To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Regulatory Monitoring Report – Keyes & Fox

Date: October 10, 2019

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Please find attached Keyes & Fox’s September 2019 Regulatory Memorandum dated October 2, 2019, an informational summary of the key California regulatory and compliance-related updates from the California Public Utilities Commission (CPUC).

Attachment: Keyes & Fox Regulatory Memorandum dated September 6, 2019
To: Valley Clean Energy Alliance ("VCE") Board of Directors

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

Subject: Regulatory Update

Date: October 2, 2019

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).

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

- **PCIA Rulemaking:** The ALJ issued a Ruling denying a motion for evidentiary hearings on billing determinants (issue 11) and issued a PD in Phase 2 of this proceeding that would refine the method, data, and process requirements for the forecast and true up of the Market Price Benchmarks to be used in determining the PCIA. Parties filed comments and reply comments on the PD.

- **Resource Adequacy Rulemaking:** The CPUC issued a PD that would clarify RA import rules, on which parties subsequently filed comments and reply comments. PG&E filed a Petition for Modification of D.19-02-022 seeking alternate compliance procedures associated with the disaggregation of the "PG&E Other" local RA area into six separate local RA zones. The Commission denied a PFM filed by the Alliance for Retail Energy Markets regarding the PG&E Other disaggregation.

- **Integrated Resource Planning Rulemaking:** The ALJ issued a PD that would impose a new, near-term additional 2500 MW procurement requirement on LSEs in SCE’s territory and new, standing data requests on all LSEs. The CPUC issued a Ruling requesting comments on a Staff Proposal modifying and clarifying LSE IRP filing requirements for the 2020 IRP cycle.

- **Investigation into PG&E Violations Related to Wildfires:** The ALJ issued a Ruling directing parties to file briefs and reply briefs in response to a series of specific questions and a separate ruling granting various deadline extensions in the docket.

- **Wildfire Fund Non-Bypassable Charge (AB 1054):** The ALJ issued a PD that would approve a non-bypassable charge to fund the Wildfire Fund. The Bankruptcy Court granted PG&E’s request to participate in the Wildfire Fund. SCE and SDG&E provided their required initial contributions to the Wildfire Fund.
• **2018 Rate Design Window:** The ALJ granted an extension of time to submit opening and reply briefs, and parties filed opening briefs.

• **Renewables Portfolio Standard Rulemaking:** The CPUC approved D.19-09-043 adopting modeling requirements for Effective Load Carrying Capability values, to be used for the RPS bid ranking and selection. The CPUC issued D.19-09-007 on 2018 RPS Procurement Plans filed by six new CCAs, not including VCE.

• **Utility Wildfire Mitigation Plans Rulemaking:** The CPUC held a 3-day workshop on evaluation metrics, developing a common WMP template, data and datasets for future analytical efforts, the process for future WMP filings, and utility outreach to customers in different languages. Batjer issued a Scoping Ruling for Phase 2 of the CPUC’s consideration of utility WMPs.

• **Investigation into PG&E’s Organization, Culture and Governance:** No updates this month.

• **PG&E’s 2020 ERRA Forecast:** Parties filed testimony and evidentiary hearings were held.

• **PG&E’s Phase 1 GRC:** Evidentiary hearings began on September 23, 2019.

• **PG&E’s 2018 ERRA Compliance:** No updates this month.

• **Wildfire Cost Recovery Methodology Rulemaking:** No updates this month.

• **Other Regulatory Developments:**
  
  • **Investigation of PG&E Bankruptcy Plan:** The CPUC adopted an *Order Instituting Investigation* (I.19-09-016) to consider the ratemaking and other implications of PG&E’s proposed plan to resolve its pending Chapter 11 bankruptcy proceeding.

  • **Direct Access Rulemaking (SB 237):** The CPUC issued a *Ruling* kicking off Phase 2 of its implementation of expansion of direct access under SB 237.

