

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 8

To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Regulatory Monitoring Report – Keyes & Fox

Date: December 12, 2019

Please find attached Keyes & Fox's November 2019 Regulatory Memorandum dated December 5, 2019, 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 5, 2019

Valley Clean Energy Alliance

Regulatory Monitoring Report

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

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

Subject: Regulatory Update

Date: December 5, 2019

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:

- **PG&E’s 2020 ERRA Forecast:** PG&E filed its November Update to its 2020 ERRA Forecast revenue requirements, forecasted end-of-year balancing account balances, and electric sales forecast. The ALJ issued an E-Mail Ruling extending the deadline for filing comments on PG&E’s November Update to December 6. The November Update, if adopted without revision, would result in VCE’s customers paying substantially higher uncapped PCIA rates in 2020.
- **New: PG&E’s Interest Rate Hedging Authorization:** PG&E filed an Application requesting authorization to enter into interest rate hedges. Parties filed Protests of the Application, to which PG&E filed a reply.
- **New: PG&E’s Phase 2 GRC:** PG&E filed its 2020 Phase 2 General Rate Case (GRC), which addresses marginal cost, revenue allocation and rate design issues covering the next three years.
- **New: RA Rulemaking (2021-2022):** The CPUC issued an Order Instituting Rulemaking establishing this proceeding to consider its continued oversight and refinement of the RA program and to establish forward RA procurement obligations for LSEs beginning with the 2021 compliance year. Parties filed comments on the OIR.
- **Resource Adequacy Rulemaking:** CAISO and Powerex separately filed Requests for Rehearing of D.19-10-021 on RA import rules, which follows a similar request from CalCCA last month. The ALJs issued a Proposed Decision to establish a schedule for determining the RA qualifying capacity of hybrid resources (i.e., storage paired renewables).
- **RPS Rulemaking:** The ALJ issued a Proposed Decision on retail sellers’ 2019 RPS Procurement Plans, which would determine that VCE must correct deficiencies with its Plan to achieve compliance.

- **Investigation of PG&E Bankruptcy Plan:** PG&E filed a Notice that it had submitted with the bankruptcy court its amended Joint Chapter 11 Plan of Reorganization. The Assigned Commissioner issued a Scoping Memo and Ruling. Pursuant to that Ruling, parties filed opening briefs on the issue of the applicability of Pub. Util. Code Section 854 (asset transfers and mergers).
- **PCIA Rulemaking:** Parties filed informal comments on the final workshop held in Working Group 2 (Prepayment). Working Group 3 (Portfolio Optimization and Allocation and Auction) scheduled its fourth Workshop.
- **IRP Rulemaking:** The ALJ issued a Ruling on a proposed 2020 Reference System Portfolio (RSP) and related policy actions. The CPUC issued D.19-11-016 requiring the procurement of capacity to ensure system reliability during the 2021-2023 period including 12.6 MW of additional System RA procurement by VCE by 2023. The ALJ issued an E-Mail Ruling extending the comments deadlines on the proposed 2020 RSP. The CPUC issued the list of baseline resource assumptions that will be used to determine incremental System RA procurement requirements.
- **Investigation into PG&E Violations Related to Wildfires:** PG&E and the CPUC's Safety and Enforcement Division ("SED") have reached a tentative settlement, which, according to media reports result in a \$1.7 billion penalty on PG&E for its failure to maintain equipment that caused 2017 wildfires, as well as \$50 million in corrective measures. SED filed a motion to include the Camp Fire within the scope of this proceeding.
- **Utility Wildfire Mitigation Plans Rulemaking:** Parties filed comments and reply comments on Phase 2 workshops. Protect Our Communities Foundation filed a Motion for Evidentiary Hearings.
- **PG&E's Phase 1 GRC:** The CPUC issued D.19-11-014 that sets the Test Year 2020 GRC revenue requirement to be effective January 1, 2020, given that the final decision will occur after that date. The ALJ issued an E-Mail Ruling suspending the schedule for filing opening and reply briefs in response to a request by PG&E, Public Advocates Office, and TURN stating that the parties have reached agreement on a settlement term sheet. A settlement conference was held on December 3, 2019.
- **Wildfire Fund Non-Bypassable Charge (AB 1054):** Intervenor Ruth Hendricks filed an Application for Rehearing of D.19-10-056, which approved the imposition of a non-bypassable charge to fund the Wildfire Fund.
- **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 7, 2019, 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.
- **2018 Rate Design Window:** No updates this month.
- **Other Regulatory Developments:**
 - **CAISO Hybrid Resources Initiative Revised Straw Proposal:** On November 21, CAISO issued a [Market Notice](#) scheduling a stakeholder meeting on a Revised Straw Proposal in its Hybrid Resources initiative for December 17.
 - **Integrated Energy Policy Report (IEPR) Issued:** On November 8, the CEC issued the [Draft 2019 IEPR](#).

