

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: February 11, 2021

Please find attached Keyes & Fox's January 2021 Regulatory Memorandum dated February 3, 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 February 3, 2021

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: February 3, 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:

- **Ensuring Summer 2021 Reliability:** The ALJ issued a Proposed Decision that would direct PG&E, SCE, and SDG&E to contract for capacity that is available to serve peak and net peak demand in the summer of 2021 and seek approval for cost recovery in rates. Parties filed opening and reply comments, respectively, on the PD. Parties including VCE also filed opening and reply testimony covering additional topics. The ALJ issued a Ruling denying motions by Protect Our Communities Foundation and the Utility Consumers’ Action Network and determining that there will not be evidentiary hearings (originally scheduled for January 27-29) in this proceeding.
- **IRP Rulemaking:** The ALJ issued a Proposed Decision that recommends electricity resource portfolios to CAISO to study in its 2021-2022 Transmission Planning Process. Parties filed comments and reply comments on the PD. VCE submitted its compliance filing demonstrating its progress towards its incremental procurement ordered by D.19-11-016.
- **RPS Rulemaking:** The CPUC issued D.21-01-005, directing retail sellers including VCE to file their final 2020 RPS Procurement Plans by February 19, 2021.
- **RA Rulemaking (2021-2022):** Parties filed Track 3B.2 proposals on January 15, 2021, and Track 3B.1 and Track 4 proposals on January 28, 2021.
- **PG&E’s Phase 2 GRC:** The ALJ issued a Ruling revising the procedural schedule as requested by parties. The ALJ also denied a PG&E Motion to Consolidate this proceeding with its application requesting a commercial EV day-ahead hourly real-time pricing pilot (A.20-10-011). Parties including PG&E subsequently filed a Joint Motion, requesting that real-time pricing rate design issues be bifurcated from the main procedural schedule, and a separate schedule be adopted to resolve these issues. PG&E also hosted settlement discussions with parties in January 2021 and provided a status report on January 29, 2021.

- **PCIA Rulemaking:** Parties filed comments in response to the questions provided by the Commission with regard to whether the PCIA rate cap should be eliminated (no party opposed doing so) and process changes that should be made to the ERRA Forecast cases.
- **PG&E Regionalization Plan:** No updates this month. PG&E's updated regionalization proposal is due February 26, 2021.
- **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.
- **PG&E's 2019 ERRA Compliance:** No updates this month. On November 16, 2020, Joint CCAs and PG&E filed reply briefs on remaining issues not addressed in the pending Settlement Agreement.
- **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.

Ensuring Summer 2021 Reliability

On January 8, 2021, the ALJ issued a Proposed Decision that would direct PG&E, SCE, and SDG&E to contract for capacity that is available to serve peak and net peak demand in the summer of 2021 and seek approval for cost recovery in rates. Parties filed opening and reply comments, respectively, on the PD on January 28, 2021, and February 2, 2021. Parties including VCE also filed opening and reply testimony, respectively, covering additional topics on January 11, 2021, and January 19, 2021. On January 26, 2021, the ALJ issued a Ruling denying motions by Protect Our Communities Foundation and the Utility Consumers' Action Network and determining that there will not be evidentiary hearings (originally scheduled for January 27-29) in this proceeding.

- **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: (1) how to 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. This OIR will only focus on actions that the Commission can adopt by April 2021 and that the parties can implement before the summer of 2021. With respect to increasing supply during peak and net peak demand hours, this proceeding will consider: (1) expedited procurement that could be online by summer 2021 and 2022, including the expansion of gas-fired generation assets; (2) potential mechanism to update the RA requirements for summer 2021; (3) potential support for the CAISO's CPM to procure additional capacity for summer 2021; (4) stack analysis of resource availability and needs for summer 2021; (5) expedited LSE IRP procurement; and (6) other opportunities to increase supply for summer 2021. To reduce demand during peak and net peak demand hours, this proceeding will consider: (1) Flex Alert paid media and social media; (2) Critical Peak Pricing; (3) out-of-market and outside of the RA framework emergency load

reduction program; (4) modifications to the reliability demand response programs, including Base Interruptible Program, Agriculture Pump Interruptible, and Air Conditioner cycling; (5) modifications to Proxy Demand Resources such as the Capacity Bidding Program; (6) other considerations for Demand Response Resources; (7) electric vehicle load; and (8) other opportunities to reduce peak demand and net peak demand hours in summer 2021.

