a Ruling modifying the Track 4 schedule with respect to the Flexible Capacity Needs Assessment. CAISO issued its Draft 2022 Flexible Capacity Needs Assessment on April 21, 2021. The CPUC announced that Energy Division Staff will host an exploratory workshop on May 25, 2021, to discuss ideas for advanced DER and flexible load management. The IOUs held workshops on their 2021 Load Impact Protocol Final Reports and a separate workshop was held on third-party Load Impact Protocols Final Reports. Parties filed comments in response to Energy Division's Demand Response Proposal. Finally, CAISO filed its 2022 Final Local Capacity Technical Study Report on April 30, 2021.
- **PG&E's Phase 2 GRC:** PG&E filed motions requesting approval of settlements reached on revenue allocation, agricultural rate design, commercial and industrial rate design, and the economic development rate. The CPUC held an evidentiary hearing on non-RTP issues throughout April.
- **PG&E Regionalization Plan**: Parties filed comments and replies on PG&E's updated regionalization plan. The ALJ also provided notice of a May 18, 2021 status conference.
- **PG&E's 2019 ERRA Compliance:** No updates this month. On March 25, 2021, PG&E filed a Motion to reopen the record of the proceeding to correct a table in PG&E's testimony, which the Joint CCA parties did not oppose.
- **Direct Access Rulemaking**: No updates this month. On October 16, 2020, and October 26, 2020, respectively, parties filed comments and replies in response to the ALJ Ruling providing a Staff Report and recommendation to the Legislature regarding a potential additional expansion of direct access for nonresidential customers.
- **RA Rulemaking (2019-2020):** No updates this month. Two applications for rehearing remain the only outstanding items to be addressed in this proceeding, which is now closed.
- **Investigation into PG&E's Organization, Culture and Governance:** No updates this month. On November 24, 2020, CPUC President sent a letter to PG&E indicating that she has directed CPUC staff to conduct fact-finding to determine whether to recommend that PG&E be placed into the enhanced oversight and enforcement process.
- **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.

PCIA Rulemaking

On March 26, 2021, the CPUC issued D.21-03-051, granting a petition for modification filed by the IOUs of D.18-10-019 that was unopposed by CalCCA or other parties. On April 5, 2021, the ALJ issued a

Proposed Decision in Phase 2. Parties filed comments and replies in response to the PD on April 26, 2021, and May 3, 2021. On May 5, 2021, Energy Division staff facilitated a workshop on the Prepayment Frameworks pursuant to D.20-08-004.

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

  D.20-08-004, in response to the recommendations of Working Group 2, (1) adopted the consensus framework of PCIA prepayment agreements; (2) adopted the consensus guiding principles, except for one principle regarding partial payments; (3) adopted evaluation criteria for prepayment agreements; (4) did not adopt any proposed prepayment concepts; and (5) clarified that risk should be incorporated into the prepayment calculations by using mutually acceptable terms and conditions that adequately mitigate the risks identified by Working Group Two.

- **Details**: The PD would (1) remove the cap and trigger for PCIA rate increases, (2) authorize new Voluntary Allocation, Market Offer, and Request for Information processes for RPS contracts subject to the PCIA, (3) approve a process for increasing transparency of IOU RA resources, and (4) authorize SCE to continue to apply the approach to greenhouse-gas free resources approved in Resolution E-5095 through December 31, 2023.

  Voluntary Allocations of RPS resources would include the following features: (a) LSEs may elect to take a short-term allocation, a long-term allocation, or may choose to decline all or a portion of their allocation; (b) each election will be made in 10% increments of the LSE's forecasted annual load share; (c) LSEs electing to accept allocations will be required to pay the applicable year's market price benchmark for attributes received and may be required to meet certain credit or collateral requirements, netting agreements or other commercial arrangements; (d) long-term allocations will last through the end of the term of the longest contract in the PCIA vintage, with the exclusion of evergreen contracts and utility-owned generation resources, and once accepted, the LSE may not decline its long-term allocation election in future years; (e) an LSE's long-term allocation election must be set at a fixed percentage of its forecasted, vintaged, annual load share, with the LSE's forecasted vintaged, annual load shares and the RPS energy deliveries changing from year to year based on the updated forecasts of vintaged, annual loads and the actual RPS energy volumes realized in each year of the allocation term; and (f) LSEs must not be able to resell Voluntary Allocation shares of RPS energy.

  The Market Offers of RPS resources must include the following features: (a) the Market Offer must offer for sale all PCIA -eligible RPS energy remaining after a Voluntary Allocation; (b) the Market Offer process must be based upon existing processes, rules, oversight requirements, and reporting requirements for REC solicitations previously approved in the CPUC's RPS proceeding; and (c) the Market Offer process should include rules for utility participation in solicitations they administer.

  D.21-03-051 granted a Petition for Modification filed by the IOUs modify D.17-08-026 and adopting their proposed updates to Appendix A, the PCIA Workpaper Template. The adopted updates remove the application of line losses to the capacity volumes and utilize energy volumes measured at the generator meter instead of the customer meter for the PCIA calculation. CalCCA did not oppose the changes.

- **Analysis**: The PD would eliminate the cap-and-trigger framework for PCIA changes, with the IOUs directed to address projected 2021 year-end PCIA cap undercollection account balances in their 2022 ERRA forecast applications. Further, the PD denies certain proposals for Working Group 3. Importantly, the current PCIA calculation does not fully value certain of the IOUs' portfolio attributes, but the PD would reject the allocation of these valuable PCIA attributes to CCAs as proposed by Working Group 3. Requiring unbundled customers to pay for attributes they do not receive violates the prohibition in §365.2 of the California Public Utilities Code against cost shifting between bundled and unbundled customers. The PD would also largely allow the IOUs to avoid any consequences for failing to optimize their above-market portfolios, including an IOU decision to simply decline all offers to buy out current above-market contracts. The PD also fails to take on meaningful reform to the problematic ERRA forecast proceeding timelines and transparency issues, opting to delay ruling on those issues until a later decision. CalCCA, the Joint CCAs (SCP, MCE, SVCE and PCE), and the San Diego CCAs all filed comments pushing back on these issues.

- **Next Steps**: The CPUC is scheduled to vote on the PD at it May 6, 2021, meeting.
- **Additional Information**: Proposed Decision (April 5, 2021); D.21-03-051 granting petition to modify D.17-08-026 (March 26, 2021); Amended Scoping Memo and Ruling (December 16, 2020); CalCCA/DACC/AReM Protest of PG&E AL 5973-E (November 2, 2020); PG&E AL 5973-E (October 12, 2020); CalCCA/DACC Response to Joint IOU AL on D.20-03-019 (September 21, 2020); Joint IOUs PFM of D.18-10-019 (August 7, 2020); D.20-08-004 on Working Group 2 PCIA Prepayment (August 6, 2020); D.20-06-032 denying PFM of D.18-07-009 (July 3, 2020); D.20-03-019 on departing load forecast and presentation of the PCIA (April 6, 2020); Ruling modifying procedural schedule for working group 3 (January 22, 2020); D.20-01-030 denying rehearing of D.18-10-019 as modified (January 21, 2020); D.19-10-001 (October 17, 2019); Phase 2 Scoping Memo and Ruling (February 1, 2019); D.18-10-019 Track 2 Decisions adopting the Alternate Proposed Decision (October 19, 2018); D.18-09-013 Track 1 Decision approving PG&E Settlement Agreement (September 20, 2018); Docket No. R.17-06-026.

