

# 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: September 10, 2020

---

Please find attached Keyes & Fox's July 2020 Regulatory Memorandum dated September 4, 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 September 4, 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: September 4, 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 2021 ERRA Forecast** PG&E filed an ERRA Trigger application in a new proceeding, but proposed resolving the issues raised through the 2021 ERRA Forecast proceeding. Joint CCAs and CalCCA, among other parties, filed a protest to PG&E’s 2021 ERRA Forecast application, which proposed capped PCIA rates of \$0.03115/kWh (system-average 2021 vintage) and \$0.03670/kWh (system-average for 2017 PCIA vintage, which is the system-wide average applicable to most VCE customers). PG&E subsequently filed a reply. A prehearing conference was held on August 13, 2020. The CPUC Executive Director also granted PG&E’s request for an extension to file its 2020 Annual Electric True-Up advice letter from September 1, 2020, to November 16, 2020
- **PCIA Rulemaking:** The CPUC issued D.20-08-004 on PCIA prepayment agreements for PCIA obligations. Joint Utilities’ filed a Petition to Modify D.18-10-019 to make changes to the PCIA calculation regarding line losses.
- **Investigation into PG&E’s Organization, Culture and Governance:** parties filed comments and replies in response to the ALJ Ruling on the case status, which proposed options for how the CPUC could proceed in this proceeding, and also proposed to close the Investigation of PG&E’s Bankruptcy Plan proceeding.
- **RA Rulemaking (2019-2020):** Western Power Trading Forum filed an application for rehearing of D.20-06-028 with respect to the self-scheduling requirements for non-resource specific RA imports. Parties filed comments and replies on a proposed decision denying as moot three petitions for modification (PFM) of various RA decisions, including a CalCCA PFM that requested extending the RA waiver process from local RA only to system RA and flexible RA as well.
- **RA Rulemaking (2021-2022):** In Track 3.A, a working group meeting hosted by Energy Division and the Sierra Club on the CAISO Local Capacity Requirements study was held. On August 14, 2020, and August 15, 2020, CAISO issued Stage 3 emergencies, triggering rolling blackouts for

hundreds of thousands of distribution customers of PG&E and other IOUs. Working Group reports and proposals, as well as proposals by PG&E and SCE for a competitive neutrality rule for their role as Central Procurement Entities, were submitted on September 1, 2020. In Track 3.B, initial Track 3 proposals, including an Energy Division proposal, and comments on process were filed on August 7, 2020.

- **2020 IRP Rulemaking:** On September 1, 2020, LSEs including VCE filed their 2020 IRPs, which included updates on each LSE's progress towards completing additional system RA procurement ordered for the 2021-2023 years under D.19-11-016. The CPUC also issued Resolution E-5080, which implements an IRP Citation Program for non-compliance with IRP requirements. At its August 27, 2020, Meeting, the CPUC approved Resolution E-5100, authorizing PG&E's procurement of 423 MW of battery energy storage projects, and Resolution E-5101, authorizing SCE's procurement of 770 MW of battery energy storage projects, pursuant to the procurement mandate under D.19-11-016.
- **2016 IRP Rulemaking:** The ALJ issued a Proposed Decision that would grant CalCCA's Petition for Modification of D.19-11-016 and close this proceeding. The PD would clarify the methodology used to calculate a hybrid resource's capacity contribution towards the system RA procurement mandate and would open the door to examining in the future of whether, when PG&E provides system resource adequacy backstop procurement to an LSE, should to bill that entity directly for all costs associated with the procurement rather than the directly billing the customers of the entity.
- **RPS Rulemaking:** On August 12, 2020, VCE filed a Motion requesting to update its 2020 RPS Procurement Plan to make several minor clerical corrections to its Plan and noting to the CPUC that VCE anticipated terminating its PPA with Rugged Solar in August. The ALJs issued a Proposed Decision on new (i.e., not yet serving load) CCAs' 2019 RPS Procurement Plans. In addition, the ALJs issued a Proposed Decision that would resume and modify the Renewable Market Adjusting Tariff program. At its August 27, 2020 Meeting, the CPUC approved D.20-08-043, reopening the Bioenergy Market Adjusting Tariff program but refused to let CCAs participate by directly entering into BioMAT contracts.
- **PG&E's 2019 ERRA Compliance:** The ALJ issued an Amended Scoping Memo and Ruling, dividing the proceeding into two phases, with the first phase deciding most issues and the second phase addressing several PSPS issues. Parties filed rebuttal testimony on August 21, 2020.
- **Wildfire Fund Non-Bypassable Charge (AB 1054):** The ALJ issued a Proposed Decision that would adopt a Wildfire Non-Bypassable Charge (NBC) of \$0.00580/kWh for October 1, 2020, through December 31, 2020.
- **PG&E's Phase 1 GRC:** The ALJs issued a Ruling modifying certain procedures due to the COVID-19 pandemic for the confidential production of computer model runs using PG&E's Results of Operations model to generate the tables needed for decision support. PG&E filed a Motion to make numerous corrections to Appendix B of the Settlement Agreement that was filed in December 2019. The Motion was not opposed by any parties to the Settlement Agreement, although Joint CCAs filed a response that criticized the transparency and accuracy of information provided by PG&E throughout this proceeding.
- **PG&E's Phase 2 GRC:** The ALJ issued a Proposed Decision that would approve ratepayer funding for the Essential Usage Study, capped at approximately \$845,000. The ALJ also issued a Ruling scheduling two public participation hearings for November 6, 2020. Separately, two Email Rulings issued by the ALJ request that intervenor testimony due on November 20, 2020 address real-time pricing issues.
- **PG&E Regionalization Plan:** Fourteen parties, including five separate CCAs, filed responses or protests to PG&E's regionalization plan application, to which PG&E filed a reply. A prehearing conference was held August 20, 2020.
- **Investigation of PG&E Bankruptcy Plan:** In July, the ALJ issued a Ruling indicating this proceeding will likely be closed soon and requesting comments on how to proceed with remaining

issues in I.15-08-019 (PG&E Safety Culture) that were not addressed in this proceeding. See *updates in I.15-08-019 above for more details.*

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

## PG&E 2021 ERRA Forecast

PG&E filed an ERRA trigger application on July 31, 2020. On August 5, 2020, Joint CCAs and CalCCA, among other parties, filed a protest to PG&E's 2021 ERRA Forecast application, which proposed capped PCIA rates of \$0.03115/kWh (system-average 2021 vintage) and \$0.03670/kWh (system-average for 2017 PCIA vintage, which is the system-wide average applicable to most VCE customers). A prehearing conference took place August 13, 2020. PG&E filed a reply on August 15, 2020. On August 19, 2020, the CPUC Executive Director granted PG&E's request for an extension to file its 2020 Annual Electric True-Up advice letter from September 1, 2020, to November 16, 2020.