PG&E's 2020 ERRA Forecast

On November 8, 2019, PG&E filed its November Update to its 2020 ERRA Forecast revenue requirements, forecasted end-of-year balancing account balances, and electric sales forecast. On November 15, 2019, the ALJ issued an E-Mail Ruling extending the deadline for filing comments on PG&E's 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.

The Joint CCAs filed opening and reply briefs requested the Commission:

- Only approve the PABA undercollection once PG&E has provided gross data regarding monthly revenues, costs and quantities of energy and capacity sold and consumed to date. Only these data allow the Commission and parties to substantiate PG&E's year-end PABA forecast and understand the causes of the enormous under-collection therein;
 - Slightly modify PG&E's proposal to return the CAM dollars so that it uses the utility's 2020 load forecast for calculating the vintaged rate refunds. Further, the implementation of PG&E's ratemaking proposal should occur in this proceeding, either directly within the final decision or via an ordering paragraph allowing the 2020 PCIA rates to be revised once PG&E's 2018 ERRA Compliance proceeding, A.19-02-018, concludes;
 - Prevent a cost shift to CCA customers and PG&E's bundled customers by allocating a portion of the cost of PG&E's unsold RA capacity to pre-2009 vintage customers and customers subject to the CTC;
 - Implement the \$0.005/kWh cap authorized in D.18-10-019 using the capped rates presented in the Joint CCAs' testimony;
 - Forecast the 2020 Total Portfolio Cost using the UOG costs approved in PG&E's 2017 GRC, adjusted for the 2017 TCJA;
 - Reflect the savings to be refunded to customers in 2018 and 2019 from the TCJA calculated in PG&E's now-effective Advice Letter 5636-E; and
 - Identify the right forum for parties to discuss increasing transparency between the AET and the ERRA forecast proceedings.
- **Details:** PG&E's November Update showed 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 \$611 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 \$3.256 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 \$2.345 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 \$0.04497/kWh for 2017 vintage customers and from \$0.02979/kWh to \$0.04515/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 \$0.04634/kWh.

- **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 \$1,686,759,205, nearly double the final revenue requirement for unbundled customers from last year.
- **Next Steps:** The deadline for comments on PG&E's November Update is December 6, 2019. A proposed decision will then be issued (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](#).

New: PG&E's Interest Rate Hedging Authorization

On November 4, 2019, PG&E filed an Application requesting authorization to enter into interest rate hedges. Parties filed Protests of the Application on November 19, 2019, to which PG&E filed a reply on November 26, 2019.

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

New: PG&E's Phase 2 GRC

On November 22, 2019, PG&E filed its 2020 Phase 2 General Rate Case (GRC), which addresses marginal cost, revenue allocation and rate design issues covering the next three years.

- **Background:** PG&E's pending Phase 1 GRC, filed in December 2018 and described in more detail below, will set the revenue requirement that will carry through to the rates ultimately adopted in this proceeding.
- **Details:** 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, as reflected in the table below. 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.

