

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 8

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To: Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Regulatory Monitoring Report – Keyes & Fox

Date: December 10, 2020

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Please find attached Keyes & Fox's November 2020 Regulatory Memorandum dated December 2, 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 December 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, Principal Analyst, EQ Research, LLC

Subject: Regulatory Update

Date: December 2, 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:

- **New: Ensuring Summer 2021 Reliability:** On November 20, 2020, the CPUC issued an Order Instituting Rulemaking opening this proceeding to investigate actions it can take by April 2021 to ensure sufficient resource adequacy is available in the summer of 2021. VCE filed joint comments on the OIR with Sonoma Clean Power Authority (SCP).
- **PG&E 2021 ERRa Forecast / 2021 PUBA Trigger:** The Assigned Commissioner issued a Scoping Memo and Ruling consolidating the 2021 ERRa Forecast and 2021 PUBA Trigger proceedings. PG&E submitted its November Update on November 9, 2020, which it corrected on November 19, 2020, which included updates to the PCIA benchmarks for forecasting and true-up purposes. Subsequently, PG&E, Joint CCAs, CalCCA, and TURN filed a Settlement Agreement, which resolved all of the disputed issues in the PUBA Trigger proceeding (A.20-09-14) as well as certain discovery and other disputes in the 2021 ERRa Forecast proceeding (A.20-07-002). PG&E filed its 2020 Annual Electric True-Up advice letter.
- **IRP Rulemaking:** The ALJ issued a Proposed Decision that would establish a backstop procurement process for the reliability capacity procurement order by D.19-11-016. Comments and replies, respectively, in response to the ALJ Ruling on portfolios to use in the 2021-2022 Transmission Planning Process, were submitted. Finally, the ALJ issued a Ruling attaching the Staff Proposal for Resource Procurement Framework in Integrated Resource Planning.
- **RPS Rulemaking:** PG&E filed Advice Letter 5994-E, modifying the ReMAT PPA and Tariff to implement the program changes recently adopted by the CPUC in D.20-10-005. The CPUC issued an Order in the old RPS Rulemaking (R.15-02-020) granting rehearing and modifying a 2017 decision on resource eligibility under the ReMAT and BioMAT programs.
- **Investigation into PG&E’s Organization, Culture and Governance:** On November 24, 2020, CPUC President sent a letter to PG&E indicating that she has directed CPUC staff to conduct

fact-finding to determine whether to recommend that PG&E be placed into the enhanced oversight and enforcement process.

- **PG&E's 2019 ERRA Compliance:** Joint CCAs and PG&E filed reply briefs on remaining issues not addressed in the pending Settlement Agreement.
- **RA Rulemaking (2021-2022):** In Track 3.A, comments on the PD were filed November 12, 2020, and replies were filed November 17, 2020. On November 24, 2020, the CPUC, CEC, and CAISO held a joint public workshop to consider the potential to provide RA credit to hybrid storage/solar behind-the-meter resources. In Track 3.B, the Energy Division held public workshops on Track 3.B issues on November 18, 2020, and November 23, 2020. On October 30, 2020, VCE submitted Advice Letter 5-E, requesting a waiver of local RA penalties associated with remaining deficiencies in its year-ahead RA filing. The Energy Division subsequently suspended the effective date of AL 5-E and requested additional information. On November 17, 2020, VCE submitted Tier 2 Advice Letter 6-E, requesting a waiver of local RA penalties related to limited remaining local RA procurement shortfalls in the January 2021 compliance month.
- **Wildfire Fund Non-Bypassable Charge (AB 1054):** The ALJ issued a Proposed Decision that would continue the Wildfire Non-Bypassable Charge of \$0.00580/kWh for January 1, 2021 through December 31, 2021 and close this proceeding.
- **PG&E's Phase 1 GRC:** Oral argument was heard and parties filed comments and replies in response to the ALJs' Proposed Decision that would resolve PG&E's Phase 1 GRC.
- **PG&E's Phase 2 GRC:** Two public participation hearings were held on November 6, 2020. The ALJ issued an Email Ruling that denied a PG&E motion to consolidate its application for a real-time pricing rate option for PG&E's Commercial Electric Vehicle customers (A.20-10-011) with this proceeding. Intervenor testimony was filed by parties including Joint CCAs on November 20, 2020.
- **PG&E Regionalization Plan:** A workshop was held on November 20, 2020, to discuss potential refinements to PG&E's regionalization proposal.
- **PCIA Rulemaking:** Energy Division issued values for the PCIA Forecast and True Up to be used as inputs in utilities' 2021 ERRA Forecast Updates.
- **Direct Access Rulemaking:** No updates this month. Parties filed comments and replies in response to the ALJ Ruling providing a Staff Report and recommendation to the Legislature regarding potential additional expansion of direct access for nonresidential customers.
- **RA Rulemaking (2019-2020):** No updates this month. Two applications for rehearing remain the only outstanding items to be addressed in this proceeding, which is now closed.
- **Investigation into PG&E Violations Related to Wildfires:** No updates this month. On June 8, 2020, Thomas Del Monte and the Wild Tree Foundation filed applications for rehearing of D.20-05-019, which approved penalties on PG&E for its role in igniting the 2017-2018 wildfires.
- **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.)

## **New: Ensuring Summer 2021 Reliability**

On November 20, 2020, the CPUC issued an Order Instituting Rulemaking opening this proceeding. VCE filed joint comments with Sonoma Clean Power Authority (SCP) on November 30, 2020.

- **Background:** CAISO experienced rolling blackouts (Stage 3 Emergency) on August 14, 2020 and August 15, 2020 when a heatwave struck the Western U.S. and there was insufficient available supply to meet high demand.

- **Details:** This rulemaking will address two primary issues: (1) how to increase energy supply and (2) decrease demand during the peak demand and net demand peak hours in the event that a heat storm similar to the August 2020 storm occurs in the summer of 2021. This OIR will only focus on actions that the Commission can adopt by April 2021 and that the parties can implement before the summer of 2021.

This OIR will evaluate whether it is possible to increase LSE month-ahead RA procurement requirements for the summer of 2021, outside of the current multi-year process, using information provided in the prospective summer assessment report. It will also determine whether, for purposes of determining when capacity can be exported from the CAISO-controlled grid, particularly during reliability events, a resource that provides RA capacity can be tagged such that it would not be exported during these times. The OIR will also consider directing each IOU to develop new supply-side resources that can be brought online in 2021 and to bring additional capacity online by procuring incremental capacity from existing resources, implementing efficiency upgrades to existing generators, and retrofitting existing generators that are set to retire, such as Once-Through Cooling generators. It will also consider options for engaging customer groups in load reduction programs. Finally, it will consider issues like whether the Commission should allow behind-the-meter hybrid-solar-plus-storage assets to participate and discharge their available capacity in excess of onsite load and receive compensation for the load reduction, including exported energy, under the RA framework emergency load reduction program.

Joint opening comments filed by VCE/SCP requested that the Commission fund a rapid 30-day Potential Study to explore how a large-scale aggregated demand response program could meet a significant fraction of the needed capacity starting in 2021 and growing to its full size in 3-5 years.

- **Analysis:** This proceeding could directly impact VCE's RA procurement requirements for the summer of 2021 or encourage VCE to take additional actions that result in greater resource availability during the summer 2021 peak and net peak periods. It could also indirectly affect VCE customers, such as by directing IOUs to take specific actions to increase RA availability and capacity that VCE customers could be required to pay for.
- **Next Steps:** Reply comments are due December 10, 2020. A prehearing conference is scheduled for December 15, 2020 (10:30 a.m.).
- **Additional Information:** [Notice of Prehearing Conference](#) (November 30, 2020); [Order Instituting Rulemaking](#) (November 20, 2020); Docket No. [R.20-11-003](#).

## **PG&E 2021 ERRA Forecast / 2021 PUBA Trigger**

On November 5, 2020, the Assigned Commissioner issued a Scoping Memo and Ruling consolidating the 2021 ERRA Forecast and 2021 PUBA Trigger proceedings. On November 9, 2020, parties filed reply briefs. PG&E submitted its November Update on November 9, 2020, which it corrected on November 19, 2020, which included updates to the PCIA benchmarks for forecasting and true-up purposes. PG&E held a technical workshop on PUBA on November 12, 2020. PG&E filed its 2020 Annual Electric True-Up advice letter on November 16, 2020. On November 20, 2020, parties including the Joint CCAs, which includes VCE, filed opening comments on PG&E's November Update. Also on November 20, 2020, PG&E, Joint CCAs, CalCCA, and TURN filed a Settlement Agreement, which resolves all of the disputed issues in the PUBA Trigger proceeding (A.20-09-14) as well as certain discovery and other disputes in the 2021 ERRA Forecast proceeding (A.20-07-002). No party filed comments on the Settlement by the November 24, 2020, deadline.