- **Background:** Energy Resource and Recovery Account (ERRA) forecast proceedings establish the amount of the PCIA and other non-bypassable charges for the following year, as well as fuel and purchased power costs associated with serving bundled customers that utilities may recover in rates. PG&E's application proposes a total 2021 revenue requirement of \$2.774 billion, comprised of the following components: (1) CAM, \$283 million; (2) PCIA, \$2.803 billion; (3) Ongoing Competitive Transition Charge, \$20 million; (4) Tree Mortality Non-Bypassable Charge, \$73 million; (5) ERRA, \$1.841 billion; (6) PUBA, \$277 million; and *less* (7) Utility-owned generation costs of \$2.522 billion.

PG&E's application indicates PG&E will file an expedited PUBA (*i.e.*, an interest-bearing balancing account that is used in the event that the 0.5-cent PCIA cap is reached that tracks obligations that accrue for departing load customers) trigger application later this year, which has the potential to significantly increase the PCIA. PG&E is requesting that any year-end PUBA balance not disposed of via such an expedited application process be included in the PCIA revenue requirement for recovery as part of its November Update via a separate rate adder. However, that rate adder would still be subject to the \$0.005/kWh cap, meaning it would not be amortized via 2021 rates but would count towards a possible PUBA trigger application in early 2022.

PG&E's ERRA Trigger is different than the PUBA trigger mentioned in the previous paragraph and will affect bundled customers' rates but not VCE's customers' rates. PG&E's ERRA Trigger application states that its ERRA was more than 5% overcollected as of April 30, 2020, and PG&E forecasts that its incremental ERRA overcollection will be 15.7%, or \$793 million, overcollected by December 31, 2020. However, PG&E says a rate changes to refund the overcollection is not warranted, arguing the forecast bundled customer ERRA overcollection should be considered in combination with (1) departing load customer obligations to bundled customers that are merely tracked, and not collected, in the ERRA; and (2) balances to be considered as part of PG&E's existing ERRA Forecast regulatory proceeding. The net result of these considerations is a forecast bundled customer overcollection of \$149 million (which is below the ERRA threshold amount). PG&E is proposing to address the remaining balances associated with overcollection, together with other generation balances, including the forecast \$534 million undercollected

balances associated with the PABA in the 2021 rates proposed in its 2021 ERRA Forecast Application.

The PCIA rate for most VCE residential customers (*i.e.*, 2017 vintage) would be \$0.03846/kWh, although PG&E will update this figure in November. PG&E's application does not contain any details regarding the impacts of the COVID-19 pandemic, and its June 2020 monthly report indicates a PABA undercollection that is already twice the amount the utility forecasts for year-end. Both of these factors indicate the November Update will include a further, dramatic increase in CCA customers' uncapped PCIA-related obligations.

- **Details:** In their protests, Joint CCAs and CalCCA argued that PG&E failed to demonstrate that its requests are just and reasonable and that PG&E failed to adequately prevent illegal costs shifts between bundled and unbundled customers.
- **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. PG&E is proposing another increase to its PCIA to \$0.0367/kWh for the 2017 vintage. In comparison, the last ERRA Forecast proceeding established a capped rate of \$0.0317/kWh for the 2017 vintage, an increase from the previous rate of \$0.0267/kWh.
- **Next Steps:** A scoping memo and ruling to establish the scope and schedule of this proceeding is anticipated to be issued next. PG&E's November Update will include updates to the PCIA benchmarks for forecasting and true-up purposes. PG&E will file its 2020 Annual Electric True-Up advice letter on November 16, 2020.
- **Additional Information:** [PG&E August Update](#) (August 14, 2020); [PG&E ERRA Trigger Application](#) (July 31, 2020); [PG&E Supplemental Testimony](#) correcting errors in Application (July 17, 2020); [Application](#) (July 1, 2020); Docket Nos. [A.20-07-002](#) (2021 ERRA Forecast); [A.20-07-022](#) (ERRA Trigger).

## PCIA Rulemaking

On August 7, 2020, Joint Utilities' filed a Petition to Modify D.18-10-019 to make changes to the PCIA calculation regarding line losses. On August 12, 2020, the CPUC issued D.20-08-004 on PCIA prepayment agreements for PCIA obligations.

- **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 a Proposed Decision regarding Working Group 3.

**Details:** D.20-08-004, in response to the recommendations of Working Group 2, (1) adopts the consensus framework of PCIA prepayment agreements; (2) adopts the consensus guiding principles, except for one principle regarding partial payments; (3) adopts evaluation criteria for prepayment agreements; (4) does not adopt any proposed prepayment concepts; and (5) clarifies that risk should be incorporated into the prepayment calculations by using mutually acceptable terms and conditions that adequately mitigate the risks identified by Working Group Two. IOUs would be directed to file a Tier 2 advice letter within 60 days to establish protocols to administer prepayment requests and negotiations.

CalCCA had responded in comments filed on the proposed decision that was ultimately adopted as D.20-08-004 with comments that criticized aspects of the policy, asserting it would significantly hamper the possibility of the prepayment being used. CalCCA expressed concern with provisions that would give the IOUs the authority to propose tailored terms that must be met by the CCA to enter into prepayment negotiations, including authority to determine a CCA's financial fitness, as well as the adoption of a risk premium, which CalCCA argued violates the PCIA indifference principle.

In the Joint IOUs' PFM of D.18-10-019 in this proceeding, filed concurrently with a PFM of D.17-08-026 in R.02-01-011, the Joint Utilities seek changes to the calculations for applying line losses in the PCIA calculations. First, the Joint IOUs argue that the current formula incorrectly applies line loss adjustments to the RA component of the PCIA calculation. Second, the Joint IOUs argue that the PCIA Template is inconsistent in its application of line losses with respect to the calculation of energy market value. The net impact of these two issues, according to the Joint Utilities, is an overstated forecast of portfolio market value with all customers initially underpaying the PCIA.

