

# 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 – Keyes & Fox

Date: January 9, 2020

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Please find attached Keyes & Fox's December 2019 Regulatory Memorandum dated January 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 January 2, 2020

# Valley Clean Energy Alliance

## Regulatory Monitoring Report

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To: Valley Clean Energy Alliance (“VCE”) Board of Directors

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

Subject: Regulatory Update

Date: January 3, 2020

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### 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:

- **RPS Rulemaking:** The CPUC issued D.19-12-042, which directs VCE to correct deficiencies with its 2019 RPS Procurement Plan by filing a revised plan by January 29, 2020.
- **Investigation of PG&E Bankruptcy Plan:** PG&E filed a Notice of Amended Plan of Reorganization, which is now supported by wildfire victims. Parties filed testimony on non-financial issues. A status conference was held, and the ALJ subsequently issued a Ruling modifying the procedural schedule and consolidating the two tracks of the proceeding.
- **Investigation into PG&E Violations Related to Wildfires:** The Assigned Commissioner issued a Ruling amending the scope to include the 2018 Camp Fire. The CPUC Safety Enforcement Division, Coalition of California Utility Employees, and the Office of the Safety Advocate filed a motion for approval of their settlement that would result in a \$1.675 billion penalty on PG&E for its failure to maintain equipment that caused 2017 and 2018 wildfires. The ALJ issued a ruling seeking additional information about the proposed settlement.
- **PG&E’s Phase 1 GRC:** On December 20, 2019, PG&E, Public Advocates Office, and TURN, among other parties, filed a Settlement Agreement.
- **PG&E’s Phase 2 GRC:** The ALJ issued an E-mail Ruling extending the deadline to January 10, 2020, for filing protests of PG&E’s Phase 2 GRC application.
- **IRP Rulemaking:** California Environmental Justice Alliance, Sierra Club, Defenders of Wildlife, and the Public Advocates Office filed a Joint Application for Rehearing of D.19-11-016, which recommended the extension of the use of once-through cooling facilities and requires LSEs to procure an additional 3,300 MW of resources to meet projected shortfalls in the early 2020s. Both GenOn Holdings, Inc. and Protect Our Communities also filed separate rehearing requests of D.19-11-016. Parties filed comments on the baseline resource list to be used for purposes of the incremental procurement required in D.19-11-016. Parties filed comments on the ALJ’s Ruling on

the proposed Reference System Portfolio, and Staff released templates associated with the IRP filing due May 1, 2020.

- **PG&E's 2020 ERRA Forecast:** CalCCA filed comments, exhibits, and a motion to reopen the record, to which PG&E responded, and CalCCA replied. PG&E filed a revised November Update.
- **PG&E's Interest Rate Hedging Authorization:** On December 17, 2019, the CPUC held a prehearing conference.
- **RA Rulemaking (2021-2022):** Parties filed reply comments on the OIR, and the ALJ held a prehearing conference.
- **RA Rulemaking (2019-2020):** Parties filed comments and reply comments on a Proposed Decision addressing a September 2019 Motion from a group of solar and storage parties to establish a schedule for determining the RA qualifying capacity of hybrid resources (i.e., storage paired renewables) for both in front of the meter and behind the meter configurations. The CPUC issued D.19-12-064, granting a CalCCA request to stay D.19-10-021, which made a number of determinations regarding unspecified RA imports.
- **PCIA Rulemaking:** Working Group 2 (Prepayment) filed its Final Report. The ALJ issued a Ruling modifying the procedural schedule. Working Group 3 (Portfolio Optimization and Allocation and Auction) held Workshop #4.
- **Utility Wildfire Mitigation Plans Rulemaking:** The Director of the Wildfire Safety Division issued Draft Resolution WSD-001 establishing procedural rules for the WSD's review and disposition of the 2020 WMPs. In addition, the ALJ issued three Rulings. The December 16, 2019 Ruling requests comments on wildfire mitigation plan templates. The December 19, 2019, Ruling directs PG&E, SCE, and SDG&E to file updated progress reports on their Wildfire Mitigation Plans by January 15, 2020. The December 23, 2019 Ruling clarifies Wildfire Mitigation Plan submission requirements for independent transmission owners.
- **PG&E's 2018 ERRA Compliance:** No updates this month. (On September 30, 2019, PG&E, Public Advocates Office, and the Joint CCAs filed a joint motion requesting approval of a settlement agreement.)
- **Wildfire Cost Recovery Methodology Rulemaking:** No updates this month. (An August PG&E Application for Rehearing remains pending regarding D.19-06-027, establishing criteria and a methodology for wildfire cost recovery, which has been referred to as a "Stress Test" for determining how much of wildfire liability costs that utilities can afford to pay.)
- **Investigation into PG&E's Organization, Culture and Governance:** No updates this month.
- **Wildfire Fund Non-Bypassable Charge (AB 1054):** No updates this month. (In November, a citizen intervenor filed an Application for Rehearing of D.19-10-056, which approved the imposition of a non-bypassable charge to fund the Wildfire Fund.)
- **2018 Rate Design Window:** No updates this month.
- **Other Regulatory Developments:**
  - **VCE Files Amended Implementation Plan:** On December 27, VCE filed an amended CCA Implementation Plan, addressing its expansion to the City of Winters.
  - **CPUC Proposes Changes to SGIP Funding:** On December 11, the CPUC issued a [Proposed Decision](#) for establishing funding levels and various other program design components for the 2020-2024 Self-Generation Incentive Program (SGIP).

## RPS Rulemaking

On December 9 and 16, 2019, parties filed comments and reply comments, respectively, on the PD on 2019 RPS Procurement Plans. On December 30, 2019, the CPUC issued D.19-12-042, which directs VCE to correct deficiencies with its 2019 RPS Procurement Plan by filing a revised plan by January 29, 2020.