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

The PD does not address approaches for decreasing demand to improve reliability, including VCE's suggestion, which will be separately considered in a proposed decision anticipated to be issued in March. It would direct IOU procurements for capacity that is available to serve peak and net peak demand in the summer of 2021 on behalf of all customers with the costs and benefits allocated to benefitting customers through the existing Cost Allocation Mechanism (CAM). The IOU procurements could include incremental capacity from efficiency upgrades at existing plants, revised PPAs, re-contracting with generation at risk of retirement, and incremental storage. They could also include RA-only contracts or contracts with tolling agreements and they may include utility-owned generation. The IOUs would be required to submit contracts as advice letters by February 15.

- **Analysis:** The pending PD is focused on IOU procurements, but it could impact VCE customer rates as cost recovery will occur through the CAM. This proceeding could also result in CPUC directives that could encourage VCE and others to take additional actions that result in greater resource availability or load reduction during the summer 2021 peak and net peak periods. It could also indirectly affect VCE customers, such as by directing IOUs to take specific actions to increase RA availability and capacity that VCE customers could be required to pay for. The focus of this proceeding is on summer 2021 reliability, so final orders will be issued by April 2021 and implemented quickly thereafter.
- **Next Steps:** Opening and reply briefs are due February 5, 2021, and February 12, 2021, respectively. The IOUs must submit contracts as advice letters by February 15, 2021. The proposed decision will be issued in early to mid-March, followed by the issuance of a final decision in March or April.
- **Additional Information:** [Proposed Decision](#) directing IOUs to seek additional capacity for summer 2021 (January 8, 2021); [Ruling](#) modifying procedural schedule (December 30, 2020); [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); [Email Ruling](#) on emergency capacity procurement (December 11, 2020); [Order Instituting Rulemaking](#) (November 20, 2020); Docket No. [R.20-11-003](#).

IRP Rulemaking

On January 7, 2020, the ALJ issued a Proposed Decision that recommends electricity resource portfolios to CAISO to study in its 2021-2022 Transmission Planning Process (TPP). Parties filed comments and reply comments, respectively, on January 27, 2021, and February 2, 2021. On February 1, 2021, VCE submitted its compliance filing demonstrating its progress towards its incremental procurement ordered by D.19-11-016.

- **Background:** In the CPUC's IRP process, the Reference System Portfolio (RSP) is a proposed statewide IRP portfolio that sets a statewide benchmark for later IRPs filed by individual LSEs. The CPUC ultimately adopts a Preferred System Portfolio (PSP) after LSEs submit individual IRPs to be used in statewide planning and future procurement. 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 into 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: First, the proceeding will resolve capacity procurement issues with respect to D.19-11-016. The CPUC will then focus on examining LSE plans to replace Diablo Canyon capacity and conduct an overall assessment and gap analysis to inform a procurement order that could direct LSEs to procure additional capacity. 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: The PSP analysis will likely lead to a portfolio to be transmitted by the CPUC 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 would require LSEs to file bi-annual (due February 1 and August 1) updates of 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).

- **Details:** The PD recommends the following electricity resource portfolios to CAISO to study in its 2021-2022 TPP:
 - Base case portfolio, for both reliability and policy-driven purposes, to be used to determine transmission investments needed: a portfolio that meets a 46 million metric ton (MMT) greenhouse gas (GHG) emissions target in 2031, with additional pumped storage and out-of-state renewables included compared to the portfolio adopted in D.20-03-028, which adopted the Reference System Portfolio used by LSEs in 2020 IRPs. (Numerous parties, including CalCCA, advocated for the Commission to use a lower 38 MMT GHG emissions target case for 2030 as the base case.) This base case portfolio includes approximately 10 GW of new battery storage, 15 GW of new in-state renewables, and over 1 GW of out-of-state renewables.
 - Two sensitivity portfolios, for study purposes: (1) A portfolio that meets a 38 MMT GHG emissions target in 2031. This portfolio includes approximately 20 GW of new in-state renewables, over 10 GW of new battery storage, and 3 GW of out-of-state renewables. (2) A portfolio that includes a large segment of offshore wind, to improve the transmission assumptions relevant to offshore wind for the benefit of future planning.
 - Resource-to-busbar mapping methodology: Includes improvements to the initial recommended methodology to prioritize siting of preferred resources, especially battery storage, in disadvantaged communities and/or local capacity areas with poor air quality.
- **Analysis:** D.20-12-044 established a backstop procurement process for procurement ordered under D.19-11-016, which provides more clarity on the process going forward for determining if backstop procurement is needed. VCE demonstrated compliance with D.19-11-016 with respect

to achieving all of the specified “milestones” required for its August 2021 requirement, and also showed that it has made progress on fulfilling its 2022 and 2023 requirements by executing contracts, so this process is unlikely to apply to VCE if it continues to demonstrate that the underlying projects are moving forward and, ultimately, achieve commercial operation. VCE will provide biannual compliance filings to the Commission providing an update on the status of its incremental procurement. The Staff Proposal providing a conceptual foundation for all future procurement informed by the IRP process contains a number of proposals that could undermine VCE’s procurement autonomy.