- **Analysis:** The PD on prepayment, if adopted, would make successful prepayments very difficult by giving utilities significant control over the process and requiring the prepayment include a risk premium. The Joint IOUs' Petition for Modification, if adopted, would increase the PCIA for VCE's customers.
- **Next Steps:** A proposed decision regarding Working Group 3 is expected in Q3 2020. Responses to the Petition for Modification are due September 8.
- **Additional Information:** [Joint IOUs PFM of D.18-10-019](#) (August 7, 2020); [D.20-08-004](#) on Working Group 2 PCIA Prepayment (August 6, 2020); [D.20-06-032](#) denying PFM of D.18-07-009 (July 3, 2020); [D.20-03-019](#) on departing load forecast and presentation of the PCIA (April 6, 2020); [Ruling](#) modifying procedural schedule for working group 3 (January 22, 2020); [D.20-01-030](#) denying rehearing of D.18-10-019 as modified (January 21, 2020); [D.19-10-001](#) (October 17, 2019); [Phase 2 Scoping Memo and Ruling](#) (February 1, 2019); [D.18-10-019](#) Track 2 Decisions adopting the Alternate Proposed Decision (October 19, 2018); [D.18-09-013](#) Track 1 Decision approving PG&E Settlement Agreement (September 20, 2018); Docket No. [R.17-06-026](#).

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

On August 4, 2020, and August 13, 2020, respectively, parties filed comments and replies in response to the ALJ Ruling on the case status, which proposed options for how the CPUC could proceed in 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.
- **Details:** The July 2020 ALJ Ruling described the issues that are potentially still in scope for this proceeding, which include a broad array of issues identified in the December 21, 2018 Scoping Memo, as modified by D.20-05-053 approving PG&E's reorganization plan, plus the ongoing work of NorthStar, the consultant monitoring PG&E. However, the Ruling observed that "it is not clear as a practical matter how many of those issues can be or should be addressed at this time," given PG&E is now implementing its reorganization plan and has filed its application for regional restructuring. The Ruling proposes five options for how the CPUC could proceed in this proceeding, from keeping the proceeding open and proceeding to address a manageable subset of the potential issues, to immediately closing the proceeding.

Among the comments filed on the Ruling:

1. CalCCA argued that this proceeding should address whether PG&E should be a “wires-only company” and whether PG&E’s holding company structure should be revoked. In addition, it recommended the CPUC take action now to create a plan to ensure continuity of gas and electric service should PG&E’s CPCN be revoked in the future.
  2. Direct Access Customer Coalition strongly recommended that the CPUC move forward with examining and acting upon the conversion of PG&E to a “wires-only” company.
  3. Silicon Valley Clean Energy advocated for addressing whether a distribution system operator model should replace PG&E. In the alternative, it argues this proceeding should adopt needed structural reform of PG&E’s distribution grid that has been deferred from other proceedings.
  4. Mussey Grade Road Alliance argued that, should PG&E’s equipment and service areas be considered for reassignment to municipal utilities, the CPUC must ensure that it will not compromise wildfire safety, and that any successor entity approved by the CPUC should have a demonstrated capability to handle wildfire safety issues.
- **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 sale of PG&E assets, were deferred and stated to be more properly within the scope of this proceeding. However, the July 15, 2020 Ruling did not mention CCA proposals to purchase PG&E electric distribution assets or suggest this issue would explicitly be considered going forward, and party comments on the Ruling did not specifically advocate that these proposals be addressed.
  - **Next Steps:** Parties are awaiting further direction from the ALJ on the scope and schedule of this proceeding, should it remain open.
  - **Additional Information:** [Ruling](#) on case status (July 15, 2020); [Ruling](#) on proposals to improve PG&E safety culture (June 18, 2019); [D.19-06-008](#) directing PG&E to report on safety experience and qualifications of board members (June 18, 2019); [Scoping Memo](#) (December 21, 2018); Docket No. [I.15-08-019](#).

## RA Rulemaking (2019-2020)

On August 5, 2020, Western Power Trading Forum (WPTF) filed an Application for Rehearing of D.20-06-028 with respect to the self-scheduling requirements for non-resource specific RA imports. Parties filed comments and replies, respectively, on August 24, 2020, and August 31, 2020, on a proposed decision denying as moot three petitions for modification of various RA decisions, including a CalCCA PFM that requested extending the RA waiver process from local RA only to system RA and flexible RA as well.

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

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

The second [Track 2](#) Decision, D.20-06-002, adopted implementation details for the central procurement of multi-year local RA procurement to begin for the 2023 compliance year in the PG&E and SCE (but not SDG&E) distribution service areas, including identifying PG&E and SCE as the central procurement entities for their respective distribution service areas and adopting a hybrid central procurement framework. The Decision rejected a settlement agreement between

CalCCA and seven other parties that would have created a residual central buyer structure (and did not specify the identity of the central buyer) and a multi-year requirements for system and flexible RA. Under D.20-06-002, if an LSE procures its own local resource, it may (1) sell the capacity to the CPE, (2) utilize the resource for its own system and flexible RA needs (but not for local RA), or (3) voluntarily show the resource to meet its own system and flexible RA needs, and reduce the amount of local RA the CPE will need to procure for the amount of time the LSE has agreed to show the resource. Under option (3), by showing the resource to the CPE, the LSE does not receive one-for-one credit for shown local resources. A competitive solicitation (RFO) process will be used by the CPEs to procure RA products. Costs incurred by the CPE will be allocated ex post based on load share, using the CAM mechanism. D.20-06-002 also established a Working Group (co-led by CalCCA) to address: (a) the development of an local capacity requirements reduction crediting mechanism, (b) existing local capacity resource contracts (including gas), and (c) incorporating qualitative and possible quantitative criteria into the RFO evaluation process to ensure that gas resources are not selected based only on modest cost differences.

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

On 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."