- **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.
- **Details:** D.19-12-042 requires VCE to file an updated 2019 RPS Procurement Plan within 30 days of the effective date of the decision to address the shortfalls identified: (1) Least-Cost, Best-Fit (LCBF) information and (2) demonstration of compliance with the existing long-term contracting requirement. The Decision does not explain why it determined VCE to non-compliant on LCBF information, or provide guidance on how VCE can correct its RPS Procurement Plan to achieve compliance. The Decision also directs the Energy Division to develop a comprehensive and practicable plan to combine IRP and RPS filings.
- **Analysis:** D.19-09-007 on new CCAs' 2018 RPS Procurement Plans, D.19-08-007 on RPS enforcement actions for two ESPs, and D.19-12-042 on 2019 RPS Procurement Plans together reinforce the CPUC's increasing scrutiny of CCAs and their compliance obligations, and the potentially large penalties associated with non-compliance. Despite complaints in comments by VCE and other CCAs regarding the accuracy and lack of detail regarding the PD's analysis of several CCA plans, the final decision was not materially revised.

Remaining issues to be addressed in this proceeding could also impact RPS compliance obligations, such as potentially allowing LSEs like VCE to forgo filing a separate RPS Procurement Plan in 2020 by using its 2020 IRP filing instead.

- **Next Steps:** VCE's revised 2019 RPS Procurement Plan is due January 29, 2020.
- **Additional Information:** [D.19-12-042](#) on 2019 RPS Procurement Plans (December 30, 2019); [D.19-09-043](#) on ELCC modeling (September 26, 2019); [D.19-09-007](#) on new CCAs' 2018 RPS Procurement Plans (September 18, 2019); [D.19-08-007](#) on RPS enforcement actions (August 7, 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](#).

## Investigation of PG&E Bankruptcy Plan

On December 13, 2019, PG&E filed a Notice of Amended Plan of Reorganization. Parties filed opening testimony on non-financial issues on December 13, 2019. A status conference was held on December 20, 2019. On December 27, 2019, the ALJ issued a Ruling modifying the procedural schedule. On December 30, 2019, a community advocate filed a motion requesting public participation hearings, which was denied on January 2, 2020.

- **Background:** On September 9, 2019, PG&E filed a proposed plan of reorganization in the United States Bankruptcy Court. A subsequent Ruling of the Bankruptcy Court terminated PG&E's exclusive right to file a plan of reorganization and permits the filing of an alternative plan (characterized as a "hostile takeover" by PG&E) proposed by the Ad Hoc Committee of Senior Unsecured Noteholders, led by Elliott Management Corporation and the Official Committee of Tort Claimants, who later rescinded their support in favor of backing a revised PG&E plan. 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." The case will address regulatory review and approval of the plan, in particular the questions surrounding whether the plan meets the requirements AB 1054 imposes for PG&E to participate in the newly established Wildfire Fund, which is encumbered by a June 30, 2020 deadline. This proceeding will consider 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.

- **Details:** PG&E's amended reorganization plan would result in a \$13.5 billion Fire Victim Trust and a \$11 billion settlement with insurance claim holders and companies. The Fire Victim Trust will be funded through \$6.75 billion in cash, and \$6.75 billion in stock of reorganized PG&E Corp., representing at least a 20.9% share ownership of the reorganized PG&E Corp. Notably, tort claimants of PG&E have shifted their support from the plan of the Ad Hoc Committee of Senior Unsecured Noteholders of P&GE to the amended plan proposed by PG&E.

The ALJ's Ruling modified the procedural schedule, including re-combining the two separate phases of this proceeding (financial and non-financial matters) into one phase.

- **Analysis:** This proceeding will allow the CPUC to approve a restructuring plan for PG&E, which ultimately must secure approval for the plan by the federal Bankruptcy Court. The express exclusion of municipalization issues from the scope of the proceeding has implications for VCE and its bid to PG&E to purchase the transmission and distribution assets of PG&E as part of PG&E's restructuring. The stock component of the amended reorganization plan could align tort claimants with PG&E in ways that are detrimental to VCE's bid for municipalization and other interests as well. VCE is a party to this proceeding.
- **Next Steps:** Testimony of plan proponents is due January 22, 2020, followed by reply testimony due February 7, 2020. Evidentiary hearings are scheduled for February 18-28, 2020. Opening and reply briefs, respectively, are due March 13, 2020, and March 20, 2020. A PD on financial issues is targeted for April 2020. The CPUC intends to complete the proceeding sufficiently in advance of the June 30, 2020 deadline in order to allow the bankruptcy court sufficient time to address and approve any changes to the plan that result from CPUC directives.
- **Additional Information:** [Ruling](#) modifying procedural schedule (December 27, 2019); [PG&E Notice of Amended Plan of Reorganization](#) (December 13, 2019); [Ruling](#) on Section 854 (November 27, 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 December 5, 2019, the Assigned Commissioner issued a Ruling amending the scope to include the 2018 Camp Fire. On December 17, 2019, PG&E, the CPUC Safety Enforcement Division (SED), Coalition of California Utility Employees, and the Office of the Safety Advocate filed a motion for approval of their settlement that would result in a \$1.675 billion penalty on PG&E for its failure to maintain equipment that caused 2017 and 2018 wildfires. On December 30, 2019, the ALJ issued a ruling seeking more information about the settlement agreement.

- **Background:** The CPUC opened this formal investigation to determine whether PG&E violated any laws, rules, or other applicable requirements pertaining to the maintenance and operation of electric facilities involved in igniting fires in its service territory in 2017. 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 addresses fire incidents from the October 2017 Fire Siege investigated by SED and will determine whether PG&E's practices have been unsafe and in violation of the law. This investigation orders PG&E to take immediate corrective actions to come into compliance with CPUC requirements. The scope of the proceeding includes 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.

- **Details:** The terms of the Settlement Agreement specify that PG&E's shareholders are on the hook for \$1.675 billion in financial obligations as a result of numerous wildfires its equipment played a role in sparking in 2017 and 2018. Specifically, PG&E would not be permitted seek rate recovery of wildfire-related expenses and capital expenditures totaling \$1.625 billion. In addition, PG&E would be required to spend \$50 million in shareholder-provided settlement funds on specified System Enhancement Initiatives. (For context, the CPUC assessed a \$1.6 billion penalty on PG&E for its role in the 2010 San Bruno natural gas pipeline explosion that killed eight people.)

The ALJ's December 30 Ruling requests that PG&E respond to a series of questions about the Settlement Agreement, including providing more details about the \$1.625 billion on wildfire-related expenses and capital expenditures for which PG&E will not seek rate recovery, the impact of the Settlement Agreement on state and federal tax savings, specific initiatives funded by the \$50 million in shareholder funds on specified System Enhancement Initiatives.

