

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Agenda Item 7

To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Regulatory Monitoring Report

Date: December 13, 2018

RECOMMENDATION: Receive regulatory monitoring report.

Regulatory Priorities

The Keyes and Fox Board report includes several priority issues including:

- **Proposed Decision (PD) on Track 2 Resource Adequacy (RA) Issues.** The PD designates distribution utilities as the central procurement entity for Local RA. Under the PD, a competitive solicitation process would be conducted by the central buyers for three-year local RA procurement, with bids selected based on a least-cost, best-fit methodology and cost recovery of procurement and administrative costs through the Cost Allocation Mechanism.
- **Applications for Rehearing of the PCIA Decision and Launch of Phase Two of the Proceeding.** A number of parties including Peninsula Clean Energy, Marin Clean Energy and Sonoma Clean Power (collectively) and CalCCA, Clean Power SF, and Solana Energy Authority (collectively) submitted Applications for Rehearing of the CPUC's October 2018 PCIA Decision. In addition, the judge issued a Ruling scheduling a prehearing conference to initiate the working group process as part of the second phase in this proceeding.
- **PD on Tree Mortality Non-Bypassable Charge.** The CPUC issued a PD that would establish a methodology for calculating a non-bypassable charge that will collect revenue through the Public Purpose Program Charge to pay for certain biomass energy procurement by utilities including PG&E.
- **PG&E's 2019 Rate Design Window Application.** PG&E filed a rate design window (RDW) Application seeking approval of several proposed modifications to its rates for agricultural customers.

Attachment: Keyes & Fox December 5, 2018 Regulatory Memorandum

Valley Clean Energy Alliance

Regulatory Monitoring Report

To: Valley Clean Energy Alliance Board of Directors

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

Subject: Regulatory Update

Date: December 5, 2018

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), California Energy Commission (CEC), and California Air Resources Board (CARB).

This month's report includes regulatory updates on the following priority issues:

- PCIA Rulemaking
- PG&E's 2019 Energy Resource and Recovery Account (ERRA) Forecast
- Resource Adequacy (RA)
- CCA Reentry Fees & Financial Security Requirements
- Renewables Portfolio Standard (RPS) Rulemaking
- Integrated Resource Plans
- Tree Mortality Nonbypassable Charge (NBC)
- PG&E Rate Design Window (RDW)
- Other Regulatory Developments

PCIA Rulemaking

On November 19, 2018 CalCCA, Clean Power SF, and Solana Energy Authority (collectively); Shell Energy; Protect our Communities Foundation; Direct Access Consumer Coalition and California Large Energy Consumers Association (collectively); and Peninsula Clean Energy, Marin Clean Energy and Sonoma Clean Power (collectively) submitted separate Applications for Rehearing of D.18-10-019 (*i.e.*, the PCIA Track 2 Decision adopting Commissioner Peterman's Alternate Proposed Decision). The utilities' and other parties' responses to the Applications for Rehearing were filed on December 4, 2018. On November 29, 2018, the judge issued a Ruling scheduling a prehearing conference (PHC) to initiate the working group process as part of the second phase in this proceeding.

- **Background:** The first phase of this proceeding had two tracks. Track 1 addressed the PCIA exemption currently in place for CCA customers participating in the California Alternate Rates for Energy (CARE) and Medical Baseline (MB) programs. Track 2 addressed alternatives to the current PCIA methodology.

Currently, the CPUC is considering Applications for Rehearing of its Track 2 Decision and has opened a second phase of this proceeding to address additional PCIA issues.

- **Details:** The ALJ Ruling initiates the second phase of this proceeding beginning with a PHC scheduled for December 19. Working groups will be established to address the following issues: (1) benchmark true-up related to resource adequacy and the RPS, (2) prepayment, (3) portfolio optimization and cost reduction, and (4) allocation and auction. The PHC will help determine the final number of working groups to be used, the governance of these working groups, schedules and timelines, and other procedural matters.