On July 17, 2020, WPTF filed a separate Application for Rehearing of D.20-06-002, the Track 2 Decision creating a multi-year central procurement regime for local RA capacity. It requested rehearing and reconsideration of the rejected settlement agreement between WPTF, CalCCA, and other parties, arguing that D.20-06-002 will discourage the procurement of local resources by individual LSEs, discriminates against natural gas resources while increasing the need for CAISO backstop procurement, may undermine reliability by making it more difficult to integrate renewables with the larger western grid, and creates a "sale for resale" procurement construct that could place it under FERC's jurisdiction as a wholesale, rather than a retail, transaction.

- **Details:** WPTF's Application for Rehearing of D.20-06-028 requests rehearing and reconsideration of the self-scheduling requirements for non-resource specific RA imports.
- **Analysis:** D.20-06-002 established a central procurement entity and mostly resolved the central buyer issues, although several details are being refined through a Working Group. Moving to a central procurement entity beginning for the 2023 RA compliance year will impact VCE's local RA procurement and compliance, including affecting VCE's three-year local RA requirements as part of the transition to the central procurement framework. Eventually, it will eliminate the need for monthly local RA showings and associated penalties and/or waiver requests from individual LSEs, but it also eliminates VCE's autonomy with regard to local RA procurement and places it in the hands of PG&E.

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

The PD would deny PG&E's PFM of Decision D.19-02-022, CalCCA's PFM of D.19-06-026, and Joint Parties' PFM of D.20-01-004 as moot, given subsequent CPUC decisions in the RA proceedings that addressed the various issues raised by the PFMs. Of note, the PD would deny CalCCA's PFM that requested extending the existing local RA waiver process to system RA and flexible RA. The PD states that CPUC already denied CalCCA's proposal in D.20-06-031 on Track 2 Issues, which stated agreement with parties that the system and flexible RA waivers



process needs further development and study due to "significant, unresolved issues" involved with allowing waivers, including potential market power issues (e.g., withholding capacity) and leaning on other LSEs.

- **Next Steps:** The only issues remaining to be addressed in this proceeding are WPTF's Applications for Rehearing and the outstanding petitions for modification. The PD may be heard, at the September 10, 2020 CPUC meeting. Remaining RA issues will be addressed in the successor RA rulemaking, R.19-11-009.
- **Additional Information:** WPTF's [Application for Rehearing](#) of D.20-06-028 (August 5, 2020); [Proposed Decision](#) denying Petitions for Modification of Decision 19-06-026, Decision 19-02-022, and Decision 20-01-004 (July 30, 2020); WPTF's [Application for Rehearing](#) of D.20-06-002 (July 17, 2020); [D.20-06-028](#) on Track 1 RA Imports (approved June 25, 2020); [D.20-06-002](#) establishing a central procurement mechanisms for local RA (June 17, 2020); [D.20-03-016](#) granting limited rehearing of D.19-10-021 (March 12, 2020); [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)

In Track 3.A, a working group meeting hosted by Energy Division and the Sierra Club on the CAISO Local Capacity Requirements study was held August 13, 2020, as directed by D.20-06-031. On August 14, 2020, and August 15, 2020, CAISO issued Stage 3 emergencies, triggering rolling blackouts for hundreds of thousands of distribution customers of PG&E and other IOUs. Working Group reports and proposals, as well as proposed Central Procurement Entity competitive neutrality rules by PG&E and SCE, were submitted on September 1, 2020. In Track 3.B, initial Track 3 proposals and comments on process were filed on August 7, 2020.

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

Track 3.B will focus on an examination of the broader RA capacity structure to address energy attributes and hourly capacity requirements, given the increasing penetration of use-limited resources, greater reliance on preferred resources, rolling off of a significant amount of long-term tolling contracts held by utilities, and material increases in energy and capacity prices experienced in California over the past years. Other structural changes or refinements to the RA program identified during Track 1 or Track 2 will also be considered, including: (1) incentives for load-serving entities that are deficient in year-ahead RA filings, as discussed in D.20-06-031; (2) multi-year system and flexible RA requirements, as stated in D.20-06-002; and (3) refinements to the MCC buckets adopted in D.20-06-031.

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

- **Details:** Energy Division's Track 3.B proposal provides a history of California RA markets, a summary of a variety of current concerns with the existing California RA market, and identifies three options to address its various concerns that would involve significantly modifying or replacing the existing peak capacity RA construct:
  1. **Option 1:** Making several fundamental modifications to the existing capacity construct including revising the MCC buckets to make them binding in order to address issues

- associated with use-limited resources and revising the RA product to include a least-cost dispatch requirement or a bid cap;
2. **Option 2:** Enhancing or replacing the current RA capacity / CAISO must-offer obligation construct with a forward energy based system hourly load shape framework that requires load serving entities to demonstrate procurement of sufficient energy from specified physical resources that are contractually obligated to flow (or, in the case of DR, curtail) to meet their energy needs on a forward basis; or
  3. **Option 3:** Replacing the current RA capacity / CAISO must-offer obligation construct with a fixed price forward energy requirement similar to Option 2, but including a financial hedging component that allows for risk arbitrage and price discovery on the part of generators, which can result in lower forward prices for customers.

In Track 3.A, CPUC, CAISO and CEC have also postponed (revised date TBD) a joint public workshop, originally scheduled for September 3, 2020, which was to consider the potential to provide RA credit to hybrid storage/solar behind-the-meter resources.

- **Analysis:** Regulatory developments under consideration in this proceeding that may impact VCE's capacity procurement obligations and RA compliance filing requirements 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; 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.A, working group reports and proposals are due September 11, 2020; reply comments are due September 18, 2020; and a Proposed Decision is anticipated in Q4 2020. The Joint Agency workshop date is TBD.

In Track 3.B, working group meetings are anticipated for September, with possible workshop(s) on Energy Division and party proposals in late September-October, final Track 3 proposals due October 15, 2020; comments on workshop and all proposals due November 6, 2020; reply comments due November 20, 2020; and a Proposed Decision anticipated in Q1 2021.