- **Analysis:** This investigation could result in sanctions against PG&E and require additional corrective actions to mitigate future wildfire risk, potentially impacting the quality of service experienced by VCE customers and costs paid by VCE and other distribution customers. Monetary penalties would ultimately be handled in the Bankruptcy Court. Prepetition liabilities must be resolved in this proceeding so that PG&E can emerge from bankruptcy within the time frame provided in AB 1054 (i.e. June 30, 2020).
- **Next Steps:** PG&E is directed to respond to the ALJ's Ruling requesting more information on the Settlement Agreement by January 10, 2020. Under the procedural schedule established prior to the filing of the Settlement Agreement, SED rebuttal testimony is due January 10, 2020, evidentiary hearings are scheduled for January 27-31, 2020, and opening and closing briefs, respectively, are due February 18, 2020, and February 28, 2020.
- **Additional Information:** [Ruling](#) requesting additional information on Settlement Agreement (December 30, 2019); [Joint Motion for Approval of Settlement Agreement](#) (December 17, 2019); [Ruling](#) amending scope (December 5, 2019); [Motion](#) by SED to include Camp Fire in scope (November 26, 2019); [Report on Camp Fire](#) (November 26, 2019; *Note: Large File, 259 MB*); [Ruling](#) granting extension of proceeding schedule (November 25, 2019); [Amended Scoping Memo and Ruling](#) (October 28, 2019); [Amended Scoping Memo and Ruling](#) (October 9, 2019); [Ruling](#) directing briefs (September 6, 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](#).

## PG&E's Phase 1 GRC

On December 20, 2019, PG&E, Public Advocates Office, and TURN, among other parties, filed a Settlement Agreement.

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

Overall, more than half of PG&E's proposed increase in this GRC is directly related to wildfire prevention, risk reduction, and additional safety enhancements. Specifically, PG&E proposes

expanding its integrated wildfire mitigation strategy, the Community Wildfire Safety Program, which PG&E established following the October 2017 North Bay wildfires to mitigate wildfire threats, with plans to spend an incremental \$5 billion between 2018-2022. PG&E is also requesting a two-way balancing account for insurance premiums and other financial-risk transfer instruments, under which it would be permitted to recover up to \$2 billion in insurance costs.

Significantly, PG&E is proposing to shift substantial hydroelectric generation costs into a non-bypassable charge, arguing that its hydro facilities provide benefits beyond electricity generation. PG&E proposes to shift costs associated with these alleged public benefits from its generation rates (applicable only to bundled customers) to a non-bypassable charge (e.g., the Electric Public Purpose Programs charge). Examples of current and future costs that would be recovered through the non-bypassable charge include, but are not limited to: (1) protection of the natural habitat of fish, wildlife, and plants; (2) outdoor public recreation; (3) protection of historic resources; (4) compliance with conservation easements on the watershed lands; (5) post-decommissioning activities that are a result of FERC orders. PG&E estimates that the unrecovered historic costs that it would shift to the non-bypassable electric charge are \$83.1 million for fish and wildlife and recreation values, plus tens of millions in forecasted future costs, with new license compliance (~\$59 million in 2021-2022) expected as the largest subcategory of future expenses.

- **Details:** The Settlement Agreement 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%.
- **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.
- **Next Steps:** Opening and reply briefs, respectively, on disputed issues outside of the Settlement Agreement are due January 6, 2020, and January 27, 2020. Comments and reply comments, respectively, are due January 21, 2020, and February 5, 2020.
- **Additional Information:** [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

On December 3, 2019, the ALJ issued an E-mail Ruling extending the deadline for filing protests of PG&E's Phase 2 GRC application.

- **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.

- **Details:** N/A.
- **Analysis:** This proceeding will impact the distribution and PPP charges paid by VCE customers to PG&E, as well as the generation charges paid by bundled PG&E customers, which could impact the competitiveness of VCE's supply rates. 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:** Protests are due January 10, 2020, with PG&E replies due January 21, 2020. PG&E's proposed schedule anticipates a final CPUC Decision in this proceeding in August 2021, with rates not effective until November 2021.
- **Additional Information:** [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](#).

## IRP Rulemaking

On December 5, 2019, California Environmental Justice Alliance, Sierra Club, Defenders of Wildlife, and the Public Advocates Office filed a Joint Application for Rehearing of D.19-11-016. On December 13, 2019, both GenOn Holdings, Inc. and Protect Our Communities also filed separate rehearing requests of D.19-11-016. On December 9, 2019, parties filed comments on the baseline resource list to be used for purposes of the incremental procurement required in D.19-11-016. Parties filed comments on the ALJ's Ruling on the proposed Reference System Portfolio on December 17, 2019. On December 26, 2019, Staff released templates associated with the IRP filing due May 1, 2020.

- **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. In May 2019, the CPUC issued D.19-04-040, which rejected an aggregation of each of the LSEs' IRPs (the Hybrid Conforming Portfolio) as the statewide PSP, adopting instead a modified version of the Reference System Plan adopted in D.18-02-018 as its PSP. D.19-04-040 opened a new "procurement track" of the proceeding to determine how LSEs are to procure resources to satisfy the PSP by 2030.

D.19-11-016 recommends meeting the potential RA capacity shortage identified through two tranches. Tranche 1 consists of a *recommendation* that the state Water Resources Control Board (Water Board) extend the retirement dates for several existing generation facilities that use once-through cooling (OTC) systems (~3,750 MW of capacity slated to retire December 31, 2020). Tranche 2 consists of a mandatory procurement of 3,300 MW of additional capacity from resources incremental to baseline capacity included in the 2022 PSP. The procurement obligation applies to all LSEs, including VCE. At least 50% of resources must be on-line by August 1, 2021, 75% by August 1, 2022, and 100% by August 1, 2023. VCE's incremental system RA procurement requirements for these respective deadlines are 6.3 MW, 9.4 MW, and 12.6 MW. Contracts for new resources must generally be for at least 10 years but energy efficiency



resources are allowed under 5 year contracts. Contracts for existing resources must be for at least 3 years.

