

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 – Keyes & Fox

Date: June 11, 2020

Please find attached Keyes & Fox's May 2020 Regulatory Memorandum dated June 3, 2020, 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 June 3, 2020

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: June 3, 2020

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:

- **Investigation of PG&E Bankruptcy Plan:** The CPUC unanimously approved D.20-05-053 approving PG&E’s reorganization plan and establishing additional management, operational, and oversight requirements applicable to PG&E.
- **Investigation into PG&E Violations Related to Wildfires:** The CPUC issued D.20-05-019, approving Commissioner Rechtschaffen’s “Decision Different” regarding the penalties and other remedies to be imposed on PG&E for 2017/2018 wildfires.
- **2020 IRP Rulemaking:** The CPUC issued an Order Instituting Rulemaking (OIR) establishing a successor rulemaking to the 2016 IRP proceeding and requesting comments on the preliminary scope.
- **2016 IRP Rulemaking:** Energy Division provided final IRP templates to be used by LSEs in their 2020 IRPs. CalCCA filed a Petition for Modification of D.19-11-016, requesting clarification of hybrid and energy storage resource Qualifying Capacity for complying with the decision and modification of the cost recovery mechanism. PG&E filed an advice letter requesting approval of energy storage contracts totaling 423 MW/1,692 MWh pursuant to D.19-11-016. The ALJ issued a Ruling making several corrections to a previous Ruling that established final LSE load forecasts for use by LSEs in creating their IRPs.
- **RA Rulemaking (2019-2020):** CalCCA and numerous other stakeholders submitted a joint letter expressing deep concerns with and recommending changes to the RA central procurement Proposed Decision. The CPUC held the Proposed Decision until its June 11, 2020, Meeting. The ALJ issued a Proposed Decision on the limited rehearing of D.20-03-016 and Track 1 RA import issues.
- **RA Rulemaking (2021-2022):** Parties filed comments and reply comments on the final CAISO local capacity requirements report. CAISO issued its final 2021 flexible capacity requirements

report, on which parties submitted comments. The ALJ issued a Proposed Decision adopting local capacity obligations for 2021-2023, adopting flexible capacity obligations for 2021, and making changes to the RA program. Notably, among other changes to the “Maximum Cumulative Capacity” bucket system, the PD would adopt a new requirement that would limit the use of in-front-of-the-meter wind and solar resources, DR resources, and other non-dispatchable resources to 43.9% of an LSE’s RA capacity, with the remainder required to come from 24-hour dispatchable resources.

- **PCIA Rulemaking:** The ALJ issued a Proposed Decision rejecting a Joint Petition for Modification of D.18-07-009 filed by California Choice Energy Authority and the Center for Accessible Technology in October 2018 regarding medical baseline customers in SDG&E and SCE service territories.
- **PG&E’s 2019 ERRA Compliance:** A prehearing conference was held, with parties now awaiting a scoping memo and ruling.
- **RPS Rulemaking:** The Assigned Commissioner and ALJ issued a Ruling establishing requirements for retail seller 2020 RPS Procurement Plans, followed by an Email Ruling that partially granted a request for an extension of time to June 29, 2020, for retail sellers to file their RPS Procurement Plan. On May 18, 2020, the Energy Division requested informal comments on draft 2019 RPS Compliance Report templates.
- **PG&E’s Phase 1 GRC:** PG&E responded to an ALJ Ruling directing parties to the Settlement Agreement to provide updated versions of the appendices to the Settlement Agreement to reflect PG&E’s 2018 recorded (as opposed to forecasted) capital expenditures.
- **PG&E’s Phase 2 GRC:** Parties filed opening and reply comments, respectively, on the IOUs’ Final Essential Usage Study (EUS) Plan proposal. PG&E served updated testimony.
- **Investigation into PG&E’s Organization, Culture and Governance:** The ALJ emailed the service list and signaled that a ruling is forthcoming that will invite party comment on the scope, schedule and priorities for this proceeding.
- **Direct Access Rulemaking:** No updates this month. Previously, the ALJ informed parties that the release of Energy Division’s recommendation as to whether to expand Direct Access has been delayed.
- **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.)
- **Wildfire Fund Non-Bypassable Charge (AB 1054):** No updates this month.
- **Other Regulatory Developments:**
 - **CPUC Approves Proposed Decision on De-Energization:** The CPUC adopted a [Proposed Decision](#) on revised guidelines governing PSPS, or "de-energization" events at its May 28 business meeting.
 - **Clean Power Alliance Appeals CPUC Citation for RA:** Clean Power Alliance (CPA) [appealed](#) a citation issued by the Consumer Protection and Enforcement Division (CPED) regarding CPA’s Year-Ahead Resource Adequacy compliance filing for the 2020 RA year.
 - **California Energy Commission issues Final 2019 Integrated Energy Policy Report:** The CEC issued the [Final 2019 IEPR](#). The IEPR is a lengthy report covering numerous aspects of California’s energy system and the various policies that affect the energy sector.

Investigation of PG&E Bankruptcy Plan

Parties filed comments and reply comments on the Proposed Decision on May 11, 2020, and May 18, 2020, respectively. At its May 28, 2020, meeting, the CPUC unanimously approved the revised Proposed Decision (D.20-05-053, issued June 1, 2020) approving PG&E's reorganization plan and establishing additional management, operational, and oversight requirements applicable to PG&E.

- **Background:** This case addressed regulatory review and approval of PG&E's bankruptcy plan, in particular whether the plan meets the AB 1054 Wildfire Fund requirements, which imposes a June 30, 2020 deadline. Under AB 1054, in order for PG&E to be eligible to participate in the Wildfire Fund, its plan must be "neutral, on average, to ratepayers." This proceeding considered the ratemaking implications of the proposed plan and settlement agreement, whether the plan satisfactorily resolves claims for monetary fines or penalties for PG&E's pre-petition conduct, whether to approve the governance structure of the utility and the appropriate disposition of potential changes to PG&E's corporate structure and authorization to operate, whether to make any other approvals related to the confirmation and implementation of the plan, and any other findings necessary to approve a proposed settlement, including but not limited to whether doing so is in the public interest. PG&E must secure approval for the plan by the federal Bankruptcy Court.