- **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: The CPUC is expected to issue a Ruling soon with its Diablo Canyon replacement power analysis, gap analysis, and proposing procurement strategy for any additional needed power, along with a proposed broader framework for IRP procurement. Comments are anticipated to be due in February 2021 (date TBD).
 - Preferred System Portfolio Development: A workshop on a reconciled portfolio aggregation of all LSE IRPs is anticipated for Q1 2021.
 - TPP: The PD may be heard, at the earliest, at the CPUC’s February 11, 2021 Business Meeting.
- **Additional Information:** [Proposed Decision](#) recommending portfolios for CAISO’s 2021-2022 TPP (January 7, 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](#).

RPS Rulemaking

On January 20, 2021, the CPUC issued D.21-01-005, directing retail sellers including VCE to file their final 2020 RPS Procurement Plans by February 19, 2021.

- **Background:** This proceeding addresses ongoing RPS issues. VCE submitted its 2020 RPS Procurement Plan on July 6, 2020 and its 2019 RPS Compliance Report on August 3, 2020. On August 12, 2020, VCE filed a Motion requesting to update its 2020 RPS Procurement Plan to make several minor clerical corrections to its Plan and noting to the CPUC that VCE anticipated terminating its PPA with Rugged Solar in August 2020.

On February 27, 2020, the ALJ issued a Ruling requesting comments on a Staff Proposal making changes to confidentiality rules regarding the RPS program. No subsequent action has been taken by the CPUC on this proposal to date.

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).

- **Details:** A large group of Joint CCAs had filed comments contesting the CPUC’s statutory authority to adopt criteria for bid selection and evaluation (including least-cost best-fit methodologies) and to apply the minimum margin of procurement methodology to CCAs, but the CPUC rejected the CCAs’ arguments in its decision. D.21-01-005 identifies where VCE has achieved compliance and provides specific guidance on how VCE’s draft 2020 RPS Procurement

Plan needs to be modified in the final 2020 RPS Procurement Plan to achieve compliance on remaining sections.

- **Analysis:** D.21-01-005 largely 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. It also identified several areas for VCE to update or modify in its final 2020 RPS Procurement Plan submission. The Decision’s specificity in detailing best examples and areas needing improvement reduces the uncertainty for how draft plans need to be modified to achieve compliance compared to prior years.

Other issues to be addressed in this proceeding could further impact future RPS compliance obligations.

- **Next Steps:** VCE plans to file a final 2020 RPS Procurement Plan with updates, as directed by and specified in D.21-01-005, on February 19, 2021. A PD aligning RPS and IRP filings is also anticipated to be issued soon.

It is unclear if the CPUC intends to issue a PD regarding RPS confidentiality and transparency issues, as had been proposed in a February 2020 Ruling.

- **Additional Information:** [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)

Parties filed Track 3B.2 proposals on January 15, 2021, and Track 3B.1 and Track 4 proposals on January 28, 2021.

- **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 central procurement entities. 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 December 2020 Scoping Memo and Ruling divided Track 3B into two sub-tracks to separate the larger structural changes that may require additional process following the June 2021 decision, from other interim changes. The scope of Track 3B.1 will include consideration of

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. The scope of Track 3B.2 includes examination of the broader RA capacity structure to address energy attributes and hourly capacity requirements. Track 4 issues include adoption of (1) 2022-2024 Local Capacity Requirements (LCR), (2) 2022 Flexible Capacity Requirements (FCR), and (3) 2022 System RA requirements. Track 4 will also consider other refinements to the RA program, including capacity values for Behind-the-Meter hybrid storage/solar resources and a Demand Response Working Group Report on Load Impact Protocol and Qualifying Capacity recommendations.

- **Analysis:** Regulatory developments under consideration in this proceeding could have a significant impact on VCE's capacity procurement obligations and RA compliance filing requirements. A broad array of changes to the RA construct are 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, 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:** Track 3B.1: A workshop on Track 3B.1 proposals will be scheduled for February; comments are due March 12, 2021; reply comments are due March 26, 2021; and a Proposed Decision is expected May 2021.