- **Background:** Energy Resource and Recovery Account (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 2021 ERRA Forecast application proposed capped PCIA rates of \$0.03115/kWh (system-average 2021 vintage) and \$0.03670/kWh (system-average for 2017 PCIA vintage),

which is the system-wide average applicable to most VCE customers). The PCIA rate for most VCE residential customers (*i.e.*, 2017 vintage) would be \$0.03846/kWh, although PG&E will update this figure in November. PG&E's application proposes a total 2021 revenue requirement of \$2.774 billion, comprised of the following components: (1) CAM, \$283 million; (2) PCIA, \$2.803 billion; (3) Ongoing Competitive Transition Charge, \$20 million; (4) Tree Mortality Non-Bypassable Charge, \$73 million; (5) ERRA, \$1.841 billion; (6) PUBA, \$277 million; and *less* (7) Utility-owned generation costs of \$2.522 billion.

PG&E's ERRA Trigger is different than the PUBA trigger and will affect bundled customers' rates but not VCE's customers' rates. PG&E's ERRA Trigger application states that its ERRA was more than 5% overcollected as of April 30, 2020, and PG&E forecasts that its incremental ERRA overcollection will be 15.7%, or \$793 million, overcollected by December 31, 2020. The Joint CCAs filed a response to PG&E's trigger. Both parties agree a rate change to refund the overcollection is not warranted since the ERRA balance associated with overcollection can be resolved in the utility's 2021 ERRA Forecast Application.

The PUBA tracks the differential between capped and uncapped PCIA rates. Once the total revenue differential in the PUBA reaches a trigger threshold, PG&E must file an expedited application to recover part of the amount in the PUBA. Such recovery will take place via a temporary increase to PCIA or PCIA-related rates for VCE's customers. PG&E's PUBA balance as of the end of year 2020 is undercollected by \$251.8 million.

- **Details:** PG&E's November Update resulted in uncapped PCIA rates increasing between \$0.0039/kWh and \$0.0092/kWh. PG&E's November Update included an update to the 2019 vintage departing load pro rata allocation factor, resulting in approximately \$9.0 million of the 2019 ERRA over-collection being allocated to the vintage 2019 departing load customers. Furthermore, with the exception of 2009-vintage customers, PCIA rates are capped in this November Update, with no additional PUBA balance amortized. PG&E also proposed to include a \$14 million overcollection in generation rates.

PG&E's preliminary annual electric true-up advice letter forecasts a 7.5% increase in PG&E's system bundled average electric rate and an 18.0% increase in PG&E's system average rate for DA and CCA customers.

The Settlement Agreement would result in the implementation of rates on January 1, 2021. Notably, the Settling Parties agree to affirmatively support the termination of the entire PCIA cap-and-trigger framework via a joint petition for modification (PFM) of D.18-10-019 to be filed in early 2021. Furthermore, the Settling Parties request that the CPUC waive application of the PCIA rate cap for 2021, pending resolution of the forthcoming PFM (*i.e.*, the cap would not be applied in the calculation of the 2021 PCIA Base Rate for PCIA-eligible departing load). Settling Parties also agree to implementation of PG&E's 2021 ERRA Forecast requests and the return of the PUBA balance via a Tier 1 advice letter. Unless certain specified events occur, the forecast year-end 2020 PUBA balance will be amortized over three calendar years beginning upon approval of the settlement in 2021, with one-third of the year-end 2020 PUBA balance being collected in each of 2021, 2022, and 2023. This would result in a system average PUBA adder (a surcharge in addition to the PCIA) of approximately \$0.002/kWh for most vintages. Finally, PG&E agreed to provide, as part of a Master Data Request response in each of its future ERRA Forecast proceedings, certain specified information to the Settling Parties' reviewing representatives within a reasonable timeframe. According to PG&E's November Update, amended on November 18, 2020, the following table shows the uncapped 2021 PCIA rates:

Line No.	Customer Class	2009 Vintage	2010 Vintage	2011 Vintage	2012 Vintage	2013 Vintage	2014 Vintage	2015 Vintage	2016 Vintage	2017 Vintage	2018 Vintage	2019 Vintage	2020 Vintage	2021 Vintage
1	Residential	0.02932	0.03613	0.03794	0.04025	0.04080	0.04088	0.04118	0.04140	0.04153	0.04129	0.04086	0.02534	0.02534
2	Small L&P	0.02845	0.03505	0.03680	0.03905	0.03958	0.03966	0.03995	0.04016	0.04028	0.04005	0.03964	0.02458	0.02458
3	Medium L&P	0.03050	0.03758	0.03946	0.04188	0.04245	0.04253	0.04284	0.04307	0.04320	0.04295	0.04251	0.02636	0.02636
4	E19	0.02796	0.03444	0.03617	0.03838	0.03890	0.03898	0.03927	0.03947	0.03959	0.03936	0.03896	0.02416	0.02416
5	Streetlights	0.02336	0.02878	0.03022	0.03206	0.03250	0.03256	0.03280	0.03298	0.03308	0.03289	0.03255	0.02019	0.02019
6	Standby	0.02122	0.02615	0.02746	0.02913	0.02953	0.02959	0.02981	0.02996	0.03005	0.02988	0.02957	0.01834	0.01834
7	Agriculture	0.02647	0.03261	0.03424	0.03634	0.03683	0.03690	0.03718	0.03737	0.03748	0.03727	0.03688	0.02287	0.02287
8	E20 T (Excluding FPP)	0.02393	0.02948	0.03095	0.03284	0.03329	0.03336	0.03360	0.03378	0.03388	0.03369	0.03334	0.02068	0.02068
9	E20 P (Excluding FPP)	0.02564	0.03159	0.03318	0.03520	0.03568	0.03575	0.03602	0.03621	0.03632	0.03611	0.03573	0.02216	0.02216
10	E20 S (Excluding FPP)	0.02679	0.03301	0.03467	0.03678	0.03728	0.03736	0.03763	0.03783	0.03795	0.03773	0.03734	0.02316	0.02316
11	System Average PCIA Rate by Vintage	0.02822	0.03477	0.03652	0.03875	0.03928	0.03936	0.03965	0.03986	0.03998	0.03975	0.03934	0.02450	0.02450

- Analysis:** This proceeding will establish the amount of the PCIA for VCE’s 2021 rates and the level of PG&E’s generation rates for bundled customers. The Settlement Agreement would result in a system average PCIA rate of \$0.03998/kWh, plus a PUBA adder of \$0.00221/kWh, for 2017-vintage customers. In comparison, the last ERRA Forecast proceeding established a capped rate of \$0.0317/kWh for the 2017 vintage, an increase from the previous rate of \$0.0267/kWh. In addition, the PUBA shortfall will result in an additional surcharge on VCE customers.
- Next Steps:** A proposed decision will be filed by December 7, 2020. Comments and replies, respectively, are due December 11, 2020, and December 15, 2020.
- Additional Information:** [Motion to Adopt Settlement Agreement](#) (November 20, 2020); PG&E [AL 6004-E](#) Annual Electric True-Up (November 16, 2020); [PG&E November Update](#) (November 9, 2020); [Scoping Memo and Ruling](#) consolidating proceedings (November 5, 2020); [Ruling](#) canceling evidentiary hearing (October 13, 2020); [Scoping Memo and Ruling](#) in the ERRA Trigger proceeding (September 30, 2020); [PUBA Application](#) (September 28, 2020); [Scoping Memo and Ruling](#) (September 12, 2020); [PG&E August Update](#) (August 14, 2020); [PG&E ERRA Trigger Application](#) (July 31, 2020); [PG&E Supplemental Testimony](#) correcting errors in Application (July 17, 2020); [Application](#) (July 1, 2020); Docket Nos. [A.20-07-002](#) (2021 ERRA Forecast); [A.20-07-022](#) (ERRA Trigger); [A.20-09-014](#) (2021 PUBA Trigger).

## IRP Rulemaking

On November 13, 2020, the ALJ issued a Proposed Decision that would establish a backstop procurement process for the reliability capacity procurement order by D.19-11-016. Comments and replies, respectively, in response to the ALJ Ruling on portfolios to use in the 2021-2022 Transmission Planning Process, were submitted November 10, 2020, and November 20, 2020. On November 19, 2020, the ALJ issued a Ruling attaching the Staff Proposal for Resource Procurement Framework in Integrated Resource Planning.

- Background:** In the CPUC’s IRP process, the Reference System Portfolio (RSP) is essentially a proposed statewide IRP portfolio that sets a statewide benchmark for later IRPs filed by individual LSEs. The CPUC ultimately adopts a Preferred System Portfolio (PSP) after LSEs submit individual IRPs to be used in statewide planning and future procurement. On September 1, 2020, LSEs including VCE filed their 2020 IRPs, which included updates on each LSE’s progress towards completing additional system RA procurement ordered for the 2021-2023 years under D.19-11-016.

The June 15, 2020 ALJ Ruling proposed a three-year cycle for the IRP process, instead of the current structure of conducting each cycle every two years. There would be opportunities for new procurement requirements at least twice during every three-year cycle, beginning with a Q1 2021 Ruling proposing resource procurement, followed by the issuance of a PD/Decision in Q2 2021 ordering additional procurement.