On January 22, 2020, PG&E announced that it had reached an agreement with AHC regarding its reorganization plan. This agreement was approved by the Bankruptcy Court on February 4, 2020. PG&E's amended reorganization plan addresses the claims of holders of utility prepetition funded debt, separately classifies Ghost Ship Fire Claims from other Fire Claims (i.e., rather than channeling them through the Fire Victim Trust), clarifies that all accrued and unpaid payments as of the Effective Date that are due under the Debtors' Employee Benefit Plans will be paid on or as soon as practicable after the Effective Date, and incorporates agreements with IBEW Local 1245. VCE is a party to this proceeding.

- **Details:** D.20-05-053 approves the financial elements of PG&E's reorganization plan, including:
 - \$13.5 billion Fire Victim Trust. The reorganization plan also specifies that the Fire Victim Trust would be funded through \$6.75 billion in cash, and \$6.75 billion in stock of reorganized PG&E Corp.
 - \$11 billion settlement with insurance claim holders and companies.
 - Reinstatement of \$9.575 billion in existing, prepetition PG&E-funded debt claims.
 - Refinancing of \$11.85 billion in existing, prepetition PG&E debt with newly issued debt.
 - Payment in full of general unsecured claims and certain other liabilities, with interest at the legal rate.
 - A \$7.5 billion post-emergence 30-year securitization transaction.

The Decision approves, with modifications, numerous proposals put forth by CPUC President Batjer for providing more oversight of PG&E along with management and operational changes at PG&E. The Decision does not address the Joint CCAs' recommendation that the CPUC develop a plan to phase out PG&E's retail electric generation service to customers or CCA requests that the CPUC require PG&E to undertake asset sales, instead determining that the PG&E Safety Culture proceeding (I.15-08-019) is the more appropriate forum for these issues. The Decision also rejected the Joint CCAs' request to revoke PG&E's existing holding company structure. Among other determinations, the Decision:

- Requires that PG&E implement regional restructuring, resulting in local PG&E operating regions led by an officer of the utility that reports directly to the CEO. PG&E is required to file an application for regionalization by June 30, 2020.
- Requires PG&E to have a separate Chief Risk Officer (CRO) and Chief Safety Officer (CSO). It establishes an Independent Safety Monitor that would functionally act in the same capacity as the federal court monitor after the termination of the federal monitor.

The details on implementing the Independent Safety Monitor would be determined in the future.

- Clarifies and expands the authority of the Safety and Nuclear Oversight (SNO) Committees of PG&E's boards of directors (e.g., the SNO Committees would have oversight over PG&E's Wildfire Mitigation Plan and PSPS program, among others).
 - Provides for the establishment of additional requirements applicable to the boards of directors of PG&E and PG&E Corp., but allows their membership to remain largely the same.
 - Finds that PG&E may not seek cost recovery for 2017/2018 wildfire claims except via the proposed securitization.
 - Declines to adopt a safety-based earnings adjustment mechanism, but it will continue to be considered in the future, either in the PG&E Safety Culture proceeding (I.15-08-019) or another proceeding.
 - Requires PG&E to reimburse the CPUC for, and bar cost recovery on, various costs the CPUC incurred for outside expertise in relation to the Chapter 11 bankruptcy cases.
 - Adopt an Enhanced Oversight and Enforcement process for PG&E, revised and detailed in Appendix A, designed to provide a clear roadmap for how the CPUC will closely monitor PG&E's performance. The proposal specifies various steps that PG&E could progress through if repeatedly found to be non-compliant, with the last step being a review and possible revocation of its certificate of public convenience and necessity.
- **Analysis:** The Decision provides the CPUC's approval for allowing PG&E to emerge from bankruptcy under PG&E's reorganization plan, with some additional changes required to its operations, management, and oversight, although key aspects of requirements related to regionalization and the independent monitor remain to be determined in the future. The Decision excludes consideration of municipalization issues and does not address VCE's bid to PG&E to purchase the transmission and distribution assets of PG&E as part of PG&E's restructuring, along with other proposals for more significant reforms of PG&E's structure and operations.
 - **Next Steps:** The Bankruptcy Court will need to approve the reorganization plan and accompanying CPUC directives by June 30, 2020. PG&E must also file its regional restructuring application by the June 30, 2020. PG&E is directed to file a Tier 2 Advice Letter within 30 days of the Effective Date of its Plan to implement the debt cost savings associated with the \$11.85 billion Noteholder RSA debt. This proceeding is expected to close after June 30, 2020 and remaining issues will be addressed in the PG&E Safety Culture proceeding (I.15-08-019).
 - **Additional Information:** [D.20-05-053](#) (June 1, 2020); [PG&E Motion](#) for official notice and [Plan of Reorganization](#) (March 24, 2020); [Press Release](#) on President's statement on PG&E's bankruptcy plan (February 18, 2020); [PG&E Notice of Amended Plan of Reorganization](#) and [Testimony](#) (January 31, 2019); [Scoping Memo and Ruling](#) (November 14, 2019); [PG&E Amended Plan](#) (November 5, 2019); [Order Instituting Investigation](#) (October 4, 2019); Docket No. [I.19-09-016](#).

Investigation into PG&E Violations Related to Wildfires

On May 8, 2020, the CPUC issued D.20-05-019, approving Commissioner Rechtschaffen's "Decision Different" regarding the penalties and other remedies to be imposed on PG&E.

- **Background:** The scope of the proceeding included violations of law by PG&E with respect to the 2017 and 2018 wildfires, including the 2017 Tubbs Fire and the 2018 Camp Fire, what penalties should be assessed, what remedies or corrective actions should occur, and what if any systemic issues contributed to the ignition of the wildfires. SED issued a Fire Report on June 13, 2019 that found deficiencies in PG&E's vegetation management practices and procedures and equipment

operations in severe conditions. CAL FIRE also found that PG&E's electrical facilities ignited all but one of the fires addressed in this investigation. This investigation ordered PG&E to take immediate corrective actions to come into compliance with CPUC requirements.

The terms of the Settlement Agreement between PG&E, SED, the CPUC's Office of the Safety Advocate, and CUE would have resulted in \$1.675 billion in PG&E penalties. Specifically, PG&E would not have been permitted seek rate recovery of wildfire-related expenses and capital expenditures totaling \$1.625 billion. In addition, PG&E would have been required to spend \$50 million in shareholder-provided settlement funds on specified System Enhancement Initiatives.

