To: Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Regulatory Monitoring Report – Keyes & Fox

Date: April 8, 2021

Please find attached Keyes & Fox’s March 2021 Regulatory Memorandum dated April 1, 2021, 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 April 1, 2021
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:

- **New: Provider of Last Resort Rulemaking:** On March 25, 2021, the CPUC issued an Order Instituting Rulemaking opening this proceeding to address issues regarding the provider of last resort.

- **New: 2022-2023 Wildfire Fund Nonbypassable Charge Rulemaking:** On March 10, 2021, the CPUC issued an Order Instituting Rulemaking opening this proceeding to address the 2022 and 2023 Wildfire Fund Nonbypassable Charge amounts.

- **PG&E’s 2020 ERRA Compliance:** On March 1, 2021, PG&E filed its 2020 ERRA Compliance application. The CPUC provided notice of the application in its March 18, 2021, Daily Calendar, meaning protests and responses to the application are due April 17, 2021.

- **IRP Rulemaking:** Parties filed comments in response to the February 22, 2021 ALJ Ruling that provided the results of staff’s analysis on mid-term reliability and proposed a new 7,500 MW by 2025 procurement mandate that would be allocated across LSEs. A workshop was held on March 10, 2021, to further explain and discuss the analysis.

- **Ensuring Summer 2021 Reliability:** The CPUC approved D.21-03-056 at its meeting, directing IOUs to undertake a number of actions to decrease peak and net peak demand and increase peak and net peak supply in the summers of 2021 and 2022, with the costs of these actions generally recoverable through charges on all customers including CCA customers. The proceeding will remain open to consider additional party proposals for summer 2022. In addition, Californians for Renewable Energy; Protect Our Communities Foundation; and California Environmental Justice Alliance, Union of Concerned Scientists, and Sierra Club filed applications for rehearing of D.21-02-028, which directed IOUs to enter into contracts and file advice letters for additional resource capacity available in summer 2021.
• **RPS Rulemaking:** The ALJs issued a Ruling granting VCE’s and most other retail sellers’ requests for confidentiality related to Final 2020 RPS Procurement Plans, which were filed on February 19, 2021. On March 30, 2021, the Assigned Commissioner and Assigned ALJs issued a Ruling identifying the issues and schedule for review of the draft 2021 RPS Procurement Plan, which is due June 1, 2021.

• **RA Rulemaking (2021-2022):** Parties filed comments and reply comments in March on party proposals on Tracks 3B.1, 3B.2, and 4. The Energy Division also published its report on the 2019 resource adequacy compliance year.

• **PG&E’s Phase 2 GRC:** On March 29, 2021, PG&E filed a Motion for Adoption of Residential Rate Design Supplemental Settlement Agreement. Status updates filed in the proceeding indicate separate settlement agreements on economic development rates and commercial and industrial rates are expected to be filed soon. The CPUC issued a notice regarding the April virtual evidentiary hearing in this proceeding. PG&E also filed supplemental testimony on real-time pricing issues.

• **PG&E Regionalization Plan:** Staff held a workshop on PG&E’s updated regionalization plan on March 3, 2021.

• **PG&E’s 2019 ERRA Compliance:** On March 25, 2021, PG&E filed a Motion to reopen the record of the proceeding to correct a table in PG&E’s testimony. The Motion indicates the Joint CCAs’ do not oppose PG&E’s requested correction.

• **PCIA Rulemaking:** No updates this month. Parties filed reply comments in response to the questions provided in Attachment A of the Amended Scoping Memo and Ruling on February 5, 2021.

• **Direct Access Rulemaking:** No updates this month. On October 16, 2020, and October 26, 2020, respectively, parties filed comments and replies in response to the ALJ Ruling providing a Staff Report and recommendation to the Legislature regarding a potential additional expansion of direct access for nonresidential customers.

• **RA Rulemaking (2019-2020):** No updates this month. Two applications for rehearing remain the only outstanding items to be addressed in this proceeding, which is now closed.

• **Investigation into PG&E’s Organization, Culture and Governance:** No updates this month. On November 24, 2020, CPUC President sent a letter to PG&E indicating that she has directed CPUC staff to conduct fact-finding to determine whether to recommend that PG&E be placed into the enhanced oversight and enforcement process.

• **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.

**NEW: Provider of Last Resort Rulemaking**

On March 25, 2021, the CPUC issued an Order Instituting Rulemaking opening this proceeding to address issues regarding the provider of last resort (POLR).

• **Background:** A POLR is the utility or other entity that has the obligation to serve all customers (e.g., PG&E is currently the POLR in VCE’s territory). In 2019 the Legislature passed SB 520, which defined POLR for the first time in statute, confirmed that each IOU is the POLR in its service territory, and directed the Commission to establish a framework to allow other entities to apply and become the POLR for a specific area (a “Designated POLR”).

• **Details:** This rulemaking will implement SB 520. It provides for a two-phased rulemaking so that the POLR requirements for the current POLRs can be established prior to addressing a
framework for a Designated POLR. Phase 1 will focus on the issues necessary for a comprehensive framework for the existing POLRs (IOUs). It will address POLR service requirements, cost recovery, and options to maintain GHG emission reductions in the event of an unplanned customer migration to the POLR. Phase 2 will set rules that allow a different entity (i.e., a CCA, ESP, or a third-party) to be designated as POLR, including setting the requirements and application process. Emergent issues and cross-over issues will be considered in both phases depending on the circumstances.

- **Analysis:** This proceeding could impact VCE in several ways. First, in establishing rules for existing POLRs, it will address POLR service requirements, cost allocation, and cost recovery issues should a CCA or other LSE discontinue supplying customers resulting in the need for the POLR to step in to serve those customers. Second, in setting the requirements and application process for another entity to be designated as the POLR, it could create a pathway for a CCA or other retail provider to elect to become a POLR for its service area. The preliminary questions (Appendix B to the OIR) suggest these issues will include examining topics such as CCA financial security requirements, portfolio risk and hedging, CCA deregistration, CCA mergers, and CCA insolvency.

