

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 8

To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Regulatory Monitoring Report

Date: March 14, 2019

RECOMMENDATION: Receive regulatory monitoring report.

Regulatory Priorities

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

- **PG&E's ERRA forecast proceeding:** The decision grants the brown power true-up for 2018, which will result in additional PCIA revenue decreases from what had been estimated in the proposed decision. PG&E will file an advice letter by March 19 that will provide the specific amounts for 2019.
- **Resource Adequacy proceeding:** The decision adopts a three-year procurement requirement for Local RA. However, the CPUC did not adopt a central buyer model at this time, and instead directed parties to hold a series of workshops on this topic, with the intent of then addressing the issue by Q4 2019.
- **RPS proceeding:** The CPUC approved the RPS Procurement Plan filed by VCE in 2018, but required CCAs to file additional, more granular detail on certain components in their 2019 RPS Procurement Plans.

Attachment: Keyes & Fox March 7, 2019 Regulatory Memorandum

Valley Clean Energy Alliance

Regulatory Monitoring Report

To: Valley Clean Energy Alliance Board of Directors

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

Subject: Regulatory Update

Date: March 7, 2019

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:

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

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

On March 4, 2019, the CPUC issued Decision(D.)19-02-023.

- **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. In its November Update, PG&E requested a 2019 total revenue requirement of \$2.929 billion, comprised of \$1.554 billion related to its ERRA, plus three non-bypassable charges: the ongoing Competition Transition Charge (CTC), \$80.3 million; the PCIA, \$1.164 billion; and the Cost Allocation Mechanism, \$131.1 million. PG&E's forecasted 2019 revenue requirement for the PCIA in its November Update was 84.1% higher than its

approved 2018 revenue requirement, whereas the CTC and CAM revenue requirements decreased by 3.3% and 7.5%, respectively.

- **Details:** The Decision grants 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 by March 19, 2019. 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.
- **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 ERRR (currently anticipated May 1, 2019) will be recovered in 2020 rates.
- **Next Steps:** PG&E will file an advice letter within 15 days of issuance of the written decision (*i.e.*, by March 19, 2019) to implement the changes associated with D.19-02-023. The delay in a decision being issued in this proceeding means new 2019 PCIA rates will not be implemented until May 1, 2019.
- **Additional Information:** [D.19-02-023](#) (March 4, 2019); [Alternate Proposed Decision](#) (January 22, 2019); [Proposed Decision](#) (December 7, 2018); [PG&E November Update](#) with proposed PCIA rates on page 60 (November 9, 2018); [Joint NorCal CCA Motion](#) (October 24, 2018); [Scoping Memo and Ruling](#) (August 16, 2018); [CCA Parties' Protest](#) (July 5, 2018); [PG&E's Application](#) (June 1, 2018); [PG&E's Testimony](#) (June 1, 2018); Docket No. [A.18-06-001](#).

Resource Adequacy (RA) Rulemaking

On March 4, 2019, the CPUC issued D.19-02-022 on Track 2 RA issues. The judge issued a Ruling extending the deadline for Track 3 proposals, which were submitted by parties on March 4, 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. The proceeding is now in [Track 3](#).

The Track 3 Scoping Memo established that the following issues are in-scope: adoption of the 2020 Local Capacity Requirements (LCR); adoption of the 2020 Flexible Capacity Requirements (FCR); adoption of the 2020 System RA Requirements; further refinements to the RA Program, including (a) revisions to the load forecast methodology, (b) consideration of how storage and combined resources should be counted for RA credit, and (c) refinements to the third-party demand response qualifying capacity methodology; consideration of other modifications and refinements to the RA program as identified in proposals by Energy Division or by parties.

- **Details:** The Decision delays implementation of the central procurement entity (CPE). It declines to establish a specific entity as the CPE and does not specify if the CPE will procure all of an LSE's Local RA ("full" procurement) or only any remaining portion not procured by the LSE ("residual" procurement). It initiates a series of stakeholder workshops to further resolve these issues, but indicates that the CPUC will implement a decision in Q4 2019 if no consensus can be reached.