The Presiding Officer's Decision provided for penalties on PG&E totaling \$2.137 billion. The total included an increase of \$198 million in the disallowances for wildfire-related expenditures that was provided in the Settlement Agreement. It also increased PG&E's System Enhancement Initiatives and corrective actions by \$64 million and added a \$200 million fine payable to the General Fund. In total, these changes increased PG&E's penalties by \$462 million relative to the Settlement Agreement. The Presiding Officer's Decision also required any tax savings associated with the shareholder payments under the settlement agreement, as modified by this decision, to be returned to the benefit of ratepayers.

- **Details:** D.20-05-019 approved with modifications the Settlement Agreement, as provided in Commissioner Rechtschaffen's "Decision Different." It approved penalties totaling \$2.137 billion, however the \$200 million fine payable to the General Fund is permanently suspended, resulting in an effective penalty total of \$1.937 billion. In addition, the decision requires any tax savings associated with the shareholder obligations for *operating expenses* under the Settlement Agreement (but not tax savings associated with capital expenditures, in order to avoid any potential legal conflict with IRS normalization rules) to be returned to the benefit of ratepayers in PG&E's next GRC. Finally, the decision rejects PG&E's attempt to classify the \$200 million fine as a Fire Victim Claim or Fire Claim.
- **Analysis:** D.20-05-019 results in the largest penalty in CPUC history. It requires additional spending by PG&E to mitigate future wildfire risk, potentially positively impacting the quality of service experienced by VCE customers. Monetary penalties will ultimately be handled in the Bankruptcy Court. Prepetition liabilities were required to be resolved in this proceeding so that PG&E can finalize its reorganization plan within the time frame provided in AB 1054 (*i.e.*, June 30, 2020). The decision does not hinder PG&E's reorganization plan from moving forward, whereas PG&E has argued that provisions in the original Presiding Officer's Decision could have imperiled the plan.
- **Next Steps:** Upon approval of the Settlement Agreement as modified in the decision by the Bankruptcy Court, this proceeding is closed.
- **Additional Information:** [D.20-05-019](#) (May 8, 2020); [Decision Different](#) of Commissioner Rechtschaffen (April 20, 2020); [Motion](#) by Commissioner Rechtschaffen (March 27, 2020); [Presiding Officer's Decision](#) approving the settlement agreement with modifications (February 27, 2020); [Joint Motion for Approval of Settlement Agreement](#) (December 17, 2019); [Amended Scoping Memo and Ruling](#) (October 28, 2019); GO 95 [Rule 31.1](#); GO 95 [Rule 35](#); GO 95 [Rule 38](#); [Order Instituting Investigation](#) (June 27, 2019); Docket No. [I.19-06-015](#).

2020 IRP Rulemaking

On May 14, 2020, the CPUC issued an Order Instituting Rulemaking (OIR) establishing a successor to the first IRP proceeding (see "2016 IRP Rulemaking" below).

- **Background:** In the CPUC's IRP process, the Reference System Portfolio (RSP) is essentially 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) to be used in statewide planning and future procurement. In the 2016 IRP proceeding, the CPUC issued D.19-11-016, directing VCE to 6.3 MW, 9.4 MW, and 12.6 MW, to be online by line by August 1, 2021, August

1, 2022, and August 1, 2023, respectively. In addition, D.20-03-028 established a 2019-2020 RSP based on a GHG target for the electric sector for 2030 of 46 million metric tons (MMT), while also requiring LSEs to file an IRP scenario based on a more aggressive 38 MMT target in their IRPs due September 1, 2020.

- **Details:** The OIR's preliminary scope defines a Planning Track and a Procurement Track. The Planning Track includes all of the work associated with developing the RSP and the PSP. The individual issues within this track include modeling, scenario selection, inputs and assumptions, GHG benchmarks, load forecasting issues, and filing requirements for individual LSE IRPs. The OIR states that it is now necessary to move beyond planning through 2030 and begin to move the planning horizon through at least 2035 in preparation for the 2045 goals established by SB 100 (e.g., a zero-carbon electricity sector).

The Procurement Track will focus on the evaluation of whether LSE procurements are necessary to protect reliability or achieve statutory goals. This evaluation will take place primarily at the system level, while local reliability issues continue to be addressed in RA proceedings. However, the OIR notes that there is the potential for overlap between the IRP and RA proceedings, such as the potential applicability of a central procurement model to system-level reliability issues. The OIR states that the Procurement Track will also include:

- Consideration of cost allocation issues arising out of procurement directives.
 - Procurement issues associated with long lead-time resources, such as long duration storage, offshore wind, out of state renewables; other resources that add resource diversity, such as geothermal; and resources that may require involvement of multiple LSEs to be viable.
 - The development of new resource types, such as hybrid resources and hydrogen-fueled resources.
 - Consideration of utilities' bundled procurement plans, including any changes necessary to the currently approved plans.
- **Analysis:** This proceeding impacts VCE's compliance requirements, including its IRP filing, as well as issues that could impact VCE's autonomy over its procurement decisions and cost recovery of related procurement directives.
 - **Next Steps:** Comments on the OIR are due June 15, 2020, and replies are due June 30, 2020. In particular the OIR invites comments on the items in the preliminary scoping memo, whether any are missing, and the appropriate prioritization and sequencing of topics. In addition, a Ruling seeking comments on cost allocation and backstop procurement issues arising from D.19-11-016 is anticipated to be issued soon, with comments due in June. VCE's IRP is due September 1, 2020.
 - **Additional Information:** [Order Instituting Rulemaking](#) (May 14, 2020); Dock No. [R.20-05-003](#).

2016 IRP Rulemaking

On May 12, 2020, Energy Division provided final IRP templates to be used by LSEs in their 2020 IRPs. On May 14, 2020, CalCCA filed a Petition for Modification of D.19-11-016, requesting clarification of hybrid and energy storage resource Qualifying Capacity for complying with the decision and modification of the cost recovery mechanism. On May 18, 2020, PG&E filed an advice letter requesting approval of energy storage contracts totaling 423 MW/1,692 MWh pursuant to D.19-11-016. On May 20, 2020, the ALJ issued a Ruling making several corrections to a previous Ruling that established final LSE load forecasts for use by LSEs in creating their IRPs. On May 22, 2020, the IRP Modeling Advisory Group held a webinar on resource-to-busbar mapping for the 2020-2021 Transmission Planning Process.