- **Next Steps:** Comments on the OIR are due April 26, 2021, and reply comments are due on May 10, 2021.

- **Additional Information:** [Order Instituting Rulemaking](March 25, 2021); Docket No. R.21-03-011.

**NEW: 2022-2023 Wildfire Fund Nonbypassable Charge Rulemaking**

On March 10, 2021, the CPUC issued an Order Instituting Rulemaking opening this proceeding to address the 2022 and 2023 Wildfire Fund Nonbypassable Charge amounts.

- **Background:** This rulemaking continues to implement AB 1054, which extended a nonbypassable charge on ratepayers to fund the Wildfire Fund. The CPUC issued D.20-12-024 in December 2020 that continues the Wildfire Non-Bypassable Charge (NBC) amount of $0.00580/kWh for January 1, 2021, through December 31, 2021. The NBC amount of 2022 and 2023 has not yet been established.

- **Details:** This rulemaking will determine the 2022 and 2023 Wildfire Fund Non-Bypassable Charge amount.

- **Analysis:** VCE customers will pay the 2022 and 2023 Wildfire Fund Non-Bypassable Charge amounts established in this proceeding.

- **Next Steps:** A prehearing conference, followed by the issuance of the scoping memo and ruling, is listed in the OIR as occurring in April. A proposed decision is expected in November, with the final decision in December.

- **Additional Information:** [Order Instituting Rulemaking](March 10, 2021); Docket No. R.21-03-001.

**PG&E 2020 ERRA Compliance**

On March 1, 2021, PG&E filed its 2020 ERRA Compliance application. The CPUC provided notice of the application in its March 18, 2021, Daily Calendar, meaning protests and responses to the application are due April 17, 2021.

- **Background:** The annual ERRA Compliance proceeding reviews the utility’s compliance with CPUC-approved standards for generation-procurement and cost recovery activity occurring in the preceding year, such as energy resource contract administration, least-cost dispatch, fuel procurement, and balancing account entries.
• **Details:** PG&E is requesting that the CPUC find it complied with its Bundled Procurement Plan (BPP) in the areas of fuel procurement, administration of power purchase contracts, greenhouse gas compliance instrument procurement, resource adequacy sales, and least-cost dispatch of electric generation resources for the 2020 calendar year. It also seeks a CPUC finding that it managed its utility-owned generation (UOG) facilities reasonably, although it recommends that CPUC review of outages at Diablo Canyon Power Plant related to the Unit 2 main generator be delayed to the 2021 ERRA Compliance review. Of significance to the PCIA, PG&E is requesting the CPUC find that entries in its Portfolio Allocation Balancing Account (PABA), which trues up the above-market forecast of generation resources recovered through the PCIA with actual recorded costs and revenues, are accurate.

PG&E’s procurement costs recorded across the portfolio were $158.8 million higher than forecasted, allegedly due to higher-than-forecast RPS-eligible contracts, as offset by higher than forecast retained RPS and retained RA, as well as lower than forecast fuel costs for UOG facilities. Activity recorded in the PABA includes the following categories: Revenues from Customers, RPS Activity, RA Activity, Adopted UOG Revenue Requirements, CAISO Related Charges and Revenues, Fuel Costs, Contract Costs, GHG Costs, and Miscellaneous Costs. PG&E has redacted as confidential its 2020 actual and forecast costs for these categories, so it is unclear from the public filing what the magnitude is regarding the difference between actual and forecast costs for each category.

• **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 2020. It also determines whether PG&E managed its portfolio of contracts and UOG in a reasonable manner. Both issues could impact the level of the PCIA in 2022.

• **Next Steps:** Protests and responses are due 30 days after this application was noticed in the CPUC’s daily calendar, which occurred on March 18, 2021, resulting in an April 17, 2021 deadline. PG&E has proposed a schedule that includes a prehearing conference on May 6, 2021, CalAdvocates/intervenor testimony on July 12, 2021, and proposed and final decisions issued in Q1 2022.

• **Additional Information:** [CPUC Daily Calendar Notice](March 18, 2021); Application (March 1, 2021); Docket No. A.21-03-008.

**IRP Rulemaking**

On March 26, 2021, parties filed comments in response to the February 22, 2021 ALJ Ruling that provided the results of staff’s analysis on mid-term reliability and proposed a new 7,500 MW by 2025 procurement mandate that would be allocated across LSEs. A workshop was held on March 10, 2021, to further explain and discuss the analysis.

• **Background:** 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 September 24 Scoping Memo and Ruling clarifies that the issues planned to be resolved in this proceeding are organized into the following tracks:

- **General IRP oversight issues:** This track will consider moving from a two-year to a three-year IRP cycle, IRP filing requirements, and interagency work implementing SB 100.

- **Procurement track:** The CPUC is examining LSE plans to replace Diablo Canyon capacity and has conducted an overall assessment and gap analysis to inform a procurement order that could direct LSEs to procure additional capacity (see February 22 Ruling described below). Other issues to be addressed in this track include (1) evaluation of development needs for long-duration storage, out-of-state wind, offshore wind, geothermal, and other resources with long development lead times; (2) local reliability
needs; and (3) analysis of the need for specific natural gas plants in local areas. Additional procurement requirements may also be considered.

- **Preferred System Portfolio Development:** The CPUC will aggregate LSE portfolios, analyze the aggregate portfolio, and adopt a PSP.

- **TPP:** Completed. D.21-02-028 transmitted portfolios to the CAISO for use in its TPP analysis.

- **Reference System Portfolio Development:** To the extent that a new round of RSP analysis is conducted for the next IRP cycle, this proceeding will be the venue for developing and vetting the resource assumptions associated with that analysis in preparation for the next IRP cycle.