Separately, a number of parties have filed Applications for Rehearing of the CPUC's Track 2 Decision on the PCIA.

Earlier in November, the judge denied a request to pause the implementation of a Track 1 Decision affecting SCE and SDG&E PCIA exemption issues, which do not directly impact PG&E or VCE customers.

- **Analysis:** The second phase of this proceeding could further affect the PCIA paid by VCE's customers in future (post-2019) years, as well as other important PCIA issues that could impact CCAs such as prepayment.

The PCIA Track 2 Decision, D.18-10-019, will result in a higher PCIA for VCE's customers. The revised PCIA methodology will be used to calculate the PCIA that was intended to take effect on January 1, 2019 but now will likely be delayed until March 1, 2019 (see the ERRA proceeding below). In addition, D.18-10-019 creates new reporting requirements for LSEs, including CCAs, requiring them to submit specific resource contract information on January 31 each year, beginning in 2019.

- **Next Steps:** The CPUC will grant or deny rehearing by December 10, 2018. The PHC for the second phase of this proceeding is scheduled for December 19, 2018, with PHC statements due December 12. A new reporting requirement established in the Decision requires VCE to file specific contract information with the Energy Division by January 31, 2019.
- **Additional Information:** [ALJ Ruling](#) scheduling prehearing conference (November 29, 2018); Applications for Rehearing of D.18-10-019: [PCE, SCP, and MCE](#), [Shell Energy North America](#), [CalCCA](#), [California Large Energy Consumers Association](#), [Protect Our Communities Foundation and Utility Consumers' Action Network](#) (November 19, 2018); [E-Mail Ruling](#) denying joint motion to stay D.18-07-009 (November 8, 2018); [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); [D.18-07-009](#) resolving SCE & SDG&E PCIA exemption issues (July 23, 2018); [PG&E Settlement Agreement](#) pending on MB customer PCIA exemption (March 28, 2018); [Track 2 Scheduling Memo](#) (May 2, 2018); Docket No. [R.17-06-026](#).

PG&E's 2019 Energy Resource and Recovery Account Forecast

On November 7, 2018, PG&E filed its November Update, which includes PG&E's updated PCIA rates for 2019 that will apply to VCE customers. On November 19, 2018, parties filed comments on PG&E's November Update. The ERRA proceeding implemented the D.18-10-019 and other changes to the PCIA. The Commission will not be issuing a decision in the ERRA on December 13, 2018 (its last Business Meeting of the year), meaning the new PCIA rates are unlikely to go into effect until at least March 1, 2019.

- **Background:** Utility ERRA proceedings establish the amount of the PCIA and other nonbypassable charges for 2019. More specifically, they determine fuel and purchased power costs associated with serving bundled customers that utilities may recover in rates.
- **Details:** In its November Update, PG&E is requesting a 2019 total revenue requirement of \$2.929 billion, comprised of \$1.554 billion related to its ERRA, plus three nonbypassable charges: the ongoing Competition Transition Charge (CTC), \$80.3 million; the PCIA, \$1.164 billion; and the

Cost Allocation Mechanism, \$131.1 million. PG&E also requested approval of its 2019 sales forecast, as well as its 2019 GHG-related forecasts, which includes a net GHG revenue return of \$324.5 million. PG&E's forecasted 2019 revenue requirement for the PCIA is 84.1% higher than its approved 2018 revenue requirement, whereas the CTC and CAM revenue requirements decreased by 3.3% and 7.5%, respectively. The proposed 2019 average generation rates for bundled residential customers is \$0.09180/kWh. The proposed 2019 PCIA rates for 2018 and 2019 vintaged residential customers is \$0.03282/kWh.