The September 24 Scoping Memo and Ruling clarifies that the issues planned to be resolved into this proceeding are organized into the following tracks:

- General IRP oversight issues: The Assigned Commissioner indicates that a Proposed Decision is forthcoming on the issues identified in the June 15 Ruling regarding the possibility of moving from a two-year to a three-year IRP cycle. Other issues to be determined in this track include IRP filing requirements and interagency work implementing SB 100.
- Procurement track: First, the proceeding will resolve capacity procurement issues with respect to D.19-11-016. The CPUC will then focus on examining LSE plans to replace Diablo Canyon capacity and conduct an overall assessment and gap analysis to inform a procurement order that could direct LSEs to procure additional capacity. Other issues to be addressed in this track include (1) evaluation of development needs for long-duration storage, out-of-state wind, offshore wind, geothermal, and other resources with long development lead times; (2) local reliability needs; and (3) analysis of the need for specific natural gas plants in local areas. Additional procurement requirements may also be considered.
- Preferred System Portfolio Development: The CPUC will aggregate LSE portfolios, analyze the aggregate portfolio, and adopt a PSP.
- Transmission Planning Process (TPP): The PSP analysis will likely lead to a portfolio to be transmitted by the CPUC to the CAISO for use in its TPP analysis.
- Reference System Portfolio Development: To the extent that a new round of RSP analysis is conducted for the next IRP cycle, this proceeding will be the venue for developing and vetting the resource assumptions associated with that analysis in preparation for the next IRP cycle.
- **Details:** The PD would establish a backstop procurement process that would apply to LSEs that did not opt-out of self-procuring their capacity obligations under D.19-11-016. It would require LSEs to file bi-annual (due February 1 and August 1) updates of their procurement progress relative to the contractual and procurement milestones defined in the PD. The PD does not address cost allocation for backstop procurement, which will be addressed in a later decision. The backstop process would be composed of triggers and milestones that an LSE must meet for its self-procurement efforts in order to avoid creating a need for "emergency" procurement and being held responsible for its share of the backstop procurement costs. After review of the compliance filings, CPUC Staff will bring a Resolution before the Commission specifying the amount of backstop procurement required for a particular IOU on behalf of each LSE for each procurement tranche (2021, 2022, and 2023). Full cost responsibility for backstop procurement will be assigned to the deficient LSE and once a backstop procurement authorization is adopted by the CPUC there will be no "going back" even if an LSE manages to procure additional capacity. In addition, the PD notes that an absence of backstop procurement trigger is not a relief of an LSE's procurement obligations. The CPUC may still initiate compliance and enforcement actions regardless of whether backstop procurement is triggered.

The Staff Proposal attached to the November 19, 2020 ALJ Ruling lays out a conceptual foundation for all future procurement informed by the IRP process. The specific problems Staff considers in its proposed Procurement Framework include a lack of clarity regarding CPUC's procurement process, risk of over-relying on RPS as a GHG-based procurement program, weak alignment between IRP and RA, difficulty in defining and measuring system reliability under increasing penetration of variable renewables, challenges to ensuring system reliability in a fragmented LSE market combined with development risk associated with new resource types, and challenges LSEs face in procuring some resource types. Staff categorized recommendations into "Phase 1," intended to be applied during the current IRP cycle through 2021, and "Phase 2," to be applied starting with the next IRP cycle. Staff recommendations include, for instance, increasing the load forecast and/or planning reserve margin used to determine the need for reliability procurement, and annually monitoring of compliance and continued use of the threat of "just in time" backstop procurement as an enforcement mechanism.

- **Analysis:** The PD would establish a backstop procurement process for procurement ordered under D.19-11-016, which would provide more clarity on the process going forward for determining if backstop procurement is needed. However, it is unclear what compliance and enforcement actions the CPUC could undertake for LSEs for which backstop procurement becomes necessary. The Staff Proposal providing a conceptual foundation for all future procurement informed by the IRP process contains a number of proposals that could undermine VCE's procurement autonomy.
- **Next Steps:** Through January 2021, the schedule is as follows:
  - General IRP oversight issues: A Proposed Decision on moving from two-year to three-year IRP cycle is anticipated to be issued soon.
  - Procurement track: Comments and reply comments, respectively, on the Proposed Decision establishing a backstop procurement process under D.19-11-016 are due December 3, 2020, and December 8, 2020. A remote participation workshop addressing the Staff Proposal attached to the November 19 ALJ Ruling is scheduled for December 18 at 10:00 a.m. Comments from parties on specific aspects of the Staff Proposal will be requested after the workshop. During the remainder of 2020, Commission staff will conduct analysis of LSE commitments to address Diablo Canyon replacement power, as included in individual IRPs. In January 2021, the CPUC will issue a Ruling with its Diablo Canyon replacement power analysis, gap analysis, and proposing procurement strategy for any additional needed power, along with a proposed broader framework for IRP procurement.
  - Preferred System Portfolio Development: Fall 2020: (1) Modeling Advisory Group meeting examining GHG emissions benchmarking and modeling differences; and (2) Ruling on resubmittals of information for deficient LSE IRPs, if needed.
  - TPP: November 2020: Party comments and reply comments on proposed portfolio(s) for 2021-2022 TPP. January 2021: Proposed Decision recommending portfolio(s) for 2021-22 TPP.
  - Reference System Portfolio Development: N/A.
- **Additional Information:** [Ruling](#) providing Staff Proposal on resource procurement framework (November 19, 2020); [Proposed Decision](#) on backstop procurement mechanism (November 13, 2020); [Ruling](#) on Portfolios for 2021-2022 Transmission Planning Process (October 20, 2020); [Email Ruling](#) requesting comments on individual LSE IRPs (October 9, 2020); [Scoping Memo and Ruling](#) (September 24, 2020); [Resolution E-5080](#) (August 7, 2020); [Ruling](#) on IRP cycle and schedule (June 15, 2020); [Ruling](#) on backstop procurement and cost allocation mechanisms (June 5, 2020); [Order Instituting Rulemaking](#) (May 14, 2020); Docket No. [R.20-05-003](#).

## RPS Rulemaking

On November 6, 2020, PG&E filed Advice Letter 5994-E, modifying the ReMAT PPA and Tariff to implement the program changes recently adopted by the CPUC in D.20-10-005. On November 23, 2020, the CPUC issued an Order in the old RPS Rulemaking (R.15-02-020) granting rehearing and modifying a 2017 decision on resource eligibility under the ReMAT and BioMAT programs.

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

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



Staff's Proposed Framework for integrating RPS Procurement Plan requirements into the IRP proceeding uses a two-phased approach that makes a relatively minor change to RPS reporting in the current IRP cycle, while fully integrating all elements of RPS Procurement Plans into the next IRP cycle, proposed to commence in the 2023 calendar year (instead of 2022, under the current two-year cycle, although the issue of a two-year versus three-year cycle is not discussed).

**Details:** The ReMAT program originally was limited to facilities with a capacity up to 3 MW. AB 1979 revised the provisions to allow a conduit hydroelectric facility with an effective capacity of up to 4 MW to be eligible to participate in the ReMAT program, on the condition that the conduit hydroelectric facility not deliver more than 3 MW to the grid at any time. In 2017, the IOUs filed an application for rehearing of D.17-08-021, which implemented eligibility requirements of ReMAT and BioMAT under changes made in AB 1979 and AB 1923. However, the CPUC did not consider the application for rehearing until now because the ReMAT and BioMAT programs were subsequently put on hold and only reopened recently.

The Order finds that a conduit hydroelectric facility with an effective capacity up to 4 MW is eligible to participate in the ReMAT program but is prohibited from payments for any electricity delivered to the grid in excess of 3 MW at any time. In contrast, footnote 8 of D.17-08-021 had stated that conduit hydropower facilities with an effective capacity up to 4 MW may sell electricity generated in excess of the ReMAT program's 3 MW limit to other CPUC programs. The Order also makes a similar change with respect to bioenergy facilities, striking a similar footnote relating to the BioMAT program. Finally, the Order states that if a PURPA Qualifying Facility (QF) cannot qualify as a ReMAT or a BioMAT generator solely due to the amount of electricity the generator would deliver to the grid at any time, instead of participating in the ReMAT or BioMAT programs, it is eligible for a New Standard Offer Contract established by D.20-05-006 that implements the CPUC's mandatory purchase obligation under PURPA.

- **Analysis:** The reopening of the ReMAT program could impact VCE by reopening a program that could compete with VCE with respect to the procurement of small-scale renewable energy facilities. However, the CPUC's November 2020 Order granting rehearing changes the eligibility requirements so that conduit hydro facilities are prohibited from receiving payments for electricity in excess of 3 MW, which could diminish the attractiveness of the ReMAT program for small hydro facilities that are larger than 3 MW in size.

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

**Next Steps:** A proposed decision aligning RPS/IRP filings is anticipated to be issued in Q4 2020.

A PD/Decision on the 2020 RPS Procurement Plans is also anticipated in Q4 2020, after which retail sellers may file "Final" 2020 RPS Procurement Plans, also expected in Q4 2020. VCE expects to file a final RPS Plan with updates with respect to procurement.