D.20-12-044 established a backstop procurement process that would apply to LSEs that did not opt-out of self-procuring their capacity obligations under D.19-11-016. It requires LSEs to file bi-annual (due February 1 and August 1) updates of their procurement progress relative to the contractual and procurement milestones defined in the decision. After review of the compliance filings, CPUC Staff will bring a Resolution before the Commission specifying the amount of backstop procurement required for a particular IOU on behalf of each LSE for each procurement tranche (2021, 2022, and 2023).

**Details:** The February 22 Ruling presents the results of analysis by Commission staff of the need for electric system reliability resources out to 2026, taking into consideration both the reliability issues experienced in August 2020 as well as the forthcoming retirement of Diablo Canyon. The Ruling proposes mandating that LSEs procure an additional 7,500 MW of effective capacity by 2025. Of that total, at least 1,000 MW would be required to come from geothermal resources and 1,000 MW would be required to come from long-duration storage (defined as providing 8 hours of storage or more). The Ruling would allocate individual LSE procurement requirements by calculating each LSE’s load and resource balance for each year through 2026 to determine their resource shortfall, if any, and then apportioning their responsibility for the overall procurement need based on that shortfall relative to that of the other LSEs (as reported in the LSE’s 2020 IRP, which is based on an LSE’s existing resources and those in development as of June 30, 2020). All LSEs would be required to procure their share of additional resources (i.e., there is no option for LSEs to opt-out and have the IOUs procure on their behalf, for example), and there would be a noncompliance penalty set at the cost of new entry (CONE), plus the LSE would be responsible for the costs of backstop procurement. For compliance purposes, eligible resources would be those that are contracted and approved by VCE’s board after June 30, 2020. However, a compliant resource may not also be used to satisfy an LSE’s procurement obligation under D.19-11-016.

**Analysis:** The Ruling’s proposal for a new 7,500 MW by 2025 procurement mandate could impose a new procurement obligation and associated compliance obligations on VCE, including procurement of long-duration storage and geothermal resources. D.21-02-028 could impact future transmission development and access to and availability of new resources.

**Next Steps:** The schedule is as follows:

- **General IRP oversight issues:** A Proposed Decision on moving from two-year to three-year IRP cycle is anticipated to be issued soon.

- **Procurement track:** Reply comments on the February 22 Ruling proposing a 7,500 MW by 2025 procurement mandate are due April 9, 2021.

- **Preferred System Portfolio Development:** A workshop on a reconciled portfolio aggregation of all LSE IRPs is anticipated for Q1 2021.

**Additional Information:** Ruling on staff reliability analysis and 7,500 MW by 2025 procurement mandate (February 22, 2021); D.21-02-028 recommending portfolios for CAISO’s 2021-2022 TPP (February 17, 2021); D.20-12-044 establishing a backstop procurement process (December 22, 2020); Ruling requesting comments on IRP evaluation (December 8, 2020); Ruling providing Staff
Proposal on resource procurement framework (November 19, 2020); Email Ruling requesting comments on individual LSE IRPs (October 9, 2020); Scoping Memo and Ruling (September 24, 2020); 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); Docket No. R.20-05-003.

Ensuring Summer 2021 Reliability

On March 25, 2021, the CPUC approved D.21-03-056 at its meeting, directing IOUs to undertake a number of actions to decrease peak and net peak demand and increase peak and net peak supply in the summers of 2021 and 2022, with the costs of these actions generally recoverable through charges on all customers including CCA customers. The proceeding will remain open to consider additional party proposals for summer 2022. In addition, California Environmental Justice Alliance, Union of Concerned Scientists, Sierra Club filed an application for rehearing of D.21-02-028, which directed IOUs to enter into contracts and file advice letters for additional resource capacity available in summer 2021, on March 12, 2021, and CALifornians for Renewable Energy and Protect Our Communities Foundation filed applications for rehearing of D.21-02-028 on March 19, 2021.

- **Background:** CAISO experienced rolling blackouts (Stage 3 Emergency) on August 14, 2020 and August 15, 2020 when a heatwave struck the Western U.S. and there was insufficient available supply to meet high demand. The OIR was issued to ensure reliable electric service in the event that an extreme heat storm occurs in the summer of 2021.

  The Scoping Memo and Ruling identified two primary issues as in scope: how to (1) increase energy supply and (2) decrease demand during the peak demand and net demand peak hours in the event that a heat storm similar to the August 2020 storm occurs in the summer of 2021.

  VCE’s opening testimony provided its proposal for an Agricultural AutoDR Demand Flexibility Pilot, which could made available to customers on irrigation pumping tariffs.

- **Details:** D.21-03-056 institutes modifications to the planning reserve margin (PRM), effectively increasing the PRM beginning summer 2021 from 15% to 17.5%. All LSEs would continue to meet their 15% system RA PRM requirement, and the IOUs only would be directed to target a minimum of 2.5% of incremental resources that are available at net peak. For 2021, this results in a minimum target of 450 MW for PG&E, 450 MW for SCE, and 100 MW for SDG&E. The net costs associated with this incremental procurement would be shared by all customers (including CCA customers) in each IOU’s service territory.

  It also authorizes the IOUs to implement a Flex Alert paid media campaign program to encourage ratepayers to voluntarily reduce demand during moments of a stressed grid and adopts modifications and expansions to the Critical Peak Pricing (CPP) program, to be in place for the summer of 2021. It directs PG&E, SCE, and SDG&E to host a workshop on non-IOU CPP programs by April 7, 2021, to facilitate a peer knowledge exchange on the topic for summer 2021, identify barriers and solutions to non-IOU LSE program expansion, and consider alternative ways for IOUs and CCAs to coordinate to encourage CCA customer participation in other load shedding programs. The CPUC strongly encourages CCAs and ESPs to take steps to launch or expand existing non-IOU CPP programs by summer 2021 and 2022.