- **Analysis:** This proceeding will implement the October Track 2 Decision from the PCIA docket and establish the amount of the PCIA for VCE's 2019 rates and the level of PG&E's generation rates for bundled customers.
- **Next Steps:** A proposed decision (PD) is expected to be issued soon. Comments on the PD will be due within 10 days of the PD, with reply comments due five days thereafter. The PD will not be issue in time for the Commission's December 13, 2018 meeting, its last meeting of the year. The next meeting is January 10, 2019.
- **Additional Information:** [PG&E November Update](#) with proposed PCIA rates on page 60 (November 9, 2018); [Joint NorCal CCA Motion](#) (October 24, 2018); [Scoping Memo and Ruling](#) (August 16, 2018); [CCA Parties' Protest](#) (July 5, 2018); [PG&E's Application](#) (June 1, 2018); [PG&E's Testimony](#) (June 1, 2018); Docket No. [A.18-06-001](#).

Resource Adequacy (RA)

On November 21, 2018, the judges issued a Proposed Decision (PD) on Track 2 RA issues.

- **Background:** This proceeding has three tracks, and is currently focused on Track 2. [Track 1](#) addressed 2019 local and flexible RA capacity obligations and several near-term refinements to the RA program and is closed. The proceeding is currently in [Track 2](#), which is considering issues like the adoption of multi-year local RA requirements, a "Central Buyer" proposal for potential major revisions to RA procurement, refinements to local RA rules, seasonal local capacity requirements, local RA penalty waiver requirements, and increased transparency regarding which resources are essential for local and sub-area reliability. A future [Track 3](#) will address issues including 2020 RA requirements, potential revisions to RA counting rules for weather-sensitive and local demand response resources, and other issues that arise.
- **Details:** The PD designates distribution utilities as the central procurement entity for [Local](#) RA for their respective distribution service areas and adopts requirements for implementing a multi-year [Local](#) RA procurement process beginning for the 2020 compliance year. (Load-serving entities (LSEs) like VCE would continue to procure RA to meet their [System](#) and [Flexible](#) requirements.) The PD also adopts a full procurement model in which the central buyers procure for local resources within their service areas rather than a residual procurement model that would have allowed LSEs to procure local resources based on their preferences.

A competitive solicitation process will be conducted by the central buyers for three-year local RA procurement, with bids selected based on a least-cost, best-fit methodology. The PD rejects PG&E and SDG&E's proposals to expand the Cost Allocation Mechanism (CAM) to include certain utility-owned resources, instead requiring the investor-owned utilities to bid their own resources into the solicitation process at their levelized fixed costs. The PD adopts the CAM cost recovery mechanism for procurement and administrative costs incurred by the central buyers.

Finally, the PD directs Energy Division to post a summary list of the resources listed on each LSE's monthly RA plans for the previous year, including the scheduling resource ID, scheduling coordinator ID or counterparty, zonal location, and local area.

- **Analysis:** If adopted by the CPUC, the PD would affect VCE's RA compliance obligations beginning in 2020 and result in a new RA procurement framework in California that would impact VCE's ability to procure Local RA capacity on its own behalf. Costs would be recovered by the

IOUs through the CAM charge. The PD would also result in increased transparency about which resources each LSE has used to meet its RA obligations in the previous year.

- **Next Steps:** Comments are due December 11 and reply comments are due December 16. The PD may be heard, at the earliest, at the CPUC's January 10, 2019 Business Meeting. The proceeding will remain open thereafter for Track 3, at which time RA issues not addressed or only partially addressed in the decision may be considered.
- **Additional Information:** [Track 2 Proposed Decision](#) (November 2018); [2017 Resource Adequacy Report](#) (August 3, 2018); [D.18-06-030](#) setting local capacity requirements and resource adequacy program revisions and [D.18-06-031](#) adopting flexible capacity requirements for 2019 (both on June 22, 2018); [Scoping Memo and Ruling](#) (January 1, 2018; [modified](#) in part on May 2, 2018); Docket No. [R.17-09-020](#).

CCA Reentry Fees & Financial Security Requirements

On November 13, 2018, PG&E filed Advice Letter (5423-E), updating its calculation of the financial security requirements for CCAs. (Each CCA's specific financial security requirement is confidential.)