Provider of Last Resort Rulemaking

On April 26, 2021, parties submitted comments in response to the CPUC's Order Instituting Rulemaking opening this proceeding to address issues regarding the provider of last resort (POLR).

- **Background**: A POLR is the utility or other entity that has the obligation to serve all customers (e.g., PG&E is currently the POLR in VCE's territory). In 2019 the Legislature passed SB 520, which defined POLR for the first time in statute, confirmed that each IOU is the POLR in its service territory, and directed the Commission to establish a framework to allow other entities to apply and become the POLR for a specific area (a "Designated POLR"). This rulemaking will implement SB 520. It provides for a two-phased rulemaking so that the POLR requirements for the current POLRs can be established prior to addressing a framework for a Designated POLR. Phase 1 will focus on the issues necessary for a comprehensive framework for the existing POLRs (IOUs). It will address POLR service requirements, cost recovery, and options to maintain GHG emission reductions in the event of an unplanned customer migration to the POLR. Phase 2 will set rules that allow a different entity (i.e., a CCA, ESP, or a third-party) to be designated as POLR, including setting the requirements and application process. Emergent issues and cross-over issues will be considered in both phases depending on the circumstances.
- **Details**: CalCCA's opening comments provided the following recommendations:
    - The POLR should provide service for a short duration (three – six months) from short term procurement with costs allocated to those that receive POLR service.
    - Existing structures (e.g., Financial Security Requirements, Transitional Bundled Service, System RA Waiver for the POLR in limited circumstances, etc.) can be used directly while others can be expanded or adjusted for the purpose of addressing POLR needs (e.g., Load Transfer and CCA implementation time frames and processes).
    - CPUC should examine ways in which retail providers could voluntarily take on customer service from defaulting LSEs in a "next to last provider" arrangement which could obviate or reduce the need for a POLR.

  - CPUC should ensure that rules regarding procurement are imposed equitably on all LSEs such that the requirements are stable and transparent in a manner that LSEs can procure as necessary to comply with requirements while providing reliable, affordable, and environmentally sound resources in a manner that minimizes the risk of LSE default.

- **Analysis**: This proceeding could impact VCE in several ways. First, in establishing rules for existing POLRs, it will address POLR service requirements, cost allocation, and cost recovery issues should a CCA or other LSE discontinue supplying customers resulting in the need for the POLR to step in to serve those customers. Second, in setting the requirements and application process for another entity to be designated as the POLR, it could create a pathway for a CCA or other retail provider to elect to become a POLR for its service area. The preliminary questions (Appendix B to the OIR) suggest these issues will include examining topics such as CCA financial security requirements, portfolio risk and hedging, CCA deregistration, CCA mergers, and CCA insolvency.
- **Next Steps**: Reply comments are due on May 10, 2021. A scoping memo and ruling is anticipated thereafter.
- **Additional Information**: Order Instituting Rulemaking (March 25, 2021); Docket No. R.21-03-011.

2022-2023 Wildfire Fund Nonbypassable Charge Rulemaking

A prehearing conference was held April 26, 2021.

- **Background**: This rulemaking continues to implement AB 1054, which extended a non-bypassable charge on ratepayers to fund the Wildfire Fund. The CPUC issued D.20-12-024 in December 2020 that continues the Wildfire Non-Bypassable Charge (NBC) amount of $0.00580/kWh for January 1, 2021, through December 31, 2021. The NBC amount of 2022 and 2023 will be established in this proceeding.
- **Details**: This rulemaking will determine the 2022 and 2023 Wildfire Fund Non-Bypassable Charge amount.
- **Analysis**: VCE customers will pay the 2022 and 2023 Wildfire Fund Non-Bypassable Charge amounts established in this proceeding.
- **Next Steps**: The issuance of the scoping memo and ruling is listed anticipated soon. A proposed decision is expected in November, with the final decision in December.
- **Additional Information**: Order Instituting Rulemaking (March 10, 2021); Docket No. R.21-03-001.

PG&E 2020 ERRA Compliance

On April 19, 2021, a group of CCAs and the Public Advocates Office filed Protests of PG&E's 2020 ERRA Compliance application. A prehearing conference was held on April 29, 2021.

- **Background**: The annual ERRA Compliance proceeding reviews the utility's compliance with CPUC-approved standards for generation-procurement and cost recovery activity occurring in the preceding year, such as energy resource contract administration, least-cost dispatch, fuel procurement, and balancing account entries.
- **Details**: PG&E is requesting that the CPUC find it complied with its Bundled Procurement Plan (BPP) in the areas of fuel procurement, administration of power purchase contracts, greenhouse gas compliance instrument procurement, resource adequacy sales, and least-cost dispatch of electric generation resources for the 2020 calendar year. It also seeks a CPUC finding that it managed its utility-owned generation (UOG) facilities reasonably, although it recommends that

CPUC review of outages at Diablo Canyon Power Plant related to the Unit 2 main generator be delayed to the 2021 ERRA Compliance review. Of significance to the PCIA, PG&E is requesting the CPUC find that entries in its Portfolio Allocation Balancing Account (PABA), which trues up the above-market forecast of generation resources recovered through the PCIA with actual recorded costs and revenues, are accurate.

PG&E's procurement costs recorded across the portfolio were $158.8 million higher than forecasted, allegedly due to higher-than-forecast RPS-eligible contracts, as offset by higher than forecast retained RPS and retained RA, as well as lower than forecast fuel costs for UOG facilities. Activity recorded in the PABA includes the following categories: Revenues from Customers, RPS Activity, RA Activity, Adopted UOG Revenue Requirements, CAISO Related Charges and Revenues, Fuel Costs, Contract Costs, GHG Costs, and Miscellaneous Costs. PG&E has redacted as confidential its 2020 actual and forecast costs for these categories, so it is unclear from the public filing what the magnitude is regarding the difference between actual and forecast costs for each category.

- **Analysis**: This proceeding addresses PG&E's balancing accounts, including the PABA, providing a venue for a detailed review of the billed revenues and net CAISO revenues PG&E recorded during 2020. It also determines whether PG&E managed its portfolio of contracts and UOG in a reasonable manner. Both issues could impact the level of the PCIA in 2022.
- **Next Steps**: A scoping memo and ruling is anticipated to be issued next.
- **Additional Information**: Application (March 1, 2021); Docket No. A.21-03-008.

IRP Rulemaking

On April 9, 2021, the ALJ issued a Ruling setting August 1, 2021, as the compliance filing deadline for LSEs to provide updated information on their required procurement to avoid backstop procurement. Also on April 9, 2021, parties filed reply comments in response to the February 22, 2021 ALJ Ruling that provided the results of staff's analysis on mid-term reliability and proposed a new 7,500 MW by 2025 procurement mandate that would be allocated across LSEs.

- **Background**: On September 1, 2020, LSEs including VCE filed their 2020 IRPs, which included updates on each LSE's progress towards completing additional system RA procurement ordered for the 2021-2023 years under D.19-11-016.