Track 3B.2: A workshop on revised Track 3.B2 proposals is scheduled for February 8-10, 2021; second revised Track 3.B proposals are due February 26, 2021; comments are due March 12, 2021; reply comments are due March 23, 2021; and a Proposed Decision is expected May 2021.

Track 4: The final LCR Working Group Report is due February 12, 2021; a workshop on Track 4 proposals will be held in February; comments are due March 12, 2021; reply comments are due March 26, 2021; and a Proposed Decision is expected May 2021.

- **Additional Information:** [Ruling and Addendum](#) to Energy Division Issue Paper and Draft Straw Proposal for Consideration in Track 3B.2 of Proceeding R.19-11-009 (December 21, 2020); [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); [2021 Final Flexible Capacity Needs Assessment](#) (May 15, 2020); [2021 Final Local Capacity Technical Study](#) (May 1, 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 January 12, 2021, the ALJ issued a Ruling revising the procedural schedule as requested by parties. On January 15, 2021, the ALJ denied a PG&E Motion to Consolidate this proceeding with its application requesting a commercial EV day-ahead hourly real-time pricing pilot (A.20-10-011). Parties including PG&E filed a Joint Motion on January 29, 2021, requesting that real-time pricing rate design issues be bifurcated from the main procedural schedule, and a separate schedule be adopted to resolve these issues. PG&E also hosted settlement discussions with parties in January 2021 and provided a status report on January 29, 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.

Joint CCAs' testimony recommended that:

- PG&E present class- and vintage-specific PCIA rates on individual rate schedules, consistent with other NBCs for both bundled and unbundled customers.
 - The CPUC not allow PG&E to offer Economic Development Rate Generation rates below PG&E's Marginal Generation Cost of Service.
 - PG&E's E-ELEC offering should be analyzed further and refined in a proceeding that allows more detailed consideration in rate making.
 - The Commission adopt PG&E's proposal regarding minimum time-of-use rates such that no proposed retail rate is below the PCIA.
- **Details:** Settlement discussions are ongoing.
 - **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 revenues requirements among VCE's different rate classes. It will also affect distribution and PPP charges paid by VCE customers to PG&E. Further, PG&E includes a cost-of-service study the purpose of which is to establish the groundwork for separating net metering customers into a separate customer class in the utility's next rate case. If PG&E's proposed CCA fee revisions are adopted, it could increase the cost VCE pays to PG&E for various services, to the extent VCE uses these services.
 - **Next Steps:** Rebuttal testimony is due February 23, 2021. An evidentiary hearing is tentatively scheduled for April 8-21, 2021. A CPUC decision is anticipated for mid-November 2021.
 - **Additional Information:** [Ruling](#) revising procedural schedule (January 12, 2021); [PG&E Status Report](#) (December 18, 2020); [Motion to Consolidate](#) (December 18, 2020); [D.20-09-021](#) on EUS budget (September 28, 2020); [Ruling](#) scheduling public participation hearings (August 20, 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](#).

PCIA Rulemaking

Parties filed comments in response to the questions provided in Attachment A of the Amended Scoping Memo and Ruling on January 22, 2021.

- **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. In the Joint IOUs' PFM of D.18-10-019 in this proceeding, filed concurrently with a PFM of D.17-08-026 in R.02-01-011, the Joint Utilities requested changes to the calculations for applying line losses in the PCIA calculations. First, the Joint IOUs argued that the current formula incorrectly applies line loss adjustments to the RA component of the PCIA calculation. Second, the Joint IOUs argued that the PCIA Template is inconsistent in its application of line losses with respect to the calculation of energy market value. The net impact of these two issues, according to the Joint Utilities, is an overstated forecast of portfolio market value with all customers initially underpaying the PCIA.

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.

The CPUC has not yet issued a Proposed Decision regarding Working Group 3.