- **Background:** In the CPUC's IRP process, the RSP is essentially 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) to be used in statewide planning and future procurement.

D.19-11-016 directed VCE to 6.3 MW, 9.4 MW, and 12.6 MW, to be online by line by August 1, 2021, August 1, 2022, and August 1, 2023, respectively. In addition, D.20-03-028 established a 2019-2020 RSP based on a GHG target for the electric sector for 2030 of 46 million metric tons (MMT), while also requiring LSEs to file an IRP scenario based on a more aggressive 38 MMT target in their IRPs due September 1, 2020. CESA's PFM of D.19-11-016, filed April 1, 2020, requests that the CPUC allow IOUs to submit Tier 2 advice letters for expedited 30-day approval for any incremental resource contracts executed to meet the 2021 compliance requirements and to come online by the August 1, 2021, deadline. In contrast, D.19-11-016 had directed IOUs to use the *Tier 3* advice letter process, which requires a Commissioner-level approval (typically a four to six-month process). The CPUC will explore further in the procurement track of this or a successor proceeding how to go about ensuring that these additional resources, or others with equivalent attributes, are planned for and procured, as well as the need for development of diverse resources and those that may require multiple off-takers in order to be developed. D.20-03-028 specifies additional requirements for LSEs in their 2020 IRPs.

- **Details:** The Ruling making revisions to LSE load forecasts for use in individual 2020 IRPs did not change anything for VCE specifically, but it did make several corrections for other CCAs as well as correcting PG&E's 2020 bundled load figure.

CalCCA's PFM requests that (1) the CPUC clarify that the QC value of an LSE's incremental procurement of hybrid resources will be determined using the permanent calculation methodology that will be adopted in R.19-11-009, and (2) the CPUC direct implementation of a cost recovery mechanism for IOU backstop procurement of system RA that requires IOUs to bill the backstopped LSE directly, rather than the LSE's customers, for procurement caused by the LSE's default to IOU backstop service.

PG&E AL 5826 seeks CPUC approval of seven system RA agreements, all with lithium-ion battery storage projects, totaling 423 MW/1,692 MWh. The procurement was in response to D.19-11-016, which directed LSEs to procure additional system RA to meet anticipated shortfalls in the coming several years. PG&E indicated it plans to issue a second RFO for additional RA resources in Q3 2020.

- **Analysis:** CalCCA's PFM, if granted, would use the permanent hybrid counting methodology to be established in R.19-11-019, which CalCCA suggested is likely to be "less conservative and more accurate," instead of an interim methodology recently adopted, which Energy Division has interpreted as applying for compliance with D.19-11-016. CalCCA's PFM would also allow CCAs to recover backstop costs through their generation rates rather than having the IOU directly recover such costs through a non-bypassable charge on CCA customers.

CESA's PFM, if granted, would only impact the approval process for IOU procurement and would not directly impact VCE's required procurement.

- **Next Steps:** The proceeding is now closed, except to consider pending intervenor compensation claims, CESA's PFM, and (presumably) CalCCA's PFM. All other IRP issues will be addressed through R.20-05-003. VCE's IRP is due on September 1, 2020.
- **Additional Information:** [Ruling](#) correcting LSE load forecasts (May 20, 2020); PG&E's [Advice 5826-E](#) (May 18, 2020); CalCCA PFM of [D.19-11-016](#) (May 14, 2020); [Ruling](#) establishing LSE load forecasts (April 15, 2020); [D.20-03-028](#) on RSP and 2020 IRP filing requirements (April 6, 2020); [CESA's PFM](#) of D.19-11-016 (April 1, 2020); [List of Baseline Resources](#) (December 2, 2019); [D.19-11-016](#) (November 13, 2019); [Ruling](#) initiating procurement track (June 20, 2019); [D.19-04-040](#) on 2018 IRPs and 2020 IRP requirements (May 1, 2019); Docket No. [R.16-02-007](#).

RA Rulemaking (2019-2020)

On May 18, 2020, CalCCA and numerous other stakeholders submitted a joint letter expressing deep concerns with and recommending changes to the RA central procurement Proposed Decision issued March 26, 2020. The CPUC subsequently decided to hold the Proposed Decision until its June 11, 2020,

Meeting. On May 18, 2020, the ALJ issued a Proposed Decision on the limited rehearing of D.20-03-016 and Track 1 RA import issues.

- **Background:** This proceeding has three tracks. It is currently focused on remaining central buyer issues from Track 2 as well as limited hearing of certain RA import issues. Track 1 addressed 2019 local and flexible RA capacity obligations and several near-term refinements to the RA program and is closed. 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 declined to adopt a central buyer mechanism (D.19-02-022 issued March 4, 2019). A proposed settlement agreement, filed by CalCCA among other parties (but not PG&E), would create an RA Central Procurement Entity ("CPE"), unidentified in the Settlement Agreement, to procure residual collective RA for all CPUC-jurisdictional LSEs that is not met by individual LSEs. Under the proposed settlement, individual LSEs would be able to choose to procure their share of the collective RA requirement, or they may allow the CPE to procure their share on default. Costs would be allocated afterwards based on cost causation principles.

The RA central procurement PD would adopt 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. 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. Under this structure, LSEs within PG&E's and SCE's TAC areas would not have a local RA requirement beginning in the 2023 compliance year. A competitive solicitation process would be used by the CPEs to procure RA products. Costs incurred by the CPE would be allocated ex post based on load share, using the CAM mechanism. Notably, the PD would reject CalCCA's settlement agreement 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, finding it not to be a workable plan.

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 February 11, 2020, a group of clean energy and energy storage parties filed a PFM of D.20-01-004, seeking a revision to the definition of "Hybrid Resource."

- **Details:** The Track 1 PD on RA imports would adopt revisions to the RA import rules based on Energy Division's proposal, with modifications. The RA Imports PD stems from concerns that LSEs might be relying on RA resources and contracts that could not or would not actually deliver energy when it was most needed (i.e., speculative supply). The current PD would resolve a stay of D.19-10-021 that purported clarify RA import rules and differentiates between source-specific contracts (i.e., those associated with a specific resource) and non-resource-specific contracts.

