

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: July 9, 2020

Please find attached Keyes & Fox's June 2020 Regulatory Memorandum dated July 1, 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 July 1, 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, Principal Analyst, EQ Research, LLC

Subject: Regulatory Update

Date: July 1, 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 Regionalization Plan:** On June 30, 2020, PG&E filed its regionalization proposal, which describes how it plans to reorganize operations into new regions.
- **Investigation of PG&E Bankruptcy Plan:** PG&E stated that the federal Bankruptcy Court judge has confirmed its reorganization plan. At the CPUC, the ALJ indicated he intends to close this proceeding, with remaining issues to be addressed in the PG&E Safety Culture Proceeding (I.15-08-019).
- **RA Rulemaking (2019-2020):** The CPUC issued D.20-06-002 establishing a multi-year central procurement regime for local (but not system or flexible) RA capacity in PG&E and SCE service territories, with the two utilities selected as the central procuring entities for their jurisdictions. Parties filed comments and replies on the Track 1 RA Import PD, which the CPUC adopted at its June 25, 2020, meeting.
- **RA Rulemaking (2021-2022):** The CPUC approved the Proposed Decision adopting local capacity obligations for 2021-2023, adopting flexible capacity obligations for 2021, and making changes to the RA program. The ALJ issued an Email Ruling suspending the Track 3 schedule.
- **2020 IRP Rulemaking:** The ALJ issued a Ruling on issues associated with backstop procurement and cost allocation for instances where the CPUC directs resource procurement by LSEs (e.g., as it did in D.19-11-016 requiring reliability capacity procurement). The ALJ issued a Ruling proposing changes to the IRP cycle and proceeding schedule, and parties filed comments on the Order Instituting Rulemaking establishing this successor proceeding to the first IRP proceeding. The ALJ issued an Email Ruling granting a three-week extension for filing opening and reply comments in response to the Ruling on backstop procurement and cost allocation mechanisms.

- **2016 IRP Rulemaking:** The ALJ issued a Proposed Decision denying CESA's Petition for Modification of D.19-11-016, and parties filed comments and reply comments on the PD. Parties responded to CalCCA's Petition for Modification of D.19-11-016. The CPUC issued D.20-06-025 dismissing a GenOn Holdings Application for Rehearing of D.19-11-016 after GenOn requested approval to withdraw the Application.
- **RPS Rulemaking:** VCE and other parties filed a Joint Motion requesting partial modification of the May 6, 2020 Assigned Commissioner and ALJ Ruling (ACR) establishing requirements for retail seller 2020 RPS Procurement Plans. The ALJ issued a Ruling denying the Joint Motion but clarified portions of the Ruling and extended the deadline from June 29, 2020, to July 6, 2020, for retail sellers to file their RPS Procurement Plan. The Assigned Commissioner and ALJ also issued a Ruling requesting comments on re-opening the ReMAT feed-in tariff program.
- **PCIA Rulemaking:** SCE and SDG&E filed joint comments on a Proposed Decision rejecting a Joint Petition for Modification of D.18-07-009 filed by California Choice Energy Authority and the Center for Accessible Technology in October 2018. The PD would not impact VCE.
- **PG&E's 2019 ERRA Compliance:** The Assigned Commissioner issued a Scoping Memo and Ruling, establishing the scope and schedule for the proceeding.
- **Investigation into PG&E Violations Related to Wildfires:** Thomas Del Monte and the Wild Tree Foundation filed applications for rehearing of D.20-05-019, which approved penalties on PG&E for its role in igniting the 2017-2018 wildfires.
- **Wildfire Fund Non-Bypassable Charge (AB 1054):** The ALJ issued a Proposed Decision that would approve servicing orders to be executed between the California Department of Water Resources and the large IOUs.
- **PG&E's Phase 1 GRC:** The ALJ issued an Email Ruling granting in part PG&E's motion for official notice and the Joint CCAs' motion to file sur-reply, which the Joint CCAs did on June 22, 2020.
- **PG&E's Phase 2 GRC:** No updates this month.
- **Investigation into PG&E's Organization, Culture and Governance:** On June 2, 2020, the ALJ emailed the service list and signaled that a ruling is forthcoming that will invite party comment on the scope, schedule and priorities for this proceeding.
- **Direct Access Rulemaking:** No updates this month. Previously, the ALJ informed parties that the release of Energy Division's recommendation as to whether to expand Direct Access has been delayed.
- **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.)
- **Other Regulatory Developments:**
 - **PG&E Proposes Ending Residential High Usage Charge:** PG&E filed a [proposal and testimony](#) recommending the elimination of the residential High Usage Charge, a high-priced third tier in California's available non-TOU residential rate that applies to electricity consumption above 400% of a baseline.
 - **CPUC Issues Track 1 Decision in Microgrids Rulemaking:** The CPUC issued [D.20-06-017](#) for Track 1 of its microgrid rulemaking, which addresses actions that would support immediate improvements in resiliency. The Decision adopts a series of proposals developed in an earlier Staff White paper and also addresses resiliency programs proposed by SDG&E and PG&E. With respect to PG&E's proposals, the Decision approves the Make Ready and Community-Enabled Microgrids programs subject to full

reasonableness review and authorizes the Temporary Generation program for the 2020 wildfire season only.

PG&E Regionalization Plan

On June 30, 2020, PG&E filed its regionalization proposal, which describes how it plans to reorganize operations into new regions.

- **Background:** PG&E was directed to file a regionalization proposal as a condition of CPUC approval of its Plan of Reorganization in I.19-09-016.
- **Details:** PG&E proposes to divide its service area into five new regions: North Coast, Sierra, Bay Area, Central Coast, and Central Valley. The regional boundaries will align with county boundaries. **Yolo County would be part of PG&E Region 1 (North Coast)**, grouped together with the following counties: Colusa, Glenn, Humboldt, Lake, Mendocino, Napa, Sacramento, Solano, Sonoma, and Trinity. PG&E will appoint a Regional Vice President by June 2021 to lead each region, along with Regional Safety Directors to lead its safety efforts in each region. The new regions will include five functional groups that report to the Regional Vice President encompassing various functions including: (1) Customer Field Operations, (2) Local Electric Maintenance and Construction, (3) Local Gas M&C, (4) Regional Planning and Coordination, and (5) Community and Customer Engagement. Other functions will remain centralized, such as electric and gas operations, risk management, enterprise health and safety, the majority of existing Customer Care and regulatory and external affairs, supply, power generation, human resources, finance, and general counsel. PG&E will propose in a separate proceeding the enterprise-level safety and operational metrics it is developing that could also be considered to evaluate the effectiveness of its regionalization implementation. PG&E proposes a phased implementation, with progress establishing all regions in 2021, although some functions would not be fully shifted until 2022. PG&E also proposes to establish a Regional Plan Memorandum Account to record any incremental costs PG&E may incur in connection with development and implementation of regionalization.