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

  - General IRP oversight issues: This track will consider moving from a two-year to a three-year IRP cycle, IRP filing requirements, and interagency work implementing SB 100.
  - Procurement track: The CPUC is examining LSE plans to replace Diablo Canyon capacity and has conducted an overall assessment and gap analysis to inform a procurement order that could direct LSEs to procure additional capacity (see February 22 Ruling described below). Other issues to be addressed in this track include (1) evaluation of development needs for long-duration storage, out-of-state wind, offshore wind, geothermal, and other resources with long development lead times; (2) local reliability needs; and (3) analysis of the need for specific natural gas plants in local areas. Additional procurement requirements may also be considered.
  - Preferred System Portfolio Development: The CPUC will aggregate LSE portfolios, analyze the aggregate portfolio, and adopt a PSP.
  - TPP: *Completed*. D.21-02-028 transmitted portfolios to the CAISO for use in its TPP analysis.
  - Reference System Portfolio Development: To the extent that a new round of RSP analysis is conducted for the next IRP cycle, this proceeding will be the venue for

developing and vetting the resource assumptions associated with that analysis in preparation for the next IRP cycle.

D.20-12-044 established a backstop procurement process that would apply to LSEs that did not opt-out of self-procuring their capacity obligations under D.19-11-016. It requires LSEs to file bi-annual (due February 1 and August 1) updates on their procurement progress relative to the contractual and procurement milestones defined in the decision. After review of the compliance filings, CPUC Staff will bring a Resolution before the Commission specifying the amount of backstop procurement required for a particular IOU on behalf of each LSE for each procurement tranche (2021, 2022, and 2023).

The February 22, 2021, Ruling presents the results of analysis by CPUC staff of the need for electric system reliability resources out to 2026, taking into consideration both the reliability issues experienced in August 2020 as well as the forthcoming retirement of Diablo Canyon. The Ruling proposes mandating that LSEs procure an additional 7,500 MW of effective capacity by 2025. Of that total, at least 1,000 MW would be required to come from geothermal resources and 1,000 MW would be required to come from long-duration storage (defined as providing 8 hours of storage or more). The Ruling would allocate individual LSE procurement requirements by calculating each LSE's load and resource balance for each year through 2026 to determine their resource shortfall, if any, and then apportioning their responsibility for the overall procurement need based on that shortfall relative to that of the other LSEs (as reported in the LSE's 2020 IRP, which is based on an LSE's existing resources and those in development as of June 30, 2020). All LSEs would be required to procure their share of additional resources (i.e., there is no option for LSEs to opt-out and have the IOUs procure on their behalf, for example), and there would be a noncompliance penalty set at the cost of new entry, plus the LSE would be responsible for the costs of backstop procurement. For compliance purposes, eligible resources would be those that are contracted and approved by VCE's board after June 30, 2020. A compliant resource may not also be used to satisfy an LSE's procurement obligation under D.19-11-016.

- **Details**: Under prior CPUC decisions, LSEs had been anticipating a May 1, 2021, deadline to file updated procurement data. The April 9, 2021 Ruling extends that deadline for 2021 until August 1. However, LSE that becomes aware of a material change to its procurement status affecting its ability to meet the August 1, 2021 procurement targets of D.19-11-016, should notify CPUC staff informally as soon as practical after becoming aware of the change, and should make a formal compliance filing in this docket describing the change.

  In comments filed in response to the February 22 Ruling, CalCCA argued for a procurement mandate of 7,090 MW of incremental resources with a firm commitment to end reliance on simple "stack analyses" and to return to a more rigorous analysis of resource needs for the future. It also advocated for the adoption of a peak share allocation methodology for the ordered procurement, or alternatively, a contract position methodology that allocates PCIA portfolio resources to all LSEs whose customers pay the costs of these resources through the PCIA. It urged the CPUC to reject the proposal for technology mandates, including the geothermal and long-duration storage requirements and, instead, direct procurement based on the resource characteristics needed to achieve reliability. It also recommended maximizing the flexibility within the procurement order to rely on demand response and behind-the-meter resources for compliance and developing a calculator to quantify the value of behind-the-meter resources used for compliance.

- **Analysis**: The February 2021 Ruling's proposal for a new 7,500 MW by 2025 procurement mandate could impose a new procurement obligation and associated compliance obligations on VCE, including procurement of long-duration storage and geothermal resources. CalCCA pushed back on some of the specifics of the proposed new procurement mandate, including the geothermal and long-duration storage carve-outs and the methodology employed by the CPUC to determine the overall resource need, although it did not oppose the new resource procurement mandate generally. For the Ruling to take effect, it will need to first be issued through a proposed decision, after which parties will have the opportunity to provide additional comments, and then adopted by the CPUC through the issuance of a final decision.

- **Next Steps**: The schedule is as follows:

   - General IRP oversight issues: A Proposed Decision on moving from two-year to three-year IRP cycle is anticipated to be issued soon.
   - Procurement track: A proposed decision regarding the February 22 Ruling that proposed a 7,500 MW by 2025 procurement mandate is anticipated to be issued soon.
   - Preferred System Portfolio Development: A ruling proposing PSP, procurement, and the 2022-23 TPP portfolio is anticipated in Q2 2021, followed by a proposed decision in Q3 2021.

- **Additional Information**: Ruling Setting August 1, 2021 Procurement Compliance Deadline (April 9, 2021); Ruling on staff reliability analysis and 7,500 MW by 2025 procurement mandate (February 22, 2021); D.21-02-028 recommending portfolios for CAISO's 2021-2022 TPP (February 17, 2021); D.20-12-044 establishing a backstop procurement process (December 22, 2020); Ruling requesting comments on IRP evaluation (December 8, 2020); Ruling providing Staff Proposal on resource procurement framework (November 19, 2020); Email Ruling requesting comments on individual LSE IRPs (October 9, 2020); Scoping Memo and Ruling (September 24, 2020); Resolution E-5080 (August 7, 2020); Ruling on IRP cycle and schedule (June 15, 2020); Ruling on backstop procurement and cost allocation mechanisms (June 5, 2020); Order Instituting Rulemaking (May 14, 2020); Docket No. R.20-05-003.

Ensuring Summer 2021 Reliability

On April 6, 2021, a Workshop on Non-IOU CPP Programs and Alternative Load Shedding Programs was held. Following the workshop, President Batjer requested via an email from staff to the service list to hear from the CCAs on what load shed programs they are intending to have in place this summer to help the CPUC better understand this summer's load shed capabilities. On April 26, 2021, CAlifornians for Renewable Energy; Protect Our Communities Foundation; and California Environmental Justice Alliance, Union of Concerned Scientists, and Sierra Club filed applications for rehearing of D.21-03-056, challenging the CPUC's approval of the use of diesel backup generation in demand response programs, among other determinations. On April 27, 2021, the ALJ and Assigned Commissioner issued a Ruling stating that the CPUC anticipates that a proposed order may be brought to the CPUC for a vote soon to modify D.21-03-056 to clarify certain identified inconsistencies. OhmConnect subsequently requested the opportunity to file comments in response to this ruling prior to the CPUC voting on changes.

- **Background**: CAISO experienced rolling blackouts (Stage 3 Emergency) on August 14, 2020 and August 15, 2020 when a heatwave struck the Western U.S. and there was insufficient available supply to meet high demand. The OIR was issued to ensure reliable electric service in the event that an extreme heat storm occurs in the summer of 2021.

  The Scoping Memo and Ruling identified two primary issues as in scope: how to (1) increase energy supply and (2) decrease demand during the peak demand and net demand peak hours in the event that a heat storm similar to the August 2020 storm occurs in the summer of 2021.

  VCE's opening testimony provided its proposal for an Agricultural AutoDR Demand Flexibility Pilot, which could made available to customers on irrigation pumping tariffs.