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

- **Additional Information:** [Order Granting Rehearing of D.17-08-021](#) (November 23, 2020); PG&E [AL 5994-E](#) reopening ReMAT program (November 6, 2020); [D.20-10-005](#) resuming and modifying the ReMAT program (October 16, 2020); [D.20-09-022](#) on new CCA 2019 RPS Procurement Plans (approved at CPUC's September 24, 2020 meeting); [Ruling](#) on [Staff proposal](#) aligning RPS/IRP filings (September 18, 2020); [D.20-08-043](#) resuming and modifying the BioMAT program (September 1, 2020); [VCE Motion to Update](#) its 2020 RPS Procurement Plan (August 12, 2020); [Ruling](#) extending procedural schedule on RPS Procurement Plan review (July 10, 2020); Assigned Commissioner [Ruling \(ACR\)](#) establishing 2020 RPS Procurement Plan requirements (May 6, 2020); [D.20-02-040](#) correcting D.19-12-042 on 2019 RPS Procurement Plans (February 21, 2020); [Ruling](#) on RPS confidentiality and transparency issues (February 27, 2020); [D.19-12-042](#) on 2019 RPS Procurement Plans (December 30, 2019); [D.19-06-023](#) on implementing SB 100 (May 22, 2019); [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 into PG&E's Organization, Culture and Governance (Safety OII)

On November 24, 2020, CPUC President sent a letter to PG&E indicating that she has directed CPUC staff to conduct fact-finding to determine whether to recommend that PG&E be placed into the enhanced oversight and enforcement process.

- **Background:** On December 21, 2018, the CPUC issued a Scoping Memo opening the next phase of an ongoing investigation into whether PG&E's organizational culture and governance prioritize safety. This current phase of the proceeding is considering alternatives to current management and operational structures for providing electric and natural gas in Northern California.

A July 2020 ALJ Ruling described the issues that are potentially still in scope for this proceeding, which include a broad array of issues identified in the December 21, 2018 Scoping Memo, as modified by D.20-05-053 approving PG&E's reorganization plan, plus the ongoing work of NorthStar, the consultant monitoring PG&E. However, the Ruling observed that "it is not clear as a practical matter how many of those issues can be or should be addressed at this time," given PG&E is now implementing its reorganization plan and has filed its application for regional restructuring. Joint CCAs argued that this proceeding should address whether PG&E should be a "wires-only company" and whether PG&E's holding company structure should be revoked, and SVCE advocated for addressing whether a distribution system operator model should replace PG&E. Party comments did not explicitly raise the issue of CCA proposals to purchase PG&E electric distribution assets.

The September 4 Ruling filed in the PG&E Safety Culture proceeding (I.15-08-019) and PG&E Bankruptcy proceeding (I.19-09-016) determines that I.15-08-019 will remain open as a vehicle to monitor the progress of PG&E in improving its safety culture, and to address any relevant issues that arise, with the consultant NorthStar continuing in its monitoring role of PG&E. The Ruling declined to close the proceeding (e.g., as requested by PG&E) but also declined to move forward with CCAs' consideration of whether PG&E's holding company structure should be revoked and whether PG&E should be a "wires-only company," as well as developing a plan for service if PG&E's CPCN is revoked in the future.

- **Details:** In her letter to PG&E, President Batjer pointed to a "pattern of vegetation and asset management deficiencies that implicate PG&E's ability to provide safe, reliable service to customers," and stated the "Wildfire Safety Division Staff has identified a volume and rate of defects in PG&E's vegetation management that is notably higher than those observed for the other utilities."
- **Analysis:** CPUC President Batjer's letter indicates the CPUC is currently investigating whether to move PG&E into its newly created enhanced oversight and enforcement process. This six-step process could ultimately result in a revocation of PG&E's certificate of public convenience and necessity if it fails to take sufficient corrective actions.
- **Next Steps:** The proceeding remains open, but there is no procedural schedule at this time.
- **Additional Information:** [Letter](#) from President Batjer to PG&E (November 24, 2020); [Ruling](#) updating case status (September 4, 2020); [Ruling](#) on case status (July 15, 2020); [Ruling](#) on proposals to improve PG&E safety culture (June 18, 2019); [D.19-06-008](#) directing PG&E to report on safety experience and qualifications of board members (June 18, 2019); [Scoping Memo](#) (December 21, 2018); Docket No. [I.15-08-019](#).

## PG&E's 2019 ERRA Compliance

On November 16, 2020, Joint CCAs and PG&E filed reply briefs on remaining issues not addressed in the pending Settlement Agreement.

- Background:** ERRA compliance review proceedings review the utility's compliance in the preceding year regarding energy resource contract administration, least-cost dispatch, fuel procurement, and the PABA balancing account (which determines the true up values for the PCIA each year). In its 2019 ERRA compliance application, PG&E requested that the CPUC find that its PABA entries for 2019 were accurate, it complied with its Bundled Procurement Plan in 2019 in the areas of fuel procurement, administration of power purchase contracts, greenhouse gas compliance instrument procurement, RA sales, and least-cost dispatch of electric generation resources. PG&E also requests that the CPUC find that during the record period PG&E managed its utility-owned generation facilities reasonably. Finally, PG&E requests cost recovery of revenue requirements totaling about \$4.0 million for Diablo Canyon seismic study costs.

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

The Joint CCAs' testimony identified \$175.4 million in net reductions to the 2019 PABA balance that should be made, excluding interest. The Joint CCAs argue this amount should be credited back to customers. PG&E's rebuttal testimony stated it will make all but \$33.6 million of those adjustments as part of its August 2020 accounting close.

On October 22, 2020, PG&E, Joint CCAs, and Cal Advocates filed a Joint Motion to Adopt Settlement Agreement. The Settlement Agreement resolves all but two of the disputed issues in Phase I of the proceeding. PG&E agreed with certain accounting errors identified by the Joint CCAs. PG&E also committed to provide additional, specific information requested by the Joint CCAs simultaneous with its ERRA Compliance applications and simplify the presentation of that information, resolving the Joint CCAs concern with transparency of the PG&E data supporting entries to the ERRA, PABA and related balancing accounts. PG&E and the Joint CCAs agreed to engage in discussions about the approach to Resource Adequacy solicitations governed by Appendix S of PG&E's 2014 Bundled Procurement Plan. Finally, PG&E agreed to rebill all commercial and industrial CCA customers assigned an incorrect vintage.

- Details:** The two remaining issues not covered by the Settlement Agreement are (1) the request in PG&E's rebuttal testimony to reverse the \$92.9 million adjustment it made in response to D.20-02-047 to its PABA regarding the amount of RPS energy the utility retained to serve its bundled customers in 2019; and (2) the utility's decision not to re-vintage four RPS contracts renegotiated during 2019.
- Analysis:** This proceeding addresses PG&E's balancing accounts, including the PABA, providing a venue for a detailed review of the billed revenues and net CAISO revenues PG&E recorded during 2019. It also determines whether PG&E managed its portfolio of contracts and UOG in a reasonable manner. Efforts from the Joint CCAs to date will reduce the level of the PCIA for VCE's customers in 2021 and/or 2022.
- Next Steps:** A proposed decision is anticipated to be issued soon. The schedule for Phase II of this proceeding has not been issued yet.
- Additional Information:** [Joint Motion to Adopt Settlement Agreement](#) (October 22, 2020); [Ruling](#) modifying extending deadline for briefs and reply briefs (October 12, 2020); [Amended Scoping Memo and Ruling](#) (August 14, 2020); [Scoping Memo and Ruling](#) (June 19, 2020); PG&E's [Application](#) and [Testimony](#) (February 28, 2020); Docket No. [A.20-02-009](#).

## RA Rulemaking (2021-2022)

In Track 3.A, comments on the PD were filed November 12, 2020, and replies were filed November 17, 2020. On November 24, 2020, the CPUC, CEC, and CAISO held a joint public workshop to consider the potential to provide RA credit to hybrid storage/solar behind-the-meter resources. In Track 3.B, the Energy Division held public workshops on Track 3.B issues on November 18, 2020, and November 23, 2020. On October 30, 2020, VCE submitted Advice Letter 5-E, requesting a waiver of local RA penalties related to limited remaining local RA procurement shortfalls in its year-ahead RA filing. The Energy Division suspended AL 5-E, along with similar ALs filed by 15 other entities, and requested additional information and documentation. On November 17, 2020, VCE submitted AL 6-E, requesting a waiver of local RA penalties related to limited remaining local RA procurement shortfalls in the January 2021 compliance month, which currently remains pending (the response/protest deadline is December 17, 2020).

- **Background:** This proceeding is divided into 4 tracks. The first two tracks have concluded, and the proceeding focused on Track 3 issues. Track 3 is divided into Track 3.A and Track 3.B, which are proceeding in parallel. Track 3.A issues include the following topics: (1) evaluation of CAISO's updated LCR reliability criteria; (2) evaluation of an LCR reduction compensation mechanism; (3) consideration of the CPE's Competitive Neutrality Rules; (4) NQC for BTM hybrid resources; and (4) other time-sensitive issues.

Track 3.B focuses on an examination of the broader RA capacity structure to address energy attributes and hourly capacity requirements, given the increasing penetration of use-limited resources, greater reliance on preferred resources, rolling off of a significant amount of long-term tolling contracts held by utilities, and material increases in energy and capacity prices experienced in California over the past years. Other refinements to the RA program identified during Track 1 or Track 2 will also be considered, including refinements to the MCC buckets adopted in D.20-06-031.