PG&E concedes that “PG&E’s recent operational outcomes have been unacceptable,” and states its regionalization plan will help it improve these outcomes for customers.

- **Analysis:** PG&E’s regionalization plan could impact PG&E’s responsiveness and management of local government relations and local and regional issues, such as safety, that directly impact VCE customers beginning in 2021. As part of Region 1, VCE would be grouped with several coastal and northern counties.
- **Next Steps:** Protests or responses to PG&E’s application will be due 30 days following this filing be noticed in CPUC’s daily calendar, with replies due 10 days thereafter. A prehearing conference and scoping memo and ruling are expected to then be issued to establish the scope and schedule of this proceeding. PG&E must engage its Regional Vice Presidents and Regional Safety Directors by June 1, 2021.
- **Additional Information:** [Application](#) (June 30, 2020); A.20-06-XXX

Investigation of PG&E Bankruptcy Plan

PG&E [announced](#) on June 20, 2020 that the federal Bankruptcy Court judge has confirmed PG&E’s reorganization plan. At the CPUC, the ALJ indicated he intends to close this proceeding, with remaining issues to be addressed in the PG&E Safety Culture Proceeding (I.15-08-019).

- **Background:** This case addressed regulatory review and approval of PG&E’s bankruptcy plan, in particular whether the plan meets the AB 1054 Wildfire Fund requirements, which imposes a June 30, 2020 deadline. 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.” This proceeding considered 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.

D.20-05-053 approved the financial elements of PG&E’s reorganization plan, including:

- \$13.5 billion Fire Victim Trust. The reorganization plan also specifies that the Fire Victim Trust would be funded through \$6.75 billion in cash, and \$6.75 billion in stock of reorganized PG&E Corp.
- \$11 billion settlement with insurance claim holders and companies.
- Reinstatement of \$9.575 billion in existing, prepetition PG&E-funded debt claims.
- Refinancing of \$11.85 billion in existing, prepetition PG&E debt with newly issued debt.
- Payment in full of general unsecured claims and certain other liabilities, with interest at the legal rate.
- A \$7.5 billion post-emergence 30-year securitization transaction.

D.20-05-053 also approved, with modifications, numerous proposals put forth by CPUC President Batjer for providing more oversight of PG&E along with management and operational changes at PG&E. The Decision did not address the Joint CCAs’ recommendation that the CPUC develop a plan to phase out PG&E’s retail electric generation service to customers or CCA requests that the CPUC require PG&E to undertake asset sales, instead determining that the PG&E Safety Culture proceeding (I.15-08-019) is the more appropriate forum for these issues. The Decision also rejected the Joint CCAs’ request to revoke PG&E’s existing holding company structure. Among other determinations, the Decision:

- Requires that PG&E implement regional restructuring, resulting in local PG&E operating regions led by an officer of the utility that reports directly to the CEO. PG&E is required to file an application for regionalization by June 30, 2020.
- Requires PG&E to have a separate Chief Risk Officer (CRO) and Chief Safety Officer (CSO). It establishes an Independent Safety Monitor that would functionally act in the same capacity as the federal court monitor after the termination of the federal monitor. The details on implementing the Independent Safety Monitor would be determined in the future.
- Clarifies and expands the authority of the Safety and Nuclear Oversight (SNO) Committees of PG&E’s boards of directors (e.g., the SNO Committees would have oversight over PG&E’s Wildfire Mitigation Plan and PSPS program, among others).
- Provides for the establishment of additional requirements applicable to the boards of directors of PG&E and PG&E Corp., but allows their membership to remain largely the same.
- Finds that PG&E may not seek cost recovery for 2017/2018 wildfire claims except via the proposed securitization.
- Declines to adopt a safety-based earnings adjustment mechanism, but it will continue to be considered in the future, either in the PG&E Safety Culture proceeding (I.15-08-019) or another proceeding.
- Requires PG&E to reimburse the CPUC for, and bar cost recovery on, various costs the CPUC incurred for outside expertise in relation to the Chapter 11 bankruptcy cases.

- Adopt an Enhanced Oversight and Enforcement process for PG&E, revised and detailed in Appendix A, designed to provide a clear roadmap for how the CPUC will closely monitor PG&E's performance. The proposal specifies various steps that PG&E could progress through if repeatedly found to be non-compliant, with the last step being a review and possible revocation of its certificate of public convenience and necessity.
- **Details:** PG&E intends to officially emerge from bankruptcy in July.
- **Analysis:** The Decision in this proceeding provided the CPUC's approval for allowing PG&E to emerge from bankruptcy under PG&E's reorganization plan, with some additional changes required to its operations, management, and oversight, although key aspects of requirements related to regionalization and the independent monitor remain to be determined in the future. The Decision excluded consideration of municipalization issues and did not address VCE's bid to PG&E to purchase the transmission and distribution assets of PG&E as part of PG&E's restructuring, along with other proposals for more significant reforms of PG&E's structure and operations.
- **Next Steps:** This proceeding is expected to be closed, with remaining issues to be addressed in the PG&E Safety Culture proceeding (I.15-08-019).
- **Additional Information:** [D.20-05-053](#) (June 1, 2020); [PG&E Motion](#) for official notice and [Plan of Reorganization](#) (March 24, 2020); [Press Release](#) on President's statement on PG&E's bankruptcy plan (February 18, 2020); [PG&E Notice of Amended Plan of Reorganization](#) and [Testimony](#) (January 31, 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](#).

RA Rulemaking (2019-2020)

On June 17, 2020, the CPUC issued D.20-06-002 establishing a multi-year central procurement regime for local (but not system or flexible) RA capacity in PG&E and SCE service territories, with the two utilities selected as the central procuring entities for their jurisdictions. Parties filed comments on June 8, 2020 and replies on June 15, 2020, on the Track 1 RA Import PD, which the CPUC adopted at its June 25, 2020, meeting.