  D.21-03-056 institutes modifications to the planning reserve margin (PRM), effectively increasing the PRM beginning summer 2021 from 15% to 17.5%. For 2021, this results in a minimum target of incremental procurement of 450 MW for PG&E, 450 MW for SCE, and 100 MW for SDG&E. The net costs associated with this incremental procurement would be shared by all customers (including CCA customers) in each IOU's service territory. It also authorizes the IOUs to implement a Flex Alert paid media campaign program to encourage ratepayers to voluntarily reduce demand during moments of a stressed grid and adopts modifications and expansions to the Critical Peak Pricing (CPP) program, to be in place for the summer of 2021. D.21-03-056 also establishes an Emergency Load Reduction Program (ELRP) to provide emergency load reduction and serve as an insurance policy against the need for future rotating outages. The initial duration of the ELRP pilot program would be five years, 2021-2025. After-the-fact pay-for-performance would be made at a prefixed energy-only ELRP Compensation Rate ($1,000/MWh for up to an annual 60-hour limit) applied to incremental load reduction. For PG&E, the budget caps are $3.9 million for administration and $28.6 million for customer compensation.

- **Details**: The Ruling addresses a provision of D.21-03-056 that had eliminated the "day-of" trigger option, keeping only the "day-ahead" trigger under the emergency load reduction program (ELRP). The purpose of ELRP is to allow the large electric IOUs and CAISO to access additional load reduction during times of high grid stress and emergencies involving inadequate market resources, with the goal of avoiding rotating outages while minimizing costs to ratepayers. There are two distinct groups of customers eligible for ELRP participation: (1) non-residential customers and aggregators not participating in DR programs ("Group A"), and (2) market-integrated proxy DR resources ("Group B"). The Ruling states the CPUC is now envisioning modifying that decision by directing the inclusion of a day-of trigger for Group A participants in the ELRP. The Attachment to the ruling outlines the potential modifications that might be introduced in a proposed order.
- **Analysis**: The Ruling would resolve an inconsistency in D.21-03-056 by directing the inclusion of a day-of trigger for Group A participants in the ELRP. D.21-03-056 did not address VCE's proposed Agricultural AutoDR Demand Flexibility Pilot, but the proceeding was kept open to consider proposals for summer 2022 and it included revised language on CCA and IOU coordination to encourage CCA customer participation in load shedding programs.
- **Next Steps**: TBD.
- **Additional Information**: Ruling Noticing Future Order Clarifying D.21-03-056 (April 27, 2021); Californians for Renewable Energy Application for Rehearing of D.21-03-056 (April 26, 2021); Protect Our Communities Foundation Application for Rehearing of D.21-03-056 (April 26, 2021); California Environmental Justice Alliance, Union of Concerned Scientists, and Sierra Club's Application for Rehearing of D.21-03-056 (April 26, 2021); D.21-03-056 (March 25, 2021); CAlifornians for Renewable Energy Application for Rehearing of D.21-02-028 (March 19, 2021); Protect Our Communities Foundation Application for Rehearing of D.21-02-028 (March 19, 2021); California Environmental Justice Alliance, Union of Concerned Scientists, and Sierra Club Application for Rehearing of D.21-02-028 (March 12, 2021); D.21-02-028 directing IOUs to seek additional capacity for summer 2021 (February 17, 2021); PG&E AL 6089-E and AL 6088-E on summer 2021 capacity procurement (February 16, 2021) Assigned Commissioner's Ruling directing IOU contracts for additional capacity (December 28, 2020); Scoping Memo and Ruling (December 21, 2020); ALJ Ruling and Staff Proposal (December 18, 2020); Order Instituting Rulemaking (November 20, 2020); Docket No. R.20-11-003.

RPS Rulemaking

On April 15, 2021, the ALJs issued a Ruling denying as premature the Joint IOUs' request for an extension of the June 1, 2021 deadline for Retail Sellers to file their draft 2021 RPS Procurement Plans. On May 3, 2021, EBCE also requested a one-month extension for LSEs to file draft 2021 RPS Procurement Plans, citing different reasons that used by the Joint IOUs; this request is currently pending. On April 22, 2021, the ALJs issued a Ruling requesting information from parties regarding several outstanding petitions to modify D.12-05-035 and D.13-05-034 which adopted and modified the Renewable Market Adjusting Tariff (ReMAT) Program. The ALJs clarified the questions in the Ruling and extended the deadlines for filing comments and replies through an April 30, 2021 Ruling. On April 23, 2021, the CPUC issued Draft Resolution E-5143, which would modify the RPS citation rules and penalty amounts for non-compliance.

- **Background**: This proceeding addresses ongoing RPS issues. VCE submitted its Final 2020 RPS Procurement Plan on February 19, 2021, and its 2019 RPS Compliance Report on August 3, 2020.

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

D.21-01-005, issued in January 2021, praised VCE's draft 2020 RPS Procurement Plan, pointing to it as a "best example" or "best practice" in seven sections of the Plan for other LSEs to emulate in their updates. D.21-01-005 also identified several areas for VCE and most other LSEs to update or modify in its Final 2020 RPS Procurement Plan, which VCE completed through its February 19, 2021 submission.

- **Details**: The April 22 Ruling requests responses to a series of questions, including whether other retail sellers, such as CCAs, should be eligible to participate in the ReMAT program. It also requests information as to whether modifications are needed to allow renewable systems paired with storage to be eligible under ReMAT. For reference, a Joint Petition for Modification of D.13-05-034, filed by PG&E, SCE, and SDG&E in February 2021, is currently pending in an old RPS Rulemaking (R.11-05-005).

  Draft Resolution E-5143 would authorize the CPUC staff to penalize retail sellers for non-compliance with mandatory RPS filing deadlines and reporting requirements, including draft RPS Procurement Plans. The Draft Resolution pointed to a large number of CCA and ESP draft RPS Procurement Plans that have contained deficiencies in recent years as an impetus for this change to the citation program. Draft Resolution E-5143 also describes the process for challenging a penalty under the RPS Citation Program and details the applicable penalties for specified violations.

- **Analysis**: If the Joint Petition for Modification is granted, VCE customers would have to pay for ReMAT contracts that PG&E enters into through the non-bypassable Public Policy Program charge, whereas currently only bundled PG&E customers pay these costs. The Ruling is also requesting information on possible ReMAT program changes, such as whether CCAs should be eligible to participate.

  EBCE's pending extension request could impact the deadline for VCE to file its Draft 2021 RPS Procurement Plan.