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

- **Details:** VCE's ALs 5-E and 6-E requesting waivers of local RA penalties pertain to small deficiencies in local RA procurement due to the unavailability of additional local RA resources in certain areas. Twenty LSEs filed requests for waivers of local RA penalties as part of the year-ahead RA filing, of which two submitted by ESPs were protested by Cal Advocates and 16 (including VCE's) were suspended by the Energy Division pending additional review. LSEs that continue to experience a local RA deficiency for an upcoming RA compliance month must submit an additional request for waiver of penalties when submitting the applicable month-ahead RA filing; accordingly, VCE submitted AL 6-E to request a waiver for the month of January 2021.

The Track 3.A PD would address the issues of the financial credit mechanism and competitive neutrality rules for the central procurement entities, PG&E and SCE. For reference, in adopting the central procurement framework in D.20-06-002, the CPUC recognized that a financial credit mechanism could provide LSEs with additional incentives for investments in preferred and energy storage local resources in constrained local areas, but rejected a CalCCA proposal to give a one-for-one MW value to LSEs for existing preferred or energy storage local resources shown to the CPE. The PD would find that the most workable solution proposed was CalCCA's proposed "Option 2," with modifications, which allows the CPE to evaluate the shown resource alongside bid resources to assess the effectiveness of the portfolio. The financial credit mechanism would apply only to new preferred or energy storage resources (i.e., non-fossil-based resources) with a contract executed on or after June 17, 2020.

The PD would also adopt PG&E's competitive neutrality proposal for PG&E's service territory and SCE's competitive neutrality proposal for SCE's service. The PD would reject assertions by AReM and CalCCA that PG&E's proposed rule contains insufficient detail as compared to SCE's proposal, such as the lack of enforcement for inadvertent disclosure.

Finally, the PD would find that the Local Capacity Requirements Working Group should continue to discuss recommendations and develop solutions for consideration in CAISO's 2022 LCR process, and notes there will be an opportunity to provide comments on the behind-the-meter hybrid solar/storage workshop, scheduled for November 2020, in Track 4 of this proceeding.

- **Analysis:** Regulatory developments under consideration in this proceeding could have a significant impact on VCE's capacity procurement obligations and RA compliance filing requirements. A broad array of changes to the RA construct are under consideration, including the consideration of hourly capacity requirements in light of the increasing deployment of use-limited resources; modifications to maximum cumulative capacity buckets and whether the RA program should cap use-limited and preferred resources such as wind and solar; the potential expansion of multi-year local forward RA to system or flexible resources; RA penalties and waivers; and Marginal ELCC counting conventions for solar, wind and hybrid resources. The resolution of these issues could impact the extent to which VCE is permitted to rely on use-limited resources such as solar and wind to meet its RA obligations, the amount of RA that is credited to these types of resources, and what penalties (and waivers) would apply should there be a deficiency in meeting an RA requirement.
- **Next Steps:** In Track 3.A, the PD is on the CPUC's Agenda for its December 3, 2020, Business Meeting. The PD would direct the draft Local Capacity Requirements Working Group Report and/or proposals to be due January 22, 2021, and the final Working Group Report and/or proposals by February 12, 2021.

Revised Track 3.B proposals are due December 18, 2020, comments on revised Track 3.B proposals are due January 15, 2021, a workshop on revised Track 3.B proposals is anticipated for February 2021, second revised Track 3.B proposals and comments on additional process are due March 9, 2021, a Proposed Decision is expected May 2021, and a final Decision on Track 3.B and Track 4 is expected June 2021.

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

- **Additional Information:** [Proposed Decision](#) on Track 3.A issues (October 23, 2020); [Ruling](#) denying OhmConnect motion for partial stay of 8.3% DR cap (October 20, 2020); [Ruling](#) (September 23, 2020); [Ruling](#) providing Energy Division's Track 3.B proposal (August 7, 2020); [Amended Scoping Memo](#) on Track 3 (July 7, 2020); [D.20-06-031](#) on local and flexible RA requirements and RA program refinements (June 30, 2020); [Ruling](#) suspending Track 3 schedule (June 23, 2020); [2021 Final Flexible Capacity Needs Assessment](#) (May 15, 2020); [2021 Final Local Capacity Technical Study](#) (May 1, 2020); [Scoping Memo and Ruling](#) (January 22, 2020); [Order Instituting Rulemaking](#) (November 13, 2019); Docket No. [R.19-11-009](#).

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

On November 10, 2020, the ALJ issued a Proposed Decision that would continue the Wildfire Non-Bypassable Charge (NBC) of \$0.00580/kWh for January 1, 2021 through December 31, 2021 and close this proceeding. Comments were due on November 30, 2020.

- **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.

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. Residential CARE and medical baseline customers are exempt.

- **Details:** The PD proposes to maintain the Wildfire Fund NBC at its current level for 2021.
- **Analysis:** This proceeding established a new non-bypassable charge of \$0.00580/kWh from eligible VCE customers beginning October 1, 2020, to fund the Wildfire Fund under AB 1054. The PD would continue this same charge for calendar year 2021.
- **Next Steps:** Reply comments are due December 7, 2020.
- **Additional Information:** [Ruling](#) requesting comments on 2021 Wildfire Fund NBC (September 30, 2020); [D.20-09-023](#) adopting 2020 Wildfire NBC (September 30, 2020); [D.20-07-014](#) approving servicing orders (July 24, 2020); [Ruling](#) on Wildfire NBC implementation (July 3, 2020); [D.20-02-070](#) denying Application for Rehearing (March 2, 2020); [D.19-10-056](#) approving a non-bypassable charge (October 24, 2019); [Scoping Memo and Ruling](#) (August 14, 2019); [Order Instituting Rulemaking](#) (August 2, 2019); Docket No. [R.19-07-017](#). See also [AB 1054](#).

## PG&E's Phase 1 GRC

Oral argument was heard on November 12, 2020. On November 12, 2020, and November 17, 2020, respectively, parties filed comments and replies in response to the ALJs' Proposed Decision that would resolve PG&E's Phase 1 GRC.

- **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.

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

- **Details:** The PD would adopt, with modifications, the Settlement Agreement filed in December 2019. The PD would adopt a 2020 test year revenue requirement of \$9.102 billion, which is an increase of \$584 million, or 6.9%, over the authorized base revenue requirement for 2019. In addition, it would allow PG&E to raise rates an additional \$339 million, or 3.7%, for 2021 and \$344 million, or 3.6%, for 2022. However, both the 2020 and 2021 impacts would be incorporated in 2021, resulting in an average residential customer seeing a monthly bill increase of \$12.55 (\$9.86 for electric and \$2.69 for gas), or 7.6%, in 2021. Modifications to the Settlement Agreement include the reduction of the authorized Community Wildfire Safety Program capital forecasts for 2021 and 2022, as well as more stringent filing requirements for recovery of undercollections tracked by certain regulatory accounts and for closure of up to 10 customer services branch offices. The PD would apply the 4% cap on the percentage of residential

customer accounts that PG&E can disconnect from utility service in this GRC cycle pursuant to D.20-06-003.

The PD would allow PG&E to maintain its current functionalization of Customer Care costs, allocating Customer Care costs between gas distribution and electric distribution functions, based on the number of gas and electric service agreements. However, it would direct PG&E to provide in its next GRC a better showing of its cost functionalization process in response to Joint CCA arguments, including directing PG&E to provide detailed testimony showing and justifying how it allocates costs across its various utility functions, including how it derives its functional allocations. The PD would not adopt Joint CCA's recommendation to reject the \$10 million decommissioning revenue requirement for PG&E generation assets. The PD also would also not adopt Joint CCA recommendations regarding Resilience Zone issues, such as a request to accommodate generation that the CCAs procure, determining it is out of the scope and more appropriately addressed in R.19-09-009. Likewise, the PD would find the issue raised by Joint CCAs regarding access to grid modernization data is more appropriately addressed in R.14-08-013.

- **Analysis:** PG&E's GRC proposals included 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 under the Settlement Agreement and Proposed Decision. The remaining CCA-related issues in the case include the Joint CCAs' recommendations that the Commission:
  - Revise the allocation of certain customer-service costs since unbundled customers use those services far less than bundled customers.
  - Ensure CCAs can connect clean generation to PG&E's temporary microgrids during PSPS events.
  - Revise the settlement's exorbitant decommissioning costs for PG&E's PCIA-eligible facilities.
  - Revise the settlement to ensure grid modernization data is accessible to CCAs to ensure a level playing field in the provision of grid services.
- **Next Steps:** The Proposed Decision is on the CPUC's Agenda for its December 3, 2020 Business Meeting.
- **Additional Information:** [Ruling](#) setting oral argument (October 29, 2020); [Proposed Decision](#) (October 23, 2020); [PG&E Motion](#) to update the Settlement Agreement (August 13, 2020); [Ruling](#) adopting confidential modeling procedures (August 13, 2020); [E-mail Ruling](#) granting in part PG&E's Motion for Official Notice and Joint CCAs Motion to file sur-reply (June 5, 2020); Joint CCAs' [PG&E Motion](#) for Official Notice of Facts (January 27, 2020); [Joint Motion](#) for Settlement Agreement (January 14, 2020); [E-Mail Ruling](#) modifying procedural schedule (December 2, 2019); [E-Mail Ruling](#) suspending briefing deadlines (November 25, 2019); [D.19-11-014](#) (November 14, 2019); [Ruling](#) setting public participation hearings (May 7, 2019); [Scoping Memo and Ruling](#) (March 8, 2019); [Joint CCAs' Protest](#) (January 17, 2019); [Application](#) and [PG&E GRC Website](#) (December 13, 2018); Docket No. [A.18-12-009](#).