The Decision approves a multi-year procurement requirement beginning in 2020 for Local RA in the amount of 100% of the LSE's requirements for Years 1 and 2 and 50% for Year 3. An LSE's requirements for Years 2 and 3 will then be updated during the following year's year-ahead allocation process. The current penalty process for the year-ahead requirements will now apply

for the multi-year process. Furthermore, the revised PD adopts the disaggregation of the local area “PG&E Other.”

CPUC President Michael Picker implied that the CPUC will no longer issue waivers to LSE’s failing to meet their RA requirements, saying at the Commission’s meeting “We need hard time for RA crime.”

- **Analysis:** The Decision affects VCE’s Local RA compliance obligations beginning in 2020 by requiring procurement over a three-year period instead of an annual period. It is also likely to increase the complexity of Local RA procurement since it increases the number of Local RA areas by disaggregating the PG&E Other local area. The implementation of the CPE remains uncertain at this time, and future changes could impact VCE’s ability to procure Local RA capacity on its own behalf.

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. CalCCA submitted a Track 3 proposal incorporating VCE’s suggestions to push back the timeline for load forecasting, provide earlier notice to LSE’s 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.

- **Next Steps:** Parties will begin meeting in April 2019 and participate in a minimum of three workshops over six months on the remaining issues to be resolved on the CPE. A final decision is anticipated for Q4 2019.

With respect to Track 3, a workshop on Energy Division and party proposals is scheduled for March 12-13, 2019. Comments and reply comments on the workshop and on all proposals filed are due March 22, 2019 and March 29, 2019, respectively. The Track 3 Proposed Decision is anticipated for May 2019, and the Final Decision for June 2019.

With respect to LCR and 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:** [D.19-02-022](#) (March 4, 2019); [Ruling](#) extending deadline for Track 3 proposals (February 22, 2019); [Amended Scoping Memo and Ruling](#) (January 29, 2019); [Ruling](#) suspending ELCC comment deadline (January 3, 2019); [Ruling](#) requesting comments on [updated ELCC proposal](#) (December 4, 2018); [Track 2 Proposed Decision](#) (November 2018); [2017 Resource Adequacy Report](#) (August 3, 2018); [D.18-06-030](#) setting local capacity requirements and resource adequacy program revisions and [D.18-06-031](#) adopting flexible capacity requirements for 2019 (both on June 22, 2018); [Scoping Memo and Ruling](#) (January 1, 2018; [modified](#) in part on May 2, 2018); Docket No. [R.17-09-020](#).

PCIA Rulemaking

On February 20, 2019, the judge issued an E-Mail Ruling granting an extension of time, pushing back the first Working Group One meeting to March 1, 2019.

- **Background:** The first phase of this proceeding had two tracks. Track 1 addressed the PCIA exemption currently in place for CCA customers participating in the California Alternate Rates for Energy (CARE) and Medical Baseline (MB) programs. Track 2 addressed alternatives to the current PCIA methodology.

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 E-Mail Ruling granted a request to move the first meeting of Working Group One, established to work on benchmark true-up and other benchmarking issues, to March 1, 2019.
- **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:** Working Group One progress reports are due March 20, 2019 and April 22, 2019. Working Group One will issue a report on the Brown Power, RPS and RA true up by May 31, 2019, and a second report on remaining high priority issues by July 1, 2019. 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 up is anticipated in September 2019, with a separate PD issued later Fall 2019 on other Working Group One issues.
- **Additional Information:** [E-Mail Ruling](#) setting a March 1, 2019 meeting date (February 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 Phase I General Rate Case (GRC)

