

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 8

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To: Valley Clean Energy Alliance Board of Directors  
From: Mitch Sears, Interim General Manager  
Subject: Regulatory Monitoring Report  
Date: July 12, 2018

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RECOMMENDATION: Receive regulatory monitoring report.

### BACKGROUND & DISCUSSION:

In May, the Board approved contracting with Keyes and Fox to provide regulatory counsel to VCE. Beginning in July, the lead on regulatory monitoring, subsequent action items/filings, and providing regulatory updates to the Board transitioned from LEAN Energy to Keyes and Fox. Note: VCEA will continue as a CalCCA member participating in coordinated regulatory proceedings; providing coordinated legislative support with CalCCA in Sacramento; and, receiving the CalCCA quarterly report.

### Regulatory Priorities

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

- CCA Reentry Fees: A June 7, 2018, CPUC decision sets a per-customer CCA reentry fee of \$4.24 for PG&E and a minimum financial security requirement of \$147,000, which can be satisfied by letters of credit, surety bonds, or cash held by a third party. CCAs are required to file an advice letter with the CPUC providing notice of compliance with the financial security requirement and requesting return of any interim financial security posted with the CPUC. VCEA action: future Board item to address additional security requirement.
- Resource Adequacy (RA): A CPUC Track 1 decision issued June 22, 2018, requires all newly-formed CCAs to participate in all aspects of the year-ahead RA process for load they will serve in the following year, including submitting load forecasts and annual year-ahead filings. Track 2 testimony is due on July 10th, on topics including requiring Load Serving Entities like VCEA to procure RA for 3-5 years in advance (instead of only for the year ahead), as well as a “central buyer” model for local capacity requirements. VCEA action: participate in CalCCA actions to address issues associated with this proceeding.
- Renewables Portfolio Standard (RPS): A June 6, 2018, CPUC decision now requires CCAs to include in their RPS procurement plans forecasted transportation electrification, resource solicitation and cost information, and information on how their RPS procurement plan is consistent with previous CCA implementation or expansion plans, and, for expanding CCAs, how increased load will affect their procurement. VCEA

action: provide required information in future RPS procurement plan submittals to the CPUC.

- Integrated Resource Planning (IRP): A CPUC ruling issued June 18, 2018, adopted the final 2030 load forecast for VCEA (726 GWh, or 0.9% of 2030 load within PG&E's territory). VCEA's 2030 GHG Emissions Benchmark is 0.129 million metric tons. IRP filings are due August 1, 2018. VCEA action: incorporate updated load forecast into draft IRP.

Attachment:

Keyes & Fox July 6, 2018 Regulatory Memorandum

# Valley Clean Energy Alliance

## Regulatory Monitoring Report

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To: Valley Clean Energy Alliance Board of Directors

From: Tim Lindl, Partner, Keyes & Fox LLP  
Ben Inskeep, Energy Analyst, EQ Research, LLC

Subject: Regulatory Update

Date: July 2, 2018

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### Summary

Keyes & Fox LLP and its affiliate, EQ Research, LLC, are pleased to provide VCEA's Board of Directors with monthly informational memos describing key California regulatory and compliance-related updates from the California Public Utilities Commission (CPUC), California Energy Commission (CEC), and California Air Resources Board (CARB).

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

- Power Charge Indifference Adjustment (PCIA)
- CCA Reentry Fees & Financial Security Requirements
- PG&E's 2019 Energy Resource and Recovery Account (ERRA) Forecast
- Resource Adequacy (RA)
- Renewables Portfolio Standard (RPS) Procurement Plans
- RPS Compliance Reports
- Integrated Resource Plans
- California Customer Choice
- Tree Mortality Nonbypassable Charge (NBC)

### Power Charge Indifference Adjustment (PCIA)

On June 12, 2018, the CPUC issued a Track 1 Proposed Decision (PD) that resolves PCIA exemption issues under consideration in the service territories of SCE and SDG&E only. (A Settlement Agreement is pending for PG&E's service territory and will be separately addressed by the CPUC.)

- **Background:** This proceeding has two tracks. Track 1 addresses the PCIA exemption currently in place for CCA customers participating in the California Alternate Rates for Energy (CARE) and Medical Baseline (MB) programs. Track 2 is considering alternatives to the current PCIA methodology.