The November Ruling requested comments on the proposed RSP that would be used for LSE IRP filings due May 1, 2020. Specifically, the Ruling requested comments on the details of the modeling used to produce the RSP (e.g., assumptions, scenarios, sensitivity analyses) as well as the results of the modeling, various concerns that those results could raise and potential actions, and the process for aggregating individual LSE IRPs to form the basis for the ultimate statewide PSP. Of note, Staff added a 5 GW import constraint into the model for all hours when gross electric demand is higher than the 95th percentile. The incremental resource buildout under the default modeling scenario includes 2,837 MW of wind, 11,774 MW of solar, 11,384 MW of battery storage, and 222 MW of load shed demand response.

- **Details:** The Joint Application for Rehearing of D.19-11-016 challenges the provisions that would allow for new fossil fuel development in California (e.g., through the augmentation of existing facilities or when paired with battery energy storage) and seeks modification to the decision to eliminate what it characterizes as loopholes allowing new gas procurement. GenOn's Application for Rehearing seeks to extend the once-through cooling compliance deadline for the Ormond Beach Generating Station to allow for agreements that extend beyond the one-year period adopted and instead allow for a three-year extension. Protect Our Communities' Application for Rehearing challenges the Commission's conclusion that there is a potential shortfall in capacity requiring the procurement of 3,300 MW of new capacity and opposes the extension of the closure deadlines for once-through cooling facilities.
- **Analysis:** The procurement track of this proceeding could potentially diminish VCE's authority and control over its resource procurement decisions, although the scope of centralized procurement is now limited to establishing a procurement backstop mechanism and procurement of resources requiring collective action. Any changes to D.19-11-016 in response to the three applications for rehearing could change the requirement that VCE procure an additional 12.6 MW of incremental procurement over the baseline. With respect to the proposed 2020 RSP, the proceeding is now considering modeling assumptions and outputs that could further impact VCE's 2020 IRP requirements.
- **Next Steps:** Reply comments on the Ruling are due on January 6, 2020.

A Proposed Decision on 2019 Reference System Portfolio and Filing Requirements, with final templates posted to the CPUC website, is anticipated in February 2020.

A progress report on procurement activities stemming from D.19-11-016 is due February 15, 2020. LSEs must also provide progress information and an attestation in their 2020 IRP filings that are due May 1, 2020, including a list of projects, capacities, online dates, demonstration of incrementality to the baseline, and a description of how they have addressed pollutants in disadvantaged communities. All LSEs must provide electricity resource contract information on May 1 every year beginning in 2020.

- **Additional Information:** [Protect Our Communities Application for Rehearing](#) of D.19-11-016 (December 13, 2019); [GenOn Holdings Application for Rehearing](#) of D.19-11-016 (December 13, 2019); [Joint Application for Rehearing](#) of D. 19-11-016(December 5, 2019); [List of Baseline Resources](#) (December 2, 2019); [E-Mail Ruling](#) extending RSP comments deadlines (November 19, 2019); [D.19-11-016](#) (November 13, 2019); [Ruling](#) requesting comments on RSP (November 6, 2019); [Revised PD](#) (October 21, 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](#).

## PG&E's 2020 ERRR Forecast

On December 6 and 12, 2019, CalCCA filed comments, exhibits, and a motion to reopen the record, to which PG&E responded on December 19, 2019, and CalCCA replied on December 30, 2019. On December 19, 2019, PG&E filed a revised November Update.

- **Background:** ERRA forecast proceedings establish the amount of the PCIA and other non-bypassable charges for the following year, as well as fuel and purchased power costs associated with serving bundled customers that utilities may recover in rates.

PG&E's November Update, subsequently revised in December, shows a substantial increase in several of its forecasted costs compared to its July Supplement, resulting in a large increase to the PCIA rates for 2020. The key driving factor of the increase is a \$590 million undercollection to "true up" 2019 forecasted costs and revenues with actual 2019 costs and revenues. Other aspects include the following:

- Decreasing the 2020 ERRA revenue requirement from \$3.184 billion to \$3.014 billion.
- Increasing the PCIA from \$2.996 billion to \$3.149 billion.
- Increasing the Competition Transition Charge (CTC) from \$81.5 million to \$112 million.
- Increasing the Cost Allocation Mechanism from \$147.8 million to \$205 million.
- Increasing the Tree Mortality Non-Bypassable Charge from \$92.6 million to \$102 million.
- Decreasing the utility-owned generation revenue requirement forecast from \$2.368 billion to \$2.260 billion.

Of note, PG&E expects CCA and DA providers to serve more than 54% of PG&E's system retail sales in 2020. PG&E is proposing to increase the uncapped 2020 PCIA rates for residential customers from \$0.02709/kWh to \$0.04548/kWh for 2017 vintage customers and from \$0.02979/kWh to \$0.04567/kWh for 2018 vintage customers. A cap limiting the increase to \$0.005/kWh would apply to each of these rates, subject to a potential trigger mechanism that would increase the rates beyond the cap. The PCIA rate for 2020 vintage residential customers, which is not capped because there is no cap for bundled customers (which make up the 2020 vintage), would be \$0.04452/kWh.

- **Details:** PG&E revised its November Update to (1) correct an error in calculating the amount of unsold RA, reducing the Portfolio Allocation Balancing Account (PABA) and Modified Transition Charge Balancing Account by \$22.2 million; (2) revising the treatment of the Tax Cuts and Jobs Act credit, resulting in a \$84.5 million reduction to the 2020 PCIA revenue requirement; and (3) adding language and citations to support its actual unsold RECs for 2019 of 4,213 GWh.
- **Analysis:** This proceeding will establish the amount of the PCIA for VCE's 2020 rates and the level of PG&E's generation rates for bundled customers. The PCIA revenue requirement detailed above is now shared between bundled and unbundled customers. PG&E's requested PCIA revenue requirement for unbundled customers is nearly \$1.7 billion, nearly double the final revenue requirement for unbundled customers from last year.
- **Next Steps:** Parties are awaiting the issuance of a proposed decision (date TBD), followed by the typical 20-day and 5-day deadline for comments and reply comments, respectively, with a final decision anticipated for Q1 2020.
- **Additional Information:** [E-Mail Ruling](#) extending comments deadline on November Update. [Scoping Memo and Ruling](#) (August 22, 2019); [Application](#) (June 3, 2019); [Testimony](#) available on PG&E's regulatory webpage (June 3, 2019); Docket No. [A.19-06-001](#).