A prehearing conference was held February 11, 2019. PG&E also requested 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. *Note that 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:** N/A.
- **Analysis:** PG&E's GRC proposals include shifting substantial costs associated with its hydroelectric generation from its generation rates (applicable only to its bundled customers) into a non-bypassable charge affecting all of its distribution customers, including VCE customers, which would negatively affect the competitiveness of VCE's rates relative to PG&E's.
Next Steps: The judge is expected to issue a scoping ruling soon. PG&E will propose its cost allocation and rate design in its 2020 GRC Phase II proceeding, which PG&E plans to file in November 2019 if its request for an extension is granted.
- **Additional Information:** [Ruling](#) scheduling a prehearing conference (January 22, 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 February 28, 2019, the CPUC issued a Decision (D.19-02-007) approving RPS Procurement Plans filed in 2018 by LSEs, including VCE. In addition, parties filed comments on February 28, 2019 in response to a February 11, 2019 Ruling on SB 100 implementation with respect to RPS procurement requirements.

- **Background:** 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:** The February 28, 2019 Decision accepts and deems final VCE's Draft 2018 RPS Procurement Plan, as well as those filed by other LSEs, but expressed concern that CCA and electric service provider (ESP) plans were "scant on information." The Decision directs CCAs and ESPs to include more granular information regarding planning in their next annual procurement plan cycle in 2019. Specifically, the Decision provides that "in the [renewable net short (RNS)] Calculations LSEs submit to the [CPUC], CCAs should address whether they will hold a solicitation this year, how many MWs they intend to procure this year, how many MWs they intend to procure long term, the resources they intend to procure in particular portfolio content categories, their Net RPS Procurement Need (variable E in the RNS calculation table), the steps planned to reach it, what appropriate minimum margin of procurement and information on upcoming participation in solicitations or other forms of procurement that are needed." The Decision also clarifies that CCAs and other retail sellers must comply with RPS Program procurement requirements implemented in D.16-12-040.

The Decision also approves requests by PG&E, SDG&E and SCE to not hold a 2018 RPS solicitation, permits the IOUs to execute contracts to sell RPS volumes of five-year delivery terms between now and the CPUC's decision on 2019 RPS plans (with future CPUC approval of each sale) and requires follow-up proposals from the IOUs on Time-of-Delivery factors. Finally, the Decision grants all motions for confidential treatment.

The February 11, 2019 Ruling requested comments on implementing changes to the RPS program procurement quantity requirements pursuant to SB 100, which increased the RPS target to 60% by 2030. The Ruling sought comments on the following questions: 1) whether the CPUC should continue with the “straight-line trend methodology” to monitor a retail seller’s progress toward compliance during intervening years of each compliance period from 2021 through 2030; and 2) for each compliance period after 2030, whether retail sales should be measured as an average over the 3-year compliance period. A group of CCA parties filed joint comments, recommending the continuation of a straight-line trend methodology for establishing the increased procurement quantity requirements for future compliance periods through 2030.

- **Analysis:** This proceeding will affect VCE’s RPS compliance obligations in 2019 and thereafter. This proceeding will also impact PG&E’s RPS compliance obligations and above-market costs for the PCIA calculation. Potential issues to be addressed that could impact VCE include, but are not limited to, implementing SB 100 (*i.e.*, increasing the RPS to 60% by 2030 and 100% clean energy by 2045), 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:** [D.19-02-007](#) (February 28, 2019); [Ruling](#) requesting comments on SB 100 implementation (February 11, 2019); [Draft Resolution E-4977](#) (December 21, 2018); PG&E’s [AL-5454-E](#) implementing BioMAT changes from D.18-11-004 (December 24, 2018); [Scoping Ruling](#) (November 9, 2018); [D.18-11-004](#) on interconnection rules in the BioMAT program per AB 1923 (November 8, 2018); [AL-5422](#) on PG&E RPS transactions (November 2, 2018); [Ruling](#) on revised RPS Procurement Plans (September 19, 2018); [Order Instituting Rulemaking](#) (July 23, 2018); [R.18-07-003](#).