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

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

## 2020 IRP Rulemaking

On August 7, 2020, the CPUC issued Resolution E-5080, which implements an IRP Citation Program for non-compliance with IRP requirements. At its August 27, 2020, Meeting, the CPUC approved Resolution E-5100, authorizing PG&E's procurement of 423 MW of battery energy storage projects, and Resolution E-5101, authorizing SCE's procurement of 770 MW of battery energy storage projects, pursuant to D.19-11-016. On September 1, 2020, LSEs including VCE filed their 2020 IRPs, which included updates on each LSE's progress towards completing additional system RA procurement ordered for the 2021-2023 years under D.19-11-016.

- **Background:** In the CPUC's IRP process, the Reference System Portfolio (RSP) is essentially a proposed statewide IRP portfolio that sets a statewide benchmark for later IRPs filed by individual LSEs. The CPUC ultimately adopts a Preferred System Portfolio (PSP) after LSEs submit individual IRPs to be used in statewide planning and future procurement.

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 ALJ's June 5 Ruling on backstop procurement and cost allocation proposed "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 proposed a three-year cycle for the IRP process, instead of the current structure of conducting each cycle every two years. The proposed schedule provided 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.

- **Details:** The IRP Citation Program allows LSEs to cure deficiencies in an IRP identified by Energy Division staff within 10 business days, without having to pay a fine. The fine for deficiencies that are not cured within that period will be \$1,000 per incident, plus \$500 per day for the first ten days the filing was late and \$1,000 for each day thereafter. It also specifies a process for appealing a citation. The Resolution incorporated modifications to the original draft resolution to the definition of "Specified Violation" to incorporate CalCCA's emphasis that violations be only for violations of "unambiguous" requirements. The Resolution also increased the cure period for IRP deficiencies from 5 days to 10 days after CalCCA recommended increasing it to 20 days.
- **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. Under the newly created IRP Citation Program, if the CPUC identifies any deficiencies in VCE's IRP filings, it will have 10 days to cure the identified deficiencies, after which time it would be subject to a financial penalty.
- **Next Steps:** Parties are awaiting further direction by the ALJ in response to the submitted IRPs and in response to comments on the June rulings.
- **Additional Information:** [Resolution E-5080](#) (August 7, 2020); [Ruling](#) on IRP cycle and schedule (June 15, 2020); [Ruling](#) on backstop procurement and cost allocation mechanisms (June 5, 2020); [Order Instituting Rulemaking](#) (May 14, 2020); Dock No. [R.20-05-003](#).

## 2016 IRP Rulemaking

On August 24, 2020, the ALJ issued a Proposed Decision that would grant CalCCA's Petition for Modification of D.19-11-016 and close this proceeding.

- **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.

- **Details:** The PD would grant CalCCA's Petition for Modification of D.19-11-016, which required LSEs to procure additional system RA to come online in 2021-2023. First, the PD would grant CalCCA's request and determine that the methodology included in D.20-06-031 will be used to determine Qualifying Capacity for hybrid resources used to comply with the requirements of D.19-11-016 (unless or until the methodology is modified again). Second, the PD would effectively punt on deciding the issue of cost recovery to the new IRP proceeding, R.20-05-003. CalCCA's PFM had argued that the Commission should modify the cost recovery mechanism adopted in D.19-11-016 by requiring an IOU that provides system resource adequacy backstop procurement to an LSE to bill that entity directly for all costs associated with the procurement. However, the PD would grant CalCCA's request to modify D.19-11-016 by eliminating the language that would have limited the mechanism to a customer-billed non-bypassable charge. Finally, the PD would close the docket.
- **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:** Comments and replies, respectively, on the PD are due September 14, 2020, and September 21, 2020. The proceeding will be closed upon issuance of the final decision. All other IRP issues will be addressed through R.20-05-003.
- **Additional Information:** [Proposed Decision](#) (August 24, 2020); [Draft Resolution E-5100](#) on PG&E storage contracts (July 22, 2020); [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 August 12, 2020, VCE filed a Motion requesting to update its 2020 RPS Procurement Plan to make several minor clerical corrections to its Plan and noting to the CPUC that VCE anticipated terminating its PPA with Rugged Solar in August. On August 19, 2020, the ALJs issued a Proposed Decision on new (i.e., not yet serving load) CCAs' 2019 RPS Procurement Plans. On August 21, 2020, the ALJs issued a Proposed Decision that would resume and modify the Renewable Market Adjusting Tariff (ReMAT) program. On September 1, 2020, the CPUC issued D.20-08-043, reopening the Bioenergy Market Adjusting Tarrif (BioMAT) program but refused to let CCAs participate by directly entering into BioMAT contracts.

- **Background:** This proceeding addresses ongoing RPS issues. VCE submitted its 2020 RPS Procurement Plan on July 6, 2020 and its 2019 RPS Compliance Report on August 3, 2020.

On 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).

- **Details:** The BioMAT decision D.20-08-043 adopts the staff proposal, with modifications, revising the BioMAT program. BioMAT procurement costs will be allocated through a non-bypassable charge to all customers in each investor-owned utility's service territory. The CPUC refused to adopt a provision of the staff proposal that was supported by Joint CCAs that would have allowed non-IOU LSEs (such as CCAs) to enter into BioMAT contracts and recover non-IOU LSEs' costs through the IOU's non-bypassable charge for the BioMAT program.

The ReMAT PD would adopt a June 2020 Staff Proposal for revising the ReMAT program and direct the filing of Tier 2 advice letters by SCE and PG&E within 21 days of the issuance of a decision to implement the revisions. The ReMAT program is a feed-in tariff program for renewable facilities of 3 MW or less. The PD would adopt a pricing methodology for base ReMAT pricing based on recent, non-state mandated long-term RPS contracts (2013-2019), categorized by product category and averaged on a capacity-weighted basis. The calculation produced the following prices in the Staff Proposal: (1) As Available Non-Peaking: \$57.54/MWh; (2) As-Available Peaking: \$50.23/MWh; (3) Baseload: \$79.72/MWh. The ReMAT standard contract is also to be updated to reflect the most recent utility time-of-day periods and factors. The resulting effective prices after these adjustments must be specified in the utility Advice Letters filed for program updates. Base pricing would be updated once annually under a CPUC Resolution process starting in May 2021, retaining a 7-year rolling time horizon.