- **Next Steps**: The Energy Division is hosting a webinar on May 7, 2021, to answer questions from parties on the revised RPS Procurement Plan templates. Comments on Draft Resolution E-5143 are due May 17, 2021. The 2021 RPS Procurement Plan is due June 1, 2021, and the 2020 RPS Compliance Report is due August 1, 2021. Comments on the draft 2021 RPS Procurement Plans are due July 1, 2021, reply comments are due July 11, 2021, and motions to update draft 2021 RPS Procurement Plans are due July 15, 2021. Responses to the April 22 Ruling on the ReMAT program are due June 9, 2021, and replies are due June 23, 2021. A PD aligning RPS and IRP filings is anticipated to be issued soon, followed by an opportunity for comments and reply comments

- **Additional Information**: Draft Resolution E-5143 on RPS Citation Program (April 23, 2021); Ruling on ReMAT program (April 22, 2021); Ruling establishing issues and schedule for 2021 RPS Procurement Plans (March 30, 2021); Joint Petition for Modification of D.13-05-034 (February 11, 2021); D.21-01-005 directing retail sellers to file final 2020 RPS Procurement Plans (January 20, 2021); Order Granting Rehearing of D.17-08-021 (November 23, 2020); D.20-10-005 resuming and modifying the ReMAT program (October 16, 2020); D.20-09-022 on new CCA 2019 RPS Procurement Plans (approved at CPUC's September 24, 2020 meeting); Ruling on Staff proposal aligning RPS/IRP filings (September 18, 2020); D.20-08-043 resuming and modifying the BioMAT program (September 1, 2020); VCE Motion to Update its 2020 RPS Procurement Plan (August 12, 2020); Assigned Commissioner Ruling (ACR) establishing 2020 RPS Procurement Plan requirements (May 6, 2020); D.20-02-040 correcting D.19-12-042 on 2019 RPS Procurement Plans (February 21, 2020); Ruling on RPS confidentiality and transparency issues (February 27, 2020); D.19-12-042 on 2019 RPS Procurement Plans

(December 30, 2019); D.19-06-023 on implementing SB 100 (May 22, 2019); D.19-02-007 (February 28, 2019); Scoping Ruling (November 9, 2018); Docket No. R.18-07-003.

RA Rulemaking (2021-2022)

On April 5, 2021, the ALJ issued a Ruling modifying the Track 4 schedule with respect to the Flexible Capacity Needs Assessment. On April 21, 2021, CAISO issued its Draft 2022 Flexible Capacity Needs Assessment. On April 26, 2021, the CPUC announced that Energy Division Staff will host an exploratory workshop on May 25, 2021, to discuss ideas for advanced DER and flexible load management. On April 29-30, 2021, the IOUs held workshops on their 2021 Load Impact Protocol Final Reports. On April 29, 2021, parties filed comments in response to Energy Division's Demand Response Proposal. On April 30, 2021, CAISO filed its 2022 Final Local Capacity Technical Study Report. On May 3, 2021, a workshop was held on third-party Load Impact Protocols Final Reports.

- **Background**: This proceeding is divided into 4 tracks. The first two tracks have concluded, and the proceeding is now focused on Track 3B.1, 3B.2, and Track 4 issues, described in more detail below. Track 3B.1 is considering incentives for LSEs that are deficient in year-ahead RA filings, refinements to the MCC buckets adopted in D.20-06-031, and other time-sensitive issues. Track 3B.2 includes examination of the broader RA capacity structure to address energy attributes and hourly capacity requirements. Track 4 is considering the 2022 program year requirements for System and Flexible RA, and the 2022-2024 Local RA requirements.

  D.20-12-006 addressed the issues of the financial credit mechanism and competitive neutrality rules for the CPEs. It approved CalCCA's proposed "Option 2," with modifications, which allows the CPE to evaluate the shown resource alongside bid resources to assess the effectiveness of the portfolio. The financial credit mechanism will apply only to new preferred or energy storage resources (i.e., non-fossil-based resources) with a contract executed on or after June 17, 2020. It also adopted PG&E's competitive neutrality proposal for PG&E's service territory. Finally, D.20-12-006 found that the Local Capacity Requirements Working Group should continue to discuss recommendations and develop solutions for consideration in CAISO's 2022 LCR process.

- **Details**: The April 19 Ruling attaches Energy Division's proposal on issues relating to Proposed Revision Request 1280 and DR in a supply-side context. If adopted by the CPUC, the proposals would modify the treatment of DR beginning in 2022 and set up a stakeholder group to make recommendations on additional changes that would apply beginning in the 2023 RA compliance year. The CPUC will consider this proposal for the upcoming RA proposed decision, to be issued in late May 2021. Among their recommendations, Energy Division Staff recommends that the CPUC request that the CEC develop recommendations for a comprehensive and consistent measurement and verification strategy, including a new capacity counting methodology for DR addressing both ex-post and ex-ante load impacts for implementation in RA compliance year 2023, whereas for RA compliance year 2022, ED would apply an administratively-set 5% derate adjustment to the QCs determined for DR resources in the 2021 LIP evaluation process. Finally, Staff is proposing several revisions to the Planning Reserve Margin adder for DR.

  The May 25, 2021, exploratory workshop will feature ED Demand Response and Retail Rates Staff jointly previewing a proposal for a comprehensive roadmap to facilitate widespread flexible demand management, while minimizing the cost of service, that addresses: (1) communication of rates to customers and third-party service providers, while accommodating different rate designs from IOUs & CCAs; (2) opt-in dynamic rate based on real-time, locational marginal cost of electricity; (3) rate reforms (opt-in) related to generation and distribution capacity cost recovery and compensation for DER exports; and (4) options for customers to manage & optimize energy consumption and bills, such as subscription and transactive features.

- **Analysis**: Regulatory developments under consideration in this proceeding could have a significant impact on VCE's capacity procurement obligations and RA compliance filing requirements. The April 19 Ruling attaching Energy Division's proposal would impact how DR is counted for RA compliance purposes beginning in 2022, among other changes. A broad array of other changes to the RA construct are also under consideration, including the consideration of hourly capacity requirements in light of the increasing deployment of use-limited resources; modifications to maximum cumulative capacity buckets and whether the RA program should *cap* use-limited and preferred resources such as wind and solar; the potential expansion of multi-year local forward RA to system or flexible resources; RA penalties and waivers; and Marginal ELCC counting conventions for solar (including removal of RA value for solar-only resources for projects with CODs after December 31, 2020 that are not under contract as of the date of the Track 4 decision), wind and hybrid resources. The resolution of these issues could impact the extent to which VCE is permitted to rely on use-limited resources such as solar and wind to meet its RA obligations, the amount of RA that is credited to these types of resources, and what penalties (and waivers) would apply should there be a deficiency in meeting an RA requirement.

- **Next Steps**: Comments on the 2022 Final Local Capacity Technical Study Report are due May 7, 2021, and replies are due May 11, 2021. CAISO files its final 2022 Flexible Capacity Needs Assessment on May 14, 2021, with comments on the report due May 18, 2021. The exploratory workshop on ED's proposal for a comprehensive roadmap to facilitate widespread flexible demand management will be held May 25, 2021. A proposed decision on Tracks 3B.1, 3B.2, and 4 is anticipated to be issued on May 21, 2021, with a separate proposed decision to be issued thereafter regarding the 2022 Flexible Capacity Needs Assessment.
- **Additional Information**: 2022 Final Local Capacity Technical Study Report (April 30, 2021); Draft 2022 Flexible Capacity Needs Assessment (April 22, 2021); Ruling providing Energy Division's demand response proposal (April 19, 2021); 2019 Resource Adequacy Report (March 19, 2021); Ruling providing Energy Division's Track 3B.2 proposal (March 17, 2021); Ruling providing Energy Division's Track 4 proposal (February 1, 2021); Scoping Memo and Ruling for Track 3B and Track 4 (December 11, 2020); D.20-12-006 on Track 3.A issues (December 4, 2020); Amended Scoping Memo on Track 3 (July 7, 2020); D.20-06-031 on local and flexible RA requirements and RA program refinements (June 30, 2020); Scoping Memo and Ruling (January 22, 2020); Order Instituting Rulemaking (November 13, 2019); Docket No. R.19-11-009.