- **Background:** Reentry fees include utility administrative costs and procurement costs resulting from a mass involuntary return of CCA customers to utility service. The FSR is used to cover those potential costs. The reentry fee for incremental procurement costs is based on six months of incremental procurement. The CPUC's Decision adopted on June 7, 2018 provided that the administrative per-customer reentry fee is \$4.24 for PG&E (compared to \$1.12 for SDG&E and \$0.50 for SCE) and that the minimum FSR is \$147,000, which can be satisfied by letters of credit, surety bonds, or cash held by a third party. Utilities are required to update the applicable financial security requirements via a Tier 2 AL in May and November each year.
- **Details:** PG&E previously submitted three ALs implementing the CPUC's decision on CCA financial security requirements (FSR), including one establishing VCE's FSR, which was subsequently updated via a fourth AL:
 - [AL 5423-E](#) (Tier 2, *pending*) provides an update on specific CCA financial security requirements that were previously provided in AL 5350-E (see below).
 - [AL 5354-E-A](#) (Tier 2, *pending*) proposes revisions to electric Rule 23 Community Choice Aggregator Service to incorporate the reentry fees and FSRs.
 - [AL 5350-E](#) (Tier 2, *effective September 13, 2018*), specifies VCE's and other CCAs' FSRs, which are redacted in the Public version. Going forward, PG&E will update the FSR amounts biannually (on May 10 and November 10 each year).
 - [AL 5359-E](#) (Tier 1, *effective pending final disposition*) provides a detailed description of the specific services that are covered under the CCA customer reentry fee for utility administrative costs and how those costs were calculated. It states that PG&E intends to identify the administrative fee as a separate item in its 2020 General Rate Case Phase II testimony and include a description of the components of the fee, how it is calculated, and a comparison of its fee with other major California utilities.
- **Analysis:** This rulemaking proceeding is closed. PG&E's ALs are related to implementing various requirements established in the final decision issued in this proceeding. CCAs including VCE are required to file an AL noting their FSR has been updated.
- **Next Steps:** Protests were due on December 3, 2018. CCAs will be required to submit a compliance Tier 1 AL to the Energy Division within 30 days of approval of the ALs, providing notice of compliance with the FSR and requesting return of any interim financial security posted with the CPUC.
- **Additional Information:** [AL 5423-E](#) providing updated CCA FSRs (November 13, 2018); [AL 5354-E-A](#) revising electric Rule 23 (October 2, 2018); [AL 5359-E](#) describing reentry fee (August

17, 2018); [AL 5350-E](#) on financial security requirements (August 6, 2018); [D.18-05-022](#) establishing CCA retry fees and financial security requirements (June 7, 2018); Docket No. [R.03-10-003](#).

Renewables Portfolio Standard (RPS) Rulemaking

On November 2, 2018, PG&E issued Advice Letter (AL) 5422-E seeking approval of 10 RPS-related transactions. On November 8, 2018, the CPUC issued a Decision implementing AB 1923 regarding interconnection rules under the Bioenergy feed-in tariff program. On November 9, 2018, the judge issued a Scoping Ruling.

- **Background:** On July 12, 2018, the CPUC adopted an Order Instituting Rulemaking (OIR) establishing a new proceeding addressing RPS-related issues, R.18-07-003. LSEs originally filed their RPS Procurement Plans on August 20, 2018. Comments were filed on September 21, 2018 and reply comments were filed on October 5, 2018. In R.15-02-020, ALJ Mason requested updates to the RPS Procurement Plans to address procurement of resources in compliance with SB 100, which increased California's RPS target to 60% by 2030 and accelerated interim compliance period targets. These updated plans, including VCE's, were filed on October 8, 2018. No parties filed comments on the October 8 (post-SB 100) RPS procurement plans.
- **Details:** In AL 5422-E, PG&E requests CPUC approval of 10 RPS transactions, comprised of one transaction resulting from PG&E's bilateral negotiations with San Jose Clean Energy and nine transactions resulting from PG&E's September 2018 RPS Bundled Energy Sale Solicitation. These short-term transactions are for the sale of bundled energy and associated Renewable Energy Credits generated in 2019-2020 and provided from a number of operating solar PV, solar thermal, wind, biomass and geothermal facilities located within California.