In Track 1, PG&E filed a Settlement Agreement on behalf of several parties on March 28, 2018. The Settlement Agreement resolves the availability of the exemption for MB customers taking energy from CCAs in PG&E's service territory, and it will be addressed in a separate decision.

(Note: The CARE customer exemption from the PCIA, while still in place for SCE and SDG&E, was eliminated in PG&E's territory through a settlement agreement in its 2007 general rate case.)

In Track 2, parties submitted opening briefs, reply briefs and surreply briefs in June.

- **Details:** The PD would immediately eliminate current exemptions from paying the PCIA for SCE and SDG&E customers participating in the CARE and MB programs.
- **Analysis:** The PD does not directly impact VCEA or its customers, as the PCIA exemption for MB customers in PG&E's territory will be separately considered. However, it is worth noting that CCAs in SDG&E and SCE's service territories will see cost increases if the PD is adopted.
- **Next Steps:** With respect to the Track 1 PD, opening comments are due July 2, and reply comments are due July 9. The PD will be considered, at the earliest, at the CPUC's July 12, 2018, Business Meeting. A Track 2 Proposed Decision is scheduled to be mailed for comment in late July. Oral argument in Track 2 is tentatively scheduled for August 2.
- **Additional Information:** [PG&E Settlement Agreement](#) pending on MB customer PCIA exemption (March 28, 2018); Docket No. [R.17-06-026](#).

## CCA Reentry Fees & Financial Security Requirements

On June 7, 2018, CPUC issued its written Decision establishing reentry fees and financial security requirements applicable to CCAs. This proceeding is now closed.

- **Background:** Reentry fees include utility administrative costs and procurement costs resulting from a mass involuntary return of CCA customers to utility service. The financial security requirement is used to cover those potential costs.
- **Details:** The Decision adopts an administrative per-customer reentry fee of \$4.24 for PG&E (compared to \$1.12 for SDG&E and \$0.50 for SCE) and a minimum financial security requirement of \$147,000, which can be satisfied by letters of credit, surety bonds, or cash held by a third party. For purposes of calculating the financial security requirement, the reentry fee for incremental procurement costs is based on six months of incremental procurement.
- **Analysis:** This Decision provides some clarity on CCA reentry fees and financial security requirements for CCAs going forward, which will increase compared to current requirement. It also results in some uncertainty regarding when the updated requirements are due (the PD says "as soon as practicable") and which entity, the CCA or the utility, is responsible for calculating the incremental procurement costs.
- **Next Steps:** CCAs are directed to submit a compliance Tier 1 advice letter to Energy Division providing notice of compliance with the financial security requirement adopted in this Decision and requesting return of any interim financial security posted with the CPUC. Utilities are directed to file a Tier 1 Advice Letter that provides a detailed description of the specific services that are covered, their corresponding costs, and how those costs were calculated. Furthermore, the CPUC directed utilities to, in their next general rate case, identify the administrative fee as a separate item, describe its components and how it is calculated, and provide a comparison of its fee with that of the other major California utilities. PG&E is expected to file its next rate case on January 1, 2019.
- **Additional Information:** [D.18-05-022](#) establishing CCA reentry fees and financial security requirements (June 7, 2018); Docket No. [R.03-010-003](#).

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

On June 1, 2018, PG&E filed its 2019 Energy Resource Recovery Account (ERRA) and Generation Non-Bypassable Charges Forecast and GHG Forecast revenue and reconciliation application.