PG&E's Phase 2 GRC

On April 8, 2021, PG&E filed motions requesting approval of settlements reached on revenue allocation, agricultural rate design, commercial and industrial rate design, and the economic development rate. The CPUC held an evidentiary hearing on non-RTP issues April 8-22, 2021.

- **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.

The Residential Rate Design Supplemental Settlement Agreement resolves all residential rate design issues in the proceeding, including:

- The PCIA will be identified for bundled customers as a flat rate (not differentiated by season or TOU period).
- PG&E's proposal for tiered rate levels for Schedule E-1 should be approved.
- PG&E's proposal to keep the Schedule E-TOU-C (*i.e.,* default residential TOU rate) peak versus off-peak price differentials at their current levels until 12 months after the last cohort of PG&E's customers are migrated to default TOU rates should be approved, and future changes over the following three years are specified in the Settlement Agreement.
- PG&E's Schedule E-ELEC should be approved, with the fixed charge set at $15 per customer per month. Since this new E-ELEC rate requires structural changes to PG&E's billing system, PG&E anticipates that it would take at least twelve months after a final decision is issued in this proceeding before it could be programmed, tested, and implemented.
- PG&E will host two workshops to discuss the collection of key information regarding customers who engage in electrification efforts, and the data collected will be provided to interested stakeholders and the Commission as part of a formal Measurement and Evaluation (M&E) study.

- **Details**: The **Revenue Allocation Supplemental Settlement Agreement** resolves all of the inter-class revenue allocation issues. Regarding bundled PCIA allocation, the parties agreed to remove PCIA at present rates before allocation and reallocate to the classes in proportion to the adopted generation allocation. The settling parties also agreed to keep in Distribution the revenues for DR programs and EV programs. The settling parties agreed to move Energy Efficiency Incentives revenues from Distribution to Public Purpose Programs and allocate them by the Equal Percentage of Total Revenue method.

  The **Agricultural Rate Design Supplemental Settlement Agreement** resolves the agricultural rate design issues in this proceeding, except for the issue of a proposed bill credit for PSPS events. The settling parties agreed to the rate designs proposed by PG&E in its opening testimony, for default Schedules AG-A1, AG-A2, AG-B, and AG-C and opt-in Schedules AG-FA, AG-FB, and AG-FC, as well as the demand charge rate limiter for Schedule AG-C, the elimination of the monthly TOU meter charge, maintaining the status quo for the Optimal Billing Period Program, and Peak Day Pricing provisions. Additionally, settling parties agreed to create new optional rate Schedules AG-A3 and AG-B2 that reduce the summer off-peak energy charges below the electric bundled system average rate. The settling parties agreed that the following four issues should not be decided in this case: A new 10-year legacy TOU period, a springtime rate or balancing account adjustment, daily demand charges, and an account or demand aggregation program.

  In the **Economic Development Rate (EDR) Supplemental Settlement Agreement** settling parties reached a settlement agreement to continue the EDR program with program-related rate reductions. PG&E's EDR rate reduces both the transmission, distribution, and the generation portions of customer bills. The settlement would provide that the EDR discount should be set in a way that enables CCAs to offer comparable rates, and PG&E and Joint CCAs agreed to a collaborative process to identify and vet EDR applicants that will make it easier for CCAs to provide a generation rate reduction to CCA customers who qualify for PG&E's EDR. The rate reductions for EDR will be separated between generation and distribution amounts, with the deduction to the generation portion specified in the settlement agreement being substantially less than under the current allocation.

  The **Commercial and Industrial Rate Design Supplemental Agreement** resolves Commercial and Industrial rate design issues, apart from the issue of CPUC action on the design of PG&E's transmission rates. The settling parties agreed that PG&E should set bundled PCIA initially equal to the most recent vintage PCIA, but use the adopted allocation for generation to set going forward PCIA rates. PG&E would set SOP rates to recover at least the PCIA. The tariff presentation of the PCIA for bundled generation rates would be modified as set forth in PG&E's rebuttal testimony, which proposed alternative tariff language in response to Joint CCAs' proposals.

- **Analysis**: This proceeding will not impact the transparency between a bundled and unbundled customer's bills because of the Working Group 1 decision in the PCIA rulemaking, though the JCCAs recommend in testimony that more transparency be reflected in utility tariffs. However, it will affect the allocation of PG&E's revenue 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 could increase the cost VCE pays to PG&E for various services, to the extent VCE uses these services.
- **Next Steps**: Intervenor responsive testimony regarding RTP issues is due May 28, 2021, and rebuttal testimony is due July 30, 2021. The evidentiary hearing on RTP issues will occur in September 2021. Opening and reply briefs, respectively, on non-RTP issues are due May 20, 2021, and June 10, 2021. A CPUC decision on non-RTP issues is anticipated for October 2021, and a decision on RTP issues is anticipated in May 2022.
- **Additional Information**: Motion to adopt Commercial and Industrial Rate Design Supplemental Agreement (April 13, 2021); Motion to adopt Revenue Allocation Supplemental Settlement Agreement (April 8, 2021); Motion to adopt Agricultural Rate Design Supplemental Settlement Agreement (April 8, 2021); Motion to adopt Economic Development Rate (EDR) Supplemental Settlement Agreement (April 8, 2021); Motion to adopt residential rate design settlement (March 29, 2021); Notice of Virtual Evidentiary Hearing (March 25, 2021); Scoping Memo and Ruling (February 16, 2021); Ruling bifurcating RTP issues into separate track (February 2, 2021); PG&E Status Report (December 18, 2020); D.20-09-021 on EUS budget (September 28, 2020); Ruling extending procedural schedule (July 13, 2020); Exhibit (PG&E-5) (May 15, 2020); Scoping Memo and Ruling (February 10, 2020); Application, Exhibit (PG&E-1): Overview and Policy, Exhibit (PG&E-2): Cost of Service, Exhibit (PG&E-3): Revenue Allocation, Rate Design and Rate Programs, and Exhibit (PG&E-4): Appendices (November 22, 2019); Docket No. A.19-11-019.

PG&E Regionalization Plan

Parties filed comments on PG&E's updated regionalization plan on April 2, 2021, and reply comments on April 9, 2021. On April 30, 2021, the ALJ provided notice of a May 18, 2021 status conference.

- **Background**: PG&E was directed to file a regionalization proposal as a condition of CPUC approval of its Plan of Reorganization in I.19-09-016. On June 30, 2020, PG&E filed its regionalization proposal, which describes how it plans to reorganize operations into new regions. PG&E proposes to divide its service area into five new regions. PG&E will appoint a Regional Vice President by June 2021 to lead each region, along with Regional Safety Directors to lead its safety efforts in each region. The new regions would include five functional groups that report to the Regional Vice President encompassing various functions including: (1) Customer Field Operations, (2) Local Electric Maintenance and Construction, (3) Local Gas M&C, (4) Regional Planning and Coordination, and (5) Community and Customer Engagement. Other functions will remain centralized, such as electric and gas operations, risk management, enterprise health and safety, the majority of existing Customer Care and regulatory and external affairs, supply, power generation, human resources, finance, and general counsel.