The scoping memo and ruling sets forth the category, issues to be addressed, and schedule of the proceeding. The issues to be addressed are threefold: (1) implementing existing and new statutory requirements that are mandated or may be mandated during the course of this proceeding; (2) continuing and completing specific tasks identified in R.15-02-020 (the now-closed previous RPS docket), but not completed prior to the issuance of this new Order Instituting Rulemaking (OIR); and (3) continuing, monitoring, reviewing, and improving elements of the RPS program that have previously been put in place, including identifying additional program elements that could be developed.

The CPUC's Decision implements changes to interconnection rules for California's Bioenergy Market Adjusting Tariff (BioMAT) program in accordance with Assembly Bill 1923.

- **Analysis:** This proceeding will affect VCE's RPS compliance obligations in 2019 and thereafter. This proceeding will also impact PG&E's RPS compliance obligations and impacts on above-market costs for the PCIA calculation. Potential issues to be addressed that could impact VCE include, but are not limited to, implementing SB 100 (*i.e.*, increasing the RPS to 60% by 2030 and 100% clean energy by 2045), reviewing and revising RPS penalty rules and confidentiality rules, and potentially increasing the RPS procurement percentage for later compliance periods.
- **Next Steps:** Protests of AL 5422-E were due November 22, 2018, and the AL is effective pending final disposition. A Proposed Decision on 2018 RPS Procurement Plans is expected to be issued in December. A Ruling on 2019 RPS Procurement Plans is expected in Q2 2019. A Proposed Decision on ELCC, time of delivery factors, and project viability is expected sometime in 2019.
- **Additional Information:** [Scoping Ruling](#) (November 9, 2018); [D.18-11-004](#) on interconnection rules in the BioMAT program per AB 1923 (November 8, 2018); [AL-5422](#) on PG&E RPS transactions (November 2, 2018); [Ruling](#) on revised RPS Procurement Plans (September 19, 2018); [Order Instituting Rulemaking](#) (July 23, 2018); [R-18-07-003](#).

Integrated Resource Planning (IRP)

In November, three Rulings were issued in this proceeding: (1) a November 29, 2018 Ruling seeking comments on inputs and assumptions for development of the 2019-2020 Reference System Plan; (2) a November 16, 2018 Ruling seeking comment on policy issues and options related to reliability and overlap with the Resource Adequacy docket; and (3) a November 15, 2018 Ruling finalizing production cost modeling approach and schedule for preferred system plan development.

- **Background:** In February 2018, the CPUC established the 2017-2018 IRP filing requirements and statewide reference system plan. VCE submitted its IRP on August 1, 2018. Its next IRP filing is due May 1, 2020.

Details: The November 29, 2018 Ruling requests comments on the modeling inputs and assumptions to be used in the development of the Reference System Plan (RSP) for the 2019-2020 cycle of the Integrated Resource Planning (IRP) process, and contains two attachments with the proposed inputs and assumptions.

The November 16, 2018 Ruling requests comments about how to address emerging electricity market issues in the near-to-medium term that may affect overall electric system reliability. This Ruling addresses overlapping issues in the Resource Adequacy proceeding.

The November 15, 2018 Ruling finalizes the production cost modeling approach that CPUC Staff will use to analyze electricity resource portfolios, leading to a recommendation for a preferred system plan (PSP) for the first cycle of the IRP process. The Ruling also specifies the timeline for the modeling and analysis, leading to the PSP, as well as opportunities for comments and input.