- **Background:** Utility ERRA proceedings establish the amount of the PCIA and other nonbypassable charges for 2019. More specifically, they determine fuel and purchased power costs associated with serving bundled customers that utilities may recover in rates. This proceeding will determine PG&E's forecasted 2019 energy procurement revenue requirements, effective in rates on January 1, 2019.
- **Details:** Compared to its ERRA forecast filing last year, PG&E is forecasting a 22% decrease in sales and 18% decrease in peak demand, which it attributes primarily to departures via CCAs. PG&E is expecting that CCAs and Direct Access customers will serve 50% of its total system load in 2019. PG&E is forecasting a 2019 total revenue requirement of \$2.893 billion, comprised of \$1.597 billion related to its ERRA, plus three nonbypassable charges: the ongoing Competition Transition Charge (CTC), \$82.2 million; the Power Charge Indifference Adjustment (PCIA), \$1.068 billion; and the Cost Allocation Mechanism, \$146.1 million. PG&E also requested approval of its 2019 sales forecast, as well as its 2019 GHG-related forecasts, which includes a net GHG revenue return of \$314.2 million.
- **Analysis:** Unless the PCIA docket includes near-term reforms to the PCIA that will go into effect for 2019, this proceeding will establish the amount of the PCIA for VCEA's 2019 rates. VCEA likely will not know the potential final amount of any increase until November, when an update to PG&E's testimony will be provided, although estimates can be made from PG&E's initial testimony, which was filed with the application.
- **Next Steps:** Protests are due on July 5 (30 days after its June 4 [Notice](#) in the CPUC Daily Calendar, and accounting for the July 4 holiday). PG&E will update the requested revenue requirements, including NBCs, as well as more current CCA load forecast information, in its November Update. A Final Decision is requested by PG&E by December 2018 (but a procedural schedule has not yet been established).
- **Additional Information:** [PG&E's Application](#) (June 1, 2018); [PG&E's Testimony](#); Docket No. [A.18-06-001](#).

## Resource Adequacy (RA)

On June 22, 2018, the CPUC issued two Track 1 Decisions adopting 2019 local and flexible capacity requirements and near-term RA program refinements.

- **Background:** This proceeding has three tracks, and, with the above Track 1 Decisions, will now be shifting from Track 1 to Track 2. [Track 1](#) addressed 2019 local RA capacity obligations and several near-term refinements to the RA program, as described above. [Track 2](#) issues include consideration of the adoption of multi-year local RA requirements, refinements to local RA rules, seasonal local capacity requirements, local RA penalty waiver requirements, and increased transparency regarding which resources are essential for local and sub-area reliability. [Track 3](#) issues include 2020 RA requirements, potential revisions to RA counting rules for weather-sensitive and local demand response resources, and other issues that arise.
- **Details:** A large portion of the Decision on local capacity requirements focused on how an LSE's RA obligations are determined given the rapid formation of new CCAs. The CPUC declined to adopt CCA proposals related to providing more precise treatment of intra-year departing load, costs, and how those costs are assigned. It did require that all newly formed CCAs participate in all aspects of the year-ahead RA process for load they will serve in the following year, including submitting load forecasts and annual year-ahead filings. The Decision also adopted CAISO's recommended local capacity requirements (LCR) values, but "with reservations and concerns" centered on the transparency of the CAISO's studies.

A separate Decision adopted flexible capacity requirements (FCR) as set forth in CAISO's report.

- **Analysis:** This proceeding affects VCEA's RA compliance obligations for 2019 and 2020, and could potentially result in a new RA procurement framework in California. Changes being considered include requiring LSEs like VCEA to procure RA for 3-5 years in advance instead of only for the year ahead, as well as moving to a central buyer model for local capacity requirements.
- **Next Steps:** Requests for rehearing of this Decision are due July 23. Opening testimony on Track 2 is due July 10, and a workshop on Track 2 issues will be held on July 19th. The June 22 Decision directed parties to propose a 3-5 year RA framework in their Track 2 proposals, to be implemented during the 2020 RA year, as well as Central Buyer proposals, under which utilities would procure the entirety of local RA requirements. Responsive testimony is due August 8, opening briefs are due September 19, and reply briefs are due October 5.
- **Additional Information:** [D.18-06-030](#) setting local capacity requirements and resource adequacy program revisions and [D.18-06-031](#) adopting flexible capacity requirements for 2019 (both on June 22, 2018); [Scoping Memo and Ruling](#) (January 1, 2018; [modified](#) in part on May 2, 2018); Docket No. [R.17-09-020](#).

## Renewables Portfolio Standard (RPS) Procurement Plans

On June 6, 2018, the CPUC issued a Decision implementing provisions in SB 350 (2015) related to penalties and compliance waivers in the state's RPS program, and rejecting a pending Petition for Modification of a previous decision. On June 21, 2018 the CPUC issued a Ruling identifying the issues to be considered and setting the schedule for review of the 2018 RPS Procurement Plans.