- **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 December 26, 2019, although PG&E has proposed extending this deadline to January 11, 2019. 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:** [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's Current and Proposed CCA Fees
ELECTRIC SCHEDULE E-CCA

<u>Service Description</u>	<u>Tariff Reference</u>	<u>Fee Type</u>	<u>Current Fee</u>	<u>Proposed "At Cost" Labor Per Hour^(a)</u>	<u>Effective Cost Example^(a)</u>
CCA Service Establishment	Sheet 1: 1	Per Hour	\$119.58 to \$149.48	\$109.50 to \$154.03	N/A
Customer List Development	Sheet 2: 2c	Per Data Extract	\$2,596	\$109.50	\$438
Mass Enrollment	Sheet 2: 3	Per Event	\$4,475	\$154.03	\$3,081
<u>MDMA Services</u>					
Reposting Monthly Meter Data	Sheet 5: 6c	Per Meter Read	\$20.84	\$137.94	(b)
Reposting of Account Usage (12-month history)	Sheet 5: 6d	Per Hour	\$104.25	\$137.94	N/A
Account Assistance	Sheet 5: 6e	Per Hour	\$104.25	\$133.63	N/A
<u>Other Billing Services</u>					
CCA Rate Schedule Value Usage Programming for Consolidated Billing	Sheet 6: 6b Sheet 7: 9a	Per Event Per Hour	N/A \$97.84	\$153.03 \$154.03	N/A N/A
Account Assistance	Sheet 7: 9d	Per Hour	\$69.30	\$112.20 to \$137.94	N/A
<u>CCA Termination of Service</u>					
Voluntary Termination	Sheet 8: 10a	Per Event	\$4,475	\$154.03	\$6,161
Standard Phase-in Services	Sheet 8: 11	Per Phase-in	\$4,475	\$154.03	\$5,391

New: RA Rulemaking (2021-2022)

On November 13, 2019, the CPUC issued an Order Instituting Rulemaking (OIR) establishing this proceeding to consider its continued oversight and refinement of the RA program and to establish forward RA procurement obligations for LSEs beginning with the 2021 compliance year. On December 3, interested stakeholders filed comments on the OIR.

- **Background:** See the RA Rulemaking (2019-2020) proceeding below for additional background information on current RA issues.
- **Details:** The preliminary scope of this proceeding will include 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.

- **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, DR resources
 - marginal ELCC counting conventions for solar, wind and hybrid resources
- **Next Steps:** OIR reply comments are due December 10, 2019. A prehearing conference is set for December 16, 2019, and 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 November 18, 2019, CAISO and Powerex separately filed Applications for Rehearing of D.19-10-021 (issued October 17) on RA import rules. On December 3, parties filed Responses to these Applications. On November 26, 2019, the ALJs issued 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.

- **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.

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.

Finally, a currently pending PG&E Petition for Modification argues that the establishment of the separate RA zones for the PG&E Other Zone, which was adopted in D.19-02-022, is likely to create considerable RA compliance issues for affected LSEs and requests that it be modified to establish an alternative compliance option to an after-the-fact penalty waiver.

- **Details:** With respect to the November 26 PD, the CPUC previously declined to adopt a combined QC value for hybrid resources in [D.19-06-026](#), which adopted local RA capacity obligations for the 2020-2022 RA years, flexible capacity obligations for the 2020 RA year, and several other RA program refinements (Track 3 of the proceeding). The PD first defines a hybrid resource as follows: "[A] generating resource co-located with a storage project, having a single point of interconnection and represented by a single market resource ID." The 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 finds 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 will work to refine the method(s) for counting hybrid resources in the recently initiated successor RA proceeding (R.1911009).