- **Analysis:** The proceeding is now focused on addressing issues that will be relevant to VCE's 2020 IRP filing. The November 16, 2018 Ruling is likely to address issues relating to the growth of CCAs and related reliability issues. Based on LSE IRP submissions, the CPUC will now be aggregating data to inform development of the recommended Preferred System Plan described in Decision (D.) 18-02-018.
- **Next Steps:** Comments on the 2019-2020 Reference System Plan inputs (in response to the November 29, 2018 Ruling) are due December 12, 2018, with reply comments due December 19, 2018. Comments on reliability issues (in response to the November 16, 2018 Ruling) are due December 20, 2018, with reply comments due January 14, 2019. Finally, parties conducting modeling are directed to informally submit results to Staff by January 3, 2019, with a workshop on production cost modeling scheduled for January 7, 2019, a Ruling seeking comments issued on January 11, 2019, comments in response to the Ruling due January 31, 2019, reply comments due February 11, 2019, and a proposed decision issued in March 2019.
- **Additional Information:** [Ruling](#) seeking comments on 2019-2020 Reference System Plan (November 29, 2018); [Ruling](#) seeking comments on reliability issues (November 16, 2018); [Ruling](#) finalizing production cost modeling approach and schedule (November 15, 2018); [Staff Proposal](#) for incorporating energy efficiency into the IRP process (September 18, 2018); [VCE's 2018 IRP](#) (August 1, 2018); [Ruling](#) adopting final load forecasts and GHG reduction benchmarks (June 18, 2018); [Ruling](#) adopting GHG accounting method and benchmarks (May 25, 2018); [D.18-02-018](#) adopting IRP reference plan and load-serving entity requirements (February 13, 2018); Docket No. [R.16-02-007](#).

Tree Mortality Nonbypassable Charge (NBC)

On November 8, 2018, the CPUC issued a Proposed Decision (PD) establishing a methodology for calculating a non-bypassable charge that will collect revenue to pay for certain biomass energy procurement by utilities including PG&E.

- **Background:** On November 14, 2016, PG&E, SCE, and SDG&E filed an application seeking a "Tree Mortality Non-Bypassable Charge," and proposed cost recovery through the Public Purpose Program Charge. The utilities asserted that SB 859 (2016) required these costs be

allocated to all customers, including unbundled customers. The utilities defined the costs to be allocated as net costs factoring in all contract costs net of energy, ancillary service, and renewable energy credit values.

- **Details:** The PD establishes that the non-bypassable charge will recover the net costs to the utilities of the tree mortality-related biomass energy procurement, *i.e.*, excluding revenue received by the utilities through sales of energy and ancillary services and the value of Renewable Energy Certificates related to the procurement. The non-bypassable charge will be collected through each utility's Public Purpose Program Charge.
- **Analysis:** If adopted, the PD will result in additional costs being recovered through the Public Purpose Program Charge from CCA and bundled customers.
- **Next Steps:** Comments on the PD were due November 28, 2018, and reply comments were due December 3, 2018. The PD may be heard, at the earliest, at the CPUC's December 13, 2018, Business Meeting.
- **Additional Information:** [Proposed Decision](#) (November 8, 2018); [Scoping Memo and Ruling](#) establishing the scope and procedural schedule (May 30, 2018); [Ruling](#) denying CalCCA's Motion to include consolidated cost recovery in the scope of this proceeding (March 14, 2018); Docket No. [A.16-11-005](#).

PG&E Rate Design Window (RDW)

On November 7, 2018, the judges filed a Proposed Decision (PD) in Phase IIA of the proceeding, primarily addressing SDG&E's residential default time-of-use rate design proposal and transition implementation.

- **Background:** The IOUs' RDW applications have been consolidated into one proceeding. This proceeding is divided into three phases, with the second phase further bifurcated. A May 2018 [Phase I Decision](#) granted PG&E approval to begin transitioning eligible residential customers to TOU rates beginning in October 2020.