- **Background:** CCAs and other retail sellers are required to submit annual RPS Procurement Plans to the CPUC. The maximum penalty for CCAs is 50% of its total compliance obligation (the Portfolio Quantity Requirement, or PQR) multiplied by the \$50/MWh shortfall penalty. The penalties apply to the larger of PQR shortfalls and shortfalls in Portfolio Balance Requirements (PBR), which require specified amounts of REC retirements for the individual Portfolio Content Categories (PCCs). Under the RPS statute, and expanded to additional situations by SB 350, the CPUC is permitted to waive non-compliance penalties under certain circumstances.
- **Details:** The CPUC's Decision keeps the \$50/MWh penalty for RPS shortfalls and associated maximum penalties intact, and maintains the existing protocols for requesting a waiver. It also creates a new reporting requirement, where all LSEs must explicitly reference forecasted transportation electrification in their procurement plans, provide a detailed description of the data and method used to support their forecast, and explain how they considered the CEC's Integrated Energy Policy Report transportation electricity demand forecast in creating their own forecast. In contrast to past requirements, CCAs and direct access providers will be required to file resource solicitation and cost information as part of their plans in 2018. For CCAs specifically, the plan section governing RPS supplies and demand must include information on how its procurement plan is consistent with previous CCA implementation or expansion plans, and for expanding CCAs, how increased load will affect its procurement. Additionally, the Ruling requests comments on several elements of RPS plans and planning related to energy storage.

Following issuance of this Ruling, PG&E, SCE, and SDG&E jointly requested an extension of the RPS Procurement Plan deadline until 60 days after the date on which the CPUC votes on a final PCIA reform decision, or until December 4, 2018, whichever occurs first, or, in the alternative, September 21, 2018. Numerous parties oppose the request, including other California CCAs. (The judge has not yet ruled on the request.)

- **Analysis:** This proceeding affect's VCEA's RPS Procurement Plan compliance obligations, including filing deadlines, and maintains the current penalties associated with non-compliance of

these obligations. The adopted decision created new reporting requirements that will apply to VCEA's RPS Procurement Plans going forward.

- **Next Steps:** Requests for rehearing of the Decision are due July 6. **RPS Procurement Plans are due July 20.** Comments on RPS Procurement Plans and Ruling questions are due August 17, and reply comments on RPS Procurement Plans are due August 31. Motions to update RPS Procurement Plans are due September 14.
- **Additional Information:** [Ruling](#) setting requirements and schedule for 2018 RPS Procurement filings (June 21, 2018); [D.18-05-026](#) implementing provisions in SB 350 (2015) related to penalties and compliance waivers (June 6, 2018); Docket No. [R.15-02-020](#).

## RPS Compliance Reports

On June 22, 2018, the CPUC issued a Proposed Decision (PD) clarifying a numerical example from its previous decision that illustrated how penalties for RPS compliance shortfalls are calculated.

- **Background:** At issue is how total Portfolio Balance Requirement (PBR) shortfalls are calculated. For reference, PBRs refer to the different portfolio content categories (PCCs) of Renewable Energy Certificates (RECs) in California's RPS, with fully bundled RECs comprising "PCC 1," RECs from firmed and shaped renewable products comprising "PCC 2," and all other RECs comprising "PCC 3" (i.e., "unbundled" RECs). The use of PCC 2 and PCC 3 RECs is limited in percentage terms, meaning most RECs used for compliance must be PCC 1 RECs.
- **Details:** In its PD, the CPUC disagreed with the utilities' assertion that the example in question was erroneous. Nevertheless, it reasoned that the language is confusing to readers and elected to strike it from the Decision.
- **Analysis:** This PD provides clarification on, but does not change, any current RPS compliance reporting obligations for VCEA.
- **Next Steps:** Comments on the PD are due July 12, reply comments are due July 17, and the PD may be considered for adoption, at earliest, at the CPUC's July 26 meeting. RPS Compliance Reports are due August 1, 2018.
- **Additional Information:** [Proposed Decision](#) clarifying an example used in a previous decision (June 22, 2018); Docket No. [R.11-05-005](#).