## PG&E's Interest Rate Hedging Authorization

On December 17, 2019, the CPUC held a prehearing conference.

- **Background:** At the time of its filing, PG&E contemplated the issuance of \$27.35 billion in long-term debt to finance its Plan of Reorganization and its subsequent emergence from Chapter 11. PG&E states that it may wish to enter into transactions to hedge interest rate risk given the magnitude and timing of the potential debt transactions associated with its financing to exit bankruptcy. Accordingly, PG&E requests a decision from the CPUC that (1) establishes a

Commission financing team; (2) authorizes PG&E, in collaboration with the Commission financing team, to consider and potentially undertake interest rate hedging transactions related to PG&E's exit financing; (3) determines that transactions approved by the Commission financing team and their associated costs are reasonable; and (4) establishes a Bankruptcy Financing Memorandum Account to track costs associated with PG&E's exit financing, including any hedging costs.

- **Details:** N/A.
- **Analysis:** This proceeding could affect the terms and conditions by which PG&E exits bankruptcy, including the costs on ratepayers associated with PG&E's bankruptcy. The costs of any hedges would become part of PG&E's embedded cost of debt, and therefore applied to all of PG&E's assets through its cost of capital and authorized rate of return. However, PG&E is not requesting that the Commission approve specific ratemaking for recovery of hedging or other costs in this proceeding. TURN protested the Application on the grounds that it failed to demonstrate that the proposed hedging transactions will benefit ratepayers under current circumstances, lacks transparency, and is inconsistent with the "neutral, on average" requirement of AB 1054. The Ad Hoc Committee of Unsecured Noteholders expressed concern that PG&E's Application could tip the scale toward PG&E's plan of Bankruptcy in the Bankruptcy Court. PG&E responded that the inevitable exit financing debt issuance under either plan exposes PG&E and its customers to interest rate risk, and the Protests fail to present a viable alternative to addressing the issue.
- **Next Steps:** PG&E states that it could potentially execute hedges as early as January or February 2020, and therefore requests a Commission decision on this Application by January 2020.
- **Additional Information:** [Ruling](#) shortening the time for responses/protests (November 7, 2019); [PG&E Application](#) (November 4, 2019); Docket No. [A.19-11-002](#).

## RA Rulemaking (2021-2022)

On December 10, 2019, parties filed reply comments on the OIR. On December 16, 2019, the ALJ held a prehearing conference. On December 30, 2019, Powerex, CAISO, Shell Energy, WPTF, and CalCCA proposed creating an expedited track focused on import RA issues.

- **Background:** See the RA Rulemaking (2019-2020) proceeding below for additional background information on current RA issues. The preliminary scope of this proceeding includes Local and Flexible RA requirements beginning in 2021, structural program changes, and program refinements. Specifically, it will determine local RA requirements for the 2021-2023 compliance years, including the CAISO's local capacity study, local area aggregation, local RA waivers or adjustments, and the reliability criteria targeted through procurement obligations. It will also establish Flexible RA requirements for the 2021 and 2022 compliance years.

The OIR transfers the record of the current RA proceeding (R.17-09-020) and notes that various issues remaining in that docket may be brought into the new proceeding. R.17-09-020 is expected to close after the issuance of a decision addressing the implementation details of central procurement structure, but central procurement issues may be moved into this new proceeding if necessary.

The proposal by a group of parties to create an expedited track focused on RA issues would include holding a workshop in January, followed by an opportunity for comment and possibly evidentiary hearings, with a proposed decision anticipated by February 25, 2020, and a final decision issued by March 26, 2020.

- **Details:** In response to several parties who proposed working groups on several topics such as Qualifying Capacity values for hydro and hybrid resources, a December 6 email from the Energy Division clarified that it does not have plans to facilitate working groups at this time.

- **Analysis:** Among the many issues to be addressed in this new RA OIR, regulatory developments that may impact VCE's capacity procurement obligations include:
  - Whether RA should address 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.
  - Whether the Commission should cap imports.
  - Whether to expand multi-year local forward RA to system and/or flexible resources.
  - Penalties and waivers.
  - Counting conventions for hydro, hybrid resources, and DR resources.
  - Marginal ELCC counting conventions for solar, wind and hybrid resources.
- **Next Steps:** The OIR anticipates a scoping memo in January 2020, party proposals and workshops in February 2020, and comments thereafter. A Proposed Decision is expected in May 2020, followed by a Decision in June 2020.
- **Additional Information:** [Order Instituting Rulemaking](#) (November 13, 2019); Docket No. [R.19-11-009](#).

## RA Rulemaking (2019-2020)

On December 20, 2019, and January 2, 2020, respectively, parties filed comments and reply comments on a Proposed Decision (PD) addressing a September 2019 Motion from a group of solar and storage parties to establish a schedule for determining the RA qualifying capacity (QC) of hybrid resources (i.e., storage paired renewables) for both in front of the meter (IFOM) and behind the meter (BTM) configurations. On December 23, 2019, the CPUC issued D.19-12-064, granting a CalCCA request to stay D.19-10-021, which made a number of determinations regarding unspecified RA imports. (*See also the update above under the RA Rulemaking (2021-2022) regarding a pending proposal to create an expedited track on RA imports.*) LSEs including PG&E, Shell Energy North America, Pilot Power Group, East Bay Community Energy, Silicon Valley Clean Energy Authority, and Monterey Bay Community Power Authority filed Tier 2 advice letters requesting waivers of portions of their February 2020 Month-Ahead Local RA procurement obligations.

- **Background:** This proceeding has three tracks, and is currently focused on remaining central buyer issues in Track 2. [Track 1](#) addressed 2019 local and flexible RA capacity obligations and several near-term refinements to the RA program and is closed.

In [Track 2](#), the CPUC adopted multi-year Local RA requirements and declined to adopt a central buyer mechanism (D.19-02-022 issued March 4, 2019). A pending settlement agreement, filed by CalCCA among other parties (but not PG&E), would create an RA Central Procurement Entity ("RA-CPE"), unidentified in the Settlement Agreement, to procure residual collective RA for all CPUC-jurisdictional LSEs that is not met by individual LSEs. Individual LSEs may choose to procure their share of the collective RA requirement, or they may allow the RA-CPE to procure their share on default. Costs will be allocated ex post based on cost causation principles. The Commission has not taken action on the proposed settlement.