  • **Microgrid Rulemaking (SB 1339):** The CPUC issued an Order Instituting Rulemaking establishing a proceeding to implement the requirements of SB 1339 of 2018, which requires the CPUC to take a number of actions to facilitate the commercialization of microgrids for distribution customers of the large IOUs.

  • **Joint ESP Letter Requesting Data Warehouse:** Several ESPs complained about numerous, duplicative and burdensome reporting requirements for LSEs and recommended establishment of a joint CPUC-CEC data warehouse for information such as LSE RA capacity and contract data to streamline and simplify the reporting burden on LSEs.

• **New:** Glossary of Acronyms
PCIA Rulemaking

On September 3, 2019, the ALJ issued a Ruling denying a motion for evidentiary hearings on billing determinants (issue 11) by Protect Our Communities. On September 6, 2019, the ALJ issued a PD in Phase 2 of this proceeding that would refine the method, data, and process requirements for the forecast and true up of the Market Price Benchmarks to be used in determining the PCIA. Parties filed comments and reply comments, respectively, on the PD on September 26, 2019 and October 1, 2019.

- **Background**: D.18-10-019 was issued on October 19, 2018, in Phase 1 of this proceeding and left the current PCIA in place, maintained the current brown power index, and adopted revised inputs to the benchmarks used to calculate the PCIA for energy RPS-eligible resources and resource adequacy capacity.

  Phase 2 relies primarily on a working group process to further develop a number of PCIA-related proposals. Three workgroups examined three issues: (1) issues with the highest priority: Benchmark True-Up and Other Benchmarking Issues; (2) issues to be resolved in early 2020: Prepayment; and (3) issues to be resolved by mid-2020: Portfolio Optimization and Cost Reduction, Allocation and Auction.

- **Details**: The PD would impact the PCIA VCE’s customers will pay next year (2020), which would be implemented in this year’s November Update. With respect to valuing RPS and RA products, the PD adopts the value of forecasted retained and sold and actual retained and sold RPS and RA products, as recommended by CalCCA and PG&E through the Working Group 1 process. However, it would also adopt PG&E’s approach to the quantity of both forecasted and actual unsold RA. The quantity of actual unsold RPS would be anything not sold or used for compliance. The value of both forecasted and actual unsold RA and RPS would be valued at $0. In addition, the PD would establish the process and principles for how the Market Price Benchmark will be calculated, to be implemented as early as the 2022 year. Finally, it would adopt the Working Group 1 data collection templates, allow staff to ask LSEs quarterly for the data via the templates or supplement data requests, and give staff flexibility to modify the templates if needed.

  Working Group 3 filed its Second Progress Report.

- **Analysis**: PG&E’s implementation of the PCIA trigger mechanism via AL 5624-E would mean that some customer classes could pay an increase that is slightly more than 0.5 cent per kWh and some customer classes could pay slightly less than the 0.5 cent per kWh increase. Phase 2 of this proceeding will 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.

- **Next Steps**: The PD will be heard, at the earliest, at the CPUC’s October 10, 2019, Business Meeting. A separate PD is anticipated to be issued later in Fall 2019 on other Working Group 1 issues. Parties may request evidentiary hearings by filing a motion within ten working days of a working group report being filed. If the PD is approved, changes will be implemented in this year’s November Update in PG&E’s ERRA Forecast proceeding.

- **Additional Information**: Proposed Decision (September 6, 2019); Ruling denying Protect Our Communities’ request for evidentiary hearing (September 3, 2019); AL 5624-E establishing PCIA Undercollection Balancing Account and Trigger Mechanism (August 30, 2019), Working Group One Report on Brown Power, RPS and RA True-Up (May 31, 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.
RA Rulemaking