## **PG&E's Phase 2 GRC**

Two public participation hearings were held on November 6, 2020. On November 12, 2020, the ALJ issued an Email Ruling that denied a PG&E motion to consolidate its application for a real-time pricing rate option for PG&E's Commercial Electric Vehicle customers (A.20-10-011) with this proceeding. Intervenor testimony was filed by parties including Joint CCAs on November 20, 2020.

- **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:** Joint CCAs' testimony recommends that:
  - PG&E present class- and vintage-specific PCIA rates on individual rate schedules, consistent with other NBCs for both bundled and unbundled customers.
  - The CPUC not allow PG&E to offer Economic Development Rate Generation rates below PG&E's Marginal Generation Cost of Service.
  - PG&E's E-ELEC offering should be analyzed further and refined in a proceeding that allows more detailed consideration in rate making.
  - PG&E's proposal regarding minimum time-of-use rates such that no proposed retail rate is below the PCIA.
- **Analysis:** This proceeding will not impact the transparency between a bundled and unbundled customer's bills because of the Working Group 1 decision in the PCIA rulemaking, though the JCCAs recommend in testimony that more transparency be reflected in utility tariffs. However, it will affect the allocation of PG&E's revenues requirements among VCE's different rate classes. It will also affect distribution and PPP charges paid by VCE customers to PG&E. Further, PG&E includes a cost-of-service study the purpose of which is to establish the groundwork for separating net metering customers into a separate customer class in the utility's next rate case. If PG&E's proposed CCA fee revisions are adopted, it could increase the cost VCE pays to PG&E for various services, to the extent VCE uses these services.
- **Next Steps:** A settlement conference is scheduled for December 4, 2020 from 11 a.m. to 12:30 p.m. Rebuttal testimony is due February 15, 2021. An evidentiary hearing is tentatively scheduled for March 1-12, 2021. A CPUC decision is anticipated for September 2021.
- **Additional Information:** [D.20-09-021](#) on EUS budget (September 28, 2020); [Ruling](#) scheduling public participation hearings (August 20, 2020); [Ruling](#) extending procedural schedule (July 13, 2020); [Exhibit \(PG&E-5\)](#) (May 15, 2020); [Scoping Memo and Ruling](#) (February 10, 2020); [Application, Exhibit \(PG&E-1\): Overview and Policy, Exhibit \(PG&E-2\): Cost of Service, Exhibit \(PG&E-3\): Revenue Allocation, Rate Design and Rate Programs, and Exhibit \(PG&E-4\): Appendices](#) (November 22, 2019); Docket No. [A.19-11-019](#).

## PG&E Regionalization Plan

A workshop was held on November 20, 2020 to discuss potential refinements to PG&E's regionalization proposal.



- Background:** PG&E was directed to file a regionalization proposal as a condition of CPUC approval of its Plan of Reorganization in I.19-09-016. On June 30, 2020, PG&E filed its regionalization proposal, which describes how it plans to reorganize operations into new regions. PG&E proposes to divide its service area into five new regions: North Coast, Sierra, Bay Area, Central Coast, and Central Valley. The regional boundaries will align with county boundaries. Yolo County would be part of PG&E Region 1 (North Coast), grouped together with the following counties: Colusa, Glenn, Humboldt, Lake, Mendocino, Napa, Sacramento, Solano, Sonoma, and Trinity. PG&E will appoint a Regional Vice President by June 2021 to lead each region, along with Regional Safety Directors to lead its safety efforts in each region.

The new regions would include five functional groups that report to the Regional Vice President encompassing various functions including: (1) Customer Field Operations, (2) Local Electric Maintenance and Construction, (3) Local Gas M&C, (4) Regional Planning and Coordination, and (5) Community and Customer Engagement. Other functions will remain centralized, such as electric and gas operations, risk management, enterprise health and safety, the majority of existing Customer Care and regulatory and external affairs, supply, power generation, human resources, finance, and general counsel. PG&E will propose in a separate proceeding the enterprise-level safety and operational metrics it is developing that could also be considered to evaluate the effectiveness of its regionalization implementation. PG&E proposes a phased implementation, with progress establishing all regions in 2021, although some functions would not be fully shifted until 2022. PG&E also proposes to establish a Regional Plan Memorandum Account to record any incremental costs PG&E may incur in connection with development and implementation of regionalization.

In August, parties filed protests and responses to PG&E's application. Of note, South San Joaquin Irrigation District filed a Protest arguing that PG&E's regionalization effort should not create a moratorium or interfere with municipalization efforts. In addition, five CCAs filed responses or protests to PG&E's application, with MCE and EBCE filing protests and City of San Jose, City and County of San Francisco, and Pioneer Community Energy filing responses. CCA responses/protests sought more information on the implications of regionalization on CCA customers, CCA operations, and CCA-PG&E coordination; PG&E's overarching purpose, goals, and metrics to judge success of regionalization; the delineation between centralized and decentralized functions in PG&E's application; and budgets and cost recovery related to regionalization, among other issues. CCAs also identified various concerns specific to their CCAs (e.g., EBCE's and MCE's service areas would both be split across two PG&E regions; SJCE expressed concern with its service area being assigned to the Central Coast region; Pioneer expressed concern that it would be the only CCA in its region, which would be the only region not to be "anchored" by an urban area).

- Details:** The October Scoping Memo and Ruling determined the scope of this proceeding will include examining (1) whether PG&E should be authorized to implement its Regionalization Proposal, as modified in this proceeding; (2) whether PG&E's proposed five regional boundaries are reasonable; (3) whether PG&E's proposals for regional leadership and a regional organizational structure are consistent with the Commission's direction; (4) whether PG&E's proposed implementation timeline for regionalization is reasonable; (5) whether PG&E's regionalization proposal is reasonable, including its impact on safety and its cost effectiveness; (6) the adequacy and completeness of PG&E's regionalization plan; (7) the process and timeline for regionalization, the cost of regionalization, the criteria to be used for identifying and delineating regions, and the division of responsibilities and decision-making between PG&E's central office and its regional offices; and (8) issues relating to potential cost recovery and the corresponding ratemaking treatment. The Scoping Memo and Ruling did not discuss how municipalization proposals would be impacted by PG&E's regionalization plan, which had been the subject of a Protest of PG&E's application filed by South San Joaquin Irrigation District.
- Analysis:** As noted in the responses and protests of CCAs, the implications of PG&E's regionalization plan on CCA operations, customers, and costs is largely unclear based on the information presented in PG&E's application. PG&E's regionalization plan could impact PG&E's responsiveness and management of local government relations and local and regional issues,

such as safety, that directly impact VCE customers beginning in 2021. It could also impact municipalization efforts, although this issue has not been explicitly addressed and remains unclear at this time. As part of Region 1, VCE would be grouped with several coastal and northern counties.

- **Next Steps:** C are due December 16, 2020, an updated PG&E proposal is due January 14, 2021, a workshop will be held the week of January 25, 2021, and comments are due February 24, 2021. PG&E must engage its Regional Vice Presidents and Regional Safety Directors by June 1, 2021.
- **Additional Information:** [Scoping Memo and Ruling](#) (October 2, 2020); [Application](#) (June 30, 2020); [A.20-06-011](#).

## PCIA Rulemaking

On November 2, 2020, Energy Division issued values for the PCIA Forecast and True Up to be used as inputs in utilities' 2021 ERRA Forecast Updates.

**Background:** D.18-10-019 was issued on October 19, 2018, in Phase 1 of this proceeding and left the current PCIA in place, maintained the current brown power index, and adopted revised inputs to the benchmarks used to calculate the PCIA for energy RPS-eligible resources and resource adequacy capacity. In the Joint IOUs' PFM of D.18-10-019 in this proceeding, filed concurrently with a PFM of D.17-08-026 in R.02-01-011, the Joint Utilities requested changes to the calculations for applying line losses in the PCIA calculations. First, the Joint IOUs argued that the current formula incorrectly applies line loss adjustments to the RA component of the PCIA calculation. Second, the Joint IOUs argued that the PCIA Template is inconsistent in its application of line losses with respect to the calculation of energy market value. The net impact of these two issues, according to the Joint Utilities, is an overstated forecast of portfolio market value with all customers initially underpaying the PCIA.

Phase 2 relied primarily on a working group process to further develop a number of PCIA-related proposals. Three workgroups examined three issues: (1) issues with the highest priority: Benchmark True-Up and Other Benchmarking Issues; (2) issues to be resolved in early 2020: Prepayment; and (3) issues to be resolved by mid-2020: Portfolio Optimization and Cost Reduction, Allocation and Auction.

D.20-08-004, in response to the recommendations of Working Group 2, (1) adopted the consensus framework of PCIA prepayment agreements; (2) adopted the consensus guiding principles, except for one principle regarding partial payments; (3) adopted evaluation criteria for prepayment agreements; (4) did not adopt any proposed prepayment concepts; and (5) clarified that risk should be incorporated into the prepayment calculations by using mutually acceptable terms and conditions that adequately mitigate the risks identified by Working Group Two.