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.

The pending PD would adopt an interim valuation for IFOM resources that have operational restrictions (e.g., a charging restriction), defining QC as the greater of the ELCC-based QC of the

intermittent resource, or the QC of the co-located storage device. The PD would find that it would be premature to adopt a QC methodology for BTM resources because these resources currently receive credit as DR and can continue to do so, and creating a QC methodology would require significant revisions to the RA program. For hybrid resources without operational restrictions, it would find that it is unnecessary to develop a QC methodology because each resource can obtain an individual CAISO resource ID and receive individual QC values. The CPUC would work to refine the method(s) for counting hybrid resources in the recently initiated successor RA proceeding (R.19-11-009).

- **Details:** The CPUC's decision to stay D.19-10-021 comes after several parties, including CalCCA and CAISO, filed Applications for Rehearing of D.19-10-021.
- **Analysis:** This proceeding affects VCE's Local RA compliance obligations beginning in 2020, for the first time requiring procurement over a three-year period instead of an annual period. The most significant impacts of D.19-10-021 will be felt by CCAs with unspecified imports currently under contract. The settlement agreement, if approved by the CPUC, would resolve central buyer issues other than the identity of the central buyer. Moving to a central procurement entity as proposed in the settlement agreement would impact VCE's RA procurement and compliance, including eliminating the need for monthly RA showings and associated penalties and/or waiver requests from individual LSEs. VCE could choose to procure its share of RA or allow that to be done by the central buyer and pay for its share of such procurement. CalCCA's Petition for Modification, if granted, would provide CCAs with the potential for a waiver of system and flexible RA requirements (in addition to the existing waiver process for local RA). The disaggregation of the PG&E Other Zone is likely to complicate VCE's RA procurement efforts, so if the PG&E PFM is approved by the CPUC, it could provide alternative compliance options to VCE and additional flexibility. The PD would adopt an interim QC valuation for IFOM hybrid resources that have operational restrictions (e.g., a charging restriction).
- **Next Steps:** The PD on hybrid resources may be adopted, at earliest, at the CPUC's January 16, 2020 meeting. The timeline for a final decision regarding the central buyer is unclear.
- **Additional Information:** [D.19-12-064](#) granting motion for stay of D.19-10-021 (December 23, 2019); [Powerex Application for Rehearing](#) of D.19-10-021 (November 18, 2019); [CAISO Application for Rehearing](#) of D.19-10-021 (November 18, 2019); [Proposed Decision](#) on Hybrid Resources (November 26, 2019); [Petition for Modification](#) of D.19-06-026 by CalCCA (October 30, 2019); [CalCCA Application for Rehearing](#) of D.19-10-021 (October 24, 2019); [D.19-10-021](#) affirming RA import rules (October 17, 2019); [D.19-09-054](#) extending statutory deadline (September 26, 2019); [PG&E PFM](#) regarding PG&E Other disaggregation (September 11, 2019); [Ruling](#) issuing RA State of the Market (September 3, 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](#).

## PCIA Rulemaking

On December 9, 2019, Working Group 2 (Prepayment) filed its Final Report. On December 18, 2019, the ALJ issued a Ruling modifying the procedural schedule. Working Group 3 (Portfolio Optimization and Allocation and Auction) held Workshop #4 on December 11, 2019.

- **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.

- **Details:** Working Group 2's Final Report proposes that the PCIA prepayment amount be set at the present value of the customer's forecasted PCIA obligation based on customer vintage for the contractually-identified DA meter(s) or CCA customer load. It also proposes Guiding Principles grouped into four main categories: (1) market forecast risk; (2) volumetric risk; (3) regulatory risk; and (4) credit, commercial and administrative procedures. The Working Group 2 Co-Chairs failed to achieve consensus regarding two proposed prepayment rules: (1) inclusion of a Non-Prepayer Protection Reserve component in the prepayment price, which would function as a one-time, refundable escrow-like payment intended to address the problem of forecast uncertainty and the resulting potential for unlawful cost-shift to non-prepaying customers; and (2) conducting of an initial viability screen prior to commencement of negotiations to examine commercial risks beyond a counterparty's credit profile.
- **Analysis:** D.19-10-001 impacts the PCIA VCE's customers will pay in 2020. PG&E's implementation of the PCIA cap via the ERRA forecast proceeding and Advice Letter 5624-E would mean that some customer classes could pay an increase in the PCIA that is slightly more than 0.5 cent per kWh and some customer classes could pay slightly less than the 0.5 cent per kWh increase. Advice Letter 5624-E also means the PCIA could increase mid-year if the amount of revenues that would have been collected but for the cap exceeds a certain trigger and threshold amount in what PG&E has called the PCIA Undercollection Balancing Account (PUBA). The PUBA trigger is an outgrowth of D.18-10-019. Phase 2 of this proceeding will further affect the PCIA paid by VCE's customers in future (post-2019) years, as well as other important PCIA issues that could impact CCAs such as prepayment.
- **Next Steps:** Comments and reply comments on Working Group 2's Final Report are due January 6, 2020, and January 13, 2020, respectively. A separate PD is anticipated to be issued in early Winter 2019 on other Working Group 1 issues. Parties may request evidentiary hearings by filing a motion within ten working days of a working group report being filed.
- **Additional Information:** [Ruling](#) modifying procedural schedule (December 18, 2019); [Working Group 2 Final Report](#) (December 9, 2019); [AL 5705-E](#) (December 2, 2019); [D.19-10-001](#) (October 17, 2019); [AL 5624-E](#) establishing PCIA Undercollection Balancing Account and Trigger Mechanism (August 30, 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](#).

## Utility Wildfire Mitigation Plans Rulemaking

On December 9, 2019, the Director of the Wildfire Safety Division (WSD) issued Draft Resolution WSD-001 establishing procedural rules for the WSD's review and disposition of the 2020 WMPs. In addition, the ALJ issued three Rulings. The December 16, 2019 Ruling requests comments on wildfire mitigation plan templates. The December 19, 2019, Ruling directs PG&E, SCE, and SDG&E to file updated progress reports on their Wildfire Mitigation Plans by January 15, 2020. The December 23, 2019 Ruling clarifies Wildfire Mitigation Plan submission requirements for independent transmission owners.