On September 6, 2019, the CPUC issued a PD that would clarify RA import rules (“RA Import PD”), on which parties filed comments and reply comments, respectively, on September 26, 2019, and October 1, 2019. On September 11, 2019, PG&E filed a Petition for Modification (“PG&E PFM”) of D.19-02-022 seeking changes to RA compliance requirements associated with the disaggregation of the "PG&E Other" local RA area, comprising Fresno, Humboldt, Kern, North Coast/North Bay, Sierra, and Stockton, into six separate local RA zones, and parties filed comments on September 19, 2019. On September 26, the Commission approved D.19-09-044, denying a PFM filed by the Alliance for Retail Energy Markets (AREM) regarding the PG&E Other disaggregation. On September 30, parties filed opening comments on the Track 2 settlement agreement. On October 1, 2019, the Commission issued D.19-09-054, which extends the statutory deadline for the proceeding to March 28, 2020.

- **Background:** This proceeding has three tracks, and is currently focused on remaining central buyer issues in Track 2. **Track 1** addressed 2019 local and flexible RA capacity obligations and several near-term refinements to the RA program and is closed.

In **Track 2**, the CPUC adopted multi-year Local RA requirements and declined to adopt a central buyer mechanism (D.19-02-022 issued March 4, 2019). The pending settlement agreement, filed by CalCCA among other parties (but not PG&E), would create an RA Central Procurement Entity ("RA-CPE"), unidentified in the Settlement Agreement, to procure residual collective RA for all CPUC-jurisdictional LSEs that is not met by individual LSEs. Individual LSEs may choose to procure their share of the collective RA requirement, or they may allow the RA-CPE to procure their share on default. Costs will be allocated ex post based on cost causation principles.

In **Track 3**, D.19-06-026 adopted CAISO’s recommended 2020-2022 Local Capacity Requirements and CAISO’s 2020 Flexible Capacity Requirements and made no changes to the System capacity requirements. It established an IOU load data sharing requirement, whereby each non-IOU LSE (e.g., CCAs) will annually request data by January 15 and the IOU will be required to provide it by March 1. It also adopted a “Binding Load Forecast” process such that an LSE’s initial load forecast (with CEC load migration and plausibility adjustments based on certain threshold amounts and revisions taken into account) becoming a binding obligation of that LSE, regardless of additional changes in an LSE’s implementation to new customers. **Details:** The RA Import PD follows a July 2019 Ruling requesting party comments on the use of imports to meet RA requirements, which expressed concern about the reliance on unspecified RA imports (i.e., not tied to a specific unit) and the possibility that some of those imports will not provide firm energy delivery. The PD clarifies several aspects of the existing import rules referring to “firm” energy and transmission.

- With respect to firm energy, the RA Import PD would find that RA contracts must provide for firm energy delivery during the availability assessment hour window of 4 - 9 p.m., and firm energy does not include energy that is only available when called on in the CAISO’s day-ahead or residual unit commitment processes. It also would find that any imports should be reflected in the maximum cumulative capacity (MCC) buckets, which function as limits on certain types of resources according to system needs.
- With respect to the issue of firm transmission, the RA Import PD would find that prior decisions adequately address the issue, restating that firm transmission capacity refers to a resource that cannot be curtailed for economic reasons, or have its access to transmission bumped by a higher priority claim to the same transmission capability.
- In order to implement the new firm energy import requirements, the RA Import PD would direct LSEs to file documentation with their annual and monthly RA compliance filings for review by the Energy Division. The Energy Division would also review whether the resources ultimately delivered energy to the CAISO.

In the PG&E PFM, PG&E argues that the establishment of the separate RA zones for the PG&E Other Zone, which was adopted in D.19-02-022, is likely to create considerable RA compliance issues for affected LSEs. In doing so, it notes that the CPUC’s recent RA Market Report showed significant LSE deficiencies for the 2019 RA compliance year for the PG&E Other Zone, indicating

