

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: February 13, 2020

Please find attached Keyes & Fox's January 2020 Regulatory Memorandum dated February 6, 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 February 6, 2020

Valley Clean Energy Alliance

Regulatory Monitoring Report

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

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

Subject: Regulatory Update

Date: February 6, 2020

Summary

Keyes & Fox LLP and EQ Research, LLC, are pleased to provide VCE’s Board of Directors with this monthly informational memo describing key California regulatory and compliance-related updates from the California Public Utilities Commission (CPUC). A Glossary of Acronyms used is provided at the end of this memo.

In summary, this month’s report includes regulatory updates on the following priority issues:

- **PG&E’s 2020 ERRA Forecast:** On January 24, 2020, the ALJ issued a Proposed Decision (PD) that would increase the system average PCIA for the 2017 vintage to \$0.0317/kWh (capped) and \$0.0423/kWh (uncapped, including a refund that will be granted via the ERRA Compliance docket – next bullet).
- **PG&E’s 2018 ERRA Compliance:** The ALJ issued a PD that would approve the settlement agreement between PG&E, Public Advocates Office, and the Joint CCAs (EBCE, PCE, and SVCE). Public Advocates Office filed comments on the PD. The PD establishes the amount of the refund for a prior misallocation related to the Cost Allocation Mechanism.
- **2018 Rate Design Window:** The ALJs issued a PD addressing Phase 3 issues (primarily residential fixed charges and minimum bills) that would largely retain the overarching design of residential rates as they are now.
- **RPS Rulemaking:** VCE and other retail sellers filed updated 2019 RPS Procurement Plans, as directed by the CPUC in D.19-12-042. EnerCal filed a Petition for Modification of D.19-12-042, requesting to be removed from the list of entities the CPUC found to be deficient in its 2019 RPS Procurement Plan filing.
- **Investigation of PG&E Bankruptcy Plan:** The ALJ amended the schedule in response to a motion by PG&E. The unsecured noteholders filed a Motion to withdraw from the proceeding following an agreement it reached with PG&E to support its reorganization plan. The ALJ issued a Ruling granting in part the Motion. PG&E filed Notice of its amended reorganization plan with supporting testimony. A wildfire victim requested evidentiary and public participation hearings.
- **Investigation into PG&E Violations Related to Wildfires:** PG&E filed a response to an ALJ Ruling requesting more information on the implications of the Settlement Agreement. The ALJ issued a Ruling canceling the dates for the evidentiary hearing and briefing in light of the

Settlement Agreement. The AHC filed a Motion to withdraw from the proceeding following an agreement it reached with PG&E to support its reorganization plan. Parties filed comments and reply comments on the Settlement Agreement.

- **IRP Rulemaking:** Parties filed reply comments on the ALJ's Ruling on the proposed Reference System Portfolio. The ALJ issued a Ruling allowing LSEs to file updated load forecasts out to 2030. GenOn Holdings and the City of Oxnard filed a Petition for Modification of D.19-11-016. The ALJ extended the deadlines established in a January 24, 2020, Ruling, as well as notified parties that the IRP filing deadline would be extended to July 1, 2020. A workshop on the modified cost allocation for backstop procurement was also held.
- **RA Rulemaking (2021-2022):** Commissioner Randolph issued a Scoping Memo and Ruling.
- **RA Rulemaking (2019-2020):** The Assigned Commissioner issued a Ruling providing Energy Division's State of the Market Resource Adequacy Report, revised to include October-December 2019 data. The CPUC issued D.20-01-004 addressing a September 2019 Motion from a group of solar and storage parties to establish the RA qualifying capacity of hybrid resources (i.e., storage paired renewables) for both in front of the meter and behind the meter configurations.
- **PG&E's Phase 1 GRC:** The ALJs issued a Ruling granting a PG&E motion for oral argument. The AHC filed a Motion to withdraw from the proceeding following an agreement it reached with PG&E to support its reorganization plan. PG&E filed a Motion requesting official notice of information in its 10-K Annual Reports showing its total number of electric and gas customers for 2013-2018. Parties filed comments and reply comments on the proposed Settlement Agreement. Parties also filed reply briefs on disputed issues outside of the Settlement Agreement.
- **PG&E's Phase 2 GRC:** Parties including a group of northern California CCAs protested PG&E's Phase 2 GRC application and PG&E filed its response. A prehearing conference was held.
- **PCIA Rulemaking:** Comments and reply comments on Working Group 2's (Prepayment) Final Report were filed by parties. The ALJ issued rulings modifying the procedural schedule to push back the date of Working Group 3's report (Portfolio Optimization and Cost Reduction and Allocation and Auction) and opportunities for comments and replies. The CPUC issued D.20-01-030, which modifies D.18-10-019 (October 2018) and denies requests for its rehearing.
- **Direct Access Rulemaking:** A workshop was held on an Energy Division study that will inform the CPUC's recommendations to the Legislature on further expanding Direct Access. Workshop parties submitted informal comments and reply comments.
- **Wildfire Cost Recovery Methodology Rulemaking:** No updates this month. (An August PG&E Application for Rehearing remains pending regarding D.19-06-027, establishing criteria and a methodology for wildfire cost recovery, which has been referred to as a "Stress Test" for determining how much of wildfire liability costs that utilities can afford to pay.)
- **Investigation into PG&E's Organization, Culture and Governance:** No significant updates this month. The AHC filed a Motion to withdraw from the proceeding following an agreement it reached with PG&E to support its reorganization plan.
- **Wildfire Fund Non-Bypassable Charge (AB 1054):** No significant updates this month. The AHC filed a Motion to withdraw from the proceeding following an agreement it reached with PG&E to support its reorganization plan. (In November, a citizen intervenor filed an Application for Rehearing of D.19-10-056, which approved the imposition of a non-bypassable charge to fund the Wildfire Fund.)
- **Other Regulatory Developments:**
 - **CPUC Approves Changes to SGIP Funding:** On January 27, the CPUC issued [D.20-01-021](#) establishing funding and program design for the 2020-2024 SGIP Program.