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

**Details:** The PCIA includes the Market Price Benchmarks of the RPS Adder, and the RA Adders and Energy Index. D.19-10-001 directed Energy Division to complete the calculation of these values in November each year. The RPS Adder is decreasing from \$15.10 to \$14.49, and the RA Adder is increasing from \$5.20 to \$6.10 for System RA, \$5.02 to \$6.15 for Local RA, and \$4.65 to \$5.69 for Flexible RA. The Energy Index is \$43.16 for on-peak and \$35.50 for off-peak (all values described here are for PG&E, where calculated on an individual utility basis).

- **Analysis:** The 2021 PCIA rate will be implemented through the 2021 ERRA Forecast proceeding, described above.
- **Next Steps:** A proposed decision regarding Working Group 3 is expected to be issued next.
- **Additional Information:** [CalCCA/DACC/AReM Protest of PG&E AL 5973-E](#) (November 2, 2020); [PG&E AL 5973-E](#) (October 12, 2020); [CalCCA/DACC Response](#) to Joint IOU AL on D.20-03-019

(September 21, 2020); [Joint IOUs PFM of D.18-10-019](#) (August 7, 2020); [D.20-08-004](#) on Working Group 2 PCIA Prepayment (August 6, 2020); [D.20-06-032](#) denying PFM of D.18-07-009 (July 3, 2020); [D.20-03-019](#) on departing load forecast and presentation of the PCIA (April 6, 2020); [Ruling](#) modifying procedural schedule for working group 3 (January 22, 2020); [D.20-01-030](#) denying rehearing of D.18-10-019 as modified (January 21, 2020); [D.19-10-001](#) (October 17, 2019); [Phase 2 Scoping Memo and Ruling](#) (February 1, 2019); [D.18-10-019](#) Track 2 Decisions adopting the Alternate Proposed Decision (October 19, 2018); [D.18-09-013](#) Track 1 Decision approving PG&E Settlement Agreement (September 20, 2018); Docket No. [R.17-06-026](#).

## Direct Access Rulemaking

No updates this month. On October 16, 2020, and October 26, 2020, respectively, parties filed comments and replies in response to the ALJ Ruling providing a Staff Report and recommendation to the Legislature regarding a potential additional expansion of direct access (DA) for nonresidential customers.

- **Background:** In Phase 1 of this proceeding, the CPUC allocated the additional 4,000 GWh of direct access load required by SB 237 (2018, Hertzberg) among the three IOU territories with implementation to begin January 1, 2021.

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

- **Details:** The September 28, 2020 Ruling attached a Staff Report constituting the draft CPUC recommendations to the Legislature required by SB 237. The Staff Report recommends that the Legislature:
  - Not make a determination as to whether to further expand DA until at least 2024, after the conclusion of the 2021-24 RPS compliance period and the fulfillment of procurement ordered by D.19-11-016.
  - Condition any further DA expansion on the performance of Energy Service Providers (ESPs) with respect to IRP, RPS and RA requirements through 2024.
  - Make any further DA expansion in increments of 10% of nonresidential load per year, conditioned on ESP ongoing compliance with IRP, RPS and RA requirements.
  - “[C]onsider the CPUC’s authority in allowing CCAs to recover the costs of investments that are stranded because of unforeseen load departure to address these potential impacts.”
  - "Amend P.U. Code Section 949.25 to provide the CPUC with the authority to revoke ESP licenses **and CCA registration** for repeated non-compliance with [RA], RPS or IRP requirements."

CalCCA’s comments argued that the CPUC should add a condition for reopening DA that will foster attainment of state goals and ensure competitive neutrality for all LSEs. CalCCA recommended establishing a Phase 3, Track 1 process for further development of DA reopening conditions, including competitively neutral switching rules, rules governing CCA stranded cost recovery, clear compliance metrics, and ESP transparency measures. Furthermore, CalCCA recommended establishing a Phase 3, Track 2 to be implemented following the issuance of 2021-2024 Renewable Portfolio Standard (RPS) compliance reports to assess readiness for DA reopening.

ESPs argued against delaying a Legislative determination on further DA reopening, for a faster pace of DA reopening, and that access to additional load should depend on the compliance of each ESP, rather than compliance of all ESPs. Both DA advocates and IOUs opposed stranded asset recovery by CCAs.

- **Analysis:** This proceeding will impact the CPUC's recommendations to the Legislature regarding the potential future expansion of DA in California, including a potential lifting of the existing cap on nonresidential DA transactions altogether. Further expansion of DA in California could result in non-residential customer departures from VCE and make it more difficult for VCE to forecast load and conduct resource planning. CalCCA has argued that further expansion of nonresidential DA is likely to adversely impact attainment of the state's environmental and reliability goals and will result in cost-shifting to both bundled and CCA customers. The Staff report recognizes this concern and recommends that if DA is further expanded, the Legislature consider permitting CCAs to recover stranded costs from departing DA customers. The Staff report also recommends the Legislature amend the statute to allow the CPUC to revoke both ESP licenses and CCA registration for repeated non-compliance of RA, RPS, or IRP requirements.
- **Next Steps:** A proposed decision attaching the final staff report is anticipated to be issued next.
- **Additional Information:** [Ruling](#) and [Staff Report](#) (September 28, 2020); [Amended Scoping Memo and Ruling](#) adding issues and a schedule for Phase 2 (December 19, 2019); Docket No. [R.19-03-009](#); see also [SB 237](#).

## RA Rulemaking (2019-2020)

No updates this month. Two applications for rehearing remain the only outstanding items to be addressed in this proceeding, which is now closed.

- **Background:** This proceeding had three tracks, which have now concluded. [Track 1](#) addressed 2019 local and flexible RA capacity obligations and several near-term refinements to the RA program. D.19-10-020 purported to affirm existing RA rules regarding imports, but adopted a distinction in the import RA compliance requirements for resource-specific and non-resource specific contracts and required, for the first time, that non-resource-specific resources self-schedule (i.e., bid as a price taker) in the CAISO energy market.

In [Track 2](#), the CPUC previously adopted multi-year Local RA requirements and initially declined to adopt a central buyer mechanism (D.19-02-022 issued March 4, 2019).

The second [Track 2](#) Decision, D.20-06-002, adopted implementation details for the central procurement of multi-year local RA procurement to begin for the 2023 compliance year in the PG&E and SCE (but not SDG&E) distribution service areas, including identifying PG&E and SCE as the central procurement entities for their respective distribution service areas and adopting a hybrid central procurement framework. The Decision rejected a settlement agreement between CalCCA and seven other parties that would have created a residual central buyer structure (and did not specify the identity of the central buyer) and a multi-year requirements for system and flexible RA. Under D.20-06-002, if an LSE procures its own local resource, it may (1) sell the capacity to the CPE, (2) utilize the resource for its own system and flexible RA needs (but not for local RA), or (3) voluntarily show the resource to meet its own system and flexible RA needs, and reduce the amount of local RA the CPE will need to procure for the amount of time the LSE has agreed to show the resource. Under option (3), by showing the resource to the CPE, the LSE does not receive one-for-one credit for shown local resources. A competitive solicitation (RFO) process will be used by the CPEs to procure RA products. Costs incurred by the CPE will be allocated ex post based on load share, using the CAM mechanism. D.20-06-002 also established a Working Group (co-led by CalCCA) to address: (a) the development of an local capacity requirements reduction crediting mechanism, (b) existing local capacity resource contracts (including gas), and (c) incorporating qualitative and possible quantitative criteria into the RFO evaluation process to ensure that gas resources are not selected based only on modest cost differences.

In [Track 3](#), D.19-06-026 adopted CAISO's recommended 2020-2022 Local Capacity Requirements and CAISO's 2020 Flexible Capacity Requirements and made no changes to the System capacity requirements. It established an IOU load data sharing requirement, whereby each non-IOU LSE (e.g., CCAs) will annually request data by January 15 and the IOU will be required to provide it by March 1. It also adopted a "Binding Load Forecast" process such that an LSE's initial load forecast (with CEC load migration and plausibility adjustments based on certain threshold amounts and revisions taken into account) becoming a binding obligation of that LSE, regardless of additional changes in an LSE's implementation to new customers.

On October 30, 2019, CalCCA filed a PFM of D.19-06-026, seeking the creation of an RA waiver process in 2020 for system and flexible RA obligations.

**Details:** The only two remaining items to be addressed in this proceeding are two applications for rehearing filed by Western Power Trading Forum (WPTF). First, on July 17, 2020, WPTF filed an Application for Rehearing of D.20-06-002, the Track 2 Decision creating a multi-year central procurement regime for local RA capacity. It requested rehearing and reconsideration of the rejected settlement agreement between WPTF, CalCCA, and other parties, arguing that D.20-06-002 will discourage the procurement of local resources by individual LSEs, discriminates against natural gas resources while increasing the need for CAISO backstop procurement, may undermine reliability by making it more difficult to integrate renewables with the larger western grid, and creates a "sale for resale" procurement construct that could place it under FERC's jurisdiction as a wholesale, rather than a retail, transaction.