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

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

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

On February 11, 2020, a group of clean energy and energy storage parties filed a PFM of D.20-01-004, which addressed the qualifying capacity value of hybrid resources, seeking a revision to the definition of "Hybrid Resource."

- Details:** The second Track 2 Decision, D.20-06-002, adopts implementation details for the central procurement of multi-year local RA procurement to begin for the 2023 compliance year in the PG&E and SCE (but not SDG&E) distribution service areas, including identifying PG&E and SCE as the central procurement entities for their respective distribution service areas and adopting a hybrid central procurement framework. The Decision rejected a settlement agreement between CalCCA and seven other parties that would have created a residual central buyer structure (and did not specify the identity of the central buyer) and a multi-year requirements for system and flexible RA.

Under D.20-06-002, if an LSE procures its own local resource, it may (1) sell the capacity to the CPE, (2) utilize the resource for its own system and flexible RA needs (but not for local RA), or (3) voluntarily show the resource to meet its own system and flexible RA needs, and reduce the amount of local RA the CPE will need to procure for the amount of time the LSE has agreed to show the resource. Under option (3), by showing the resource to the CPE, the LSE does not receive one-for-one credit for shown local resources. A competitive solicitation (RFO) process will be used by the CPEs to procure RA products. Costs incurred by the CPE will be allocated ex post based on load share, using the CAM mechanism. IOU resources selected in the RFO will move from their existing cost recovery mechanism to the CAM for the duration of the agreement, and then back to the original cost recovery mechanism when the contract term is over. When a PCIA-eligible resource moves back to the PCIA, the caps on PCIA increases do not apply.

D.20-06-002 also establishes a Working Group (co-led by CalCCA) to address: (a) the development of an local capacity requirements reduction crediting mechanism, (b) existing local capacity resource contracts (including gas), and (c) incorporating qualitative and possible quantitative criteria into the RFO evaluation process to ensure that gas resources are not selected based only on modest cost differences. The Working Group report is due September 1, 2020 and the CPUC expressly states that it is not open to considering a one-to-one credit (the CalCCA proposal) or a credit mechanism for fossil fuel resources (other than potentially for existing grandfathered contracts).

D.20-06-002 eliminates the requirement that LSEs procure 50% their 2023 local RA requirement in 2020 but retains the 100% forward procurement requirements for 2021 and 2022. The CPE will begin procurement in 2021 for the 2023 and 2024 RA compliance years, at 100% of the 2023 requirement and 50% for the 2024 requirement. In 2022 the CPE will be responsible for procuring the entire three-year local requirements for the 2023, 2024, and 2025 compliance years.

The Track 1 Decision on RA imports (to be numbered D.20-06-028 upon issuance) adopts revisions to the RA import rules based on Energy Division's proposal, with modifications. The RA Imports issue stems from concerns that LSEs might be relying on RA resources and contracts that could not or would not actually deliver energy when it was most needed (i.e., speculative supply). The Decision resolves a stay of D.19-10-021 that purported clarify RA import rules and differentiates between source-specific contracts (i.e., those associated with a specific resource) and non-resource-specific contracts.

- Analysis:** D.20-06-002 establishing a central procurement entity mostly resolves the central buyer issues, although several details will be refined through a working group process. Moving to a central procurement entity will impact VCE's local RA procurement and compliance, including affecting VCE's three-year local RA requirements as part of the transition to the central procurement framework, eventually eliminating the need for monthly local RA showings and associated penalties and/or waiver requests from individual LSEs, but also eliminating VCE's autonomy with regard to local RA procurement and placing this in the hands of PG&E.

The Track 1 Decision on RA imports will primarily impact LSEs relying on RA imports to meet their RA obligations by increasing the difficulty of procuring such RA in the future.

- Next Steps:** The only issues remaining to be addressed in this proceeding are outstanding petitions for modification. Remaining RA issues will be addressed in the successor RA rulemaking, R.19-11-009. The Working Group report is due September 1, 2020, and will be addressed in R.19-11-009.

- **Additional Information:** [D.20-06-028](#) on Track 1 RA Imports (approved June 25, 2020); [D.20-06-002](#) establishing a central procurement mechanisms for local RA (June 17, 2020); [D.20-03-016](#) granting limited rehearing of D.19-10-021 (March 12, 2020); [PFM](#) of D.20-01-004 (February 11, 2020); [D.20-01-004](#) on qualifying capacity value of hybrid resources (January 17, 2020); [D.19-12-064](#) granting motion for stay of D.19-10-021 (December 23, 2019); [Petition for Modification](#) of D.19-06-026 by CalCCA (October 30, 2019); [D.19-10-021](#) affirming RA import rules (October 17, 2019); [PG&E PFM](#) regarding PG&E Other disaggregation (September 11, 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](#).

RA Rulemaking (2021-2022)

Parties filed comments on June 11, 2020 and replies on June 16, 2020, on the Proposed Decision adopting local capacity obligations for 2021-2023, adopting flexible capacity obligations for 2021, and making changes to the RA program. The PD was adopted at the CPUC's June 25 meeting. On June 23, 2020, the ALJ issued an Email Ruling suspending the Track 3 schedule.

- **Background:** Per the Scoping Memo, this proceeding is divided into 4 tracks:
 1. Track 1 considers revisions to the RA import rules.
 2. 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.
 3. 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.
 4. Track 4 will consider the 2022 program year requirements for System and Flexible RA, and the 2022-2024 Local RA requirements.
- **Details:** D.20-06-031 approves system and flexible RA requirements for 2021, local RA requirements for 2021-2023, and near-term refinements to the RA program, effective beginning with the 2021 compliance year. Notably, among other changes to the "Maximum Cumulative Capacity" bucket system, the Decision adopts a new requirement that would limit the use of in-front-of-the-meter wind and solar resources, DR resources, and other non-dispatchable resources to 43.9% of an LSE's RA capacity, with the remainder required to come from 24-hour dispatchable resources. The CPUC clarified in revisions to its initial PD that the MCC buckets adopted in this Decision may be reconsidered and refined in Track 3 of this proceeding.

The Decision also adopts several revisions to RA counting conventions based on working group activities and reports, including to hydro and hybrid resources. The PD acknowledges proposals to refine effective load carrying capacity (ELCC) methodology that applies to resources like solar and wind, but determines that there is insufficient consensus to expand or revise the existing ELCC methodology, while authorizing the Energy Division to further explore a marginal ELCC approach.