D.19-10-021 made a series of determinations relating to unspecified RA imports (i.e., not tied to a specific unit). Applications for Rehearing filed by CAISO and Powerex in November were similar to CalCCA's Application for Rehearing in October. Both of the new Rehearing Requests, as well as CalCCA's, contend that D.19-10-021 actually establishes new rules governing RA for imports rather than just "affirming" the existing rules (as the Decision states), allege that the Commission made these changes without a proper factual basis, and ignored the proper procedures for adopting the changes. CAISO specifically argues that the Decision's requirement that non-resource specific imports self-schedule conflicts with prior decisions containing no such requirement and fails to establish a basis for differentiating between resource-specific imports and non-resource-specific imports. Powerex makes similar arguments while additionally discussing the need to eliminate "paper" RA. Doing so it argues though, requires additional evaluation of potential market impacts and different approaches.

- 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:** Comments on the PD are due December 20, 2019, replies are due January 2, 2020, and the PD may be adopted, at earliest, at the CPUC's January 16, 2020 meeting. A final decision regarding the central buyer was anticipated for Q4 2019, but the Commission can no longer meet that timeline.
- Additional Information:** [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); [Motion for Stay](#) of D.19-10-021 by CalCCA (October 24, 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](#).

RPS Rulemaking

On November 19, 2019, the ALJ issued a Proposed Decision on retail sellers' 2019 RPS Procurement Plans, which would determine that VCE must correct deficiencies with its Plan to achieve compliance.

- **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:** The PD, if adopted, would require VCE to file an updated 2019 RPS Procurement Plan within 30 days of the effective date of the decision (once approved and issued by the Commission) to address the shortfalls identified: (1) Least-Cost, Best-Fit (LCBF) information and (2) demonstration of compliance with the long-term contracting requirement or detailing a path to achieving compliance. The PD does not explain why it determined VCE to be one of five CCAs found to be non-compliant on LCBF information, or direct VCE on how it can correct its RPS Procurement Plan to achieve compliance. With respect to VCE's purported shortfall on addressing the long-term contracting requirement, the PD provides conflicting direction applicable to VCE, with the body of the PD indicating no action is necessary until its 2020 RPS Procurement Plan, but the Ordering Paragraph stating that VCE must take corrective action in its updated 2019 RPS Procurement Plan. The PD would also direct the Energy Division to develop a comprehensive and practicable plan to combine IRP and RPS filings.
- **Analysis:** D.19-09-007, D.19-08-007 on RPS enforcement actions for two ESPs, and now the PD on 2019 RPS Procurement Plans reinforce the CPUC's increasing scrutiny of CCAs and their compliance obligations, and the potentially large penalties associated with non-compliance.

Remaining issues to be addressed in this proceeding could also impact RPS compliance obligations and above-market costs for the PCIA calculation. For instance, the April 2019 Ruling, as well as the PD, proposed a process that would allow LSEs like VCE to forgo filing a separate RPS Procurement Plan in 2020 by using its 2020 IRP filing instead.

- **Next Steps:** Comments on the PD are due December 9, and VCE plans to file comments. Replies are due December 16, and the PD may be adopted, at earliest, at the CPUC's December 19, 2019, meeting.
- **Additional Information:** [Proposed Decision](#) on 2019 RPS Procurement Plans (November 19, 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); [PG&E Final, Conforming 2018 RPS Procurement Plan](#) (March 15, 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 November 5, 2019, PG&E filed a Notice that it had submitted with the bankruptcy court its amended Joint Chapter 11 Plan of Reorganization. On November 14, 2019, the Assigned Commissioner issued a Scoping Memo and Ruling. Pursuant to that Ruling, parties filed opening briefs on the issue of the applicability of Pub. Util. Code Section 854 (asset transfers and mergers) on November 21, 2019. On November 27, 2019, the ALJ issued a Ruling determining reorganization plans considered in this proceeding are exempt from review under Section 854.

- **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. 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.

PG&E's plan would result in up to \$8.4 billion in compensation to wildfire victims and certain public entities from a trust funded for their benefit; pays insurance subrogation claimants \$11 billion to settle their wildfire claims; pays certain public entities \$1 billion to settle their wildfire claims; assumes all power purchase agreement and community choice aggregation servicing agreements; and provides for PG&E to participate in the Wildfire Fund.