Integrated Resource Planning (IRP) Rulemaking

Parties filed comments or reply comments in response to two separate rulings: (1) Parties filed reply comments on February 11, 2019, in response to the January 11, 2019 Ruling that provided the recommended preferred system portfolio to support the Preferred System Plan (PSP) for the 2017-2018 IRP cycle, as well as recommendations for CAISO’s 2019-2020 Transmission Planning Process (TPP); (2) Parties filed comments on March 5, 2019, in response to a February 11, 2019 Ruling on 2019-20 Reference System Plan scenarios and assumptions.

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

Details: The January 11, 2019 Ruling requested comments on the analysis supporting its preferred system portfolio recommendation, whether the recommended preferred system portfolio is reasonable, and any actions the CPUC should take as a result of the recommended portfolio. The preferred system portfolio is the result of aggregation of data from individual LSE IRP submissions in 2018 as well as modeling relating to reliability. CPUC Staff recommend the adoption of the hybrid conforming portfolio as the basis for the 2017-2018 RSP. Regarding the 2019-2020 TPP, CPUC Staff recommend that the hybrid conforming portfolio (aggregation of the LSE IRPs) be transmitted to CAISO as the reliability base case and the policy-driven base case.

The February 11, 2019 Ruling requested comments on 2019-20 Reference System Plan scenarios and assumptions. The proposed scenarios were informed by a larger number of scenarios analyzed for the 2017-2018 IRP cycle. Also included was a separate proposal for a more in-depth analysis of the existing thermal generation fleet.

- **Analysis:** The proceeding is now focused on addressing issues that will be relevant to VCE’s 2020 IRP filing, with the exception of a forthcoming proposed decision on the individual LSEs’

2018 IRPs. A group of CCAs has filed comments supporting the staff recommendation that the CPUC adopt the Hybrid Conforming Portfolio (HCP) as the basis for the PSP for the 2017-2018 IRP cycle—showing that more than 90% (10,000 MW) of new procurement would come from CCA programs—while recommending a number of flaws with HCP should be remedied in the 2019-2020 IRP process.

- **Next Steps:** Reply comments on the February 11, 2019 Ruling are due March 15, 2019. A proposed decision on the PSP and individual LSE's 2018 IRPs is anticipated in March 2019. The CPUC is also expected to issue a new Order Instituting Rulemaking on the 2019-2020 IRP cycle in early 2019.
- **Additional Information:** [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](#).

2018 Rate Design Window (RDW)

On February 15, 2019, parties filed Phase IIB briefs.

- **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](#), which 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).

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

- **Details:** N/A.
- **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, reply briefs are due March 8, 2019, and a Proposed Decision is expected in June 2019. In Phase III, supplemental IOU testimony on the impacts of federal tax changes is due March 29, 2019, with intervenor testimony due May 31, 2019 and rebuttal testimony due June 28, 2019. A Proposed Decision is expected in Q1 2020.
- **Additional Information:** [D.18-12-004](#) on Phase IIA Issues (December 21, 2018); [Ruling](#) requesting supplemental testimony on GHG reduction cost estimates (August 17, 2018); [PG&E Supplemental Testimony](#) (August 17, 2018); [Ruling](#) clarifying scope (July 31, 2018); [D.18-05-011](#) (Phase I) on the timing of a transition to default TOU rates (May 17, 2018); [Amended Scoping Memo](#) (April 10, 2018); PG&E Rate Design Window Application & Testimony (December 20, 2017); Docket No. [A.17-12-011](#) (consolidated).

2019 RDW

No party filed testimony by the March 1, 2019, deadline, prompting the judge to request a status conference with parties to determine next steps in the proceeding.

- **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:** N/A.
- **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:** Rebuttal testimony is due March 15, 2019. An evidentiary hearing is scheduled for March 28, 2019. Deadlines for opening and reply briefs are still TBD, but a Proposed Decision and final Decision are anticipated in Q2 2019.
- **Additional Information:** [Scoping Memo and Ruling](#) (January 24, 2019); [PG&E Application](#) (November 26, 2018); [A.18-11-013](#).