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a lack of depth in the local RA market that will only be exacerbated further by splitting the zone into six separate zones. PG&E attributes the shallow market to research findings indicating that a substantial portion of local capacity is owned or under contract by municipal utilities that are not subject to the disaggregated requirements or owned and under contract by entities that do not service load in PG&E’s territory. In either case, the resources may not be available for LSEs that do have locally disaggregated RA compliance obligations, despite their good faith efforts to acquire adequate capacity. PG&E therefore requests that D.19-02-022 be modified to establish an alternative compliance option to an after-the-fact penalty waiver. PG&E’s proposed alternative compliance option has several requirements:

- A demonstration that an LSE solicited bids for capacity in good faith on reasonable terms.
- A demonstration that despite commercially reasonable efforts, the solicitation: (a) produced no bids, (b) produced no bids below an amount of $51/kW-year, or $73/kW-year for bundled capacity and energy products, or (c) received bids below these thresholds but the bids were accompanied by unreasonable terms and conditions.
- An LSE that meets the above requirements would also have to show that it procured sufficient capacity to meet its collective requirement for the PG&E Other zone (i.e., the sum across the six zones resulting from disaggregation).

The August 27 PD denying AREM’s PFM, which was supported by Cal-CCA, in which it requested that the CPUC modify a determination the CPUC made to disaggregate one local area (the “PG&E Other” area) into six separate local areas (D.19-02-022), was approved as D.19-09-044 on September 26. The Findings of Fact in the Decision stated that the issues raised by AREM were already considered prior to D. 19-02-022. AREM contended that the disaggregation creates complexities and potential harm to LSEs with RA contracts executed prior to the effective date of the decision because those purchases may not match the new disaggregated local requirements and some RA contracts do not specify individual facilities (i.e., an LSE may not even know in which new local area a contract may qualify). The PFM therefore requested a series of modifications to ensure that existing contracts can be fully utilized for RA compliance for the duration of the contract term. The Decision clarifies that D.19-02-022 does require LSEs to meet the local RA requirement for the now-disaggregated PG&E Other area beginning in the 2020 RA compliance year. In denying the PFM, the Decision asserts that the CPUC was aware of the existing multi-year local RA contracts raised in AREM’s petition and considered the potential effect of its decision on existing contracts.

- **Analysis:** This proceeding affects VCE’s Local RA compliance obligations beginning in 2020, for the first time requiring procurement over a three-year period instead of an annual period. The settlement agreement, if approved by the CPUC, would resolve central buyer issues other than the identity of the central buyer. Moving to a central procurement entity as proposed in the settlement agreement would impact VCE’s RA procurement and compliance, including eliminating the need for monthly RA showings and associated penalties and/or waiver requests from individual LSEs. VCE could choose to procure its share of RA or allow that to be done by the central buyer and pay for its share of such procurement. The disaggregation of the PG&E Other Zone is likely to complicate VCE’s RA procurement efforts, so if the PG&E PFM is approved by the CPUC, it could provide alternative compliance options to VCE and additional flexibility.

- **Next Steps:** The RA Import PD may be adopted, at earliest, at the CPUC’s October 10, 2019, meeting. Reply comments on the Settlement Agreement are due October 14, 2019. A final decision regarding the central buyer is anticipated for Q4 2019.

- **Additional Information:** D.19-09-044 denying AREM PFM (September 26, 2019); D.19-09-054 extending statutory deadline (September 26, 2019); PG&E PFM regarding PG&E Other disaggregation (September 11, 2019); RA Import PD (September 6, 2019); Ruling issuing RA State of the Market (September 3, 2019); Joint Motion to adopt a settlement agreement for a residual central procurement entity (August 30, 2019); D.19-06-026 adopting local and flexible capacity requirements (July 5, 2019); Docket No. R.17-09-020.
Integrated Resource Planning (IRP) Rulemaking

On September 12, 2019, the ALJ issued a PD that would impose a new, additional 2500 MW procurement requirement on LSEs in SCE’s territory and new, standing data requests on all LSEs. On September 20, 2019, the CPUC issued a Ruling requesting comments on a Staff Proposal modifying and clarifying LSE IRP filing requirements for the 2020 IRP cycle.