- **CPUC Modifies GRC Filing Schedule:** The CPUC issued [D.20-01-002](#), changing the timing of large IOU general rate case (GRC) filings from a three-year to a four-year cycle (Docket No. [R.13-11-006](#)) beginning after the 2023 GRC.
- **CPUC Approves Changes to SGIP Funding:** On January 27, the CPUC issued [D.20-01-021](#) establishing funding and program design for the 2020-2024 SGIP Program.

PG&E's 2020 ERRA Forecast

On January 24, 2020, the ALJ issued a Proposed Decision (PD).

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

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

Details: The PD generally sides with PG&E on the remaining contested issues (PG&E had already agreed to changes on nearly \$700 million worth of issues prior to the PD). The PD would approve the following revenue requirements as proposed and subsequently revised by PG&E:

- The 2020 ERRA revenue requirement of \$3.014 billion.
 - The PCIA revenue requirement of \$3.149 billion.
 - The Competition Transition Charge (CTC) revenue requirement of \$112 million.
 - The Cost Allocation Mechanism (CAM) revenue requirement of \$205 million.
 - The Tree Mortality Non-Bypassable Charge revenue requirement of \$102 million.
 - The utility-owned generation revenue requirement of \$2.260 billion.
- **Analysis:** This proceeding will establish the amount of the PCIA for VCE's 2020 rates and the level of PG&E's generation rates for bundled customers. The PCIA revenue requirement detailed above is now shared between bundled and unbundled customers. PG&E's requested PCIA revenue requirement for unbundled customers is nearly \$1.7 billion, nearly double the final revenue requirement for unbundled customers from last year.
 - **Next Steps:** Opening and reply comments, respectively, are due February 13 and February 18, 2020. The PD may be heard, at the earliest, at the CPUC's February 27, 2020, Business Meeting.
 - **Additional Information:** [Proposed Decision](#) (January 24, 2020); [E-Mail Ruling](#) extending comments deadline on November Update. [Scoping Memo and Ruling](#) (August 22, 2019); [Application](#) (June 3, 2019); [Testimony](#) available on PG&E's regulatory webpage (June 3, 2019); Docket No. [A.19-06-001](#).

PG&E's 2018 ERRA Compliance

On December 31, 2020, the ALJ issued a PD that would approve the settlement agreement between PG&E, Public Advocates Office, and the Joint CCAs (EBCE, PCE, and SVCE). On January 21, Public Advocates Office filed comments on the PD. No party filed reply comments.

- **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.
- **Details:** The PD would approve the Settlement Agreement resolving all disputed issues raised by parties to this proceeding. In the Settlement Agreement, 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.
- **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:** This PD is unopposed on the consent agenda for the CPUC's February 6, 2020 Business Meeting.
- **Additional Information:** [Proposed Decision](#) approving Settlement Agreement (December 31, 2019); [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](#).

2018 Rate Design Window

On February 5, 2020, the ALJs issued a Proposed Decision addressing Phase 3 issues (primarily residential fixed charges and minimum bills) that would largely retain the overarching design of residential rates as they are now.

- **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 1](#) Decision granted PG&E approval to begin transitioning eligible residential customers to TOU rates beginning in October 2020. A December 2018 [Phase 2A](#) 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 2B](#) 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 3](#), which considers the IOUs' proposals for fixed charges and/or minimum bills.
- **Details:** The PD would find that the utilities failed to demonstrate that their fixed charge proposals would be met with customer acceptance and understanding of what would be a novel rate design for California. It would reject PG&E's proposal to establish a \$6.37/month fixed charge. The PD would allow PG&E to increase the standard minimum bill amount, currently \$10/month, for 2020 to reflect the CPI inflation percentages for 2018 and 2019, with an annual CPI adjustment

beginning in 2021. The CARE rate will remain at the current \$5/month rate as adjusted for inflation.

The PD would direct that the minimum bill amounts be calculated based on distribution charges only beginning October 1, 2020. This is a shift from present design under which the minimum bill is assessed based on all non-generation volumetric rates, which also include transmission and other non-bypassable charges. It also would determine that if a customer does pay a fixed charge under an optional rate that they choose to enroll in, the customer may not also be charged a minimum bill.

- **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. However, the pending Track 3 PD, if adopted, would not result in major residential rate design changes for PG&E customers, as it rejects PG&E's proposed fixed charge and only slightly modifies PG&E's existing minimum bill.
- **Next Steps:** Comments on the PD are due February 25, 2020, replies are due March 2, 2020, and the PD may be adopted, at the earliest, at the CPUC's March 12, 2020, meeting.
- **Additional Information:** [Proposed Decision](#) on Track 3 issues (February 5, 2020); [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).