  D.21-03-056 also establishes an Emergency Load Reduction Program (ELRP) to provide emergency load reduction and serve as an insurance policy against the need for future rotating outages. The initial duration of the ELRP pilot program would be five years, 2021-2025. After-the-fact pay-for-performance would be made at a prefixed energy-only ELRP Compensation Rate ($1,000/MWh for up to an annual 60-hour limit) applied to incremental load reduction. For PG&E, the budget caps are $3.9 million for administration and $28.6 million for customer compensation.

- **Analysis:** D.21-03-056 directs PG&E to undertake a number of actions to reduce demand and increase supply in the summer of 2021 that will result in cost increases for all customers, including VCE customers. It did not address VCE’s proposed Agricultural AutoDR Demand
Flexibility Pilot, but the proceeding was kept open to consider proposals for summer 2022 and it included revised language on CCA and IOU coordination to encourage CCA customer participation in load shedding programs. In addition, the decision directs VCE and other LSEs to make a compliance filing on April 15 regarding RA during July, August, and September 2021.

- **Next Steps:** A workshop will be hosted by IOUs by April 7, 2021, as directed by D.21-03-056. All LSEs are required to provide Energy Division non-binding month-ahead RA filings for July, August and September no later than April 15, 2021.

- **Additional Information:** D.21-03-056 (approved March 25, 2021); Califormians for Renewable Energy Application for Rehearing of D.21-02-028 (March 19, 2021); Protect Our Communities Foundation Application for Rehearing of D.21-02-028 (March 19, 2021); California Environmental Justice Alliance, Union of Concerned Scientists, and Sierra Club Application for Rehearing of D.21-02-028 (March 12, 2021); D.21-02-028 directing IOUs to seek additional capacity for summer 2021 (February 17, 2021); PG&E AL 6089-E and AL 6088-E on summer 2021 capacity procurement (February 16, 2021) Assigned Commissioner's Ruling directing IOU contracts for additional capacity (December 28, 2020); PG&E Application for Rehearing of D.21-02-028 (March 19, 2021); California Environmental Justice Alliance, Union of Concerned Scientists, and Sierra Club Application for Rehearing of D.21-02-028 (March 12, 2021); ALJ Ruling and Staff Proposal (December 18, 2020); Order Instituting Rulemaking (November 20, 2020); Docket No. R.20-11-003.

**RPS Rulemaking**

On March 22, 2021, the ALJs issued a Ruling granting VCE’s and most other retail sellers’ requests for confidentiality related to Final 2020 RPS Procurement Plans, which were filed on February 19, 2021. On March 30, 2021, the Assigned Commissioner and Assigned ALJs issued a Ruling identifying the issues and schedule for review of the draft 2021 RPS Procurement Plan.


Staff's Proposed Framework for integrating RPS Procurement Plan requirements into the IRP proceeding uses a two-phased approach that makes a relatively minor change to RPS reporting in the current IRP cycle, while fully integrating all elements of RPS Procurement Plans into the next IRP cycle, proposed to commence in the 2023 calendar year (instead of 2022, under the current two-year cycle, although the issue of a two-year versus three-year cycle is not discussed). D.21-01-005, issued in January 2021, praised VCE’s draft 2020 RPS Procurement Plan, pointing to it as a “best example” or “best practice” in seven sections of the Plan for other LSEs to emulate in their updates. D.21-01-005 also identified several areas for VCE and most other LSEs to update or modify in its Final 2020 RPS Procurement Plan, which VCE completed through its February 19, 2021 submission.

- **Details:** The March 30 Ruling sets a June 1, 2021, deadline for retail sellers to submit their draft 2021 RPS Procurement Plans and establishes a schedule for the Commission’s review of these plans. This Ruling follows the format of past Rulings initiating the annual RPS procurement process, with refinements to incorporate lessons learned from previous RPS Plan submissions and the changes due to the current market and regulatory conditions.

The March 22 Ruling granting the confidentiality requests was procedural in nature and did not contain additional substantive provisions or proposals.

A Joint Petition for Modification of D.13-05-034, filed by PG&E, SCE, and SDG&E in February, is currently pending in an old RPS Rulemaking (R.11-05-005). If the petition is granted, VCE customers would have to pay for Renewable Market Adjusting Tariff (ReMAT) contracts that PG&E enters into through the non-bypassable Public Policy Program (PPP) charge, whereas currently only bundled PG&E customers pay these costs.
• **Analysis:** The submission of the Final 2020 RPS Procurement Plan completes the 2020 RPS Plan process. Based on prior years, the ALJ is expected to issue a ruling in spring of 2021 that provides the requirements for the 2021 RPS Procurement Plan, which is expected to be due this summer. The 2020 RPS Compliance Report will be due August 1, 2021.

Other issues to be addressed in this proceeding could further impact future RPS compliance obligations, as well as cost recovery related to utility RPS-related procurements.

• **Next Steps:** A PD aligning RPS and IRP filings is anticipated to be issued soon, followed by an opportunity for comments and reply comments. The 2021 RPS Procurement Plan is due June 1, 2021, and the 2020 RPS Compliance Report is due August 1, 2021. Energy Division Staff will also hold a webinar to discuss any outstanding questions from retail sellers related to the templates and 2021 RPS Procurement Plans requirements by May 10, 2021. Comments on the draft 2021 RPS Procurement Plans are due July 1, 2021.