- **Background**: In the CPUC’s IRP process, it adopts a Preferred System Portfolio (PSP) to be used in statewide planning and future procurement. VCE submitted its IRP on August 1, 2018, and its next IRP filing is due May 1, 2020.

  In May 2019, the CPUC issued D.19-04-040, which rejected an aggregation of each of the LSEs' IRPs (the Hybrid Conforming Portfolio) as the statewide PSP, adopting instead a modified version of the Reference System Plan adopted in D.18-02-018 as its PSP. D.19-04-040 opened a new “procurement track” of the proceeding to determine how LSEs are to procure resources to satisfy the PSP by 2030. Specifically, the decision clarified that the priorities for this track will be to (1) develop mechanisms for a “backstop” procurement in the event an LSE or LSEs fail to procure resources identified in their IRPs, and (2) address procurement that may require collective action.

  A June 2019 Ruling kicked off the procurement track and prioritized procurement by resource type/attribute, as follows: (1) near to medium-term integration and reliability (high priority, defined later as needed in 2019-2024); (2) renewables (medium priority); and (3) long-term reliability (low priority).

- **Details**: The PD implements aspects of the June 2019 Ruling. It does not set an incremental system RA procurement requirement for VCE, as it would only apply to LSEs serving load in the SCE transmission area, but it would establish a new, standing data request that would apply to all LSEs.

  - The reliability procurement authorized by the PD, if adopted, has two tranches. For the first tranche, the PD recommends that the state Water Resources Control Board (Water Board) extend the retirement deadline for at least 2,500 MW, and up to 3,750 MW, of once-through cooling (OTC) units slated to retire by December 31, 2020, by up to three years. For the second tranche, the PD requires an incremental procurement of 2,500 MW of system level RA by LSEs serving load in the SCE transmission zone beyond the baseline included in the PSP for 2022. This procurement is to take place on an all-source basis for both existing and new resources, though with a requirement that at least 60% of resources be on-line by August 1, 2021, 80% by August 1, 2022, and 100% by August 1, 2023. SCE must present its proposed contracts in a Tier 3 advice letter and all LSEs must collectively provide a progress report by February 15, 2020.

  - The PD would also impose a new, standing data request requirement on all LSEs on May 1 and October 1 of every year beginning in 2020 detailing contract and resource information, so that the Commission can conduct reliability analyses.

The Ruling requests comments on a Staff Proposal which proposes a timeline for the development of the 2020 filing requirements, including the associated templates and standard inputs to the process. The major milestones include informal posting of IRP templates in October 2019, the issuance of a PD adopting Reference System Plan (RSP) in December 2019, IEPR load forecast adoption in January 2020, the 2019 RSP and filing requirements Decision and a Ruling adopting LSE GHG benchmarks and load assignments in February 2020, and LSE IRP filings on May 1, 2020. The Staff Proposal would also require all LSEs to file only conforming portfolios that reflect 2019 RSP inputs and assumptions and assigned GHG benchmarks. Furthermore, it would require all LSEs to use the assigned IEPR load forecast, including load modifiers, except that LSEs with load shapes significantly different than the CAISO system shape may propose different load shapes as long as the assigned energy volumes are unchanged. Finally, it would add new filing requirements per D.19-04-040, including on hydro generation risk management, resource shuffling, and Diablo Canyon replacement.

- **Analysis**: The procurement track of this proceeding could potentially diminish VCE’s authority and control over its resource procurement decisions, although the scope of centralized procurement is
now limited to establishing a procurement backstop mechanism and procurement of resources requiring collective action.

In addition to this procurement track, this proceeding is focused on addressing other issues that relevant to VCE’s 2020 IRP filing. CalCCA members are divided regarding whether the new 2,500 MW procurement requirement under the PD should apply to all LSEs statewide or solely LSEs in SCE’s service territory. The new standing data requests that would be required by the PD will be data-heavy and similar to the data request VCE responded to on August 16, 2019 in this docket. VCE will be required to disclose additional contractual and development status of its resource choices in its 2020 IRP filing, as well a section describing its plans to address the retirement of the Diablo Canyon Generation Plant and the characteristics of its energy output, including flexible baseload and/or firm low-emission energy.