- **Details:** The Scoping Memo and Ruling breaks down the issues into non-financial issues and financial issues, and proposes to address non-financial issues first on the rationale that considerable uncertainty still exists on the total amount of claims that PG&E must satisfy through its reorganization plan. The Scoping Memo and Ruling denies the request of the City and County of San Francisco and the City of San Jose to include municipalization and public ownership issues within the scope of the docket, reasoning that they are addressed in the PG&E Safety OII. The Ruling notes that the applicability of Section 854 issues to the proceeding requires further evaluation at the outset and directed parties to file concurrent briefs in November. Non-financial issues include the following: (1) governance structure and safety (i.e., whether a proposed structure is appropriate based on PG&E's past history of safety failures, and how corporate structure could be designed to enhance safety in the short- and long-term); (2) governance structure and criminal probation (e.g., whether a proposed structure is acceptable in light of PG&E's criminal probation); (3) climate (i.e., whether a plan is consistent with state climate and renewable procurement goals); (4) Section 854 (placeholder for any non-financial relating to transfers of assets and mergers); and (5) other issues, including impacts on local communities. Financial issues to be considered in the later track of this proceeding include ratemaking implications, fines or penalties, governance structure and financial condition, ratepayer neutrality, ratepayer contribution, Section 854 financial issues, and other issues.

The November 27 Ruling determined that the plans of reorganization that will be considered in this proceeding are exempt from review under Section 854. However, the Ruling finds that certain criteria contained in Section 854 would be reasonable to consider in the review of the two reorganization plans, including whether a plan of reorganization will maintain or improve the financial condition, quality of service, and quality of management of the resulting public utility; be fair and reasonable to affected public utility employees; and be beneficial on an overall basis to state and local economies.

- **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 exclusion of municipalization issues 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. VCE is a party to this proceeding.
- **Next Steps:** Testimony and replies on non-financial issues are due December 13, 2019, and January 6, 2020, respectively, followed by a hearing and briefing deadlines in January and February, with a Proposed Decision (PD) on non-financial issues anticipated for no earlier than February 2020 (still TBD). Testimony on financial issues is due March 16, 2020 followed by an evidentiary hearing on financial issues from March 18-20, 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](#) on Section 854 (November 27, 2019); [Scoping Memo and Ruling](#) (November 14, 2019); [PG&E Amended Plan](#) (November 5, 2019); [PG&E response](#) summarizing restructuring plans (October 11, 2019); [Order Instituting Investigation](#) (October 4, 2019); Docket No. [I.19-09-016](#).

PCIA Rulemaking

On November 14, 2019, parties filed informal comments on the final workshop held in Working Group 2 (Prepayment). Working Group 3 (Portfolio Optimization and Allocation and Auction) scheduled its fourth Workshop. On December 2, 2019, PG&E filed AL 5704-E updating actions related to its Hedging Plan and AL 5705-E specifying a new process in the near-term for selling Carbon Free Energy.

- **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:** AL 5704-E provides information on the current state of PG&E's bundled electric energy portfolio and actions according to its Hedging Plan. AL 5705-E would update PG&E's Bundled Procurement Plan (BPP) to include a new Appendix P (Carbon Free Energy) and makes revisions to Appendix S (Sales Framework). This change would allow PG&E to use a new process to sell Carbon Free Energy as an interim measure for 2019 and 2020 to give the Commission time to provide longer term guidance on the treatment of Carbon Free Energy in PCIA Phase 2.
- **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:** Protests of AL 5704-E are due December 9, 2019 (PG&E requested a shortened response period). Protests of AL 5705-E are due December 23, 2019. Working Group 3 (Portfolio Optimization and Allocation and Auction) scheduled a workshop for December 11, 2019. 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. If the PD is approved, changes will be implemented in this year's November Update in PG&E's ERRA Forecast proceeding.
- **Additional Information:** [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](#).