The Decision revises RA penalties, currently \$6.66/kW-month for all months, by increasing them to \$8.88/kW-month for May-October and decreasing them to \$4.44/kW-month for November-April. The PD declines to establish a system or flexible RA waiver process, while observing that

the system and flexible RA waivers process needs further development and study due to "significant, unresolved issues."

The Decision declines to reaggregate the "Other" local area, and instead adopts a policy providing that an LSE has fulfilled its local RA obligations in the six local areas if it meets certain requirements.

Finally, the Decision also would direct that a local RA working group be established to address the CAISO's updated criteria and other methodological aspects, issues involving the timing of local capacity requirement studies and stakeholder opportunity for review, and how to harmonize CAISO and CPUC resource accounting rules. The working group's report would be due September 1, 2020. The PD would also authorize the Energy Division to facilitate a working group to pursue a review of the 15% planning reserve margin.

- **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 such as wind and solar; 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 3, the procedural schedule has been suspended, so proposals from parties and Energy Division are no longer due July 10, 2020.

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

- **Additional Information:** [D.20-06-031](#) on local and flexible RA requirements and RA program refinements (adopted June 25, 2020); [Ruling](#) suspending Track 3 schedule (June 23, 2020); [2021 Final Flexible Capacity Needs Assessment](#) (May 15, 2020); [2021 Final Local Capacity Technical Study](#) (May 1, 2020); [Ruling](#) modifying Track 2 schedule (February 28, 2020); [Scoping Memo and Ruling](#) (January 22, 2020); [Order Instituting Rulemaking](#) (November 13, 2019); Docket No. [R.19-11-009](#).

2020 IRP Rulemaking

On June 5, 2020, the ALJ issued a Ruling on issues associated with backstop procurement and cost allocation for instances where the CPUC directs resource procurement by LSEs (e.g., as it did in D.19-11-016 requiring reliability capacity procurement). On June 15, 2020, the ALJ issued a Ruling proposing changes to the IRP cycle and proceeding schedule, and parties filed comments on the Order Instituting Rulemaking (OIR) establishing this successor proceeding to the first IRP proceeding. On June 23, 2020, the ALJ issued an Email Ruling granting a three-week extension for filing opening and reply comments in response to the June 5, 2020 Ruling on backstop procurement and cost allocation mechanisms.

- **Background:** In the CPUC's IRP process, the Reference System Portfolio (RSP) is essentially a proposed statewide IRP portfolio that sets a statewide benchmark for later IRPs filed by individual LSEs. The CPUC ultimately adopts a Preferred System Portfolio (PSP) to be used in statewide planning and future procurement. In the 2016 IRP proceeding, the CPUC issued D.19-11-016, directing VCE to 6.3 MW, 9.4 MW, and 12.6 MW, to be online by line by August 1, 2021, August 1, 2022, and August 1, 2023, respectively. In addition, D.20-03-028 established a 2019-2020 RSP based on a GHG target for the electric sector for 2030 of 46 million metric tons (MMT), while also requiring LSEs to file an IRP scenario based on a more aggressive 38 MMT target in their IRPs due September 1, 2020.

The OIR's preliminary scope defines a Planning Track and a Procurement Track. The Planning Track includes all of the work associated with developing the RSP and the PSP. The individual issues within this track include modeling, scenario selection, inputs and assumptions, GHG

benchmarks, load forecasting issues, and filing requirements for individual LSE IRPs. The OIR states that it is now necessary to move beyond planning through 2030 and begin to move the planning horizon through at least 2035 in preparation for the 2045 goals established by SB 100 (e.g., a zero-carbon electricity sector).

The Procurement Track will focus on the evaluation of whether LSE procurements are necessary to protect reliability or achieve statutory goals. This evaluation will take place primarily at the system level, while local reliability issues continue to be addressed in RA proceedings. However, the OIR notes that there is the potential for overlap between the IRP and RA proceedings, such as the potential applicability of a central procurement model to system-level reliability issues. The OIR states that the Procurement Track will also include:

- Consideration of cost allocation issues arising out of procurement directives.
 - Procurement issues associated with long lead-time resources, such as long duration storage, offshore wind, out of state renewables; other resources that add resource diversity, such as geothermal; and resources that may require involvement of multiple LSEs to be viable.
 - The development of new resource types, such as hybrid resources and hydrogen-fueled resources.
 - Consideration of utilities' bundled procurement plans, including any changes necessary to the currently approved plans.
- **Details:** The ALJ's June 5 Ruling on backstop procurement and cost allocation first proposes "trigger points" and associated milestones to arrive at a determination of whether backstop procurement will be conducted for the procurement required by D.19-11-016. An LSE would need to meet each of these milestones in order to avoid backstop procurement taking place on its behalf. Compliance would be determined on a resource-specific basis, allowing for instances of partial compliance (e.g., some projects meet the targets but others do not).

The ALJ's June 15 Ruling requested comments on a new version of the proposed schedule and sequencing of activities in the proceeding and scheduled a prehearing conference. The Ruling proposes a three-year cycle for the IRP process, instead of the current structure of conducting each cycle every two years. The proposed schedule provides for activities on four parallel work streams related to the development of the Reference System Portfolio, the Preferred System Portfolio, the Procurement Track, and the Transmission Planning Process. There would be opportunities for new procurement requirements at least twice during every three-year cycle, beginning with a Q1 2021 Ruling proposing resource procurement, followed by the issuance of a PD/Decision in Q2 2021 ordering additional procurement. Q1 2021 would also include the issuance of a PD finalizing a procurement framework. If the need determination is triggered in Q2 2021 via a Ruling, the CPUC would issue a PD ordering resource procurement, either stand-alone or combined with PSP PD, in Q3 2021.

- **Analysis:** This proceeding impacts VCE's compliance requirements, including its IRP filing, as well as issues that could impact VCE's autonomy over its procurement decisions and cost recovery of related procurement directives. The June 15, 2020 Ruling proposes changes to the IRP cycle that could change the frequency of IRP filings to once every three years and provide the CPUC two opportunities per three-year cycle to order additional procurement.
- **Next Steps:** A prehearing conference is scheduled for July 14, 2020. Reply comments on the Order Initiating Rulemaking and/or comments in response to the June 15, 2020, Ruling are due July 6, 2020. Reply comments in response to June 15, 2020 ruling and prehearing conference discussion are due July 24, 2020. Comments and/or proposals are due July 22, 2020, and reply comments are due August 7, 2020, on backstop procurement and cost allocation mechanisms. VCE's IRP is due September 1, 2020.
- **Additional Information:** [Ruling](#) on IRP cycle and schedule (June 15, 2020); [Ruling](#) on backstop procurement and cost allocation mechanisms (June 5, 2020); [Order Instituting Rulemaking](#) (May 14, 2020); Dock No. [R.20-05-003](#).