The proceeding is now focused on [Phase II](#), which is considering the IOUs' specific rate design proposals for default TOU and other rate options, as well as implementation issues for default TOU. With respect to PG&E, [Phase IIA](#) is focused on PG&E's proposal to restructure the CARE discounts into a single line item percentage discount to the customer's total bill, and [Phase IIB](#) is addressing its rate design proposals and implementation, including a number of issues impacting CCA customers (*e.g.*, PG&E's CCA rate comparison tool and TOU rate design roll out to CCA customers).

[Phase III](#) will consider the IOUs' proposals for fixed charges and/or minimum bills. PG&E proposed raising its minimum bill from \$10/month to \$15/month and implementing a fixed charge beginning at \$3.70/month in the first year and rising to \$7.40/month in the second year.

- **Details:** The PD resolves Phase IIA issues. It primarily addresses SDG&E's proposed default TOU rate and plan to transition customers. However, the PD also adopts proposals from PG&E and SCE to transition their discounted programs (CARE for PG&E and CARE and Family Electric Rate Assistance for SCE) to provide a percentage-based bill discount in place of the current practice of establishing separate tariffs with discounted rates for these customers. PG&E's and SCE's additional rate design proposals and implementation issues related to their transitions to default TOU rates, which are set to begin in October 2020, will be considered in a subsequent phase of this proceeding.

The PD adopts SDG&E's proposed default TOU rate – a three-period tiered TOU rate (peak, off-peak, super off-peak) – and a proposed separate tiered two-period TOU rate (peak, off-peak) as an alternative to the default TOU rate. The three-period TOU rate would have a 4-9 p.m. on-peak period for all days of the year, a super off-peak period of midnight-2 p.m. on weekends and holidays, and a weekday super off-peak period of midnight - 6 a.m. with an added super off-peak

period from 10 a.m. - 2 p.m. during March and April. The two-period rate would have a year-round on-peak period of 4-9 p.m. for both weekdays and weekends, and an off-peak period covering all other hours. It features milder peak and off-peak rate differentials than the three-period rate.

- **Analysis:** This proceeding will impact the timing, details, and implementation of residential TOU rates for bundled PG&E customers as well as VCE customers via rate design changes to the distribution component of customer bills. It could affect the level of VCE's rates compared to PG&E's, and to the extent VCE mirrors PG&E's residential rate design, lead to changes in the way VCE structures its residential rates.
- **Next Steps:** Comments on the Phase IIA PD were due November 27, 2018, replies were due December 3, 2018. The PD may be adopted, at the earliest, at the CPUC's December 13, 2018, meeting. In Phase IIB, ORA and intervenor testimony were due October 26 and rebuttal testimony is due December 7. A Phase IIB Decision is expected in July 2019. There are no Phase III procedural deadlines scheduled until March 2019.
- **Additional Information:** [Phase IIA Proposed Decision](#) (November 7, 2018); [Ruling](#) requesting supplemental testimony on GHG reduction cost estimates (August 17, 2018); [PG&E Supplemental Testimony](#) (August 17, 2018); [Ruling](#) clarifying scope (July 31, 2018); [D.18-05-011](#) (Phase I) on the timing of a transition to default TOU rates (May 17, 2018); [Amended Scoping Memo](#) (April 10, 2018); PG&E Rate Design Window Application & Testimony (December 20, 2017); Docket No. [A.17-12-011](#) (consolidated).