Wildfire Cost Recovery Methodology Rulemaking

Parties filed comments and reply comments on February 11, 2019, and February 25, 2019, respectively, in response to the CPUC's Order Instituting Rulemaking (OIR) on implementing a wildfire cost recovery methodology in accordance with SB 901 (also referred to as the "stress test OIR"). A prehearing conference was held February 20, 2019. On March 5, 2019, several parties filed a joint motion requesting public participation hearings.

- **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.

- **Details:** 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 argues 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. Meanwhile, on March 6, 2019, SCE served notice to the CPUC and the service list that Moody's had downgraded Edison International's ratings due to potential wildfire liabilities and assessed the outlooks for Edison and SCE as negative. SCE made a similar filing on February 19, 2019 regarding similar downgrades of Edison International by S&P.

- **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 scoping memo is anticipated in March 2019. Responses to the joint motion seeking hearings are due March 21, 2019.
- **Additional Information:** [Order Instituting Rulemaking](#) (January 18, 2019); [R.19-01-006](#). See also [SB 901](#), enacted September 21, 2018.

Utility Wildfire Mitigation Plans Rulemaking

On February 6, 2019, PG&E, SCE and SDG&E filed Wildfire Mitigation Plans. On February 21, 2019, the judge issued a Ruling requesting additional information on utilities' Wildfire Mitigation Plans, to which PG&E and other utilities responded on February 26, 2019. A Prehearing Conference was held on February 26, 2019. Technical workshops on the plans were held on February 26-27, 2019. At the prehearing conference, the judge denied motions requesting evidentiary hearings, triggering a March 13, 2019, comments deadline for intervenors. On March 5, 2019, the ALJ issued a second ruling seeking additional information on Wildfire Mitigation Plans.

- **Background:** This proceeding implements electric utility Wildfire Mitigation Plans pursuant to SB 901 (2018).
- **Details:** 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 suggests 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. Intervenors are actively conducting 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:** Utility responses to the March 5, 2019 Ruling are due March 8, 2019. Intervenor comments on the Wildfire Mitigation Plans are due March 13, 2019, and utility reply comments are due March 22, 2019.
- **Additional Information:** [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](#).

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

Parties filed comments and reply comments on February 13, 2019, and February 28, 2019, respectively, on changes that should be made to P&GE's corporate governance and structure, as well as addressing larger questions, such as whether PG&E should be turned into one or more publicly owned utilities, transitioned to a "wires-only" company, or have its electric and natural gas divisions separated into different companies, among other possibilities.

- **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. The next phase of this proceeding will consider alternatives to current management and operational structures for providing electric and natural gas in Northern California. The judge noted that at this stage, the CPUC is engaged in a preliminary vetting of concepts, and that there will be further opportunities for parties to file comments in future.
- **Details:** 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.
- **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:** Parties await a ruling from the judge providing guidance on the next procedural steps.
- **Additional Information:** [Scoping Memo](#) (December 21, 2019); [I.15-08-019](#).

Other Regulatory Developments

- **PG&E Annual Electric True-Up.** On February 15, 2019, and February 26, 2019, respectively, PG&E filed Advice Letters [5376-E-A](#) and [5376-E-B](#) implementing the Annual Electric True-Up. PG&E proposed a bifurcated process where non-ERRA rates will go into effect on March 1, 2019, and ERRA rates will go into effect on May 1, 2019. If adopted, there will be a 2.2% increase in PG&E's system average bundled electric rate and a 1.3% increase in PG&E's system average rate for CCA customers.
- **CEC AB 1110 Regulations.** On March 6, 2019, the CEC held a workshop on [AB 1110 Implementation](#) focused on draft rule changes modifying the Power Source Disclosure (PSD) Program. Under AB 1110, the PSD Program will require electricity retail suppliers like VCE to disclose to customers the GHG emissions intensity and unbundled RECs procured in relation to their electric service products, beginning with disclosures on the 2020 Power Content Label for 2019 calendar year data. The draft regulations remove the proposed sunset date for the grandfathering provision of firmed-and-shaped imports. The CEC is seeking input on several issues, including what disclosure requirements the regulation should include for the treatment of Cost Allocation Mechanism (CAM) resources. Written comments are due March 20, 2019.
- **Building Decarbonization Rulemaking.** On February 8, 2019, the CPUC published a final [Order Instituting Rulemaking](#) (OIR) establishing a new proceeding to consider the adoption of a policy framework to support building decarbonization and related programs or efforts. Comments on the OIR are due March 11, 2019, and replies are due March 25, 2019. The OIR contemplates four general categories of issues, as follows: (1) implementation of 2018 SB 1477, which involves the establishment of the Building Initiative for Low Emissions Development (BUILD) and Technology