2016 IRP Rulemaking

On June 3, 2020, the ALJ issued a Proposed Decision denying CESA's Petition for Modification of D.19-11-016. On June 15, 2020, parties responded to CalCCA's Petition for Modification of D.19-11-016. On June 22, 2020, the CPUC issued D.20-06-025 dismissing a GenOn Holdings Application for Rehearing of D.19-11-016 after GenOn requested approval to withdraw the Application. Parties filed comments and reply comments on the PD on June 23, 2020, and June 29, 2020, respectively.

- **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.

D.19-11-016 directed VCE to procure 6.3 MW, 9.4 MW, and 12.6 MW of additional resources, to be online by line by August 1, 2021, August 1, 2022, and August 1, 2023, respectively. In addition, D.20-03-028 established a 2019-2020 RSP based on a GHG target for the electric sector for 2030 of 46 million metric tons (MMT), while also requiring LSEs to file an IRP scenario based on a more aggressive 38 MMT target in their IRPs due September 1, 2020.

CESA's PFM of D.19-11-016, filed April 1, 2020, requested that the CPUC allow IOUs to submit Tier 2 advice letters for expedited 30-day approval for any incremental resource contracts executed to meet the 2021 compliance requirements and to come online by the August 1, 2021, deadline. In contrast, D.19-11-016 had directed IOUs to use the *Tier 3* advice letter process, which requires a Commissioner-level approval (typically a four to six-month process). The CPUC will explore further in the procurement track of this or a successor proceeding how to go about ensuring that these additional resources, or others with equivalent attributes, are planned for and procured, as well as the need for development of diverse resources and those that may require multiple off-takers in order to be developed.

CalCCA's PFM of D.19-11-016 requested that (1) the CPUC clarify that the QC value of an LSE's incremental procurement of hybrid resources will be determined using the permanent calculation methodology that will be adopted in R.19-11-009, and (2) the CPUC direct implementation of a cost recovery mechanism for IOU backstop procurement of system RA that requires IOUs to bill the backstopped LSE directly, rather than the LSE's customers, for procurement caused by the LSE's default to IOU backstop service.

- **Details:** The PD would deny CESA's PFM, but commit to processing the IOU filings for 2021 as quickly as possible, including using all appropriate means of expediting Tier 3 advice letters, and encourage IOUs to file their Tier 3 advice letters expeditiously and to request expedited treatment when it does not expect any controversy.
- **Analysis:** CalCCA's PFM, if granted, would use the permanent hybrid counting methodology to be established in R.19-11-019, which CalCCA suggested is likely to be "less conservative and more accurate," instead of an interim methodology recently adopted, which Energy Division has interpreted as applying for compliance with D.19-11-016. CalCCA's PFM would also allow CCAs to recover backstop costs through their generation rates rather than having the IOU directly recover such costs through a non-bypassable charge on CCA customers.
- **Next Steps:** The proceeding is now closed, except to consider pending intervenor compensation claims, CESA's PFM, and (presumably) CalCCA's PFM. The PD denying CESA's Petition for Modification can be heard as early as the CPUC's July 16, 2020, meeting. All other IRP issues will be addressed through R.20-05-003. VCE's IRP is due on September 1, 2020.
- **Additional Information:** [D.20-06-025](#) dismissing GenOn Holdings Application for Rehearing (June 22, 2020); [Ruling](#) correcting LSE load forecasts (May 20, 2020); [Proposed Decision](#) denying CESA's Petition for Modification (June 3, 2020); PG&E's [Advice 5826-E](#) (May 18, 2020); CalCCA PFM of [D.19-11-016](#) (May 14, 2020); [Ruling](#) establishing LSE load forecasts (April 15, 2020); [D.20-03-028](#) on RSP and 2020 IRP filing requirements (April 6, 2020); [CESA's PFM](#) of

D.19-11-016 (April 1, 2020); [List of Baseline Resources](#) (December 2, 2019); [D.19-11-016](#) (November 13, 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](#).

RPS Rulemaking

On June 5, 2020, VCE and other parties filed a Joint Motion requesting partial modification of the May 6, 2020 Assigned Commissioner and ALJ Ruling (ACR) establishing requirements for retail seller 2020 RPS Procurement Plans. On June 24, 2020, the ALJ issued a Ruling denying the Joint Motion, but clarified portions of the Ruling and extended the deadline from June 29, 2020, to July 6, 2020, for retail sellers to file their RPS Procurement Plan. On June 26, 2020, the Assigned Commissioner and ALJ issued a Ruling requesting comments on re-opening the ReMAT feed-in tariff program.

- **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. VCE did so on January 29, 2020, and its final report was accepted by the Energy Division.

On February 27, 2020, the ALJ issued a Ruling requesting comments on a Staff Proposal making changes to confidentiality rules regarding the RPS program. Among other proposals, the Energy Division has proposed to make CCAs' RPS procurement contract terms (e.g., price, quantity, resource type, location, etc.) publicly available 30 days after deliveries begin. The contract price would also be publicly available six months after a contract is signed (if that occurs sooner than 30 days after deliveries begin).

On March 10, 2020, the ALJ issued a Ruling requesting comments on the BioMAT Staff Proposal. BioMAT is a feed-in tariff available for up to 250 MW of small bioenergy projects (5 MW or less) that uses a market-based mechanism to arrive at the contract price. The BioMAT Staff Proposal would extend the end date for the program from February 2021 to December 31, 2025. It would also allocate the net costs via a non-bypassable charge to all customers and allow all LSEs to enter into contracts at the offer price and collect their expenses through the same charge.