RPS Rulemaking

On January 7, 2020, EnerCal filed a Petition for Modification of D.19-12-042, requesting to be removed from the list of entities the CPUC found to be deficient in its 2019 RPS Procurement Plan filing. On January 29, 2020, VCE and other retail sellers filed updated 2019 RPS Procurement Plans, as directed by the CPUC in D.19-12-042.

- **Background:** This proceeding addresses ongoing RPS issues. VCE filed its 2019 RPS Procurement Plan on June 21, 2019, and its 2018 RPS Compliance Report on August 1, 2019. D.19-12-042, issued December 2019, required VCE to file an updated 2019 RPS Procurement Plan to address two deficiencies identified: (1) Least-Cost, Best-Fit (LCBF) information and (2) demonstration of compliance with the long-term contracting requirement.
- **Details:** EnerCal requested modification to be removed from the list of entities found to have filed a deficient 2019 RPS Procurement Plan, saying it has never served load in California, so it does not have RPS requirements, and its inclusion in the list of deficient entities required to refile within 30 days was in error. VCE has asked the CPUC's Energy Division to look into whether the finding that its 2019 RPS Procurement Plan was deficient was the result of a clerical error.
- **Analysis:** D.19-09-007 on new CCAs' 2018 RPS Procurement Plans, D.19-08-007 on RPS enforcement actions for two ESPs, and D.19-12-042 on 2019 RPS Procurement Plans together reinforce the CPUC's increasing scrutiny of CCAs and their compliance obligations, and the potentially large penalties associated with non-compliance.

Remaining issues to be addressed in this proceeding include a determination on the revised 2019 RPS Procurement Plans, as well as issues that could impact future RPS compliance obligations, such as potentially allowing LSEs like VCE to forgo filing a separate RPS Procurement Plan in 2022 by using its 2022 IRP filing instead.

- **Next Steps:** The CPUC will review revised 2019 RPS Procurement Plans filed by retail sellers in January and make a determination on whether to approve them.

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

- **Additional Information:** [EnerCal's Petition for Modification](#) of D.19-12-042 (January 7, 2020); [D.19-12-042](#) on 2019 RPS Procurement Plans (December 30, 2019); [D.19-09-043](#) on ELCC modeling (September 26, 2019); [D.19-09-007](#) on new CCAs' 2018 RPS Procurement Plans (September 18, 2019); [D.19-08-007](#) on RPS enforcement actions (August 7, 2019); [D.19-06-023](#) on implementing SB 100 (May 22, 2019); [Ruling](#) extending procedural schedule (May 7, 2019); [Ruling](#) identifying issues, schedule and 2019 RPS Procurement Plan requirements (April 19, 2019); [D.19-02-007](#) (February 28, 2019); [Scoping Ruling](#) (November 9, 2018); Docket No. [R.18-07-003](#).

Investigation of PG&E Bankruptcy Plan

On January 16, 2020, PG&E filed a Motion to modify the procedural schedule, which the ALJ granted in part. On January 23, 2020, the Ad Hoc Committee of Senior Unsecured Noteholders of PG&E (AHC) filed a Motion to withdraw from the proceeding following an agreement it reached with PG&E to support its reorganization plan. The ALJ issued a Ruling granting in part the Motion on January 30, 2020. On January 31, 2020, PG&E filed Notice of its amended reorganization plan with supporting testimony. On February 2, 2020, a wildfire victim (Will Abrams) again requested evidentiary and public participation hearings.

- **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 permitted the filing of an alternative plan (characterized as a "hostile takeover" by PG&E) proposed by the AHC. 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 reorganization plan would result in a \$13.5 billion Fire Victim Trust and a \$11 billion settlement with insurance claim holders and companies. The Fire Victim Trust will be funded through \$6.75 billion in cash, and \$6.75 billion in stock of reorganized PG&E Corp., representing at least a 20.9% share ownership of the reorganized PG&E Corp. Notably, tort claimants of PG&E have shifted their support from the plan of the Ad Hoc Committee of Senior Unsecured Noteholders of PG&E to the amended plan proposed by PG&E.

- **Details:** On January 22, PG&E announced that it had reached an agreement with AHC regarding its reorganization plan. This agreement was approved by the Bankruptcy Court on February 4, 2020. The Restructuring Support Agreement executed by PG&E and AHC required AHC to file motions for leave to withdraw all filings submitted in any proceeding before the CPUC involving PG&E and cease participation in any proceeding before the CPUC involving the PG&E. Accordingly, AHC filed motions to withdraw from various proceedings, including I.19-09-016. The ALJ subsequently issued a Ruling granting in part AHC's Motion, clarifying that AHC pleadings in this proceeding that have been accepted for filing will remain in the record of this proceeding and

not withdrawn. AHC documents that have been served but not filed are not part of the record, but remain publicly available. AHC witnesses will not be subject to cross-examination.

PG&E's amended reorganization plan now addresses the claims of holders of utility prepetition funded debt, separately classifies Ghost Ship Fire Claims from other Fire Claims (i.e., rather than channeling them through the Fire Victim Trust), clarifies that all accrued and unpaid payments as of the Effective Date that are due under the Debtors' Employee Benefit Plans will be paid on or as soon as practicable after the Effective Date, and incorporates agreements with IBEW Local 1245.