CalCCA and a coalition of other stakeholders submitted a letter to the CPUC on March 18, 2020 expressing deep concerns with and recommending changes to the RA central procurement PD. The letter requests changes to the PD to incorporate financial crediting of preferred resources,

ensure that centrally procured local RA costs are recovered through the generation rate instead of the distribution rate, provide that cost allocation account for the peak load of the LSE serving that customer, limit centralized buying of local RA resources to three years to allowed preferred resources to replace fossil fuel generation, and specify that having PG&E and SCE serve as the central procurement entities in their respective service territories is only a temporary measure.

- **Analysis:** The pending Track 2 PD establishing a central procurement entity would resolve the central buyer issues. Moving to a central procurement would 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, eliminating the need for monthly local RA showings and associated penalties and/or waiver requests from individual LSEs, but also eliminating VCE's autonomy with regard to local RA procurement and placing this in the hands of PG&E.

The Track 1 PD on RA imports would primarily impact LSEs relying on RA imports to meet their RA obligations by increasing the difficulty of procuring such RA in the future.

- **Next Steps:** Opening comments are due June 8, 2020, and replies are due June 15, 2020, on the Track 1 RA Import PD. The CPUC has held the Track 2 PD on a central procurement entity until its June 11, 2020, meeting.
- **Additional Information:** [Proposed Decision](#) on Track 1 RA Imports (May 18, 2020); [CalCCA et al. Letter](#) on Track 2 PD (May 18, 2020); [Proposed Decision](#) on Track 2 central buyer (March 26, 2020); [Ruling](#) establishing process for rehearing of D.19-10-021 (March 20, 2020); [D.20-03-016](#) granting limited rehearing of D.19-10-021 (March 12, 2020); [PFM](#) of D.20-01-004 (February 11, 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); [Petition for Modification](#) of D.19-06-026 by CalCCA (October 30, 2019); [D.19-10-021](#) affirming RA import rules (October 17, 2019); [PG&E PFM](#) regarding PG&E Other disaggregation (September 11, 2019); [Joint Motion](#) to adopt a settlement agreement for a residual central procurement entity (August 30, 2019); [D.19-06-026](#) adopting local and flexible capacity requirements (July 5, 2019); Docket No. [R.17-09-020](#).

RA Rulemaking (2021-2022)

Parties filed comments and reply comments on the final CAISO local capacity requirements report on May 8, 2020, and May 13, 2020, respectively. CAISO issued its final 2021 flexible capacity requirements report on May 15, 2020, on which parties submitted comments on May 20, 2020. On May 22, 2020, the ALJ issued a Proposed Decision adopting local capacity obligations for 2021-2023, adopting flexible capacity obligations for 2021, and making changes to the RA program.

- **Background:** Per the Scoping Memo, this proceeding is divided into 4 tracks:
 1. Track 1 considers revisions to the RA import rules.
 2. Track 2 considers System and Flexible RA requirements for 2021 and Local RA requirements for 2021-2023. It also considers time-sensitive refinements to the RA program, including modifications to the maximum cumulative capacity (MCC) buckets to address increasing reliance on use-limited resources to meet reliability and needs; using a working group process to consider qualifying capacity counting conventions and requirements for hydro resources, hybrid resources, and third-party demand response resources; re-aggregation of the "PG&E Other" area; and changes to the existing penalty structure and waiver process to address potential market power.
 3. Track 3 examines the broader RA capacity structure to address energy attributes and hourly capacity requirements, given the increasing penetration of use-limited resources, greater reliance on preferred resources, rolling off of a significant amount of long-term tolling contracts held by utilities, and material increases in energy and capacity prices experienced in California over the past years.

4. Track 4 will consider the 2022 program year requirements for System and Flexible RA, and the 2022-2024 Local RA requirements.

- **Details:** The PD would approve system and flexible RA requirements for 2021, local RA requirements for 2021-2023, and near-term refinements to the RA program. Notably, among other changes to the “Maximum Cumulative Capacity” bucket system, the PD would adopt a new requirement that would limit the use of in-front-of-the-meter wind and solar resources, DR resources, and other non-dispatchable resources to 43.9% of an LSE’s RA capacity, with the remainder required to come from 24-hour dispatchable resources. The PD also adopts several revisions to RA counting conventions based on working group activities and reports, including to hydro and hybrid resources. The PD acknowledges proposals to refine effective load carrying capacity (ELCC) methodology that applies to resources like solar and wind, but determines that there is insufficient consensus to expand or revise the existing ELCC methodology, while authorizing the Energy Division to further explore a marginal ELCC approach.

The PD would revise RA penalties, currently \$6.66/kW-month for all months, by increasing them to \$8.88/kW-month for May-October and decreasing them to \$4.44/kW-month for November-April. The PD declines to establish a system or flexible RA waiver process, while observing that the system and flexible RA waivers process needs further development and study due to "significant, unresolved issues."

The PD would decline to reaggregate the “Other” local area, and instead adopts a policy providing that an LSE has fulfilled its local RA obligations in the 6 local areas if it meets certain requirements.

Finally, the PD also would direct that a local RA working group be established to address the CAISO's updated criteria and other methodological aspects, issues involving the timing of local capacity requirement studies and stakeholder opportunity for review, and how to harmonize CAISO and CPUC resource accounting rules. The working group’s report would be due September 1, 2020. The PD would also authorize the Energy Division to facilitate a working group to pursue a review of the 15% planning reserve margin.

- **Analysis:** Regulatory developments under consideration in this proceeding that may impact VCE’s capacity procurement obligations include the consideration of hourly capacity requirements in light of the increasing penetration 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; whether the CPUC should cap imports; the potential expansion of multi-year local forward RA to system or flexible resources; RA penalties and waivers; counting conventions for hydro, hybrid resources, and DR resources; and Marginal ELCC counting conventions for solar, wind and hybrid resources.
- **Next Steps:** Comments on the Track 2 PD are due June 11, 2020, replies are due June 16, 2020, and the PD may be adopted, at earliest, at the June 25, 2020, CPUC meeting.

In Track 3, proposals from parties and Energy Division are due July 10, 2020.

The schedule and scope of issues for Track 4 will be established in a later Scoping Memo.