IRP Rulemaking

On November 6, 2019, the ALJ issued a Ruling on a proposed 2020 Reference System Portfolio (RSP) and related policy actions. On November 13, 2019, the CPUC issued D.19-11-016 requiring the procurement of capacity to ensure system reliability during the 2021-2023 period. On November 19, 2019, the ALJ issued an e-mail Ruling extending the comments deadlines on the proposed 2020 RSP. On December 2, 2019, the CPUC published the list of baseline resources assumptions to be used for purposes of the incremental procurement required in D.19-11-016.

- **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.
- **Details:** 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 apply 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 Ruling requests comments on the proposed RSP that would be used for LSE IRP filings due May 1, 2020. Specifically, the Ruling seeks 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.

- **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. D.19-11-016 requires that VCE procure an additional 12.6 MW of incremental procurement over the baseline, including providing a progress report by February 15, 2020, as well as progress information in its 2020 IRP filing due May 1, 2020. The proceeding is now considering modeling assumptions and outputs that could further impact VCE's 2020 IRP requirements.
- **Next Steps:** 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.

Comments on the CPUC's list of baseline resources are due December 9, 2019. Comments and reply comments on the Ruling are due on December 17, 2019, and January 6, 2020, respectively.

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

Investigation into PG&E Violations Related to Wildfires

On November 8, 2019, parties filed testimony. On November 13, 2019, PG&E's request for an extension of time for reply testimony was granted. On November 20, the CPUC's Safety and Enforcement Division (SED) provided notice of its intent to file a report on PG&E's liability associated with the Camp Fire. On November 25, 2019, a settlement conference was held, and the ALJ granted a joint motion filed by PG&E and on November 15, 2019, extending the proceeding schedule, based on PG&E and SED stating that they have reached an agreement in principle to resolve this investigation. On November 26, SED filed a motion to include the Camp Fire within the scope of this proceeding. According to [media reports](#), the settlement would result in a \$1.7 billion penalty on PG&E for its failure to maintain equipment that caused 2017 wildfires, as well as \$50 million in corrective measures.

- **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 will include violations of law by PG&E with respect to the 2017 wildfires, and possibly also 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:** Although details about the agreement in principle between PG&E and SEDs have not been filed in this proceeding, media reports stated that the terms include a \$1.7 billion penalty on PG&E, plus an additional \$50 million in spending on corrective actions. (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.) Notably, according to media reports, this settlement would not cover possible penalties arising from PG&E's role in 2018 wildfires, including the Camp Fire.
- **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 Expert Testimony of Galen Wright is due December 20, 2019, with SED rebuttal testimony due January 10, 2020. Evidentiary hearings are scheduled for January 27-31, 2020. Opening and closing briefs, respectively, are due February 18, 2020, and February 28, 2020.

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

Utility Wildfire Mitigation Plans Rulemaking

On November 6, 2019, and November 18, 2019, parties filed comments and reply comments, respectively, on Phase 2 workshops. On November 7, 2019, Protect Our Communities Foundation filed a Motion for Evidentiary Hearings.

- **Background:** This proceeding implements electric utility Wildfire Mitigation Plans 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 Wildfire Mitigation Plans.

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 Letter, asserting that "This is not a matter on which PG&E is competent to make its own decisions."

- **Details:** The September workshops and party comments on the workshops addressed Phase 2 issues, including metrics to determine whether the utilities' wildfire mitigation measures are effective in reducing the risk of catastrophic wildfire; the process for handling future Wildfire Mitigation Plans; the process for hiring and using an Independent Evaluator to track utilities' work pursuant to Wildfire Mitigation Plans; and in-language outreach to communities before, during and after wildfires.
- **Analysis:** PG&E's Wildfire Mitigation Plan 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 wildfire plans 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:** TBD.
- **Additional Information:** [Motion for Evidentiary Hearing](#) by Protect Our Communities Foundation (November 7, 2019); [Ruling](#) granting extension of time (October 25, 2019); Motion by local governments requesting rejection of AL [5582-E](#) (October 14, 2019); [Ruling](#) requesting comments on Phase 2 workshops (October 10, 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 Phase 1 GRC

On November 14, 2019, the CPUC issued D.19-11-014 that sets the Test Year 2020 GRC revenue requirement to be effective January 1, 2020, in the event that the final decision occurs after that date. On November 25, 2019, the ALJ issued an E-Mail Ruling suspending the schedule for filing opening and reply briefs in response to a request by PG&E, Public Advocates Office, and TURN stating that the parties have reached agreement on a settlement term sheet. A settlement conference was held on December 3, 2019.