The May 6, 2020, ACR on RPS Procurement Plan requirements follows the format of past Rulings on the annual process, directing LSEs to complete the applicable templates and abide by the requirements established by statute and prior Decisions. The Ruling specifically notes that D.19-02-007 directed CCAs and ESPs to "include more granular information regarding planning" in their filings in order to demonstrate that they will comply with the RPS requirements, including large increases in the long-term procurement requirements beginning in the 2021-2024 compliance period. The Ruling includes numerous substantive additions to the narrative filing requirements, requiring the use of new summary tables as well as information on how the RPS Procurement Plan corresponds to the LSE's forthcoming IRP (not due until September 1, 2020). Finally, the ACR requested comments on the merits of developing a staff proposal to expand the RPS citation program to include penalties for late Draft RPS Procurement Plans and late deficient Final RPS Procurement Plans.

Details: The ALJ Ruling rejected a request by VCE and other joint parties to exclude one section of the RPS Procurement Plan specified in the ACR that directed retail sellers to describe how it aligns with the retail seller's forthcoming IRP until after the IRP is filed on September 1, 2020. Instead, the ALJ Ruling notes that retail sellers can update their draft RPS Procurement Plan to be filed July 6, 2020 in Q4 2020 to include additional detail from the completed IRP. The ALJ Ruling did make clarifications to the ACR to address ambiguous directions on the IRP section and extend proceeding deadlines by one week, except for the Motion to Update RPS Plans.

The June 26 Ruling requests comments on a Staff Proposal to make modifications to and re-open the ReMAT program. The ReMAT program is a feed-in tariff that requires California utilities to procure an aggregate 750 MW of small renewables (493.6 MW allocated to the large IOUs, who have collectively procured 255.7 MW to date), but the program has been on hold since December 2017 due to a court order. The Ruling provides Staff recommendations to ReMAT that would

eliminate the adjusting pricing mechanism, the bimonthly program periods and program period caps, and instead adopt administratively determined prices by product category with a time-of-delivery adjustment. The Staff Proposal additionally proposes that the CPUC annually update the prices by resolution to account for the most recent pricing information so that prices reflect market prices.

- **Analysis:** The ACR on RPS Procurement Plans adds substantial new requirements to VCE's filing requirements, including requiring new table summaries of information, more detailed and robust analysis and explanations of VCE's renewables portfolio strategy, and specific information on VCE's forthcoming IRP, making VCE's 2020 RPS Procurement Plan a heavier lift than in prior years. A forthcoming Energy Division staff proposal appears likely to seek to apply further penalties to retail sellers that do not comply with Commission orders in their RPS filings.

A pending Staff Proposal on the BioMAT program, if adopted, could impact VCE customer rates, as the program and associated cost recovery through a non-bypassable charge would be extended through 2025. In addition, it would allow VCE to directly enter into BioMAT contracts.

The pending Staff Proposal on RPS confidentiality rules include provisions that, if adopted, would result in VCE being required to provide more transparency on various RPS information, such as RPS PPA pricing and other contract information.

Other issues to be addressed in this proceeding could further 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:** VCE's 2020 RPS Procurement Plan is due July 6, 2020, and its 2019 RPS Compliance Report is due August 3, 2020. Comments on the Proposed RPS Plans and the issues Staff should consider in developing a proposal to expand the current RPS citation program are due July 21, 2020. Motions Requesting Evidentiary Hearing are due July 28, 2020, reply comments are due July 28, 2020, and Motions to update plans are due August 10, 2020. Comments and reply comments on the June 26 Ruling on ReMAT are due July 21, 2020, and July 28, 2020, respectively.

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:** [Ruling](#) on re-opening ReMAT (June 26, 2020); [Ruling](#) denying Joint Motion to modify ACR (June 24, 2020) [Joint Motion](#) for Partial Modification of ACR (June 5, 2020) Assigned Commissioner [Ruling \(ACR\)](#) establishing 2020 RPS Procurement Plan requirements (May 6, 2020); [CalCCA Comments](#) on RPS confidentiality (March 30, 2020); [Ruling](#) requesting comments on BioMAT (March 10, 2020); [D.20-02-040](#) correcting D.19-12-042 on 2019 RPS Procurement Plans (February 21, 2020); [Ruling](#) on RPS confidentiality and transparency issues (February 27, 2020); [D.19-12-042](#) on 2019 RPS Procurement Plans (December 30, 2019); [D.19-06-023](#) on implementing SB 100 (May 22, 2019); [Ruling](#) extending procedural schedule (May 7, 2019); [Ruling](#) identifying issues, schedule and 2019 RPS Procurement Plan requirements (April 19, 2019); [D.19-02-007](#) (February 28, 2019); [Scoping Ruling](#) (November 9, 2018); Docket No. [R.18-07-003](#).

PCIA Rulemaking

On June 11, 2020, SCE and SDG&E filed joint comments on a Proposed Decision rejecting a Joint Petition for Modification of D.18-07-009 filed by California Choice Energy Authority and the Center for Accessible Technology in October 2018. The PD would not impact VCE.

- **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.

The CPUC has not yet issued Proposed Decisions regarding Working Group 2 or 3.

The PD rejecting the joint PFM would find insufficient justification for the PFM's request that the CPUC modify D.18-07-009 to provide a four-year phase-out of the exemption from paying the PCIA previously provided for CCA customers in the service territories of SDG&E and SCE who receive a Medical Baseline allowance from either utility. (PG&E had phased the PCIA exemption out for medical baseline customers pursuant to a settlement agreement.)

Details: N/A.

- **Analysis:** The PD, if adopted, would not impact VCE customers.
- **Next Steps:** A proposed decision is anticipated to be issued soon on issues addressed by Working Group 2, and a proposed decision regarding Working Group 3 is expected in Q3 2020.
- **Additional Information:** [Proposed Decision](#) denying Joint Petition for Modification of D.18-07-009 (May 22, 2020); [UCAN Motion](#) for evidentiary hearing (April 3, 2020); [POC Motion](#) for evidentiary hearing (April 3, 2020); [D.20-03-019](#) on departing load forecast and presentation of the PCIA (April 6, 2020); [Ruling](#) modifying procedural schedule for working group 3 (January 22, 2020); [D.20-01-030](#) denying rehearing of D.18-10-019 as modified (January 21, 2020); [Ruling](#) modifying procedural schedule (January 15, 2020); [Working Group 2 Final Report](#) (December 9, 2019); [AL 5705-E](#) (December 2, 2019); [D.19-10-001](#) (October 17, 2019); [Phase 2 Scoping Memo and Ruling](#) (February 1, 2019); [D.18-10-019](#) Track 2 Decisions adopting the Alternate Proposed Decision (October 19, 2018); [D.18-09-013](#) Track 1 Decision approving PG&E Settlement Agreement (September 20, 2018); Docket No. [R.17-06-026](#).