- **Next Steps:** Comments on the PD are due October 2, replies are due October 7, and the PD may be adopted, at earliest, at the CPUC’s October 24 meeting. Comments and reply comments, respectively, on the Ruling are due October 14, 2019, and October 25, 2019.

- **Additional Information:** Ruling requesting comments on Staff Proposal (September 20, 2019); Proposed Decision requiring procurement for SCE-located LSEs (September 12, 2019); Ruling (June 20, 2019); D.19-04-040 on 2018 IRPs and 2020 IRP requirements (May 1, 2019); Docket No. R.16-02-007.

### Investigation into PG&E Violations Related to Wildfires

On September 6, 2019, the ALJ issued a Ruling (“September 6 Ruling”) directing parties to file briefs and reply briefs in response to a series of specific questions. On September 26, 2019, the ALJ granted the CPUC Safety Enforcement Division’s request for an extension of time to respond to the scoping memo and ruling via an e-mail ruling.

- **Background:** The CPUC opened this formal investigation to determine whether PG&E violated any laws, rules, or other applicable requirements pertaining to the maintenance and operation of electric facilities involved in igniting fires in its service territory in 2017. The CPUC’s Safety and Enforcement Division (SED) issued a Fire Report on June 13, 2019 that found deficiencies in PG&E’s vegetation management practices and procedures and equipment operations in severe conditions. CAL FIRE also found that PG&E’s electrical facilities ignited all but one of the 15 fires addressed in this investigation. This investigation addresses 15 of the 17 fire incidents from the October 2017 Fire Siege investigated by SED and will determine whether PG&E’s practices have been unsafe and in violation of the law. This investigation orders PG&E to take immediate corrective actions to come into compliance with CPUC requirements. The scope of the proceeding will include violations of law by PG&E with respect to the 2017 wildfires, and possibly also the 2018 Camp Fire, what penalties should be assessed, what remedies or corrective actions should occur, and what if any systemic issues contributed to the ignition of the wildfires.

- **Details:** The September 6 Ruling specified specific issues for parties to address in their briefs. For example, parties must provide briefs on interpretations of General Order (GO) Rules 31.1, 35 and 38 on electrical system design, vegetation management and clearances of wires from other wires, respectively. Additionally, parties are required to provide briefs on whether the proposed schedule allows for adequate due process to fully consider the Lobo, McCourtney, and 2018 Camp Fires. The September 26 Ruling extends various deadlines in this proceeding.

- **Analysis:** This investigation could result in sanctions against PG&E and require additional corrective actions to mitigate future wildfire risk, potentially impacting the quality of service experienced by VCE customers and costs paid by VCE and other distribution customers. Monetary penalties would ultimately be handled in the Bankruptcy Court. Prepetition liabilities must be resolved in this proceeding so that PG&E can emerge from bankruptcy within the time frame provided in AB 1054 (i.e. June 30, 2020).
Next Steps: Intervenor responses to the joint party status report are due October 3, 2019. A status conference will be held October 4, 2019. If permitted by Cal FIRE, SED will provide additional information regarding the Lobo Fire, McCourteny Fire, and Camp Fire at the status conference. Opening and reply briefs, respectively, are now due October 14, 2019, and October 28, 2019. SED’s response to PG&E’s Attachment B report is now due October 30, 2019. There will be no hearings.

Additional Information: Ruling directing briefs (September 6, 2019); Scoping Memo and Ruling (August 23, 2019); Order Instituting Investigation (June 27, 2019); Docket No. I.19-06-015.