The PD on new CCA 2019 RPS Procurement Plans would approve the Plans, but order that these new CCAs file more robust RPS Plans in the future. The PD would not directly impact VCE, or address any filings made by VCE (such as VCE's 2020 RPS Procurement Plan). However, the PD includes language echoing previous Decisions that criticized CCAs for providing "scant information" and questions whether all CCAs will be able to fulfill their long-term RPS requirements.

- **Analysis:** D.20-08-043, which reopens the BioMAT program, will impact VCE customer rates, as the program and associated cost recovery is through a non-bypassable charge would be extended through 2025. It does not allow VCE to directly enter into BioMAT contracts.

The reopening of the ReMAT program could impact VCE by reopening a program that could compete with VCE with respect to the procurement of small-scale renewable energy facilities.

The pending Staff Proposal on RPS confidentiality rules includes 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:** Comments on the ReMAT PD are due September 10, 2020, reply comments are due September 15, 2020, and the PD may be adopted, at the earliest, at the September 24, 2020 CPUC meeting.

Comments on the new CCAs' RPS Plan PD are due September 8, 2020, and September 14, 2020, respectively.

A PD/Decision on the 2020 RPS Procurement Plans is anticipated in Q4 2020, after which retail sellers may file "Final" 2020 RPS Procurement Plans (also expected in Q4).

In 2020, the Energy Division is developing a proposal 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:** [D.20-08-043](#) resuming and modifying the BioMAT program (September 1, 2020); [Proposed Decision](#) resuming and modifying ReMAT (August 21, 2020); [Proposed Decision](#) on new CCA 2019 RPS Procurement Plans (August 19, 2020); [VCE Motion to Update](#) its 2020 RPS Procurement Plan (August 12, 2020); [Ruling](#) extending procedural schedule on RPS Procurement Plan review (July 10, 2020); Assigned Commissioner [Ruling \(ACR\)](#) establishing 2020 RPS Procurement Plan requirements (May 6, 2020); [CalCCA Comments](#) on RPS confidentiality (March 30, 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](#).

## PG&E's 2019 ERRR Compliance

On August 14, 2020, the ALJ issued an Amended Scoping Memo and Ruling, dividing the proceeding into two phases. PG&E filed rebuttal testimony on August 21, 2020.

- **Background:** ERRR 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 ERRR 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 ERRR Forecast proceeding and reviewed in the 2019 ERRR Compliance Review proceeding may have been impacted and; (3) described the difference between load forecasting for ratemaking purposes and load forecasting for PSPS events.

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

- **Details:** The Amended Scoping Memo and Ruling adds three issues related to PSPS in a second phase of this proceeding. Specifically, Phase II of this proceeding will consider the following additional issues:
  1. Should sales forecasting methods for adjusting revenue requirement under current decoupling policy be adjusted to account for power not sold during a PSPS event? If so, how?
  2. What methods should be used to account for sales lost during PSPS distinct from sales reductions due to conservation?

3. If a utility does not collect its entire revenue requirement due to lower volumetric sales during a PSPS, should it be prevented from adjusting future revenue requirements to make up for any undercollection? If so, how?
  - **Analysis:** This proceeding addresses PG&E's balancing accounts, including the PABA, providing a venue for a detailed review of the billed revenues and net CAISO revenues PG&E recorded during 2019. It also determines whether PG&E managed its portfolio of contracts and UOG in a reasonable manner. Efforts from the Joint CCAs to date will reduce the level of the PCIA for VCE's customers in 2021 and/or 2022.
  - **Next Steps:** A 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. The schedule for Phase II of this proceeding has not been issued yet.
  - **Additional Information:** [Amended Scoping Memo and Ruling](#) (August 14, 2020); [Scoping Memo and Ruling](#) (June 19, 2020); PG&E's [Application](#) and [Testimony](#) (February 28, 2020); Docket No. [A.20-02-009](#).

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

Parties filed reply comments on August 11, 2020, and on August 19, 2020, the ALJ issued a Proposed Decision adopting the Wildfire Non-Bypassable Charge (NBC) of \$0.00580/kWh for October 1, 2020, through December 31, 2020.

- **Background:** This rulemaking implemented AB 1054 and extended a non-bypassable charge on ratepayers to fund the Wildfire Fund. The scope of this proceeding was limited to consideration of whether the CPUC should authorize ratepayer funding of the Wildfire Fund established by AB 1054, enacted in July 2019, via the continuation of an existing non-bypassable charge (Department of Water Resources bond charge) that would have otherwise expired by the end of 2021. 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 was 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:** If the PD is approved, PG&E will collect the Wildfire NBC from eligible customers and file a Tier 1 Advice Letter to implement the Wildfire NBC by September 30, 2020. DWR estimates that the 2021 Wildfire Fund NBC will be comparable to the 2020 charge of \$0.00580/kWh, but it will notify the CPUC of the 2021 charge amount by November 1, 2020.
- **Analysis:** This proceeding establishes a new non-bypassable charge on VCE customers beginning October 1, 2020, to fund the Wildfire Fund under AB 1054. The DWR Bond Charge would end at the end of September 2020.
- **Next Steps:** Comments and replies, respectively, on the PD are due September 8, 2020, and September 14, 2020. If the PD is approved, PG&E will file a Tier 1 Advice Letter implementing the

Wildfire NBC by September 30, 2020. The Wildfire Fund NBC is set to go into effect on October 1, 2020. DWR will propose the 2021 Wildfire NBC amount, which expected to be similar to the 2020 Wildfire NBC, to the CPUC by November 1, 2020.

- **Additional Information:** [Proposed Decision](#) adopting 2020 Wildfire NBC (August 19, 2020); [D.20-07-014](#) approving servicing orders (July 24, 2020); [Ruling](#) on Wildfire NBC implementation (July 3, 2020); [D.20-02-070](#) denying Application for Rehearing (March 2, 2020); [D.19-10-056](#) approving a non-bypassable charge (October 24, 2019); [Scoping Memo and Ruling](#) (August 14, 2019); [Order Instituting Rulemaking](#) (August 2, 2019); Docket No. [R.19-07-017](#). See also [AB 1054](#).

## PG&E's Phase 1 GRC

On August 13, 2020, the ALJs issued a Ruling modifying the procedures to be used for the confidential production of computer model runs using PG&E's Results of Operations model to generate the tables needed for decision support due to the COVID-19 pandemic. Also on August 13, 2020, PG&E filed a Motion to make numerous corrections to Appendix B of the Settlement Agreement that was filed in December 2019. The Motion was not opposed by any parties to the Settlement Agreement, although Joint CCAs filed a response that criticized the transparency and accuracy of PG&E's information throughout the proceeding.