- **Details:** The Amended Scoping Memo and Ruling added four issues to the scope of Phase 2 of this proceeding. CalCCA, direct access providers, CalAdvocates, TURN, and the utilities responded, as follows:
 - Should the Commission remove or modify the PCIA cap? No party opposed removing the rate cap.
 - Should the Commission modify deadlines or requirements of ERRA and PCIA related submittals and reports in order to increase time for parties to review PCIA data and to facilitate timely implementation of decisions in the ERRA proceedings? CalCCA and the utilities proposed competing modifications to allow more time for the ERRA forecast proceeding.
 - Should the Commission adopt a methodology for crediting or charging customers who depart from the utility service during an amortization period and who are responsible for a balance in the PCIA Undercollection Balancing Account, the Energy Resource Recovery Account, or any other bundled generation account? Both CalCCA and the utilities agreed such a mechanism should be developed, and both pointed to existing practices providing for such credits or charges.
 - Should the Commission consider any other changes necessary to ensure efficient implementation of PCIA issues within ERRA proceedings? The utilities proposed a netting treatment used by SCE be adopted more broadly to avoid recurring ERRA trigger filings as well as the development of a REC tracking framework to track Retained RPS on a going-forward basis. CalCCA recommended the development of a non-docket specific non-disclosure agreement to increase transparency and, in turn, CCAs' ability to forecast where the PCIA is heading based on utility-specific (and currently confidential) data.
- **Analysis:** The 2021 PCIA rate will be implemented through the 2021 ERRA Forecast proceeding, described above.
- **Next Steps:** Reply comments are due February 5, 2021. A PD is anticipated to be issued in Q2 2021.
- **Additional Information:** [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](#).

PG&E Regionalization Plan

No updates this month. PG&E’s updated regionalization proposal is due February 26, 2021.

- 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: North Coast, Sierra, Bay Area, Central Coast, and Central Valley. The regional boundaries will align with county boundaries. Yolo County would be part of PG&E Region 1 (North Coast), grouped together with the following counties: Colusa, Glenn, Humboldt, Lake, Mendocino, Napa, Sacramento, Solano, Sonoma, and Trinity. 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. PG&E will propose in a separate proceeding the enterprise-level safety and operational metrics it is developing that could also be considered to evaluate the effectiveness of its regionalization implementation. PG&E proposes a phased implementation, with progress establishing all regions in 2021, although some functions would not be fully shifted until 2022. PG&E also proposes to establish a Regional Plan Memorandum Account to record any incremental costs PG&E may incur in connection with development and implementation of regionalization.

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:** The October Scoping Memo and Ruling determined the scope of this proceeding will include examining (1) whether PG&E should be authorized to implement its Regionalization Proposal, as modified in this proceeding; (2) whether PG&E’s proposed five regional boundaries are reasonable; (3) whether PG&E’s proposals for regional leadership and a regional

organizational structure are consistent with the Commission's direction; (4) whether PG&E's proposed implementation timeline for regionalization is reasonable; (5) whether PG&E's regionalization proposal is reasonable, including its impact on safety and its cost effectiveness; (6) the adequacy and completeness of PG&E's regionalization plan; (7) the process and timeline for regionalization, the cost of regionalization, the criteria to be used for identifying and delineating regions, and the division of responsibilities and decision-making between PG&E's central office and its regional offices; and (8) issues relating to potential cost recovery and the corresponding ratemaking treatment. The Scoping Memo and Ruling did not discuss how municipalization proposals would be impacted by PG&E's regionalization plan, which had been the subject of a Protest of PG&E's application filed by South San Joaquin Irrigation District.

- **Analysis:** As noted in the responses and protests of CCAs, the implications of PG&E's regionalization plan on CCA operations, customers, and costs is largely unclear based on the information presented in PG&E's 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 beginning in 2021. It could also impact municipalization efforts, although this issue has not been explicitly addressed and remains unclear at this time. As part of Region 1, VCE would be grouped with several coastal and northern counties.
- **Next Steps:** An updated PG&E proposal is due February 26, 2020, a workshop will be held March 3, 2021, comments are due April 2, 2021, and reply comments are due April 9, 2021. PG&E must engage its Regional Vice Presidents and Regional Safety Directors by June 1, 2021.
- **Additional Information:** [Ruling](#) modifying procedural schedule (December 23, 2020); [Scoping Memo and Ruling](#) (October 2, 2020); [Application](#) (June 30, 2020); [A.20-06-011](#).

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.

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

- **Details:** The 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 non-residential 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 attaching the final staff report 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 PFM's 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](#).

PG&E's 2019 ERRA Compliance

No updates this month. On November 16, 2020, Joint CCAs and PG&E filed reply briefs on remaining issues not addressed in the pending Settlement Agreement.

- **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.

PG&E's supplemental testimony (1) described PG&E's PSPS Program and when it was used in 2019; (2) provided an accounting of the 2019 PSPS events, including a description of how balancing accounts forecast in PG&E's annual ERRA Forecast proceeding and reviewed in the 2019 ERRA Compliance Review proceeding may have been impacted and; (3) described the difference between load forecasting for ratemaking purposes and load forecasting for PSPS events.

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:** 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.
- **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.
- **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:** [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](#).

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.

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
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)