• **Additional Information:** Ruling establishing issues and schedule for 2021 RPS Procurement Plans (March 30, 2021); Joint Petition for Modification of D.13-05-034 (February 11, 2021); D.21-01-005 directing retail sellers to file final 2020 RPS Procurement Plans (January 20, 2021); Order Granting Rehearing of D.17-08-021 (November 23, 2020); D.20-10-005 resuming and modifying the ReMAT program (October 16, 2020); D.20-09-022 on new CCA 2019 RPS Procurement Plans (approved at CPUC’s September 24, 2020 meeting); Ruling on Staff proposal aligning RPS/IRP filings (September 18, 2020); D.20-08-043 resuming and modifying the BioMAT program (September 1, 2020); VCE Motion to Update its 2020 RPS Procurement Plan (August 12, 2020); Assigned Commissioner Ruling (ACR) establishing 2020 RPS Procurement Plan requirements (May 6, 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); D.19-02-007 (February 28, 2019); Scoping Ruling (November 9, 2018); Docket No. R.18-07-003.

**RA Rulemaking (2021-2022)**

Parties filed comments and reply comments in March on Track 3B.1, 3B.2, and 4 proposals. The Energy Division published its 2019 report on resource adequacy on March 16, 2021.

• **Background:** This proceeding is divided into 4 tracks. The first two tracks have concluded, and the proceeding is now focused on Track 3B.1, 3B.2, and Track 4 issues, described in more detail below. Track 3B.1 is considering incentives for LSEs that are deficient in year-ahead RA filings, refinements to the MCC buckets adopted in D.20-06-031, and other time-sensitive issues. Track 3B.2 includes examination of the broader RA capacity structure to address energy attributes and hourly capacity requirements. Track 4 is considering the 2022 program year requirements for System and Flexible RA, and the 2022-2024 Local RA requirements.

D.20-12-006 addressed the issues of the financial credit mechanism and competitive neutrality rules for the CPEs. It approved CalCCA’s proposed “Option 2,” with modifications, which allows the CPE to evaluate the shown resource alongside bid resources to assess the effectiveness of the portfolio. The financial credit mechanism will apply only to new preferred or energy storage resources (i.e., non-fossil-based resources) with a contract executed on or after June 17, 2020. It also adopted PG&E’s competitive neutrality proposal for PG&E’s service territory. Finally, D.20-12-006 found that the Local Capacity Requirements Working Group should continue to discuss recommendations and develop solutions for consideration in CAISO’s 2022 LCR process.

• **Details:** According to the 2019 Resource Adequacy report, in 2019, CPUC-jurisdictional LSEs were deficient by 288 MW in meeting their peak load RA obligations. The RA obligation for September totaled 47,882 MW and LSEs collectively procured 47,594 MW. However, the actual peak load occurred in August 2019. The actual peak load for CAISO’s Balancing Authority Area was 44,148 MW and occurred at 6 pm on August 15, 2019. In total, the Commission issued 10 citations for violations related to compliance year 2019 for a total of $9.6 million.
Analysis: Regulatory developments under consideration in this proceeding could have a significant impact on VCE’s capacity procurement obligations and RA compliance filing requirements. A broad array of changes to the RA construct are under consideration, including the consideration of hourly capacity requirements in light of the increasing deployment 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; and Marginal ELCC counting conventions for solar (including removal of RA value for solar-only resources for projects with CODs after December 31, 2020 that are not under contract as of the date of the Track 4 decision), wind and hybrid resources. The resolution of these issues could impact the extent to which VCE is permitted to rely on use-limited resources such as solar and wind to meet its RA obligations, the amount of RA that is credited to these types of resources, and what penalties (and waivers) would apply should there be a deficiency in meeting an RA requirement.

Next Steps: One or more proposed decisions on Tracks 3B.1, 3B.2, and 4 are anticipated to be issued in May 2021.

Additional Information: 2019 Resource Adequacy Report (March 19, 2021); Ruling providing Energy Division’s Track 3B.2 proposal (March 17, 2021); Ruling providing Energy Division’s Track 4 proposal (February 1, 2021); Scoping Memo and Ruling for Track 3B and Track 4 (December 11, 2020); D.20-12-006 on Track 3A issues (December 4, 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); 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.

PG&E’s Phase 2 GRC

On March 29, 2021, PG&E filed a Motion for Adoption of Residential Rate Design Supplemental Settlement Agreement. Status updates filed in the proceeding indicate separate settlement agreements on economic development rates and commercial and industrial rates are also expected to be filed soon. On March 25, 2021, the CPUC issued a notice regarding the April virtual evidentiary hearing in this proceeding. PG&E also filed supplemental testimony on real-time pricing (RTP) issues on March 29, 2021.

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.

Joint CCAs’ testimony recommended that:
- PG&E present class- and vintage-specific PCIA rates on individual rate schedules, consistent with other NBCs for both bundled and unbundled customers.
- The CPUC not allow PG&E to offer Economic Development Rate Generation rates below PG&E’s Marginal Generation Cost of Service.
- PG&E’s E-ELEC offering should be analyzed further and refined in a proceeding that allows more detailed consideration in rate making.
- The Commission adopt PG&E’s proposal regarding minimum time-of-use rates such that no proposed retail rate is below the PCIA.

**Details:** As of the date of this memo, the details of the anticipated settlement agreements had not been made public, except for those related to the Residential Rate Design Supplemental Settlement Agreement filed March 29, 2021. The Residential Rate Design Supplemental Settlement Agreement resolves all residential rate design issues in the proceeding, including:

- The PCIA will be identified for bundled customers as a flat rate (not differentiated by season or TOU period).
- PG&E’s proposal for tiered rate levels for Schedule E-1 should be approved.
- PG&E’s proposal to keep the Schedule E-TOU-C (i.e., default residential TOU rate) peak versus off-peak price differentials at their current levels until 12 months after the last cohort of PG&E’s customers are migrated to default TOU rates should be approved, and future changes over the following three years are specified in the Settlement Agreement.
- PG&E’s Schedule E-ELEC should be approved, with the fixed charge set at $15 per customer per month. Since this new E-ELEC rate requires structural changes to PG&E’s billing system, PG&E anticipates that it would take at least twelve months after a final decision is issued in this proceeding before it could be programmed, tested, and implemented.
- PG&E will host two workshops to discuss the collection of key information regarding customers who engage in electrification efforts, and the data collected will be provided to interested stakeholders and the Commission as part of a formal Measurement and Evaluation (M&E) study.
- Within one year after a final decision is issued in PG&E’s 2020 GRC Phase II proceeding, PG&E will conduct a workshop on the topic of the treatment of net energy metering customer load in baseline quantity calculations.