- **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:** Joint CCAs' responded to PG&E's Motion point out that, while PG&E's Motion does not impact the revenue requirements in the Settlement or specific CCA arguments in this proceeding, it is yet another example of PG&E transparency and accuracy issues that have been a repeated issue throughout this proceeding. Joint CCAs urged the CPUC to order PG&E in future general rate cases to (1) exercise greater care to improve the accuracy of its filings, (2) more carefully track the utilization of its various common Customer Care services between bundled and unbundled customers and use those numbers to propose proper functionalization methods, and (3) present its allocations of all shared costs more transparently.
- **Analysis:** PG&E's GRC proposals included shifting substantial costs associated with its hydroelectric generation from its generation rates (applicable only to its bundled customers) into a non-bypassable charge affecting all of its distribution customers, including VCE customers, which would negatively affect the competitiveness of VCE's rates relative to PG&E's. However, that proposal would be withdrawn if the Settlement Agreement is approved. The remaining CCA-related issues in the case include the Joint CCAs' recommendations that the Commission:



1. Revise the allocation of certain customer-service costs since unbundled customers use those services far less than bundled customers.
  2. Ensure CCAs can connect clean generation to PG&E's temporary microgrids during PSPS events.
  3. Revise the settlement's exorbitant decommissioning costs for PG&E's PCIA-eligible facilities.
  4. 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:** [PG&E Motion](#) to update the Settlement Agreement (August 13, 2020); [Ruling](#) adopting confidential modeling procedures (August 13, 2020); [E-mail Ruling](#) granting in part PG&E's Motion for Official Notice and Joint CCAs Motion to file sur-reply (June 5, 2020); Joint CCAs' [PG&E Motion](#) for Official Notice of Facts (January 27, 2020); [Joint Motion](#) for Settlement Agreement (January 14, 2020); [E-Mail Ruling](#) modifying procedural schedule (December 2, 2019); [E-Mail Ruling](#) suspending briefing deadlines (November 25, 2019); [D.19-11-014](#) (November 14, 2019); [Ruling](#) setting public participation hearings (May 7, 2019); [Scoping Memo and Ruling](#) (March 8, 2019); [Joint CCAs' Protest](#) (January 17, 2019); [Application](#) and [PG&E GRC Website](#) (December 13, 2018); Docket No. [A.18-12-009](#).

## PG&E's Phase 2 GRC

On August 17, 2020, the ALJ issued a Proposed Decision that would approve ratepayer funding for the Essential Usage Study (EUS) capped at approximately \$845,000. On August 20, 2020, the ALJ issued a Ruling scheduling two public participation hearings for November 6, 2020. Two Email Rulings issued by the ALJ on August 27, 2020, request that intervenor testimony due on November 20, 2020, address real-time pricing issues.

- **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:** The PD would authorize each large IOU to file a Tier 1 advice letter that will establish an EUS cost recovery balancing account for tracking each IOUs' respective share of the actual costs associated with the EUS, with a cost allocation of: PG&E, 45%; SCE, 43%; and SDG&E, 12%. The IOUs estimate that the final EUS report will be completed in January 2022.

The Email Rulings requesting intervenor testimony on real-time pricing rates requests that the testimony specifically address the benefits and tradeoffs inherent to real-time pricing, including whether and to what extent it could result in revenue shortfall and intra-class cost shifts and bill comparisons and any other relevant data that can facilitate a complete evaluation of customer impacts under specific real-time pricing designs.

- **Analysis:** This proceeding will not impact the transparency between a bundled and unbundled customer's bills because of the Working Group 1 decision in the PCIA rulemaking. 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:** Comments and replies, respectively, on the EUS PD are due September 7, 2020, and September 14, 2020.

With respect to other issues in this proceeding, Cal Advocates' testimony is due October 23, 2020. Two public participation hearings are scheduled for November 6, 2020. Intervenor testimony is due November 20, 2020. Rebuttal testimony is due February 15, 2021. An evidentiary hearing is tentatively scheduled for March 1-12, 2021. A CPUC decision is anticipated for September 2021.

- **Additional Information:** [Ruling](#) scheduling public participation hearings (August 20, 2020); [Ruling](#) extending procedural schedule (July 13, 2020); [Exhibit \(PG&E-5\)](#) (May 15, 2020); [Scoping Memo and Ruling](#) (February 10, 2020); [Application, Exhibit \(PG&E-1\): Overview and Policy, Exhibit \(PG&E-2\): Cost of Service, Exhibit \(PG&E-3\): Revenue Allocation, Rate Design and Rate Programs](#), and [Exhibit \(PG&E-4\): Appendices](#) (November 22, 2019); Docket No. [A.19-11-019](#).

## PG&E Regionalization Plan

Fourteen parties filed responses or protests to PG&E's regionalization plan application on August 5, 2020, to which PG&E filed a reply on August 17, 2020. A prehearing conference was held August 20, 2020.

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

The new regions would include five functional groups that report to the Regional Vice President encompassing various functions including: (1) Customer Field Operations, (2) Local Electric Maintenance and Construction, (3) Local Gas M&C, (4) Regional Planning and Coordination, and (5) Community and Customer Engagement. Other functions will remain centralized, such as electric and gas operations, risk management, enterprise health and safety, the majority of existing Customer Care and regulatory and external affairs, supply, power generation, human resources, finance, and general counsel. PG&E will propose in a separate proceeding the

enterprise-level safety and operational metrics it is developing that could also be considered to evaluate the effectiveness of its regionalization implementation. PG&E proposes a phased implementation, with progress establishing all regions in 2021, although some functions would not be fully shifted until 2022. PG&E also proposes to establish a Regional Plan Memorandum Account to record any incremental costs PG&E may incur in connection with development and implementation of regionalization.