Second, on August 5, 2020, WPTF filed an Application for Rehearing of D.20-06-028 with respect to the self-scheduling requirements for non-resource specific RA imports.

- **Analysis:** D.20-06-002 established a central procurement entity and mostly resolved the central buyer issues, although several details are being refined through a Working Group. Moving to a central procurement entity beginning for the 2023 RA compliance year will impact VCE's local RA procurement and compliance, including affecting VCE's three-year local RA requirements as part of the transition to the central procurement framework. Eventually, it will eliminate the need for monthly local RA showings and associated penalties and/or waiver requests from individual LSEs, but it also eliminates VCE's autonomy with regard to local RA procurement and places it in the hands of PG&E.

The Track 1 Decision on RA imports most directly impacted LSEs relying on RA imports to meet their RA obligations by increasing the difficulty of procuring such RA in the future.

- **Next Steps:** The only issues remaining to be addressed in this proceeding are WPTF's Applications for Rehearing. Remaining RA issues will be addressed in the successor RA rulemaking, R.19-11-009.
- **Additional Information:** [D.20-09-003](#) denying PFMs filed by PG&E, CalCCA, and Joint Parties (September 16, 2020); WPTF's [Application for Rehearing](#) of D.20-06-028 (August 5, 2020); WPTF's [Application for Rehearing](#) of D.20-06-002 (July 17, 2020); [D.20-06-028](#) on Track 1 RA Imports (approved June 25, 2020); [D.20-06-002](#) establishing a central procurement mechanisms for local RA (June 17, 2020); [D.20-03-016](#) granting limited rehearing of D.19-10-021 (March 12, 2020); [D.20-01-004](#) on qualifying capacity value of hybrid resources (January 17, 2020); [D.19-12-064](#) granting motion for stay of D.19-10-021 (December 23, 2019); [D.19-10-021](#) affirming RA import rules (October 17, 2019); [D.19-06-026](#) adopting local and flexible capacity requirements (July 5, 2019); Docket No. [R.17-09-020](#).

## Investigation into PG&E Violations Related to Wildfires

No updates this month. On June 8, 2020, Thomas Del Monte and the Wild Tree Foundation filed applications for rehearing of D.20-05-019, which approved penalties on PG&E for its role in igniting the 2017-2018 wildfires.

- **Background:** The scope of the proceeding included violations of law by PG&E with respect to the 2017 and 2018 wildfires, including the 2017 Tubbs Fire and the 2018 Camp Fire, what penalties should be assessed, what remedies or corrective actions should occur, and what if any systemic issues contributed to the ignition of the wildfires. SED issued a Fire Report on June 13, 2019 that found deficiencies in PG&E’s vegetation management practices and procedures and equipment operations in severe conditions. CAL FIRE also found that PG&E’s electrical facilities ignited all but one of the fires addressed in this investigation. This investigation ordered PG&E to take immediate corrective actions to come into compliance with CPUC requirements.

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

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

D.20-05-019 approved with modifications the Settlement Agreement, as provided in Commissioner Rechtschaffen’s “Decision Different.” It approved penalties totaling \$2.137 billion, however the \$200 million fine payable to the General Fund is permanently suspended, resulting in an effective penalty total of \$1.937 billion. In addition, the decision required any tax savings associated with the shareholder obligations for *operating expenses* under the Settlement Agreement (but not tax savings associated with capital expenditures, in order to avoid any potential legal conflict with IRS normalization rules) to be returned to the benefit of ratepayers in PG&E’s next GRC. Finally, the decision rejected PG&E’s attempt to classify the \$200 million fine as a Fire Victim Claim or Fire Claim.

- **Details:** The Wild Tree Foundation and Thomas Del Monte each filed Applications for Rehearing (attached) of D.20-05-019, which approved penalties on PG&E for its role in igniting the 2017-2018 wildfires. The Applications for Rehearing both challenge the permanent suspension of the \$200 million fine imposed on PG&E, as well as other aspects of the settlement that was approved with modifications.
- **Analysis:** D.20-05-019 resulted in the largest penalty in CPUC history. It required additional spending by PG&E to mitigate future wildfire risk, potentially positively impacting the quality of service experienced by VCE customers. The decision did not hinder PG&E’s reorganization plan from moving forward, whereas PG&E had argued that provisions in the original Presiding Officer’s Decision could have imperiled the plan.
- **Next Steps:** The applications for rehearing are the only remaining items in this proceeding.
- **Additional Information:** [Thomas Del Monte Application for Rehearing](#) (June 8, 2020); [Wild Tree Foundation Application for Rehearing](#) (June 8, 2020); [D.20-05-019](#) (May 8, 2020); [Decision Different](#) of Commissioner Rechtschaffen (April 20, 2020); [Motion](#) by Commissioner Rechtschaffen (March 27, 2020); [Presiding Officer’s Decision](#) approving the settlement agreement with modifications (February 27, 2020); [Joint Motion for Approval of Settlement Agreement](#) (December 17, 2019); [Amended Scoping Memo and Ruling](#) (October 28, 2019); GO 95 [Rule 31.1](#); GO 95 [Rule 35](#); GO 95 [Rule 38](#); [Order Instituting Investigation](#) (June 27, 2019); Docket No. [I.19-06-015](#).

## Wildfire Cost Recovery Methodology Rulemaking

No updates this month. An August 7, 2019, PG&E Application for Rehearing remains pending regarding the CPUC’s recent Decision establishing criteria and a methodology for wildfire cost recovery, which has been referred to as a "Stress Test" for determining how much of wildfire liability costs that utilities can afford to pay (D.19-06-027).

- **Background:** SB 901 requires the CPUC to determine, when considering cost recovery associated with 2017 California wildfires, that the utility’s rates and charges are “just and reasonable.” In addition, and notwithstanding this basic rule, the CPUC must “consider the electrical corporation’s financial status and determine the maximum amount the corporation can pay without harming ratepayers or materially impacting its ability to provide adequate and safe service.”

D.19-06-027 found that the Stress Test cannot be applied to a utility that has filed for Chapter 11 bankruptcy protection (i.e., PG&E) because under those circumstances the CPUC cannot determine essential components of the utility’s financial status. In that instance, a reorganization plan will inevitably address all pre-petition debts, include 2017 wildfire costs, as part of the bankruptcy process. The framework proposed for adoption in the PD is based on an April 2019 Staff Proposal, with some modifications. The framework requires a utility to pay the greatest amount of costs while maintaining an investment grade rating. It also requires utilities to propose ratepayer protection measures in Stress Test applications and establishes two options for doing so.

PG&E’s application for rehearing challenges the CPUC’s prohibition on applying the Stress Test to utilities like itself that have filed for Chapter 11 bankruptcy. PG&E’s rationale is that SB 901 requires the CPUC to determine that the stress test methodology to be applied to all IOUs. Several parties filed responses to PG&E’s application for rehearing disagreeing with PG&E.

- **Details:** N/A.
- **Analysis:** This proceeding established the methodology the CPUC will use to determine, in a separate proceeding, the specific costs that the IOUs (other than PG&E) may recover associated with 2017 or future wildfires.
- **Next Steps:** The only matter remaining to be resolved in this proceeding is PG&E’s application for rehearing. This proceeding is otherwise closed.
- **Additional Information:** [PG&E Application for Rehearing](#) (August 7, 2019); [D.19-06-027](#) (July 8, 2019); [Assigned Commissioner’s Ruling](#) releasing Staff Proposal (April 5, 2019); [Scoping Memo and Ruling](#) (March 29, 2019); [Order Instituting Rulemaking](#) (January 18, 2019); Docket No. [R.19-01-006](#). See also [SB 901](#), enacted September 21, 2018.

## Glossary of Acronyms

<b>AB</b>	Assembly Bill
<b>AET</b>	Annual Electric True-up
<b>ALJ</b>	Administrative Law Judge
<b>BioMAT</b>	Bioenergy Market Adjusting Tariff
<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>CPE</b>	Central Procurement Entity
<b>CPUC</b>	California Public Utilities Commission
<b>CPCN</b>	Certificate of Public Convenience and Necessity
<b>CTC</b>	Competition Transition Charge
<b>DA</b>	Direct Access
<b>DWR</b>	California Department of Water Resources
<b>ELCC</b>	Effective Load Carrying Capacity
<b>ERRA</b>	Energy Resource and Recovery Account
<b>EUS</b>	Essential Usage Study
<b>GRC</b>	General Rate Case
<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>ITC</b>	Investment Tax Credit
<b>LSE</b>	Load-Serving Entity
<b>MCC</b>	Maximum Cumulative Capacity
<b>OII</b>	Order Instituting Investigation
<b>OIR</b>	Order Instituting Rulemaking
<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>PSPS</b>	Public Safety Power Shutoff
<b>PUBA</b>	PCIA Undercollection Balancing Account
<b>PURPA</b>	Public Utility Regulatory Policies Act of 1978 (federal)
<b>QC</b>	Qualifying Capacity
<b>QF</b>	Qualifying Facility under PURPA
<b>RA</b>	Resource Adequacy
<b>RDW</b>	Rate Design Window
<b>ReMAT</b>	Renewable Market Adjusting Tariff
<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>TOU</b>	Time of Use
<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)