- **Additional Information:** [Track 2 Proposed Decision](#) on local and flexible RA requirements and RA program refinements (May 22, 2020); [2021 Final Flexible Capacity Needs Assessment](#) (May 15, 2020); [2021 Final Local Capacity Technical Study](#) (May 1, 2020; [Ruling](#) modifying Track 2 schedule (February 28, 2020); [Scoping Memo and Ruling](#) (January 22, 2020); [Order Instituting Rulemaking](#) (November 13, 2019); Docket No. [R.19-11-009](#).

PCIA Rulemaking

On May 22, 2020, the ALJ issued a Proposed Decision rejecting a Joint Petition for Modification of D.18-07-009 filed by California Choice Energy Authority and the Center for Accessible Technology in October 2018.

- **Background:** D.18-10-019 was issued on October 19, 2018, in Phase 1 of this proceeding and left the current PCIA in place, maintained the current brown power index, and adopted revised inputs to the benchmarks used to calculate the PCIA for energy RPS-eligible resources and resource adequacy capacity.

Phase 2 relies 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.

The CPUC has not yet issued Proposed Decisions regarding Working Group 2 or 3.

Details: The PD would find insufficient justification for the PFM's request that the CPUC modify D.18-07-009 to provide a four-year phase-out of the exemption from paying the PCIA previously provided for CCA customers in the service territories of SDG&E and SCE who receive a Medical Baseline allowance from either utility. (PG&E had phased the PCIA exemption out for medical baseline customers pursuant to a settlement agreement.)

- **Analysis:** The PD, if adopted, would not impact VCE customers.
- **Next Steps:** A proposed decision is anticipated to be issued soon on issues addressed by Working Group 2, and a proposed decision regarding Working Group 3 is expected in Q3 2020.
- **Additional Information:** [Proposed Decision](#) denying Joint Petition for Modification of D.18-07-009 (May 22, 2020); [UCAN Motion](#) for evidentiary hearing (April 3, 2020); [POC Motion](#) for evidentiary hearing (April 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); [Ruling](#) modifying procedural schedule (January 15, 2020); [Working Group 2 Final Report](#) (December 9, 2019); [AL 5705-E](#) (December 2, 2019); [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's 2019 ERRA Compliance

A prehearing conference was held May 12, 2020.

- **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.

- **Details:** A scoping memo and schedule is expected to be issued next.
- **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. Both issues could impact the level of the PCIA in 2021.
- **Next Steps:** A scoping memo and schedule is expected to be issued next.
- **Additional Information:** [E-mail Ruling](#) setting prehearing conference (April 16, 2020); [Resolution](#) on category and need for hearing (March 12, 2020); PG&E's [Application](#) and [Testimony](#) (February 28, 2020); Docket No. [A.20-02-009](#).

RPS Rulemaking

On May 6, 2020, the Assigned Commissioner and ALJ issued a joint ruling (ACR) establishing requirements for retail seller 2020 RPS Procurement Plans. On May 13, 2020, the ALJ issued an Email Ruling that partially granted a request for an extension of time to June 29, 2020, for retail sellers to file their RPS Procurement Plan. On May 18, 2020, the Energy Division requested informal comments on draft 2019 RPS Compliance Report templates.

- **Background:** This proceeding addresses ongoing RPS issues. VCE filed its 2019 RPS Procurement Plan on June 21, 2019, and its 2018 RPS Compliance Report on August 1, 2019. D.19-12-042, issued December 2019, required VCE to file an updated 2019 RPS Procurement Plan. VCE did so on January 29, 2020, and its final report was accepted by the Energy Division.

On February 27, 2020, the ALJ issued a Ruling requesting comments on a Staff Proposal making changes to confidentiality rules regarding the RPS program. Among other proposals, the Energy Division has proposed to make CCAs' RPS procurement contract terms (e.g., price, quantity, resource type, location, etc.) publicly available 30 days after deliveries begin. The contract price would also be publicly available six months after a contract is signed (if that occurs sooner than 30 days after deliveries begin).

On March 10, 2020, the ALJ issued a Ruling requesting comments on the BioMAT Staff Proposal. BioMAT is a feed-in tariff available for up to 250 MW of small bioenergy projects (5 MW or less) that uses a market-based mechanism to arrive at the contract price. The BioMAT Staff Proposal would extend the end date for the program from February 2021 to December 31, 2025. It would also allocate the net costs via a non-bypassable charge to all customers and allow all LSEs to enter into contracts at the offer price and collect their expenses through the same charge.

Details: The ACR on RPS Procurement Plan requirements follows the format of past Rulings on the annual process, directing LSEs to complete the applicable templates and abide by the requirements established by statute and prior Decisions. The Ruling specifically notes that D.19-02-007 directed CCAs and ESPs to "include more granular information regarding planning" in their filings in order to demonstrate that they will comply with the RPS requirements, including large increases in the long-term procurement requirements beginning in the 2021-2024 compliance period. The Ruling includes numerous substantive additions to the narrative filing requirements, requiring the use of new summary tables as well as information on how the RPS Procurement Plan corresponds to the LSE's forthcoming IRP (not due until September 1, 2020).

- **Analysis:** The ACR on RPS Procurement Plans adds substantial new requirements to VCE's filing requirements.

A pending Staff Proposal on the BioMAT program, if adopted, could impact VCE customer rates, as the program and associated cost recovery through a non-bypassable charge would be extended through 2025. In addition, it would allow VCE to directly enter into BioMAT contracts.

The pending Staff Proposal on RPS confidentiality rules include provisions that, if adopted, would result in VCE being required to provide more transparency on various RPS information, such as RPS PPA pricing and other contract information.

Other issues to be addressed in this proceeding could further impact future RPS compliance obligations, such as potentially allowing LSEs like VCE to forgo filing a separate RPS Procurement Plan in 2022 by using its 2022 IRP filing instead.

- **Next Steps:** VCE's 2020 RPS Procurement Plan is due June 29, 2020, and its 2019 RPS Compliance Report is due August 1, 2020. Comments on the Proposed RPS Plans are due July, 14, 2020, by which time a Staff Proposal will be issued on revising the RPS citation program. Motions Requesting Evidentiary Hearing are due July 21, 2020, reply comments are due July 21, 2020, and Motions to update plans are due August 10, 2020.