- **Background:** This proceeding implements electric utility Wildfire Mitigation Plans (WMPs) pursuant to SB 901 (2018). PG&E's Wildfire Mitigation Plan, approved with modifications in June 2019 (D.19-05-037), provided an expanded use by PG&E of its Public Safety Power Shutoff (PSPS) program to prevent wildfires from occurring during extreme weather events and dry vegetation conditions, with the number of electric customer premises potentially impacted by PSPS events increasing year-over-year from 570,000 to 5.4 million. The CPUC's separate 2019 Guidance Decision (D.19-05-036), addressing issues that are common to all of the Wildfire Mitigation Plans, ordered all IOUs to collect data and file reports on this year's Wildfire Mitigation

Plans, initiated a process to establish metrics to evaluate the Wildfire Mitigation Plans, and established a process for 2020 WMPs.

On October 14, 2019, the Counties of Mendocino, Napa, and Sonoma, and the City of Santa Rosa (Joint Local Governments) filed a Motion requesting the CPUC reject PG&E's AL 5582-E that purported to implement a CPUC directive regarding PG&E's programs to share de-energization and wildfire-related information with its local public safety partners. The Joint Local Governments' Motion asserts that PG&E's plan is not only inadequate to meet the needs of PG&E's local public safety partners, but it does not comply with the CPUC's directives in D.19-05-037. The local governments request the CPUC direct PG&E to develop a new proposal in cooperation with local public safety partners and submit the new plan as a Tier 3 Advice Letters.

- **Details:** The Draft Resolution specifies the schedule for the electrical corporations' submittal of their WMPs, how the electrical corporations must submit and serve the WMPs, how the public can submit and serve comments on the WMPs, and how the WSD's action on the WMPs will be presented to the Commission for ratification. The Draft Resolution would establish a deadline of February 7, 2020 for 2020 WMPs, with comments on 2020 WMPs due April 7, 2020.

The December 16 Ruling requests comments on the proposed Wildfire Mitigation Plan templates and other evaluative materials on which the Commission will rely in 2020.

- **Analysis:** PG&E's 2019 WMP established its management approach to preventing wildfires in the future and included provisions impacting the quality of service experienced by VCE customers (e.g., PG&E's procedures for de-energizing electrical lines) and costs paid by VCE customers (e.g., PG&E's expenditures related to maintaining its transmission and distribution systems are paid by all distribution customers, including VCE customers). While WMPs can influence the approach and investments made by utilities like PG&E to mitigate the risk of catastrophic wildfires, cost recovery issues are generally outside the scope and will be separately addressed through utility GRCs.
- **Next Steps:** Comments on the WMP templates are due January 7, 2020. PG&E, SCE, and SDG&E updates showing progress through December 31, 2019 to the progress reports on their WMPs are due January 15, 2020.
- **Additional Information:** [Ruling](#) on independent transmission owners' Wildfire Mitigation Plan requirements (December 23, 2019); [Ruling](#) directing PG&E, SCE and SDG&E updated progress reports (December 19, 2019); [Ruling](#) on Wildfire Mitigation Plan templates (December 16, 2019); [Draft Resolution WSD-001](#) (December 9, 2019); [Motion for Evidentiary Hearing](#) by Protect Our Communities Foundation (November 7, 2019); Motion by local governments requesting rejection of AL [5582-E](#) (October 14, 2019); [Scoping Ruling on Phase 2](#) (September 18, 2019); [AL 5555-E](#) establishing Wildfire Plan Memorandum Account (August 8, 2019); [Ruling](#) launching Phase 2 of proceeding (June 14, 2019); [D.19-05-037](#) PG&E-specific decision on 2019 Wildfire Mitigation Plan (June 4, 2019); [D.19-05-036](#) Guidance Decision on 2019 Wildfire Mitigation Plans (June 3, 2019); [PG&E Second Amendment to Wildfire Mitigation Plan](#) (April 25, 2019); [PG&E Wildfire Mitigation Plan](#) (February 6, 2019); [Order Instituting Rulemaking](#) (October 25, 2018); Docket No. [R.18-10-007](#).

## PG&E's 2018 ERRa Compliance

No updates this month. On September 30, 2019, PG&E, Public Advocates Office, and the Joint CCAs (EBCE, PCE, and SVCE) filed a joint motion requesting approval of a settlement agreement.

- **Background:** ERRa compliance review proceedings review the utility's compliance in the preceding year regarding energy resource contract administration, least-cost dispatch, fuel procurement, and the ERRa balancing account. In its application, PG&E requested that the CPUC find that it 2018 PG&E complied with its CPUC-approved Bundled Procurement Plan (BPP) in the areas of fuel procurement, administration of power purchase contracts, greenhouse gas compliance instrument procurement, and least-cost dispatch of electric generation resources,

as well as that it managed its utility-owned generation (UOG) facilities reasonably. PG&E also requested recovery of \$4.7 million for Diablo Canyon seismic study costs.

The Settlement Agreement resolves all disputed issues raised by parties to this proceeding. The Joint CCAs agreed to withdraw their recommendation that PG&E be required to provide more details on the timing and methodology used to distribute over-collected funds via PCIA, determining that the July 29, 2019 Supplemental Testimony submitted in PG&E's 2020 ERRA Forecast Application (A.19-06-001) contains sufficient information to determine that both bundled and unbundled customers will see simultaneous rate adjustments addressing the prior misallocation of Cost Allocation Mechanism-related costs through the PCIA component of their respective rates. Those adjustments to the PCIA will occur through the Portfolio Allocation Balancing Account to avoid a situation where now-departed customers pay twice for the same energy and capacity. PG&E agreed to participate in a workshop with other California IOUs in order to develop and standardize renewable and storage resource reporting requirements and to certain modest cost disallowances.