PG&E, saying it has "moved too far from our customers," now proposes as part of its reorganization plan to create local operating regions, as well as expanding its enterprise and risk management program, adding a new Chief Risk Officer and Chief Safety Officer, taking aggressive action to reduce the number of customers affected by PSPS de-energization events. PG&E requests that the CPUC rule in Docket No. I.15-08-019 that PG&E will not be forced to sell the gas business, to eliminate the holding company, or to municipalize and that the Commission will not institute a review of or make modifications to its certificate of public convenience and necessity

- **Analysis:** This proceeding will allow the CPUC to approve a restructuring plan for PG&E, which ultimately must secure approval for the plan by the federal Bankruptcy Court. The express exclusion of municipalization issues from the scope of the proceeding has implications for VCE and its bid to PG&E to purchase the transmission and distribution assets of PG&E as part of PG&E's restructuring. The stock component of the amended reorganization plan could align tort claimants with PG&E in ways that are detrimental to VCE's bid for municipalization and other interests as well. VCE is a party to this proceeding.
- **Next Steps:** Reply testimony is now due February 14, 2020. Evidentiary hearings are scheduled for February 19-28, 2020. Opening and reply briefs, respectively, are due March 13, 2020, and March 20, 2020. A PD on financial issues is targeted for April 2020. The CPUC intends to complete the proceeding sufficiently in advance of the June 30, 2020 deadline in order to allow the bankruptcy court sufficient time to address and approve any changes to the plan that result from CPUC directives.
- **Additional Information:** [PG&E Notice of Amended Plan of Reorganization](#) and [Testimony](#) (January 31, 2019); [Ruling](#) granting in part AHC motion to withdraw (January 30, 2020); [Ruling](#) modifying procedural schedule (January 16, 2020); [Ruling](#) on Section 854 (November 27, 2019); [Scoping Memo and Ruling](#) (November 14, 2019); [PG&E Amended Plan](#) (November 5, 2019); [Order Instituting Investigation](#) (October 4, 2019); Docket No. [I.19-09-016](#).

Investigation into PG&E Violations Related to Wildfires

On January 10, 2020, PG&E filed a response to an ALJ Ruling requesting more information on the implications of the Settlement Agreement. On January 16, 2020, parties filed comments on the proposed Settlement Agreement. On January 21, 2020, the ALJ issued a Ruling canceling the dates for the evidentiary hearing and briefing in light of the Settlement Agreement. On January 23, 2020, the AHC filed a Motion to withdraw from the proceeding following an agreement it reached with PG&E to support its reorganization plan. On January 31, 2020, parties filed reply comments on the Settlement Agreement.

- **Background:** The CPUC opened this formal investigation to determine whether PG&E violated any laws, rules, or other applicable requirements pertaining to the maintenance and operation of electric facilities involved in igniting fires in its service territory in 2017. SED issued a Fire Report on June 13, 2019 that found deficiencies in PG&E's vegetation management practices and procedures and equipment operations in severe conditions. CAL FIRE also found that PG&E's electrical facilities ignited all but one of the fires addressed in this investigation. This investigation addresses fire incidents from the October 2017 Fire Siege investigated by SED and will determine whether PG&E's practices have been unsafe and in violation of the law. This investigation orders PG&E to take immediate corrective actions to come into compliance with

CPUC requirements. The scope of the proceeding includes violations of law by PG&E with respect to the 2017 and 2018 wildfires, including the 2017 Tubbs Fire and the 2018 Camp Fire, what penalties should be assessed, what remedies or corrective actions should occur, and what if any systemic issues contributed to the ignition of the wildfires.

The terms of the Settlement Agreement specify that PG&E's shareholders are on the hook for \$1.675 billion in financial obligations as a result of numerous wildfires its equipment played a role in sparking in 2017 and 2018. Specifically, PG&E would not be permitted seek rate recovery of wildfire-related expenses and capital expenditures totaling \$1.625 billion. In addition, PG&E would be required to spend \$50 million in shareholder-provided settlement funds on specified System Enhancement Initiatives.

- **Details:** In comments filed January 16, 2020, the City and County of San Francisco requested the settlement be modified to require the PG&E serve its Quarterly Electric Maintenance reports to local governments in its service territory that request them and to post them on its website and to provide locational information in an easier to understand format.
- **Analysis:** This investigation could result in a large penalty 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:** TBD.
- **Additional Information:** [Ruling](#) modifying procedural schedule (January 21, 2020); [Joint Motion for Approval of Settlement Agreement](#) (December 17, 2019); [Ruling](#) amending scope (December 5, 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); 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](#).

IRP Rulemaking

Parties filed reply comments on the ALJ's Ruling on the proposed Reference System Portfolio on January 6, 2020. On January 24, 2020, the ALJ issued a Ruling allowing LSEs to file updated load forecasts out to 2030. On January 24, 2020, GenOn Holdings and the City of Oxnard filed a Petition for Modification of D.19-11-016. On January 31, 2020, the ALJ extended the deadlines established in the January 24, 2020, Ruling, as well as notified parties that the IRP filing deadline would be extended to July 1, 2020. On February 3, 2020, a workshop on the modified cost allocation for backstop procurement was held.