and Equipment for Clean Heating (TECH), which together have authorized funding of \$50 million annually (2019-2023); (2) potential pilot programs for new construction in areas damaged by wildfires, focused on decarbonization beyond what is required by current building codes (e.g., all-electric homes); (3) coordination with building efficiency standards (Title 24) and appliance efficiency standards (Title 20), potentially involving the establishments of voluntary incentives or programs for new construction and low-emission demand response and self-generation technologies; (4) establishing a building decarbonization policy framework, encompassing a broad swath of potential issues relevant to creating a coherent and comprehensive approach to building decarbonization.

- **PG&E 2018 Energy Storage Procurement Application.** On February 26, 2019, the CPUC issued a [Proposed Decision](#) (PD) on utility applications for distributed energy storage investment programs pursuant to AB 2868. The PD largely rejects PG&E's in-front-of-the-meter RFO, in which PG&E had proposed a general framework focused on investment categories of community resiliency, reducing local capacity requirements, and supporting transportation electrification and distribution reliability, but did not specify individual projects. The PD rejects it as insufficiently detailed and directs that future proposals to provide project-specific detail. Furthermore, the PD finds that AB 2868 did not require cost recovery through the non-bypassable Cost Allocation Mechanism. Instead, at the time that the utilities propose the approval of contracts or projects pursuant to AB 2868, the utilities are directed to propose specific cost recovery mechanisms for each contract or project, consistent with the benefits received. The PD also approves PG&E's request for cost recovery for its behind-the-meter thermal storage program through the Public Purpose Program non-bypassable charge. Comments on the PD are due March 18, 2019, replies are due March 25, 2019, and the PD may be considered for adoption, at earliest, at the March 28, 2019 CPUC meeting.
- **2019 Integrated Energy Policy Report (IEPR).** On February 14, 2019, the California Energy Commission issued its [2019 IEPR draft scope](#) that largely involves continued work on focus areas from prior IEPRs and the standard contents of the IEPR. Among the components of the draft scope are: Transportation; Energy Equity; Energy Efficiency; Electricity Sector (e.g., Evaluation of changes needed to support 2030 goals for GHG reductions, zero-emission vehicles, and a 60% RPS); Energy Demand Forecasts; Natural Gas; Southern California Electric Reliability; Climate Adaptation.
- **CAISO Changes to Resource Adequacy Rules.** On February 27, 2019, the CAISO issued a its [RA Enhancements Straw Proposal - Part 2](#) proposal, which considers the rest of the items within the scope of the [RA Enhancements](#) initiative that were not in the Part 1 proposal, including (1) RA counting rules and assessments, (2) backstop capacity procurement, and (3) RA import capability provisions. Part 1, issued December 2018, included a discussion and proposed enhancements on (1) rules for import RA; (2) RA Availability Incentive Mechanism (RAAIM) enhancements, outage and substitution rules, and review of must offer obligations; (3) local capacity assessment with availability limited resources; and (4) meeting local RA capacity needs with slow demand response. Comments on the straw proposal are due March 20, 2019. A working group meeting is scheduled for April 8-9, 2019, with comments due April 22, 2019. In the next iteration of the proposal, anticipated for release on May 20, 2019, the CAISO will issue a revised straw proposal encompassing all issues in this initiative as part of a single proposal.