PG&E’s March 29, 2021 supplemental testimony provides the policy background and context for PG&E’s proposal for an opt-in RTP pilot for Commercial and Industrial (C&I) customers, and proposed dynamic pricing rate design and preferences research for the Residential and Agricultural customer classes. PG&E anticipates the C&I RTP Pilot rate would be available by the summer of 2023 and proposes a pilot duration of 24 months. PG&E also proposes to conduct rate design and preferences research and further benchmarking for the Agricultural and Residential customer classes, asserting it is premature to propose RTP rates for these customers and that more information is needed regarding Agricultural and Residential customer interest and ability to respond to an RTP rate versus other dynamic rate structures.

**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, though the JCCAs recommend in testimony that more transparency be reflected in utility tariffs. However, it will affect the allocation of PG&E’s revenue 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 could increase the cost VCE pays to PG&E for various services, to the extent VCE uses these services.
• **Next Steps:** Intervenor responsive testimony regarding RTP issues is due May 28, 2021, and rebuttal testimony is due July 30, 2021. An evidentiary hearing on non-RTP issues is scheduled for April 8-22, 2021, and the evidentiary hearing on RTP issues will occur in September 2021. Opening and reply briefs, respectively, on non-RTP issues are due May 20, 2021, and June 10, 2021. A CPUC decision on non-RTP issues is anticipated for October 2021, and a decision on RTP issues is anticipated in May 2022.

• **Additional Information:** Motion to adopt residential rate design settlement (March 29, 2021); Notice of Virtual Evidentiary Hearing (March 25, 2021); Scoping Memo and Ruling (February 16, 2021); Ruling bifurcating RTP issues into separate track (February 2, 2021); PG&E Status Report (December 18, 2020); D.20-09-021 on EUS budget (September 28, 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**

Staff held a workshop on PG&E’s updated regionalization plan on March 3, 2021.

• **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. 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.

In August, parties filed protests and responses to PG&E’s application. Of note, 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. In addition, 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).

• **Details:** PG&E submitted its updated regionalization proposal on February 26, 2021. In response to feedback, PG&E modified its five regions (renamed North Coast, North Valley & Sierra, Bay Area, South Bay & Central Coast, and Central Valley), including moving Yolo County from Region 1 to Region 2 (North Valley & Sierra), where it would be grouped together with the following counties: Colusa, El Dorado, Glenn, Lassen, Nevada, Placer, Plumas, Sacramento, Shasta, Sierra, Solano, Sutter, Tehama, and Yuba. PG&E also provided more information on the new leadership positions that it is creating and its “Lean Operating System” implementation. Currently, PG&E is in Phase 1 of 3 of its regionalization plan, which is focused on refining regional
boundaries, establishing roles and governance for regional leadership, and recruiting and hiring for those positions. In Phase 2 (second half of 2021 through 2022), PG&E will establish and implement the regional boundaries and provide the resources and staffing to support it. In Phase 3 (2023 and after), PG&E will continue to reassess, refine and collaborate with other functional groups to improve efficiencies, safety, reliability and customer service.

- **Analysis:** The implications of PG&E’s regionalization plan on CCA operations, customers, and costs are largely unclear based on the information presented in PG&E’s application and updated 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. It could also impact municipalization efforts, although this issue has not been explicitly addressed and remains unclear at this time. As part of Region 2, VCE would be grouped with several northern counties in central and eastern California.

- **Next Steps:** Comments on PG&E’s updated regionalization plan are due April 2, 2021, and reply comments are due April 9, 2021. PG&E must engage its Regional Vice Presidents and Regional Safety Directors by June 1, 2021.

- **Additional Information:** [PG&E Updated Regionalization Proposal](February 26, 2021); [Ruling modifying procedural schedule](December 23, 2020); [Scoping Memo and Ruling](October 2, 2020); [Application](June 30, 2020); A.20-06-011.

**PG&E’s 2019 ERRA Compliance**

On March 25, 2021, PG&E filed a Motion to reopen the record of the proceeding to correct a table in PG&E’s testimony.

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

The Joint CCAs’ testimony identified $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 stated it will make all but $33.6 million of those adjustments as part of its August 2020 accounting close.

On October 22, 2020, PG&E, Joint CCAs, and Cal Advocates filed a Joint Motion to Adopt Settlement Agreement. The Settlement Agreement resolves all but two of the disputed issues in Phase I of the proceeding. PG&E agreed with certain accounting errors identified by the Joint CCAs. PG&E also committed to provide additional, specific information requested by the Joint CCAs simultaneous with its ERRA Compliance applications and simplify the presentation of that information, resolving the Joint CCAs concern with transparency of the PG&E data supporting entries to the ERRA, PABA and related balancing accounts. PG&E and the Joint CCAs agreed to engage in discussions about the approach to Resource Adequacy solicitations governed by Appendix S of PG&E’s 2014 Bundled Procurement Plan. Finally, PG&E agreed to rebill all commercial and industrial CCA customers assigned an incorrect vintage.

- **Details:** The sole purpose of PG&E’s March 25, 2021 Motion is to correct an error in one table in PG&E’s prepared testimony. PG&E reported the 2019 PG&E gas deliveries by facility or tolling agreement but did not state the total costs. (The specific updates are redacted, so the magnitude
of the impact of the changes is unclear based on the public version of the filing.) The Joint CCAs have indicated that they do not opposed PG&E’s requested correction.