- **Background:** In the CPUC's IRP process, the RSP is essentially a proposed statewide IRP portfolio that sets a statewide benchmark for later IRPs filed by individual LSEs. The CPUC ultimately adopts a Preferred System Portfolio (PSP) to be used in statewide planning and future procurement. In May 2019, the CPUC issued D.19-04-040, which rejected an aggregation of each of the LSEs' IRPs (the Hybrid Conforming Portfolio) as the statewide PSP, adopting instead a modified version of the Reference System Plan adopted in D.18-02-018 as its PSP. D.19-04-040 opened a new "procurement track" of the proceeding to determine how LSEs are to procure resources to satisfy the PSP by 2030.

D.19-11-016 recommends meeting the potential RA capacity shortage identified through two tranches. Tranche 1 consists of a *recommendation* that the state Water Resources Control Board (Water Board) extend the retirement dates for several existing generation facilities that use once-through cooling (OTC) systems (~3,750 MW of capacity slated to retire December 31, 2020).

Tranche 2 consists of a mandatory procurement of 3,300 MW of additional capacity from resources incremental to baseline capacity included in the 2022 PSP. The procurement obligation applies to all LSEs, including VCE. At least 50% of resources must be on-line by August

1, 2021, 75% by August 1, 2022, and 100% by August 1, 2023. VCE's incremental system RA procurement requirements for these respective deadlines are 6.3 MW, 9.4 MW, and 12.6 MW. Contracts for new resources must generally be for at least 10 years but energy efficiency resources are allowed under 5 year contracts. Contracts for existing resources must be for at least 3 years.

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

- **Details:** In D.19-11-016, the CPUC recommended that the compliance deadline for GenOn's Ormond Beach Generating Station under California's Once-Through Cooling Policy be extended for one year. GenOn Holdings and the City of Oxnard have reached an agreement that would resolve previous concerns about extending the life of this facility, and now request modification of the decision to recommend the extension last for three years (through December 31, 2023).

The ALJ's rulings allow for updated load forecast filings for the 2021-2030 time period for non-IOU LSEs wanting to update their load forecasts from the 2019 Integrated Energy Policy Report, as well as a two-month extension of time for LSEs to file their next IRP.

CalCCA's comments and reply comments indicate support the adoption of an RSP that will achieve the state's GHG reduction goals and state that the RPS does not over-rely on solar and storage resources. CalCCA was critical of the SERVIM model, including constraints used on imports, and recommended the CPUC replace it for the next IRP cycle, as well as provide greater flexibility in the aggregation process.

- **Analysis:** The procurement track of this proceeding could potentially diminish VCE's authority and control over its resource procurement decisions, although the scope of centralized procurement is now limited to establishing a procurement backstop mechanism and procurement of resources requiring collective action. Any changes to D.19-11-016 in response to the three applications for rehearing could change the requirement that VCE procure an additional 12.6 MW of incremental procurement over the baseline. With respect to the proposed 2020 RSP, the proceeding is now considering modeling assumptions and outputs that could further impact VCE's 2020 IRP requirements.
- **Next Steps:** Comments including updated load forecasts and reply comments, respectively, are now due February 28 and March 13, 2020.

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

A progress report on procurement activities stemming from D.19-11-016 is due February 15, 2020. LSEs must also provide progress information and an attestation in their 2020 IRP filings that are now due July 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 (moved to July 1 in 2020).

- **Additional Information:** [Ruling](#) allowing updated load forecasts (January 24, 2020); [Protect Our Communities Application for Rehearing](#) of D.19-11-016 (December 13, 2019); [GenOn Holdings Application for Rehearing](#) of D.19-11-016 (December 13, 2019); [Joint Application for Rehearing](#) of D. 19-11-016(December 5, 2019); [List of Baseline Resources](#) (December 2, 2019); [E-Mail Ruling](#) extending RSP comments deadlines (November 19, 2019); [D.19-11-016](#) (November 13, 2019); [Ruling](#) requesting comments on RSP (November 6, 2019); [Ruling](#) initiating procurement track

(June 20, 2019); [D.19-04-040](#) on 2018 IRPs and 2020 IRP requirements (May 1, 2019); Docket No. [R.16-02-007](#).

RA Rulemaking (2021-2022)

On January 22, 2020, Commissioner Randolph issued a Scoping Memo and Ruling.