- Details:** South San Joaquin Irrigation District filed a Protest arguing that PG&E’s regionalization effort should not create a moratorium or interfere with municipalization efforts. Five CCAs filed responses or protests to PG&E’s application, with MCE and EBCE filing protests and City of San Jose, City and County of San Francisco, and Pioneer Community Energy filing responses. CCA responses/protests sought more information on the implications of regionalization on CCA customers, CCA operations, and CCA-PG&E coordination; PG&E’s overarching purpose, goals, and metrics to judge success of regionalization; the delineation between centralized and decentralized functions in PG&E’s application; and budgets and cost recovery related to regionalization, among other issues. CCAs also identified various concerns specific to their CCAs (e.g., EBCE’s and MCE’s service areas would both be split across two PG&E regions; SJCE expressed concern with its service area being assigned to the Central Coast region; Pioneer expressed concern that it would be the only CCA in its region, which would be the only region not to be “anchored” by an urban area). PG&E’s reply defended the sufficiency of its application, stated that it will supply more details on the impacts of its regionalization plan through discovery and workshops, agreed with SJCE’s proposal to extend the procedural schedule, and noted that its proposal is a starting point and will be modified to reflect feedback.
- Analysis:** As noted in the responses and protests of CCAs, the implications of PG&E’s regionalization plan on CCA operations, customers, and costs is largely unclear based on the information presented in PG&E’s application. PG&E’s regionalization plan could impact PG&E’s responsiveness and management of local government relations and local and regional issues, such as safety, that directly impact VCE customers beginning in 2021. As part of Region 1, VCE would be grouped with several coastal and northern counties.
- Next Steps:** A scoping memo and ruling is expected to be issued next 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:** [Ruling](#) setting prehearing conference (August 5, 2020); [Application](#) (June 30, 2020); [A.20-06-011](#).

## Investigation of PG&E Bankruptcy Plan

On July 15, 2020, the ALJ issued a Ruling indicating this proceeding will likely be closed soon and requesting comments on how to proceed with remaining issues in I.15-08-019 (PG&E Safety Culture) that were not addressed in this proceeding. *See updates in I.15-08-019 above for more details.*

- 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:

1. \$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.
2. \$11 billion settlement with insurance claim holders and companies.
3. Reinstatement of \$9.575 billion in existing, prepetition PG&E-funded debt claims.
4. Refinancing of \$11.85 billion in existing, prepetition PG&E debt with newly issued debt.
5. Payment in full of general unsecured claims and certain other liabilities, with interest at the legal rate.
6. 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:

7. 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.
  8. 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.
  9. 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).
  10. 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.
  11. Finds that PG&E may not seek cost recovery for 2017/2018 wildfire claims except via the proposed securitization.
  12. 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.
  13. 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.
  14. 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:** The July 15, 2020 Ruling confirmed that this proceeding will be closed in the near future, absent a compelling reason to keep it open. The Ruling requested party comments on how to proceed in proceeding I.15-08-019, which is described in more detail above.

- **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 soon, with remaining issues to be addressed in the PG&E Safety Culture proceeding (I.15-08-019).
- **Additional Information:** [Ruling](#) (July 15, 2020); [D.20-05-053](#) (June 1, 2020); [PG&E Motion](#) for official notice and [Plan of Reorganization](#) (March 24, 2020); [Order Instituting Investigation](#) (October 4, 2019); Docket No. [I.19-09-016](#).

## Investigation into PG&E Violations Related to Wildfires

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

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

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

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

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

- **Details:** The Wild Tree Foundation and Thomas Del Monte each filed Applications for Rehearing (attached) of D.20-05-019, which approved penalties on PG&E for its role in igniting the 2017-

2018 wildfires. The Applications for Rehearing both challenge the permanent suspension of the \$200 million fine imposed on PG&E, as well as other aspects of the settlement that was approved with modifications.

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

## 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.

## Glossary of Acronyms

<b>AB</b>	Assembly Bill
<b>AET</b>	Annual Electric True-up
<b>ALJ</b>	Administrative Law Judge
<b>BioMAT</b>	Bioenergy Market Adjusting Tariff
<b>BTM</b>	Behind the Meter
<b>CAISO</b>	California Independent System Operator
<b>CAM</b>	Cost Allocation Mechanism
<b>CARB</b>	California Air Resources Board
<b>CEC</b>	California Energy Commission
<b>CPE</b>	Central Procurement Entity
<b>CPUC</b>	California Public Utilities Commission

<b>CPCN</b>	Certificate of Public Convenience and Necessity
<b>CTC</b>	Competition Transition Charge
<b>DA</b>	Direct Access
<b>DWR</b>	California Department of Water Resources
<b>ELCC</b>	Effective Load Carrying Capacity
<b>ERRA</b>	Energy Resource and Recovery Account
<b>EUS</b>	Essential Usage Study
<b>GRC</b>	General Rate Case
<b>IEPR</b>	Integrated Energy Policy Report
<b>IFOM</b>	In Front of the Meter
<b>IRP</b>	Integrated Resource Plan
<b>IOU</b>	Investor-Owned Utility
<b>ITC</b>	Investment Tax Credit
<b>LSE</b>	Load-Serving Entity
<b>MCC</b>	Maximum Cumulative Capacity
<b>OII</b>	Order Instituting Investigation
<b>OIR</b>	Order Instituting Rulemaking
<b>PABA</b>	Portfolio Allocation Balancing Account
<b>PD</b>	Proposed Decision
<b>PG&amp;E</b>	Pacific Gas & Electric
<b>PFM</b>	Petition for Modification
<b>PCIA</b>	Power Charge Indifference Adjustment
<b>PSPS</b>	Public Safety Power Shutoff
<b>PUBA</b>	PCIA Undercollection Balancing Account
<b>QC</b>	Qualifying Capacity
<b>RA</b>	Resource Adequacy
<b>RDW</b>	Rate Design Window
<b>ReMAT</b>	Renewable Market Adjusting Tariff
<b>RPS</b>	Renewables Portfolio Standard
<b>SCE</b>	Southern California Edison
<b>SED</b>	Safety and Enforcement Division (CPUC)
<b>SDG&amp;E</b>	San Diego Gas & Electric
<b>TCJA</b>	Tax Cuts and Jobs Act of 2017
<b>TOU</b>	Time of Use
<b>TURN</b>	The Utility Reform Network
<b>UOG</b>	Utility-Owned Generation
<b>WMP</b>	Wildfire Mitigation Plan