- **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. The two remaining issues not covered by the Settlement Agreement are (1) the request in PG&E’s rebuttal testimony to reverse the $92.9 million adjustment it made in response to D.20-02-047 to its PABA regarding the amount of RPS energy the utility retained to serve its bundled customers in 2019; and (2) the utility’s decision not to re-vintage four RPS contracts renegotiated during 2019.

- **Next Steps:** A proposed decision is anticipated to be issued soon. The schedule for Phase II of this proceeding has not been issued yet.

- **Additional Information:** PG&E Motion to update table (March 25, 2021); Joint Motion to Adopt Settlement Agreement (October 22, 2020); Ruling modifying extending deadline for briefs and reply briefs (October 12, 2020); 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.

### PCIA Rulemaking

No updates this month. Parties filed reply comments in response to the questions provided in Attachment A of the Amended Scoping Memo and Ruling on February 5, 2021.

- **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. 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 requested changes to the calculations for applying line losses in the PCIA calculations. First, the Joint IOUs argued that the current formula incorrectly applies line loss adjustments to the RA component of the PCIA calculation. Second, the Joint IOUs argued 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.

Phase 2 relied 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.

D.20-08-004, in response to the recommendations of Working Group 2, (1) adopted the consensus framework of PCIA prepayment agreements; (2) adopted the consensus guiding principles, except for one principle regarding partial payments; (3) adopted evaluation criteria for prepayment agreements; (4) did not adopt any proposed prepayment concepts; and (5) clarified 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.

The CPUC has not yet issued a Proposed Decision regarding Working Group 3.

- **Details:** The Amended Scoping Memo and Ruling added four issues to the scope of Phase 2 of this proceeding. CalCCA, direct access providers, CalAdvocates, TURN, and the utilities responded, as follows:
Should the Commission remove or modify the PCIA cap? No party opposed removing the rate cap.

Should the Commission modify deadlines or requirements of ERRA and PCIA related submittals and reports in order to increase time for parties to review PCIA data and to facilitate timely implementation of decisions in the ERRA proceedings? CalCCA and the utilities proposed competing modifications to allow more time for the ERRA forecast proceeding.

Should the Commission adopt a methodology for crediting or charging customers who depart from the utility service during an amortization period and who are responsible for a balance in the PCIA Undercollection Balancing Account, the Energy Resource Recovery Account, or any other bundled generation account? Both CalCCA and the utilities agreed such a mechanism should be developed, and both pointed to existing practices providing for such credits or charges.

Should the Commission consider any other changes necessary to ensure efficient implementation of PCIA issues within ERRA proceedings? The utilities proposed a netting treatment used by SCE be adopted more broadly to avoid recurring ERRA trigger filings as well as the development of a REC tracking framework to track Retained RPS on a going-forward basis. CalCCA recommended the development of a non-docket specific non-disclosure agreement to increase transparency and, in turn, CCAs' ability to forecast where the PCIA is heading based on utility-specific (and currently confidential) data.

• **Analysis:** The issues added to the scope of this proceeding include the possibility of eliminating the PCIA cap, while increasing transparency and data access that could facilitate the review of the PCIA rates in ERRA forecast proceedings.

• **Next Steps:** A PD is anticipated to be issued in Q2 2021.

• **Additional Information:** Amended Scoping Memo and Ruling (December 16, 2020); CalCCA/DACC/AReM Protest of PG&E AL 5973-E (November 2, 2020); PG&E AL 5973-E (October 12, 2020); CalCCA/DACC Response to Joint IOU AL on D.20-03-019 (September 21, 2020); 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.

**Direct Access Rulemaking**

No updates this month. On October 16, 2020, and October 26, 2020, respectively, parties filed comments and replies in response to the ALJ Ruling providing a Staff Report and recommendation to the Legislature regarding a potential additional expansion of direct access (DA) for nonresidential customers.

• **Background:** In Phase 1 of this proceeding, the CPUC allocated the additional 4,000 GWh of direct access load required by SB 237 (2018, Hertzberg) among the three IOU territories with implementation to begin January 1, 2021.

In Phase 2, the CPUC is addressing 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 September 28, 2020 Ruling attached a Staff Report constituting the draft CPUC recommendations to the Legislature required by SB 237. The Staff Report recommends that the Legislature:
  
  - Not make a determination as to whether to further expand DA until at least 2024, after the conclusion of the 2021-24 RPS compliance period and the fulfillment of procurement ordered by D.19-11-016.
  
  - Condition any further DA expansion on the performance of Energy Service Providers (ESPs) with respect to IRP, RPS and RA requirements through 2024.
  
  - Make any further DA expansion in increments of 10% of nonresidential load per year, conditioned on ESP ongoing compliance with IRP, RPS and RA requirements.
  
  - “[C]onsider the CPUC’s authority in allowing CCAs to recover the costs of investments that are stranded because of unforeseen load departure to address these potential impacts.”
  
  - “Amend P.U. Code Section 949.25 to provide the CPUC with the authority to revoke ESP licenses and CCA registration for repeated non-compliance with [RA], RPS or IRP requirements.”

CalCCA’s comments argued that the CPUC should add a condition for reopening DA that will foster attainment of state goals and ensure competitive neutrality for all LSEs. CalCCA recommended establishing a Phase 3, Track 1 process for further development of DA reopening conditions, including competitively neutral switching rules, rules governing CCA stranded cost recovery, clear compliance metrics, and ESP transparency measures. Furthermore, CalCCA recommended establishing a Phase 3, Track 2 to be implemented following the issuance of 2021-2024 Renewable Portfolio Standard (RPS) compliance reports to assess readiness for DA reopening.

ESPs argued against delaying a Legislative determination on further DA reopening, for a faster pace of DA reopening, and that access to additional load should depend on the compliance of each ESP, rather than compliance of all ESPs. Both DA advocates and IOUs opposed stranded asset recovery by CCAs.