- **Background:** See the RA Rulemaking (2019-2020) proceeding below for additional background information on current RA issues. The preliminary scope of this proceeding includes Local and Flexible RA requirements beginning in 2021, structural program changes, and program refinements. Specifically, it will determine local RA requirements for the 2021-2023 compliance years, including the CAISO's local capacity study, local area aggregation, local RA waivers or adjustments, and the reliability criteria targeted through procurement obligations. It will also establish Flexible RA requirements for the 2021 and 2022 compliance years.
- **Details:** The scoping memo divides the proceeding into four tracks, with Tracks 1 and 2 :
 - Track 1 considers revisions to the RA import rules.
 - Track 2 considers System and Flexible RA requirements for 2021 and Local RA requirements for 2021-2023. It also considers time-sensitive refinements to the RA program, including modifications to the maximum cumulative capacity (MCC) buckets to address increasing reliance on use-limited resources to meet reliability and needs; using a working group process to consider qualifying capacity counting conventions and requirements for hydro resources, hybrid resources, and third-party demand response resources; re-aggregation of the "PG&E Other" area; and changes to the existing penalty structure and waiver process to address potential market power.
 - Track 3 examines the broader RA capacity structure to address energy attributes and hourly capacity requirements, given the increasing penetration of use-limited resources, greater reliance on preferred resources, rolling off of a significant amount of long-term tolling contracts held by utilities, and material increases in energy and capacity prices experienced in California over the past years.
 - Track 4 will consider the 2022 program year requirements for System and Flexible RA, and the 2022-2024 Local RA requirements.
- **Analysis:** Regulatory developments under consideration in this proceeding that may impact VCE's capacity procurement obligations include the consideration of hourly capacity requirements in light of the increasing penetration of use-limited resources; modifications to maximum cumulative capacity buckets and whether the RA program should *cap* use-limited and preferred resources; whether the CPUC should cap imports; the potential expansion of multi-year local forward RA to system or flexible resources; RA penalties and waivers; counting conventions for hydro, hybrid resources, and DR resources; and Marginal ELCC counting conventions for solar, wind and hybrid resources.
- **Next Steps:** In Track 1, Energy Division will issue a report on import RA issues in early February, followed by a workshop on February 14, 2020. The workshop report and/or proposals are due February 28, 2020, and comments on workshop report and/or proposals are due March 6, 2020.

In Track 2, Energy Division will file a proposal on MCC buckets on February 7, and both Energy Division and other Party proposals on other Track 2 issues are due February 21. A workshop, followed by opportunities for comments and reply comments, will occur in March. A working group on Counting Conventions will meet in February and file its report on March 2, followed by opportunities for comments and reply comments, and then a proposed decision issued in May 2020. Flexible and local RA issues will be addressed in April-May, kicking off with the CAISO draft 2021 LCR Report filed on April 1.

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

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

- **Additional Information:** [Scoping Memo and Ruling](#) (January 22, 2020); [Order Instituting Rulemaking](#) (November 13, 2019); Docket No. [R.19-11-009](#).

RA Rulemaking (2019-2020)

On January 14, 2020, the Assigned Commissioner issued a Ruling providing Energy Division's State of the Market Resource Adequacy Report, revised to include October-December 2019 data. On January 17, 2020, the CPUC issued D.20-01-004 addressing a September 2019 Motion from a group of solar and storage parties to establish 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. The Commission has not taken action on the proposed settlement.

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

- **Details:** The updated RA report finds there is currently sufficient capacity on the system, and compliance with RA requirements is possible, but note that the market is tight and that it is expected to continue to tighten. It observed that 20 of the 42 Commission-jurisdictional LSEs – PG&E, SCE, 9 CCAs and 9 ESPs – submitted local waiver requests due to their inability to procure sufficient capacity to meet their 2020- 2022 year ahead local RA requirements in one or more local areas

D.20-01-004 adopted 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. It found 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 the RA program. For hybrid resources without operational restrictions, it found 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 2021-2022 RA rulemaking (R.19-11-009).

- **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.

- **Next Steps:** The timeline for a final decision regarding the central buyer is unclear.
- **Additional Information:** [D.20-01-004](#) on qualifying capacity value of hybrid resources (January 17, 2020); [Ruling](#) on Energy Division's RA State of the Market Report (January 14, 2020); [D.19-12-064](#) granting motion for stay of D.19-10-021 (December 23, 2019); [Powerex Application for Rehearing](#) of D.19-10-021 (November 18, 2019); [CAISO Application for Rehearing](#) of D.19-10-021 (November 18, 2019); [Petition for Modification](#) of D.19-06-026 by CalCCA (October 30, 2019); [CalCCA Application for Rehearing](#) of D.19-10-021 (October 24, 2019); [D.19-10-021](#) affirming RA import rules (October 17, 2019); [D.19-09-054](#) extending statutory deadline (September 26, 2019); [PG&E PFM](#) regarding PG&E Other disaggregation (September 11, 2019); [Ruling](#) issuing RA State of the Market (September 3, 2019); [Joint Motion](#) to adopt a settlement agreement for a residual central procurement entity (August 30, 2019); [D.19-06-026](#) adopting local and flexible capacity requirements (July 5, 2019); Docket No. [R.17-09-020](#).

PG&E's Phase 1 GRC

On January 6, 2020, the ALJs issued a Ruling granting a PG&E motion for oral argument. On January 24, 2020, the AHC filed a Motion to withdraw from the proceeding following an agreement it reached with PG&E to support its reorganization plan. On January 27, 2020, PG&E filed a Motion requesting official notice of information in its 10-K Annual Reports showing its total number of electric and gas customers for 2013-2018. Parties filed comments and reply comments, respectively, on January 21, 2020, and February 5, 2020, on the proposed Settlement Agreement. Parties also filed reply briefs on disputed issues outside of the Settlement Agreement on January 27, 2020.