In 2020, the Energy Division is developing a proposal (potentially including workshops or working groups) on integrating the IRP and RPS Procurement Plan filings, but the possibility of combining these filings will not occur prior to 2022, per D.19-12-042.

- **Additional Information:** Assigned Commissioner [Ruling \(ACR\)](#) establishing 2020 RPS Procurement Plan requirements (May 6, 2020); [CalCCA Comments](#) on RPS confidentiality (March 30, 2020); [Ruling](#) requesting comments on BioMAT (March 10, 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); [Ruling](#) extending procedural schedule (May 7, 2019); [Ruling](#) identifying issues, schedule and 2019 RPS Procurement Plan requirements (April 19, 2019); [D.19-02-007](#) (February 28, 2019); [Scoping Ruling](#) (November 9, 2018); Docket No. [R.18-07-003](#).

PG&E's Phase 1 GRC

On May 20, 2020, PG&E responded to an ALJ Ruling directing parties to the Settlement Agreement to provide updated versions of the appendices to the Settlement Agreement to reflect PG&E's 2018 recorded (as opposed to forecasted) capital expenditures.

- **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. PG&E's GRC does not include a request for cost recovery related to 2017 and 2018 wildfire liabilities.

The Settlement Agreement, filed December 30, 2019, would result in an increase in PG&E's 2020 revenue requirement of \$575 million (*i.e.*, \$483 million lower than PG&E's original request), with additional increases of \$318 million, or 3.5% in 2021, and \$367 million, or 3.9%, in 2022. The Settlement Agreement would result in PG&E withdrawing its proposal for a non-bypassable charge related to its hydroelectric facilities. It would require PG&E to develop new and enhanced reporting to provide increased visibility into the work it performed. It also provides for PG&E's ability to purchase insurance coverage up to \$1.4 billion to protect against wildfire risk and other liabilities, reflected in PG&E's forecast as a cost of \$307 million. The consolidated 2020 electric and gas bill impact would be 3.4%.

- **Details:** PG&E provided updated versions of the appendices to the Settlement Agreement that are impacted by the adjustment.

- **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. However, that proposal would be withdrawn if the Settlement Agreement is approved. The remaining CCA-related issues in the case include the Joint CCAs' recommendations that the Commission:
 - Revise the allocation of certain customer-service costs since unbundled customers use those services far less than bundled customers.
 - Ensure CCAs can connect clean generation to PG&E's temporary microgrids during PSPS events.
 - Revise the settlement's exorbitant decommissioning costs for PG&E's PCIA-eligible facilities.
 - Revise the settlement to ensure grid modernization data is accessible to CCAs to ensure a level playing field in the provision of grid services.
- **Next Steps:** The ALJs will issue a proposed decision.
- **Additional Information:** Joint CCAs' [PG&E Motion](#) for Official Notice of Facts (January 27, 2020); [Joint Motion](#) for Settlement Agreement (January 14, 2020); [E-Mail Ruling](#) granting oral argument (January 6, 2020); [E-Mail Ruling](#) modifying procedural schedule (December 2, 2019); [E-Mail Ruling](#) suspending briefing deadlines (November 25, 2019); [D.19-11-014](#) (November 14, 2019); [Ruling](#) setting public participation hearings (May 7, 2019); [Scoping Memo and Ruling](#) (March 8, 2019); [Joint CCAs' Protest](#) (January 17, 2019); [Application](#) and [PG&E GRC Website](#) (December 13, 2018); Docket No. [A.18-12-009](#).

PG&E's Phase 2 GRC

Opening and reply comments, respectively, on the IOUs' Final Essential Usage Study (EUS) Plan proposal were filed May 11 and May 26, 2020. On May 15, 2020, PG&E served updated testimony.

- **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.

PG&E's final EUS plan describes how the IOUs' study will identify the essential usage of electricity for the IOUs' residential customers. The EUS will determine what constitutes essential usage for residential customers (e.g., cooking, lighting, space conditioning) in the different IOU service territories and climate zones. The apparent use case is that essential service be reflected in the Tier I baseline quantities.

- **Details:** PG&E served updated testimony containing various recalculations based on more recent information and a proposal for a beneficial electrification rate (designated Schedule E-ELEC) featuring a time-of-use (TOU) design, no rate tiers, and a \$25/month fixed charge. The proposal stems from the CPUC’s decision on fixed charges in the consolidated 2018 residential rate design window proceedings, where the Commission rejected an SDG&E proposal for an optional high fixed charge rate, but expressed an interest in the concept and directed PG&E to make a proposal as an update to its GRC application.

PG&E’s updated testimony shows that marginal generation costs have increased as a result of D.20-03-028 in the IRP proceeding. Specifically, the marginal generation cost has increased from \$59/kW-year to \$91/kW-year due to the year of the first capacity need moving from 2023 to 2021, and the marginal energy cost has increased slightly to \$0.03628/kWh from \$0.0344/kWh in 2021 while the spread between summer peak and spring super off-peak costs dropped from \$0.07736/kWh to \$0.06900/kWh. Although it continues to propose leaving TOU windows as they are currently, it states that its updated analysis of idealized TOU periods indicates that the current 4-9 PM peak period is expected to fall outside of the triggers for new TOU windows in 2025. It states that its updated analysis shows that a 5 - 10 PM peak period would most closely match high marginal cost periods.

- **Analysis:** This proceeding may not impact the transparency between a bundled and unbundled customer’s bills because of the Working Group 1 proposed decision discussed in the PCIA docket below. 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 will increase the cost VCE pays to PG&E for various services.
- **Next Steps:** Intervenor direct testimony is due October 9, 2020. A CPUC decision is anticipated for September 2021.
- **Additional Information:** [Exhibit \(PG&E-5\)](#) (May 15, 2020); [Scoping Memo and Ruling](#) (February 10, 2020); [E-mail Ruling](#) extending Protest deadline (December 3, 2019); [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](#).

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

On June 2, 2020, the ALJ emailed the service list and signaled that a ruling is forthcoming that will invite party comment on the scope, schedule and priorities for this proceeding.

- **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.

In June 2019, D.19-06-008 ordered PG&E to report on the safety experience and qualifications of the PG&E Board of Directors and establishes an advisory panel on corporate governance. The brief Decision required PG&E to provide a variety of information on each PG&E and PG&E Corporation Board member involving safety training, related work experience, previous positions held, and current professional commitments.