  In August, parties filed protests and responses to PG&E's application. Of note, South San Joaquin Irrigation District filed a Protest arguing that PG&E's regionalization effort should not create a moratorium or interfere with municipalization efforts. In addition, five CCAs filed responses or protests to PG&E's application, with MCE and EBCE filing protests and City of San Jose, City and County of San Francisco, and Pioneer Community Energy filing responses. CCA responses/protests sought more information on the implications of regionalization on CCA customers, CCA operations, and CCA-PG&E coordination; PG&E's overarching purpose, goals, and metrics to judge success of regionalization; the delineation between centralized and decentralized functions in PG&E's application; and budgets and cost recovery related to regionalization, among other issues. CCAs also identified various concerns specific to their CCAs (e.g., EBCE's and MCE's service areas would both be split across two PG&E regions; SJCE expressed concern with its service area being assigned to the Central Coast region; Pioneer expressed concern that it would be the only CCA in its region, which would be the only region not to be "anchored" by an urban area).

- **Details**: PG&E submitted its updated regionalization proposal on February 26, 2021. In response to feedback, PG&E modified its five regions (renamed North Coast, North Valley & Sierra, Bay Area, South Bay & Central Coast, and Central Valley), including moving Yolo County from Region 1 to Region 2 (North Valley & Sierra), where it would be grouped with the following counties: Colusa, El Dorado, Glenn, Lassen, Nevada, Placer, Plumas, Sacramento, Shasta, Sierra, Solano, Sutter, Tehama, and Yuba. PG&E also provided more information on the new leadership positions that it is creating and its "Lean Operating System" implementation. Currently, PG&E is in Phase 1 of 3 of its regionalization plan, which is focused on refining regional boundaries, establishing roles and governance for regional leadership, and recruiting and hiring for those positions. In Phase 2 (second half of 2021 through 2022), PG&E will establish and implement the regional boundaries and provide the resources and staffing to support it. In Phase 3 (2023 and after), PG&E will continue to reassess, refine and collaborate with other functional groups to improve efficiencies, safety, reliability and customer service.
- **Analysis**: The implications of PG&E's regionalization plan on CCA operations, customers, and costs are largely unclear based on the information presented in PG&E's application and updated application. PG&E's regionalization plan could impact PG&E's responsiveness and management of local government relations and local and regional issues, such as safety, that directly impact VCE customers. It could also impact municipalization efforts, although this issue has not been explicitly addressed and remains unclear at this time. As part of Region 2, VCE would be grouped with several northern counties in central and eastern California.
- **Next Steps**: A status conference is scheduled for May 18, 2021. PG&E must engage its Regional Vice Presidents and Regional Safety Directors by June 1, 2021.
- **Additional Information**: Notice of status conference (April 30, 2021); PG&E Updated Regionalization Proposal (February 26, 2021); Ruling modifying procedural schedule (December 23, 2020); Scoping Memo and Ruling (October 2, 2020); Application (June 30, 2020); A.20-06-011.

PG&E's 2019 ERRA Compliance

No updates this month. On March 25, 2021, PG&E filed a Motion to reopen the record of the proceeding to correct a table in PG&E's testimony, which the Joint CCA parties did not oppose.

- **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.

The Joint CCAs' testimony identified $175.4 million in net reductions to the 2019 PABA balance that should be made, excluding interest. The Joint CCAs argue this amount should be credited back to customers. PG&E's rebuttal testimony stated it will make all but $33.6 million of those adjustments as part of its August 2020 accounting close.

On October 22, 2020, PG&E, Joint CCAs, and Cal Advocates filed a Joint Motion to Adopt Settlement Agreement. The Settlement Agreement resolves all but two of the disputed issues in Phase I of the proceeding. PG&E agreed with certain accounting errors identified by the Joint CCAs. PG&E also committed to provide additional, specific information requested by the Joint CCAs simultaneous with its ERRA Compliance applications and simplify the presentation of that information, resolving the Joint CCAs concern with transparency of the PG&E data supporting entries to the ERRA, PABA and related balancing accounts. PG&E and the Joint CCAs agreed to engage in discussions about the approach to Resource Adequacy solicitations governed by Appendix S of PG&E's 2014 Bundled Procurement Plan. Finally, PG&E agreed to rebill all commercial and industrial CCA customers assigned an incorrect vintage.

- **Details**: Parties are currently awaiting the issuance of a proposed decision.
- **Analysis**: This proceeding addresses PG&E's balancing accounts, including the PABA, providing a venue for a detailed review of the billed revenues and net CAISO revenues PG&E recorded during 2019. It also determines whether PG&E managed its portfolio of contracts and UOG in a reasonable manner. Efforts from the Joint CCAs to date will reduce the level of the PCIA for VCE's customers in 2021 and/or 2022. The two remaining issues not covered by the Settlement Agreement are (1) the request in PG&E's rebuttal testimony to reverse the $92.9 million adjustment it made in response to D.20-02-047 to its PABA regarding the amount of RPS energy the utility retained to serve its bundled customers in 2019; and (2) the utility's decision not to re-vintage four RPS contracts renegotiated during 2019.
- **Next Steps**: A proposed decision is anticipated to be issued soon. The schedule for Phase II of this proceeding has not been issued yet.
- **Additional Information**: PG&E Motion to update table (March 25, 2021); Joint Motion to Adopt Settlement Agreement (October 22, 2020); Ruling modifying extending deadline for briefs and reply briefs (October 12, 2020); Amended Scoping Memo and Ruling (August 14, 2020); Scoping Memo and Ruling (June 19, 2020); PG&E's Application and Testimony (February 28, 2020); Docket No. A.20-02-009.

Direct Access Rulemaking

No updates this month. On October 16, 2020, and October 26, 2020, respectively, parties filed comments and replies in response to the ALJ Ruling providing a Staff Report and recommendation to the Legislature regarding a potential additional expansion of direct access (DA) for nonresidential customers.

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

  In Phase 2, the CPUC is addressing the SB 237 mandate requiring the CPUC to, by June 1, 2020, provide recommendations to the Legislature on "implementing a further direct transactions reopening schedule, including, but not limited to, the phase-in period over which further direct transactions shall occur for all remaining nonresidential customer accounts in each electrical corporation's service territory." The Commission is required to make certain findings regarding the consistency of its recommendation with state climate, air pollution, reliability and cost-shifting policies.
- **Details**: The September 28, 2020 Ruling attached a Staff Report constituting the draft CPUC recommendations to the Legislature required by SB 237. The Staff Report recommends that the Legislature:

- Not make a determination as to whether to further expand DA until at least 2024, after the conclusion of the 2021-24 RPS compliance period and the fulfillment of procurement ordered by D.19-11-016.
- Condition any further DA expansion on the performance of Energy Service Providers (ESPs) with respect to IRP, RPS and RA requirements through 2024.
- Make any further DA expansion in increments of 10% of nonresidential load per year, conditioned on ESP ongoing compliance with IRP, RPS and RA requirements.
- "[C]onsider the CPUC's authority in allowing CCAs to recover the costs of investments that are stranded because of unforeseen load departure to address these potential impacts."
- "Amend P.U. Code Section 949.25 to provide the CPUC with the authority to revoke ESP licenses and CCA registration for repeated non-compliance with [RA], RPS or IRP requirements."