- **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:** N/A.
- **Analysis:** PG&E's GRC proposals include shifting substantial costs associated with its hydroelectric generation from its generation rates (applicable only to its bundled customers) into a non-bypassable charge affecting all of its distribution customers, including VCE customers, which would negatively affect the competitiveness of VCE's rates relative to PG&E's. However, that proposal would be withdrawn if the Settlement Agreement is approved.
- **Next Steps:** The ALJs are expected to issue a proposed decision.
- **Additional Information:** [PG&E Motion](#) for Official Notice of Facts (January 27, 2020); [Joint Motion](#) for Settlement Agreement (January 14, 2020); [E-Mail Ruling](#) granting oral argument (January 6, 2020); [E-Mail Ruling](#) modifying procedural schedule (December 2, 2019); [E-Mail Ruling](#) suspending briefing deadlines (November 25, 2019); [D.19-11-014](#) (November 14, 2019); [Ruling](#) setting public participation hearings (May 7, 2019); [Scoping Memo and Ruling](#) (March 8, 2019); [Joint CCAs' Protest](#) (January 17, 2019); [Application](#) and [PG&E GRC Website](#) (December 13, 2018); Docket No. [A.18-12-009](#).

PG&E's Phase 2 GRC

On January 10, 2020, parties including a group of northern California CCAs protested PG&E's Phase 2 GRC application. PG&E filed its response on January 21, 2020. A prehearing conference was held January 23, 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:** N/A.
- **Analysis:** This proceeding will impact the transparency between a bundled and unbundled customer's bills and the allocation of PG&E's revenues requirements among Valley's different rate classes. It will also affect distribution and PPP charges paid by VCE customers to PG&E. Further, PG&E includes a cost-of-service study the purpose of which is to establish the groundwork for separating net metering customers into a separate customer class in the utility's next rate case. If PG&E's proposed CCA fee revisions are adopted, it will increase the cost VCE pays to PG&E for various services.
- **Next Steps:** The ALJ is expected to issue a Scoping Memo and Ruling next. PG&E's proposed schedule anticipates a final CPUC Decision in this proceeding in August 2021, with rates not effective until November 2021.

- **Additional Information:** [E-mail Ruling](#) extending Protest deadline (December 3, 2019); [Application](#), [Exhibit \(PG&E-1\): Overview and Policy](#), [Exhibit \(PG&E-2\): Cost of Service](#), [Exhibit \(PG&E-3\): Revenue Allocation, Rate Design and Rate Programs](#), and [Exhibit \(PG&E-4\): Appendices](#) (November 22, 2019); Docket No. [A.19-11-019](#).

PCIA Rulemaking

Comments and reply comments on Working Group 2's (Prepayment) Final Report were filed by parties on January 6, 2020, and January 13, 2020, respectively. On January 15, 2020, and then again on January 22, 2020, the ALJ issued rulings modifying the procedural schedule to push back the date of Working Group 3's (Portfolio Optimization and Cost Reduction and Allocation and Auction) report and opportunities for comments and replies. On January 21, 2020, the CPUC issued D.20-01-030, which modifies D.18-10-019 (October 2018) and denies requests for its rehearing.

- **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:** D.20-01-030 denies requests for rehearing of D.18-10-019, which were filed by CalCCA, among other parties. Instead, the CPUC only corrects some citations, adds two conclusions of law, and clarifies its statutory authority to require reporting information of ESPs.
- **Analysis:** D.19-10-001 impacted the PCIA VCE's customers 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 years, as well as other important PCIA issues that could impact CCAs such as prepayment.
- **Next Steps:** A separate PD is anticipated to be issued in early Winter 2019 on the remaining Working Group 1 issues.

Working Group 3 is now directed to file its report by February 21, 2020, with opening and reply comments, respectively, due March 13 and 27, 2020. Motions for an evidentiary hearing are due April 3, 2020, and a proposed decision is expected in Q3 2020.

- **Additional Information:** [Ruling](#) modifying procedural schedule for working group 3 (January 22, 2020); [D.20-01-030](#) denying rehearing of D.18-10-019 as modified (January 21, 2020); [Ruling](#) modifying procedural schedule (January 15, 2020); [Ruling](#) modifying procedural schedule (December 18, 2019); [Working Group 2 Final Report](#) (December 9, 2019); [AL 5705-E](#) (December 2, 2019); [D.19-10-001](#) (October 17, 2019); [AL 5624-E](#) establishing PCIA Undercollection Balancing Account and Trigger Mechanism (August 30, 2019). [Phase 2 Scoping Memo and Ruling](#) (February 1, 2019); [D.18-10-019](#) Track 2 Decisions adopting the Alternate Proposed Decision (October 19, 2018); [D.18-09-013](#) Track 1 Decision approving PG&E Settlement Agreement (September 20, 2018); Docket No. [R.17-06-026](#).

Direct Access Rulemaking

On January 8, 2020, a workshop was held on an Energy Division study that will inform the CPUC's recommendations to the Legislature on further expanding Direct Access (DA) for nonresidential customers in California. Parties submitted informal comments and reply comments on January 21, 2020, and January 27, 2020, respectively.