- **Details:** The June 2, 2020, ALJ email states that a new Scoping Memo will follow party comment in response to the forthcoming Ruling.

- **Analysis:** This proceeding could have a range of possible impacts on CCAs within PG&E's territory and their customers, given the broad issues under investigation pertaining to PG&E's corporate structure and governance. Numerous issues proposed in the PG&E Bankruptcy OII, including municipalization and PG&E asset sales, were deferred and stated to be more properly within the scope of this proceeding.
- **Next Steps:** An ALJ ruling is expected after June 30, 2020 requesting party input on the scope, schedule and priorities for this proceeding.
- **Additional Information:** [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](#).

Direct Access Rulemaking

No update this month. On March 24, 2020, the ALJ informed parties that the release of Energy Division's report has been delayed. The procedural schedule will be updated accordingly following its release.

- **Background:** Phase 1 issues were resolved on May 30, 2019. For Phase 2 of this proceeding, 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 Energy Division held a workshop on January 8, 2020, and accepted post-workshop informal comments and reply comments on January 21, 2020 and January 27, 2020, respectively.
- **Analysis:** This proceeding will impact the CPUC's recommendations to the Legislature regarding the potential future expansion of DA in California, including a potential lifting of the existing cap on nonresidential DA transactions altogether. Further expansion of DA in California could result in non-residential customer departures from VCE and make it more difficult for VCE to forecast load and conduct resource planning. CalCCA has argued that further expansion of nonresidential DA is likely to adversely impact attainment of the state's environmental and reliability goals, and will result in cost-shifting to both bundled and CCA customers.
- **Next Steps:** A report containing the Energy Division's draft recommendations to the Legislature will be published in the future, which will be followed by a ruling updating the procedural schedule. There will be an opportunity for comments on the report, followed by a proposed decision.
- **Additional Information:** [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](#).

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.

Wildfire Fund Non-Bypassable Charge (AB 1054)

No updates this month.

- **Background:** This rulemaking implemented AB 1054 and extended a non-bypassable charge on ratepayers to fund the Wildfire Fund. The scope of this proceeding was limited to consideration of whether the CPUC should authorize ratepayer funding of the Wildfire Fund established by AB 1054, enacted in July 2019, via the continuation of an existing non-bypassable charge (Department of Water Resources bond charge) that would have otherwise expired by the end of 2021. On August 26, 2019, the Bankruptcy Court tentatively granted PG&E’s request to participate in the Wildfire Fund.

D.19-10-056, issued in October 2019, approved the establishment of a non-bypassable charge on IOU customers to provide revenue for the newly established state Wildfire Fund pursuant to 2019 AB 1054. The charge will only be assessed on customers of utilities that participate in the Wildfire Fund (i.e., PG&E, SCE, and SDG&E), and will expire at the end of 2035. The Decision also provides that once a large IOU commits to Wildfire Fund participation, it may not later revoke its participation. The annual revenue requirement for the charge among the large IOUs will total \$902.4 million, allocated at \$404.6 million for PG&E, \$408.2 million for SCE, and \$89.6 million for SDG&E. (There is a June 30, 2020, deadline for PG&E to satisfactorily complete its insolvency proceeding under AB 1054, and therefore become eligible to participate in the Wildfire Fund.) The Wildfire Fund NBC will be collected on a \$/kWh basis, with the revenue requirement allocated based on each class’s share of energy sales. Residential CARE and medical baseline customers

are exempt. The Wildfire Fund NBC cannot take effect until the DWR Bond charge sunsets, which may take place as early as the second half of 2020.

- **Details:** N/A.
- **Analysis:** This proceeding established a new non-bypassable charge on VCE customers beginning as early as the second half of 2020 to fund the Wildfire Fund under AB 1054. Whether customers in PG&E's territory will be subject to the charge will be determined only after its Bankruptcy proceeding is complete. D.19-10-056 kept the proceeding open to later consider the annual revenue requirement and sales forecast for the Wildfire Fund non-bypassable charge in 2020.
- **Next Steps:** The non-bypassable charge will go into effect as early as the second half of 2020.
- **Additional Information:** [D.20-02-070](#) denying Application for Rehearing (March 2, 2020); [D.19-10-056](#) approving a non-bypassable charge (October 24, 2019); [Scoping Memo and Ruling](#) (August 14, 2019); [Order Instituting Rulemaking](#) (August 2, 2019); Docket No. [R.19-07-017](#). See also [AB 1054](#).

Other Regulatory Developments

- **CPUC Approves Proposed Decision on De-Energization:** The CPUC adopted a [Proposed Decision](#) on revised guidelines governing PSPS, or "de-energization" events at its May 28 business meeting. The Decision adopts, with modifications, revised guidelines initially proposed in a January 2020 Ruling.
- **Clean Power Alliance Appeals CPUC Citation for RA:** Clean Power Alliance (CPA) [appealed](#) a citation issued by the Consumer Protection and Enforcement Division (CPED) regarding CPA's Year-Ahead Resource Adequacy compliance filing for the 2020 RA year. CPED assessed a \$10,000 fine on CPA for what CPA argues was a minor error in the value it entered for a demand response resource in its filing that it subsequently corrected. Although admitting the RA value entered contained an error, CPA pointed out that it had still exceeded its System RA requirement and did not have to procure additional RA as a result of the error—yet it was still assessed a citation by CPED.
- **California Energy Commission issues Final 2019 Integrated Energy Policy Report:** The CEC issued the [Final 2019 IEPR](#). The IEPR is a lengthy report covering numerous aspects of California's energy system and the various policies that affect the energy sector. Among the report's recommendations are to further explore options for forecasting load migration from IOUs to CCAs. One notable change in the final version compared to the initial draft is an extended section on the demand forecast, which includes detailed descriptions of the different scenarios employed and the agreed-upon ways in which they will be used in different regulatory venues (e.g., the RA and IRP proceedings, the CAISO transmission planning process, etc.).

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
CPUC	California Public Utilities Commission
CTC	Competition Transition Charge
DA	Direct Access
GRC	General Rate Case
ELCC	Effective Load Carrying Capacity
ERRA	Energy Resource and Recovery Account
EUS	Essential Usage Study
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
QC	Qualifying Capacity
RA	Resource Adequacy
RDW	Rate Design Window
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