- **Details:** N/A.
- **Analysis:** This proceeding will address whether PG&E correctly calculated and accounted for the actual costs it incurred in 2018 and whether it managed its portfolio of contracts and UOG in a reasonable manner.
- **Next Steps:** Parties have reached a settlement in this proceeding. A Proposed Decision was scheduled for Q1 2020 but may come sooner.
- **Additional Information:** [Scoping Memo and Ruling](#) (June 3, 2019); [Notice of Prehearing Conference](#) (April 17, 2019); [Response](#) of EBCE and PCE (April 5, 2019); [Resolution](#) categorizing proceeding as ratesetting (March 14, 2019); [PG&E Application](#) (February 28, 2019); Docket No. [A.19-02-018](#).

## 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.

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

No updates this month.

- **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:** N/A.
- **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.
- **Next Steps:** TBD.
- **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](#).

## Wildfire Fund Non-Bypassable Charge (AB 1054)

No updates this month. On November 25, 2019, a citizen intervenor filed an Application for Rehearing of D.19-10-056, which approved the imposition of a non-bypassable charge to fund the Wildfire Fund.

- **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.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](#).

## 2018 Rate Design Window

No updates this month.

- **Background:** The IOUs' RDW applications have been consolidated into one proceeding. This proceeding is divided into three phases, with the second phase further bifurcated. A May 2018 [Phase I Decision](#) granted PG&E approval to begin transitioning eligible residential customers to TOU rates beginning in October 2020. A December 2018 [Phase IIA Decision](#) addressed PG&E's restructuring of the CARE discounts into a single line item percentage discount to the customer's total bill. The July 2019 [Phase IIB Decision](#) made determinations regarding PG&E's rate design under its default TOU roll out beginning in October 2020 and established a process for a CCA wishing to have its customers defaulted to TOU generation rates. The proceeding is now focused on [Phase III](#), which considers the IOUs' proposals for fixed charges and/or minimum bills.
- **Details:** N/A.
- **Analysis:** This proceeding will impact the timing, details, and implementation of residential TOU rates for bundled PG&E customers as well as VCE customers via rate design changes to the distribution component of customer bills. It could affect the level of VCE's rates compared to PG&E's, and to the extent VCE mirrors PG&E's residential rate design, lead to changes in the way VCE structures its residential rates. CCAs are not obligated to default their customers to TOU generation rates, but regardless of whether a CCA offers TOU generation rates, CCA customers will be subject to default TOU distribution rates.
- **Next Steps:** A Proposed Decision is expected in Q1 2020.
- **Additional Information:** [D.19-07-004](#) in Phase IIB (July 19, 2019); PG&E Phase III [Revised Testimony](#) on fixed charges (April 12, 2019, and March 29, 2019); [D.18-12-004](#) on Phase IIA Issues (December 21, 2018); [Ruling](#) clarifying scope (July 31, 2018); [D.18-05-011](#) (Phase I) on the timing of a transition to default TOU rates (May 17, 2018); [Amended Scoping Memo](#) (April 10,

2018); PG&E Rate Design Window Application & Testimony (December 20, 2017); Docket No. [A.17-12-011](#) (consolidated).

## Other Regulatory Developments

- **VCE Files Amended Implementation Plan:** On December 27, 2019, VCE filed an amended CCA Implementation Plan, addressing its expansion to the City of Winters, which was approved by the VCE Board of Directors on December 12.
- **CPUC Proposes Changes to SGIP Funding:** On December 11, 2019, the CPUC issued a [Proposed Decision](#) for establishing funding levels and various other program design components for the 2020-2024 Self-Generation Incentive Program (SGIP), which may be adopted, at earliest, at the January 16 CPUC open meeting. The PD would authorize funding of \$166 million annually from 2020-2024, with 85% allocated for battery storage projects (of which 63% is reserved for the equity resiliency budget) and 15% allocated for renewable generation technologies. The PD would also move up the start date for the acceptance of residential equity resiliency applications from April 1 to March 1, 2020, given the scale and scope of the October 2019 PSPS events. The PD would also expand equity resiliency budget eligibility. Currently a customer must be located in a Tier 3 or Tier 2 fire threat zone and meet other requirements (e.g., equity budget eligibility, medical needs, provide critical services in a community eligible to the equity budget) to qualify. The PD expands eligibility by allowing customers outside of the high fire threat zones to qualify if their electricity was shut off during two or more discrete PSPS events prior to their application for incentives. For non-residential customers, the expansion refers to the provision of critical services in communities that experience 2 or more PSPS events.

## Glossary of Acronyms

<b>AB</b>	Assembly Bill
<b>AET</b>	Annual Electric True-up
<b>ALJ</b>	Administrative Law Judge
<b>BTM</b>	Behind the Meter
<b>CAISO</b>	California Independent System Operator
<b>CAM</b>	Cost Allocation Mechanism
<b>CARB</b>	California Air Resources Board
<b>CEC</b>	California Energy Commission
<b>CPUC</b>	California Public Utilities Commission
<b>CTC</b>	Competition Transition Charge
<b>GRC</b>	General Rate Case
<b>ELCC</b>	Effective Load Carrying Capacity
<b>ERRA</b>	Energy Resource and Recovery Account
<b>IEPR</b>	Integrated Energy Policy Report
<b>IFOM</b>	In Front of the Meter
<b>IRP</b>	Integrated Resource Plan
<b>IOU</b>	Investor-Owned Utility
<b>LSE</b>	Load-Serving Entity

<b>PABA</b>	Portfolio Allocation Balancing Account
<b>PD</b>	Proposed Decision
<b>PG&amp;E</b>	Pacific Gas & Electric
<b>PFM</b>	Petition for Modification
<b>PCIA</b>	Power Charge Indifference Adjustment
<b>PUBA</b>	PCIA Undercollection Balancing Account
<b>QC</b>	Qualifying Capacity
<b>RA</b>	Resource Adequacy
<b>RDW</b>	Rate Design Window
<b>RPS</b>	Renewables Portfolio Standard
<b>SCE</b>	Southern California Edison
<b>SED</b>	Safety and Enforcement Division (CPUC)
<b>SDG&amp;E</b>	San Diego Gas & Electric
<b>TCJA</b>	Tax Cuts and Jobs Act of 2017
<b>TURN</b>	The Utility Reform Network
<b>UOG</b>	Utility-Owned Generation
<b>WMP</b>	Wildfire Mitigation Plan
<b>WSD</b>	Wildfire Safety Division (CPUC)