PG&E's 2019 ERRA Compliance

On June 19, 2020, the Assigned Commissioner issued a Scoping Memo and Ruling, establishing the scope and schedule for the proceeding.

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

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

- **Details:** The Scoping Memo and Ruling sets forth the issues to be determined in this proceeding and establish a procedural schedule. Among the issues to be considered are whether PG&E prudently administered and managed Utility-Owned Generation facilities, the reasonableness and

accuracy of the entries made in the Energy Resource Recovery Account (ERRA) and the Portfolio Allocation Balancing Account, achievement of least-cost dispatch of energy resources, and consistency between PG&E's greenhouse gas compliance instrument procurement and administered resource adequacy procurement with its Bundled Procurement Plan. The Scoping Memo and Ruling declined to include the issue of whether PG&E's fuel procurement and hedging activities comply with its 2014 Bundled Procurement Plan. Finally, it also held off on a decision on whether to include impacts of power not sold during a PSPS event, electing to wait for parties to weigh in on the issue in SDG&E's 2019 ERRA Compliance proceeding, A.20-06-001.

- **Analysis:** This proceeding addresses PG&E's balancing accounts, including the PABA, providing a venue for a detailed review of the billed revenues and net CAISO revenues PG&E recorded during 2019. It also determines whether PG&E managed its portfolio of contracts and UOG in a reasonable manner. Both issues could impact the level of the PCIA in 2021.
- **Next Steps:** Intervenor testimony is due July 10, 2020, with intervenor replies due July 22, 2020. Rebuttal testimony is due August 21, 2020. A status report of settlement discussions is due September 14, 2020, in advance of evidentiary hearings scheduled for September 21-25, 2020. Opening and reply briefs, respectively, are due October 19, 2020, and November 9, 2020.
- **Additional Information:** [Scoping Memo and Ruling](#) (June 19, 2020); PG&E's [Application and Testimony](#) (February 28, 2020); Docket No. [A.20-02-009](#).

Investigation into PG&E Violations Related to Wildfires

On June 8, 2020, Thomas Del Monte and the Wild Tree Foundation filed applications for rehearing of D.20-05-019, which approved penalties on PG&E for its role in igniting the 2017-2018 wildfires.

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

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

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

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

PG&E's next GRC. Finally, the decision rejected PG&E's attempt to classify the \$200 million fine as a Fire Victim Claim or Fire Claim.

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

Wildfire Fund Non-Bypassable Charge (AB 1054)

On June 12, 2020, the ALJ issued a Proposed Decision that would approve servicing orders to be executed between the California Department of Water Resources (DWR) and the large IOUs.

- **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 PD would approve Servicing Orders that would allow the large IOUs to remit to DWR the proceeds of the Wildfire Fund NBC and allow for the large IOUs to act as agents for DWR, thereby facilitating the implementation of the Wildfire Fund NBC previously approved in this proceeding.

- **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:** Comments on the PD are due July 2, replies are due July 7, and the PD may be heard, at the earliest, at the Commission's July 16, 2020 Business Meeting. The Wildfire Fund NBC will go into effect as early as the second half of 2020.
- **Additional Information:** [Proposed Decision](#) approving servicing orders (June 12, 2020); [D.20-02-070](#) denying Application for Rehearing (March 2, 2020); [D.19-10-056](#) approving a non-bypassable charge (October 24, 2019); [Scoping Memo and Ruling](#) (August 14, 2019); [Order Instituting Rulemaking](#) (August 2, 2019); Docket No. [R.19-07-017](#). See also [AB 1054](#).

PG&E's Phase 1 GRC

On June 5, 2020, the ALJ issued an Email Ruling granting in part PG&E's motion for official notice and the Joint CCAs' motion to file sur-reply, which the Joint CCAs did on June 22, 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:** The E-Mail Ruling took official notice that PG&E's 10-K Reports filed with the Securities and Exchange Commission contain customer count numbers and that these numbers align with the customer count numbers PG&E revised in its Reply Brief. However, the E-mail Ruling states the CPUC will assign the proper evidentiary weight to these numbers as part of its review of the GRC application, noting that PG&E's failure to timely provide accurate customer count numbers, as evidenced by the late correction of these erroneous numbers during Reply Briefs, demonstrates that the customer count numbers are not "capable of immediate and accurate determination" and are not "indisputably accurate." The E-mail Ruling also granted the Joint CCAs an opportunity to file a Sur-Reply Brief, but limited the Sur-Reply Brief to issues related to the customer count data PG&E revised in its Reply Brief. The discrepancy in customer count numbers in this context could impact the functionalization of Customer Care costs, affecting the degree to which these costs could be borne by CCA customers relative to bundled customers.
- **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. The remaining CCA-related issues in the case include the Joint CCAs' recommendations that the Commission:

- Revise the allocation of certain customer-service costs since unbundled customers use those services far less than bundled customers.
 - Ensure CCAs can connect clean generation to PG&E's temporary microgrids during PSPS events.
 - Revise the settlement's exorbitant decommissioning costs for PG&E's PCIA-eligible facilities.
 - Revise the settlement to ensure grid modernization data is accessible to CCAs to ensure a level playing field in the provision of grid services.
- **Next Steps:** The ALJs will issue a proposed decision.
 - **Additional Information:** [E-mail Ruling](#) granting in part PG&E's Motion for Official Notice and Joint CCAs Motion to file sur-reply (June 5, 2020); Joint CCAs' [PG&E Motion](#) for Official Notice of Facts (January 27, 2020); [Joint Motion](#) for Settlement Agreement (January 14, 2020); [E-Mail Ruling](#) 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

No updates this month.

- **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.

PG&E's final EUS plan describes how the IOUs' study will identify the essential usage of electricity for the IOUs' residential customers. The EUS will determine what constitutes essential usage for residential customers (e.g., cooking, lighting, space conditioning) in the different IOU service territories and climate zones. The apparent use case is that essential service be reflected in the Tier I baseline quantities.

- **Details:** N/A.