- **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. The Staff report recognizes this concern and recommends that if DA is further expanded, the Legislature consider permitting CCAs to recover stranded costs from departing DA customers. The Staff report also recommends the Legislature amend the statute to allow the CPUC to revoke both ESP licenses and CCA registration for repeated non-compliance of RA, RPS, or IRP requirements.

- **Next Steps:** A proposed decision is anticipated to be issued next.

- **Additional Information:** [Ruling](#) and [Staff Report](#) (September 28, 2020); [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.

**RA Rulemaking (2019-2020)**
No updates this month. Two applications for rehearing remain the only outstanding items to be addressed in this proceeding, which is now closed.

- **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 creditling 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 October 30, 2019, CalCCA filed a PFM of D.19-06-026, seeking the creation of an RA waiver process in 2020 for system and flexible RA obligations.

**Details:** The only two remaining items to be addressed in this proceeding are two applications for rehearing filed by Western Power Trading Forum (WPTF). First, on July 17, 2020, WPTF filed an 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.

Second, on August 5, 2020, WPTF filed an Application for Rehearing of D.20-06-028 with respect to 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 most directly impacted LSEs relying on RA imports to meet their RA obligations by increasing the difficulty of procuring such RA in the future.

• **Next Steps:** The only issues remaining to be addressed in this proceeding are WPTF’s Applications for Rehearing. Remaining RA issues will be addressed in the successor RA rulemaking, R.19-11-009.

• **Additional Information:** D.20-09-003 denying PFMs filed by PG&E, CalCCA, and Joint Parties (September 16, 2020); WPTF’s Application for Rehearing of D.20-06-028 (August 5, 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); 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); D.19-10-021 affirming RA import rules (October 17, 2019); D.19-06-026 adopting local and flexible capacity requirements (July 5, 2019); Docket No. R.17-09-020.

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

No updates this month. On November 24, 2020, CPUC President sent a letter to PG&E indicating that she has directed CPUC staff to conduct fact-finding to determine whether to recommend that PG&E be placed into the enhanced oversight and enforcement process.

• **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.

A 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. Party comments did not explicitly raise the issue of CCA proposals to purchase PG&E electric distribution assets.

The September 4 Ruling filed in the PG&E Safety Culture proceeding (I.15-08-019) and PG&E Bankruptcy proceeding (I.19-09-016) determined that I.15-08-019 will remain open as a vehicle to monitor the progress of PG&E in improving its safety culture, and to address any relevant issues that arise, with the consultant NorthStar continuing in its monitoring role of PG&E. The Ruling declined to close the proceeding but also declined to move forward with CCAs’ consideration of whether PG&E’s holding company structure should be revoked and whether PG&E should be a “wires-only company,” as well as developing a plan for service if PG&E’s CPCN is revoked in the future.
Details: In her November 2020 letter to PG&E, President Batjer pointed to a “pattern of vegetation and asset management deficiencies that implicate PG&E’s ability to provide safe, reliable service to customers,” and stated the “Wildfire Safety Division Staff has identified a volume and rate of defects in PG&E’s vegetation management that is notably higher than those observed for the other utilities.”

Analysis: CPUC President Batjer’s letter indicates the CPUC is currently investigating whether to move PG&E into its newly created enhanced oversight and enforcement process. This six-step process could ultimately result in a revocation of PG&E’s certificate of public convenience and necessity if it fails to take sufficient corrective actions.

Next Steps: The proceeding remains open, but there is no procedural schedule at this time.

Additional Information: Letter from President Batjer to PG&E (November 24, 2020); Ruling updating case status (September 4, 2020); 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. L15-08-019.

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

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<td>CARB</td>
<td>California Air Resources Board</td>
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<td>CEC</td>
<td>California Energy Commission</td>
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<tr>
<td>CPE</td>
<td>Central Procurement Entity</td>
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<td>CPUC</td>
<td>California Public Utilities Commission</td>
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<tr>
<td>CPCN</td>
<td>Certificate of Public Convenience and Necessity</td>
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<td>CTC</td>
<td>Competition Transition Charge</td>
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<td>DA</td>
<td>Direct Access</td>
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<td>DWR</td>
<td>California Department of Water Resources</td>
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<td>ELCC</td>
<td>Effective Load Carrying Capacity</td>
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<td>ERRA</td>
<td>Energy Resource and Recovery Account</td>
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<td>GRC</td>
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<td>Integrated Energy Policy Report</td>
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<td>IRP</td>
<td>Integrated Resource Plan</td>
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<tr>
<td>IOU</td>
<td>Investor-Owned Utility</td>
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<td>OIR</td>
<td>Order Instituting Rulemaking</td>
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<td>Portfolio Allocation Balancing Account</td>
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<td>PD</td>
<td>Proposed Decision</td>
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<td>PG&amp;E</td>
<td>Pacific Gas &amp; Electric</td>
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<tr>
<td>PFM</td>
<td>Petition for Modification</td>
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</table>
PCIA   Power Charge Indifference Adjustment
POLR   Provider of Last Resort
PSPS   Public Safety Power Shutoff
PUBA   PCIA Undercollection Balancing Account
PURPA  Public Utility Regulatory Policies Act of 1978 (federal)
QC     Qualifying Capacity
QF     Qualifying Facility under PURPA
RA     Resource Adequacy
RDW    Rate Design Window
ReMAT  Renewable Market Adjusting Tariff
RPS    Renewables Portfolio Standard
SCE    Southern California Edison
SED    Safety and Enforcement Division (CPUC)
SDG&E  San Diego Gas & Electric
TCJA   Tax Cuts and Jobs Act of 2017
TOU    Time of Use
TURN   The Utility Reform Network
UOG    Utility-Owned Generation
WMP    Wildfire Mitigation Plan
WSD    Wildfire Safety Division (CPUC)