Other Regulatory Developments

- **PG&E 2019 Rate Design Window (RDW) Application.** On November 20, 2018, PG&E filed a rate design window (RDW) [Application](#) seeking approval of **several proposed modifications to its rates for agricultural customers (A.18-11-018)**. PG&E does not propose any rate design modifications for any other customer classes. The Application was noticed in the November 21, 2018, CPUC Daily Calendar, placing the deadline for responses or protests on December 21, 2018. The filing stems from PG&E's recently completed Phase 2 rate case, where a new set of default rates (AG-A, AG-B, and AG-C) and opt-in rates (AG-RA, AG-RB, and AG-RC) were adopted to replace the legacy set of agricultural rate schedules. The associated settlement required to PG&E to file a 2019 RDW proposal seeking bill mitigation measures for "highly impacted" customers, defined as those that would see bill increases over 7% and \$100 per year. PG&E states that these new rates would replace all of the rates adopted in the 2017 GRC and consequently requests a decision on the RDW Application by April 2019 in order to implement the rates by March 2020, and avoid customer confusion (*i.e.*, by adopting the 2017 GRC rates only to have them replaced soon thereafter).
- **PG&E 2018 Energy Storage Procurement.** On November 9, 2018, the CPUC issued [Final Resolution E-4949](#) accepting PG&E's June Advice Letter (AL 5322-E) seeking approval of contracts for energy storage facilities totaling 567.5 MW resulting from an RFO it issued in response to CPUC Resolution E-4909. Resolution E-4949 was adopted in a 4-1 vote with Commissioner Rechtschaffen dissenting. Resolution E-4909 stems from the potential designation of three Calpine power plants as reliability must run (RMR) resources by the CAISO (allowing full cost-based cost recovery rather than market-based pricing). The RFO was intended to fulfill the local capacity needs underlying the RMR designations so as to avoid the need for the RMR contracts and mitigate concerns that plant retirements coupled with increased local capacity needs would create conditions for a future exercise of market power. The Final Resolution rejects a series of party protests contesting the cost-effectiveness of the proposed contracts relative to other options and the reasonableness of allowing PG&E to recover the associated costs from all ratepayers rather than just bundled ratepayers.
- **PG&E Diablo Canyon.** On November 19, 2018, the CPUC issued a [Revised Proposed Decision](#) (PD) implementing SB 1090 (2018) and modifying its January 2018 Decision ([D.18-01-022](#)) addressing planning for the retirement of the Diablo Canyon nuclear power plant and associated

funding for employee retention and community impact mitigation programs ([A.16-08-006](#)). The PD authorizes PG&E to collect an additional \$225.8 million in rates over the amounts authorized in D.18-01-022 for PG&E's employee retention and community mitigation measures associated with the plant closure. The change stems from SB 1090 (2018), which requires the CPUC to fully fund the employee retention program as proposed by PG&E in its initial application, and the community impact mitigation program (CIMP) included in the initially proposed settlement. D.18-01-006 did not permit the utility to recover CIMP costs totaling \$85 million, and cut the amount of cost recovery for the employee retention program by \$141 million from PG&E's original request. In contrast to the original PD, the revised PD provides that CIMP costs may be recovered through the nuclear decommissioning non-bypassable charge rather than base rates.

- **PG&E Commercial Electric Vehicle (EV) Rates.** On November 5, 2018, PG&E filed an [Application](#) proposing to create a new Commercial EV Charging rate class, which would include two new rate schedules ([A.18-11-003](#)). These EV schedules would feature two components, a monthly “subscription charge,” based on the customer’s maximum charging capacity, and a time-of-use volumetric rate, designed to encourage customers to charge at times of greater grid capacity and renewable generation, and lower marginal cost. Specifically, PG&E proposes a new rate, E-CEV-S, for small commercial EV (CEV) chargers. It applies to separately-metered EV charging sites with a maximum load of 100 kW. PG&E also proposes a new rate, E-CEV-L, for Large CEV charging.
- **DER Tariff Proposals.** On November 16, 2018, the CPUC issued a [Ruling](#) requesting DER tariff proposals by February 15, 2019. The DER tariff proposals are intended to provide an alternative mechanism to competitive RFOs for utilities to procure DERs to provide grid services. The request follows the addition of DER tariffs to the scope of this proceeding in a February 2018 Amended Scoping Ruling, which was followed by a workshop in August 2018. The Ruling contains a report listing responses from workshop attendees to seven questions, which include proposed definitions and design principles. A follow-up workshop on party proposals will be scheduled at a later date ([R.14-10-003](#)).