- **Analysis:** This proceeding may not impact the transparency between a bundled and unbundled customer's bills because of the Working Group 1 proposed decision discussed in the PCIA docket below. However, it will affect the allocation of PG&E's revenues requirements among VCE's different rate classes. It will also affect distribution and PPP charges paid by VCE customers to PG&E. Further, PG&E includes a cost-of-service study the purpose of which is to establish the groundwork for separating net metering customers into a separate customer class in the utility's next rate case. If PG&E's proposed CCA fee revisions are adopted, it will increase the cost VCE pays to PG&E for various services.
- **Next Steps:** Intervenor direct testimony is due October 9, 2020. A CPUC decision is anticipated for September 2021.
- **Additional Information:** [Exhibit \(PG&E-5\)](#) (May 15, 2020); [Scoping Memo and Ruling](#) (February 10, 2020); [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](#).

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

On June 2, 2020, the ALJ emailed the service list and signaled that a ruling is forthcoming that will invite party comment on the scope, schedule and priorities for this proceeding.

- **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:** The June 2, 2020, ALJ email states that a new Scoping Memo will follow party comment in response to the forthcoming Ruling. The ALJ email also indicates plans to close the PG&E Bankruptcy Proceeding (I.19-09-016) after June 30, 2020, "as the going forward tasks appear to be more appropriately addressed in other proceedings, including I.15-08-019; parties will have the opportunity to address or propose alternatives to this plan." The final Decision in I.19-09-016 noted that various CCA proposals relating to municipalization or proposing alternative restructuring of PG&E were better addressed in this proceeding.
- **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. Numerous issues proposed in the PG&E Bankruptcy OII, including municipalization and PG&E asset sales, were deferred and stated to be more properly within the scope of this proceeding.
- **Next Steps:** An ALJ ruling is expected after June 30, 2020 requesting party input on the scope, schedule and priorities for this proceeding.
- **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](#).

Direct Access Rulemaking

No update this month. On March 24, 2020, the ALJ informed parties that the release of Energy Division's report has been delayed. The procedural schedule will be updated accordingly following its release.

- **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." The Commission is required to make certain findings regarding the consistency of its recommendation with state climate, air pollution, reliability and cost-shifting policies.
- **Details:** The Energy Division held a workshop on January 8, 2020, and accepted post-workshop informal comments and reply comments on January 21, 2020 and January 27, 2020, respectively.
- **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 report containing the Energy Division's draft recommendations to the Legislature will be published in the future, which will be followed by a ruling updating the procedural schedule. There will be an opportunity for comments on the report, followed by a proposed decision.
- **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.

Other Regulatory Developments

- **PG&E Proposes Ending Residential High Usage Charge:** PG&E filed a [proposal and testimony](#) recommending the elimination of the residential High Usage Charge (HUC), a high-priced third tier in California's available non-TOU residential rate that applies to electricity consumption above 400% of a baseline. The HUC investigation comes in response to instances of high bill volatility on some customers during particularly hot summers. PG&E argued that the HUC should be eliminated because: (1) the HUC is not a cost-based rate and therefore sends an uneconomic price signal and forces high usage customers to subsidize low usage customers; (2) the HUC will disproportionately impact low-income and vulnerable customers in hot climate zones when the transition to default TOU rates occurs in October 2020, because CARE, medical baseline, and other low-income customers that reside in hot climate zones will not be automatically defaulted to the TOU rate (which does not feature an HUC); and (3) the HUC runs counter to the state's policy of encouraging building electrification. SDG&E also recommended elimination of the HUC in a separate proposal and testimony.
- **CPUC Issues Track 1 Decision in Microgrids Rulemaking:** The CPUC issued [D.20-06-017](#) for Track 1 of its microgrid rulemaking, which addresses actions that would support immediate improvements in resiliency. Track 2 is scheduled to begin after the conclusion of Track 1. The Decision adopts a series of proposals developed in an earlier Staff White paper and also addresses resiliency programs proposed by SDG&E and PG&E. With respect to PG&E's proposals, the Decision approves the Make Ready and Community-Enabled Microgrids programs subject to full reasonableness review and authorizes the Temporary Generation program for the 2020 wildfire season only. The **Make Ready program** involves PG&E investing in additional infrastructure at prioritized substations to enable them to operate in islanded mode if a transmission line is down. The CPUC directed PG&E to coordinate with CCAs on the planning and procurement processes for Make Ready resources that may be deployed in the CCA's territory. The CPUC also authorized the **Community-Enabled Microgrids program** in which PG&E will provide technical and financial support for community-requested microgrids for PSPS mitigation purposes, targeting those that would serve multiple critical facilities in areas prone to outages. The Decision expanded the scope to include support for tribal and local governments as well as CCAs to design and engineer BTM microgrids. PG&E is directed to meet and confer with stakeholders to solicit input from local and tribal governments, and CCAs, to refine the scope, eligibility, and fund matching applicability. Under the **Temporary Generation program**, the CPUC authorized PG&E to use mobile DG systems at substations, mid-feeder line segments serving commercial corridors and facilities during PSPS events, including back-up power at community resource centers.

Glossary of Acronyms

AB	Assembly Bill
AET	Annual Electric True-up
ALJ	Administrative Law Judge
BioMAT	Bioenergy Market Adjusting Tariff
BTM	Behind the Meter
CAISO	California Independent System Operator
CAM	Cost Allocation Mechanism
CARB	California Air Resources Board
CEC	California Energy Commission
CPE	Central Procurement Entity
CPUC	California Public Utilities Commission
CTC	Competition Transition Charge
DA	Direct Access
DWR	California Department of Water Resources
GRC	General Rate Case
ELCC	Effective Load Carrying Capacity
ERRA	Energy Resource and Recovery Account
EUS	Essential Usage Study
IEPR	Integrated Energy Policy Report
IFOM	In Front of the Meter
IRP	Integrated Resource Plan
IOU	Investor-Owned Utility
ITC	Investment Tax Credit
LSE	Load-Serving Entity
MCC	Maximum Cumulative Capacity
OII	Order Instituting Investigation
OIR	Order Instituting Rulemaking
PABA	Portfolio Allocation Balancing Account
PD	Proposed Decision
PG&E	Pacific Gas & Electric
PFM	Petition for Modification
PCIA	Power Charge Indifference Adjustment
PSPS	Public Safety Power Shutoff
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
TOU	Time of Use
TURN	The Utility Reform Network
UOG	Utility-Owned Generation
WMP	Wildfire Mitigation Plan
WSD	Wildfire Safety Division (CPUC)