## Integrated Resource Planning (IRP)

On June 18, 2018, the CPUC issued a Ruling adopting final load forecasts and greenhouse gas (GHG) emission benchmarks for individual load-serving entities (including VCEA) IRP filings for the 2017-2018 IRP cycle.

- **Background:** In February 2018, the CPUC established the 2017-2018 IRP filing requirements and statewide reference system plan. In May 2018, the CPUC adopted a methodology to apportion GHG emissions to load-serving entities based on their projected hourly demand. The focus going forward in this proceeding will be: (1) items necessary to support the filing of the actual LSE IRPs (due August 1, 2018), (2) consideration of those IRPs and the adoption of a Preferred System Plan (PSR), and (3) groundwork and preparation (e.g., policy issues) for the 2019-2020 IRP cycle.
- **Details:** The final 2030 load forecast for VCEA is 726 GWh, or 0.9% of 2030 load within PG&E's territory. Its 2030 GHG Emissions Benchmark is 0.129 million metric tons.
- **Analysis:** This Ruling provides the final load forecast and GHG emissions benchmark that VCEA is required to use in its IRP filing.

- **Next Steps:** IRP filings are due **August 1**, comments are due September 9, and reply comments are due September 26.
- **Additional Information:** [Ruling](#) adopting final load forecasts and GHG reduction benchmarks (June 18, 2018); [Ruling](#) adopting GHG accounting method and benchmarks (May 25, 2018); [D.18-02-018](#) adopting IRP reference plan and load-serving entity requirements (February 13, 2018); Docket No. [R.16-02-007](#).

## California Customer Choice

On June 22, 2018 the CPUC held an En Banc on customer choice in California.

- **Background:** In large part due to the proliferation of CCAs, the CPUC has been engaged in broad discussions on how its regulatory models may need to adapt. In May 2018, the CPUC released a draft “Green Book” that evaluated regulatory framework options for an evolving electricity market. The draft has been criticized by CCAs for framing CCAs as problem, among other specific issues.
- **Details:** CCA elected officials and staff were among the panel speakers at the En Banc. A number of CCA priority issues were discussed in panels throughout the day, including resource adequacy procurement, potential changes to the provider of last resort, consumer protection, decarbonization, and customer choice.
- **Analysis:** This initiative could lay the groundwork for the opening of a formal CPUC rulemaking or provide support for state legislation that materially impacts CCA operations, its customers, and its relative competitiveness.
- **Next Steps:** The CEC is requesting comments by July 11 on the associated materials in the context of the scope of the 2018 Integrated Energy Policy Report (IEPR) update. The final Green Book is expected to be released in the coming months.
- **Additional Information:** [Notice of Request for Public Comments](#) (June 12, 2018); [Agenda](#) for and [Webcast](#) of the June 22 En Banc; [Draft Green Book](#); [CPUC California Customer Choice website](#)

## Tree Mortality Nonbypassable Charge (NBC)

On June 18, 2018, the judge issued a Ruling extending certain procedural deadlines.

- **Background:** On November 14, 2016, PG&E, SCE, and SDG&E filed an application seeking a “Tree Mortality Non-Bypassable Charge,” and proposed cost recovery through the Public Purpose Program Charge. The utilities asserted that SB 859 (2016) required these costs be allocated to all customers, including unbundled customers. The utilities define the costs to be allocated as net costs factoring in all contract costs net of energy, ancillary service, and renewable energy credit values.
- **Details:** The Ruling only affects near-term deadlines in July for parties’ rebuttal testimony, motions for evidentiary hearings, and replies to motions for evidentiary hearings.
- **Analysis:** This proceeding could result in additional costs being recovered through the Public Purpose Program Charge on CCA and bundled customers.
- **Next Steps:** Parties file rebuttal testimony by July 18, motions for evidentiary hearings by July 19, and replies to the motions for evidentiary hearings by July 20. Closing briefs are due August 13, and reply briefs are due August 31.
- **Additional Information:** [Ruling](#) extending July deadlines (June 18, 2018); [Scoping Memo and Ruling](#) establishing the scope and procedural schedule (May 30, 2018); [Ruling](#) denying CalCCA’s





Motion to include consolidated cost recovery in the scope of this proceeding (March 14, 2018);  
Docket No. [A.16-11-005](#).