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

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

- **Analysis**: This proceeding will impact the CPUC's recommendations to the Legislature regarding the potential future expansion of DA in California, including a potential lifting of the existing cap on nonresidential DA transactions altogether. Further expansion of DA in California could result in non-residential customer departures from VCE and make it more difficult for VCE to forecast load and conduct resource planning. CalCCA has argued that further expansion of nonresidential DA is likely to adversely impact attainment of the state's environmental and reliability goals and will result in cost-shifting to both bundled and CCA customers. The Staff report recognizes this concern and recommends that if DA is further expanded, the Legislature consider permitting CCAs to recover stranded costs from departing DA customers. The Staff report also recommends the Legislature amend the statute to allow the CPUC to revoke both ESP licenses and CCA registration for repeated non-compliance of RA, RPS, or IRP requirements.
- **Next Steps**: A proposed decision is anticipated to be issued next.
- **Additional Information**: Ruling and Staff Report (September 28, 2020); Amended Scoping Memo and Ruling adding issues and a schedule for Phase 2 (December 19, 2019); Docket No. R.19-03-009; *see also* SB 237.

RA Rulemaking (2019-2020)

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

- **Background**: This proceeding had three tracks, which have now concluded. Track 1 addressed 2019 local and flexible RA capacity obligations and several near-term refinements to the RA program. D.19-10-020 purported to affirm existing RA rules regarding imports, but adopted a distinction in the import RA compliance requirements for resource-specific and non-resource specific contracts and required, for the first time, that non-resource-specific resources self-schedule (i.e., bid as a price taker) in the CAISO energy market.

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

The second Track 2 Decision, D.20-06-002, adopted implementation details for the central procurement of multi-year local RA procurement to begin for the 2023 compliance year in the PG&E and SCE (but not SDG&E) distribution service areas, including identifying PG&E and SCE as the central procurement entities for their respective distribution service areas and adopting a hybrid central procurement framework. The Decision rejected a settlement agreement between CalCCA and seven other parties that would have created a residual central buyer structure (and did not specify the identity of the central buyer) and a multi-year requirements for system and flexible RA. Under D.20-06-002, if an LSE procures its own local resource, it may (1) sell the capacity to the CPE, (2) utilize the resource for its own system and flexible RA needs (but not for local RA), or (3) voluntarily show the resource to meet its own system and flexible RA needs, and reduce the amount of local RA the CPE will need to procure for the amount of time the LSE has agreed to show the resource. Under option (3), by showing the resource to the CPE, the LSE does not receive one-for-one credit for shown local resources. A competitive solicitation (RFO) process will be used by the CPEs to procure RA products. Costs incurred by the CPE will be allocated ex post based on load share, using the CAM mechanism. D.20-06-002 also established a Working Group (co-led by CalCCA) to address: (a) the development of an local capacity requirements reduction crediting mechanism, (b) existing local capacity resource contracts (including gas), and (c) incorporating qualitative and possible quantitative criteria into the RFO evaluation process to ensure that gas resources are not selected based only on modest cost differences.

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

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

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

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

- **Analysis**: D.20-06-002 established a central procurement entity and mostly resolved the central buyer issues, although several details are being refined through a Working Group. Moving to a central procurement entity beginning for the 2023 RA compliance year will impact VCE's local RA procurement and compliance, including affecting VCE's three-year local RA requirements as part of the transition to the central procurement framework. Eventually, it will eliminate the need for monthly local RA showings and associated penalties and/or waiver requests from individual

LSEs, but it also eliminates VCE's autonomy with regard to local RA procurement and places it in the hands of PG&E.

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

- **Next Steps**: The only issues remaining to be addressed in this proceeding are WPTF's Applications for Rehearing. Remaining RA issues will be addressed in the successor RA rulemaking, R.19-11-009.
- **Additional Information**: D.20-09-003 denying PFMs filed by PG&E, CalCCA, and Joint Parties (September 16, 2020); WPTF's Application for Rehearing of D.20-06-028 (August 5, 2020); WPTF's Application for Rehearing of D.20-06-002 (July 17, 2020); D.20-06-028 on Track 1 RA Imports (approved June 25, 2020); D.20-06-002 establishing a central procurement mechanisms for local RA (June 17, 2020); D.20-03-016 granting limited rehearing of D.19-10-021 (March 12, 2020); D.20-01-004 on qualifying capacity value of hybrid resources (January 17, 2020); D.19-12-064 granting motion for stay of D.19-10-021 (December 23, 2019); D.19-10-021 affirming RA import rules (October 17, 2019); D.19-06-026 adopting local and flexible capacity requirements (July 5, 2019); Docket No. R.17-09-020.

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

No updates this month. On November 24, 2020, CPUC President sent a letter to PG&E indicating that she has directed CPUC staff to conduct fact-finding to determine whether to recommend that PG&E be placed into the enhanced oversight and enforcement process.

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

  A July 2020 ALJ Ruling described the issues that are potentially still in scope for this proceeding, which include a broad array of issues identified in the December 21, 2018 Scoping Memo, as modified by D.20-05-053 approving PG&E's reorganization plan, plus the ongoing work of NorthStar, the consultant monitoring PG&E. However, the Ruling observed that "it is not clear as a practical matter how many of those issues can be or should be addressed at this time," given PG&E is now implementing its reorganization plan and has filed its application for regional restructuring. Party comments did not explicitly raise the issue of CCA proposals to purchase PG&E electric distribution assets.

  The September 4 Ruling filed in the PG&E Safety Culture proceeding (I.15-08-019) and PG&E Bankruptcy proceeding (I.19-09-016) determined that I.15-08-019 will remain open as a vehicle to monitor the progress of PG&E in improving its safety culture, and to address any relevant issues that arise, with the consultant NorthStar continuing in its monitoring role of PG&E. The Ruling declined to close the proceeding but also declined to move forward with CCAs' consideration of whether PG&E's holding company structure should be revoked and whether PG&E should be a "wires-only company," as well as developing a plan for service if PG&E's CPCN is revoked in the future.
- **Details**: In her November 2020 letter to PG&E, President Batjer pointed to a "pattern of vegetation and asset management deficiencies that implicate PG&E's ability to provide safe, reliable service to customers," and stated the "Wildfire Safety Division Staff has identified a volume and rate of defects in PG&E's vegetation management that is notably higher than those observed for the other utilities."

- **Analysis**: CPUC President Batjer's letter indicates the CPUC is currently investigating whether to move PG&E into its newly created enhanced oversight and enforcement process. This six-step process could ultimately result in a revocation of PG&E's certificate of public convenience and necessity if it fails to take sufficient corrective actions.
- **Next Steps**: The proceeding remains open, but there is no procedural schedule at this time.
- **Additional Information**: Letter from President Batjer to PG&E (November 24, 2020); Ruling updating case status (September 4, 2020); Ruling on case status (July 15, 2020); Ruling on proposals to improve PG&E safety culture (June 18, 2019); D.19-06-008 directing PG&E to report on safety experience and qualifications of board members (June 18, 2019); Scoping Memo (December 21, 2018); Docket No. I.15-08-019.

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.

KEYES&FOX LLP

Glossary of Acronyms

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

PURPA	Public Utility Regulatory Policies Act of 1978 (federal)
QC	Qualifying Capacity
QF	Qualifying Facility under PURPA
RA	Resource Adequacy
RDW	Rate Design Window
ReMAT	Renewable Market Adjusting Tariff
RPS	Renewables Portfolio Standard
SCE	Southern California Edison
SED	Safety and Enforcement Division (CPUC)
SDG&E	San Diego Gas & Electric
TCJA	Tax Cuts and Jobs Act of 2017
TOU	Time of Use
TURN	The Utility Reform Network
UOG	Utility-Owned Generation
WMP	Wildfire Mitigation Plan
WSD	Wildfire Safety Division (CPUC)