- **Background:** Phase 1 issues were resolved on May 30, 2019. For Phase 2 of this proceeding, the CPUC will address the SB 237 mandate requiring the CPUC to, by June 1, 2020, provide recommendations to the Legislature on "implementing a further direct transactions reopening schedule, including, but not limited to, the phase-in period over which further direct transactions shall occur for all remaining nonresidential customer accounts in each electrical corporation's service territory."
- **Details:** The January 8 workshop included discussions of the impacts of nonresidential DA expansion on resource adequacy, RPS compliance, GHG emissions, emissions of criteria pollutants, integrated resource planning, cost shifting, and consumer protections.
- **Analysis:** This proceeding will impact the CPUC's recommendations to the Legislature regarding the potential future expansion of DA in California, including a potential lifting of the existing cap on nonresidential DA transactions altogether. Further expansion of DA in California could result in non-residential customer departures from VCE and make it more difficult for VCE to forecast load and conduct resource planning. CalCCA has argued that further expansion of nonresidential DA is likely to adversely impact attainment of the state's environmental and reliability goals, and will result in cost-shifting to both bundled and CCA customers.
- **Next Steps:** A final study will be published March 9, 2020, with comments and reply comments on the final recommendations due March 30, 2020 and April 9, 2020, respectively. A proposed decision is anticipated for May 22, 2020.
- **Additional Information:** [Amended Scoping Memo and Ruling](#) adding issues and a schedule for Phase 2 (December 19, 2019); Docket No. [R.19-03-009](#); see also [SB 237](#).

Wildfire Cost Recovery Methodology Rulemaking

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

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

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

PG&E's application for rehearing challenges the CPUC's prohibition on applying the Stress Test to utilities like itself that have filed for Chapter 11 bankruptcy. PG&E's rationale is that SB 901

requires the CPUC to determine that the stress test methodology to be applied to all IOUs. Several parties filed responses to PG&E's application for rehearing disagreeing with PG&E.

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

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

No significant updates this month. On January 24, 2020, the AHC filed a Motion to withdraw from the proceeding following an agreement it reached with PG&E to support its reorganization plan.

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

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

- **Details:** N/A.
- **Analysis:** This proceeding could have a range of possible impacts on CCAs within PG&E's territory and their customers, given the broad issues under investigation pertaining to PG&E's corporate structure and governance.
- **Next Steps:** TBD.
- **Additional Information:** [Ruling](#) on proposals to improve PG&E safety culture (June 18, 2019); [D.19-06-008](#) directing PG&E to report on safety experience and qualifications of board members (June 18, 2019); [Scoping Memo](#) (December 21, 2018); Docket No. [I.15-08-019](#).

Wildfire Fund Non-Bypassable Charge (AB 1054)

No significant updates this month. On January 24, 2020, the AHC filed a Motion to withdraw from the proceeding following an agreement it reached with PG&E to support its reorganization plan.

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

2021. On August 26, 2019, the Bankruptcy Court tentatively granted PG&E’s request to participate in the Wildfire Fund.

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

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

Other Regulatory Developments

- **CPUC Modifies GRC Filing Schedule:** The CPUC issued [D.20-01-002](#), changing the timing of large IOU general rate case (GRC) filings from a three-year to a four-year cycle (Docket No. [R.13-11-006](#)). The new GRC application filing deadline will be May 15 (instead of September 1 as it is currently) of the year that is two years prior to the test year. As part of the transition to this new GRC cycle, PG&E will file a combined GRC application in June 2021 (2023 test year). PG&E was also directed to combine its currently-separate GRC and Gas Transmission and Storage rate cases into a single rate case application beginning with its 2020 Risk Assessment and Mitigation Phase (RAMP). The Energy Division will hold a workshop or workshops to explore remaining GRC issues, including GRC Phase 2 scheduling.
- **CPUC Approves Changes to SGIP Funding:** On January 27, the CPUC issued [D.20-01-021](#) establishing funding and program design for the 2020-2024 SGIP Program. The Decision stems principally from 2018 SB 700, which authorized the CPUC to extend annual SGIP collections by up to five years from 2020-2024, but also addresses 2019 AB 1144 providing for the use of SGIP funding to benefit customers impacted by PSPS events. The PD authorizes funding of \$166 million annually from 2020-2024. The total amount of funding is broken down into an 83% allocation for battery storage projects (\$675.6 million), a 12% allocation for renewable generation technologies (\$98 million), and a 5% allocation for heat pump hot water heaters (\$40.7 million).

Glossary of Acronyms

| | |
|------------------|--|
| AB | Assembly Bill |
| AET | Annual Electric True-up |
| ALJ | Administrative Law Judge |
| BTM | Behind the Meter |
| CAISO | California Independent System Operator |
| CAM | Cost Allocation Mechanism |
| CARB | California Air Resources Board |
| CEC | California Energy Commission |
| CPUC | California Public Utilities Commission |
| CTC | Competition Transition Charge |
| DA | Direct Access |
| GRC | General Rate Case |
| ELCC | Effective Load Carrying Capacity |
| ERRA | Energy Resource and Recovery Account |
| IEPR | Integrated Energy Policy Report |
| IFOM | In Front of the Meter |
| IRP | Integrated Resource Plan |
| IOU | Investor-Owned Utility |
| LSE | Load-Serving Entity |
| MCC | Maximum Cumulative Capacity |
| 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 |
| QC | Qualifying Capacity |
| RA | Resource Adequacy |
| RDW | Rate Design Window |
| RPS | Renewables Portfolio Standard |
| SCE | Southern California Edison |
| SED | Safety and Enforcement Division (CPUC) |
| SDG&E | San Diego Gas & Electric |
| TCJA | Tax Cuts and Jobs Act of 2017 |
| TURN | The Utility Reform Network |
| UOG | Utility-Owned Generation |
| WMP | Wildfire Mitigation Plan |
| WSD | Wildfire Safety Division (CPUC) |