- **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:** D.19-11-014 directs PG&E to establish a GRC memorandum account to record the difference in revenue requirement that is effective on January 1, 2020, and the final revenue requirement adopted in the GRC decision.

A detailed settlement agreement between PG&E, Public Advocates Office, and TURN was circulated on December 2.

- **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.

- **Next Steps:** PG&E, Public Advocates Office, and TURN are expected to file a settlement agreement in the coming weeks, after which a procedural schedule will be established.
- **Additional Information:** [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 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](#) (adopted June 27, 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:** [Motion for Party Status](#) of the Ad Hoc Committee of Senior Unsecured Noteholders of PG&E (October 22, 2019); [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)

On November 25, 2019, Ruth Hendricks 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:** The Application for Rehearing challenges the legality of the non-bypassable charge in D.19-10-056 under the Fourteenth and Fifth Amendments of the U.S. Constitution.
- **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

- **CAISO Hybrid Resources Initiative Revised Straw Proposal:** On November 21, CAISO issued a [Market Notice](#) scheduling a stakeholder meeting on a Revised Straw Proposal in its Hybrid Resources initiative for December 17 (RSVPs due December 13). Post-meeting comments on the Revised Straw Proposal are due January 14, 2020. The purpose of the Hybrid Resources initiative is to develop solutions to address the unique issues that pairing storage with other resources presents to CAISO operations and developers.
- **Integrated Energy Policy Report (IEPR) Issued:** On November 8, the CEC issued the [Draft 2019 IEPR](#), and on November 20 noticed a workshop on final results for the electricity and natural gas demand forecast. The demand forecast workshop held in early December presented the electricity and demand forecast results and covered specific forecasts of transportation electrification, additional achievable energy efficiency savings, and behind-the-meter distributed generation and storage impacts. Staff also presented an exploratory analysis of potential fuel substitution impacts, though those impacts are not included in the demand forecasts. Post-workshop comments on the demand forecast are due December 16. Recommendations include further exploring options for forecasting load migration from IOUs to CCAs; The CEC will consider adopting the IEPR at its February 2020 meeting.

Glossary of Acronyms

AB	Assembly Bill
AET	Annual Electric True-up
ALJ	Administrative Law Judge
CAISO	California Independent System Operator
CAM	Cost Allocation Mechanism

CARB	California Air Resources Board
CEC	California Energy Commission
CPUC	California Public Utilities Commission
CTC	Competition Transition Charge
GRC	General Rate Case
ELCC	Effective Load Carrying Capacity
ERRA	Energy Resource and Recovery Account
IEPR	Integrated Energy Policy Report
IRP	Integrated Resource Plan
IOU	Investor-Owned Utility
LSE	Load-Serving Entity
PABA	Portfolio Allocation Balancing Account
PD	Proposed Decision
PG&E	Pacific Gas & Electric
PFM	Petition for Modification
PCIA	Power Charge Indifference Adjustment
PUBA	PCIA Undercollection Balancing Account
RA	Resource Adequacy
RDW	Rate Design Window
RPS	Renewables Portfolio Standard
SCE	Southern California Edison
SED	Safety and Enforcement Division (CPUC)
SDG&E	San Diego Gas & Electric
TCJA	Tax Cuts and Jobs Act of 2017
TURN	The Utility Reform Network
UOG	Utility-Owned Generation
WMP	Wildfire Mitigation Plan