Wildfire Fund Non-Bypassable Charge (AB 1054)

On August 26, 2019, the Bankruptcy Court granted PG&E’s request to participate in the Wildfire Fund. On September 11, 2019, SCE and SDG&E, respectively, notified the CPUC that they had provided their required initial contributions to the Wildfire Fund in the amounts of $2,362.5 billion and $322.5 million. On September 24, 2019, the ALJ issued a PD that would approve the imposition of a non-bypassable charge to fund the Wildfire Fund.

Background: This rulemaking implements AB 1054 and will consider extending a non-bypassable charge on ratepayers to fund the Wildfire Fund. The scope of this proceeding is limited to consideration of whether the CPUC should authorize ratepayer funding of the Wildfire Fund established by AB 1054, enacted in July 2019, via the continuation of an existing non-bypassable charge (Department of Water Resources bond charge) that would otherwise expire by the end of 2021. The proceeding examined whether it is reasonable to impose the Wildfire Fund non-bypassable charge on PG&E customers if PG&E is deemed ineligible to participate in the Wildfire Fund.

Details: Whereas SCE and SDG&E made their initial contributions to the Wildfire Fund, Liberty CalPeco and Bear Valley Electric Service notified parties and the CPUC of their intent not to participate in the Wildfire Fund. PG&E’s initial contribution to the Wildfire Fund is not due until it exits the insolvency proceeding.

The PD would approve the establishment of a non-bypassable charge on IOU customers to provide revenue for the newly established state Wildfire Fund pursuant to 2019 AB 1054. The charge will only be assessed on customers of utilities that participate in the Wildfire Fund, and will expire at the end of 2035. The PD also provides that once a large IOU commits to Wildfire Fund participation, it may not later revoke its participation. The annual revenue requirement for the charge among the large IOUs would total $902.4 million, allocated at $404.6 million for PG&E, $408.2 million for SCE, and $89.6 million for SDG&E. (There is a June 30, 2020, deadline for PG&E to satisfactorily complete its insolvency proceeding under AB 1054, and therefore become eligible to participate in the Wildfire Fund.) The revenue requirement for a given year will not be updated for over- or under-collections from prior periods through the initial duration of the authorization through 2035.

The Wildfire Fund NBC will be collected on a $/kWh basis, with the revenue requirement allocated based on each class’s share of energy sales. Residential CARE and medical baseline customers are exempt. Large IOU continuous direct access customers and all customers exempt from paying the DWR Bond Charge are exempt. Net metering customers will pay the charge based on net usage over a year, while NEM Successor Tariff customers will pay the charge based on net usage within a metered interval (i.e., one hour for residential customers and 15 minutes for non-residential customers). The Wildfire Fund NBC cannot take effect until the DWR Bond charge sunsets (i.e., full repayment achieved), which may take place as early as the second half of 2020. For the 2020 charge, the DWR is requested to propose a charge in July 2020 (or earlier) for party comment and a proposed decision. The process for updating the charge for future years will be considered in future decisions. The PD also adopts a rate agreement between DWR and the CPUC.

Analysis: This proceeding is likely to establish a new non-bypassable charge on VCE customers beginning as early as the second half of 2020 to fund the Wildfire Fund under AB 1054. Whether customers in PG&E’s territory will be subject to the charge will be determined only after its
Bankruptcy proceeding is complete. The PD would leave the proceeding open to later consider the annual revenue requirement and sales forecast for the Wildfire Fund non-bypassable charge in 2020.

- **Next Steps**: Oral Argument is scheduled for October 10, 2019. Comments on the PD are due October 14, 2019, replies are due October 21, 2019, and the PD will be heard, at its earliest, at the CPUC’s October 24, 2019, Business Meeting.

- **Additional Information**: [Proposed Decision](#) approving non-bypassable charges (September 23, 2019); [Scoping Memo and Ruling](#) (August 14, 2019); [Order Instituting Rulemaking](#) (August 2, 2019); Docket No. [R.19-07-017](#). See also [AB 1054](#).

### 2018 Rate Design Window

On September 6, 2019, the ALJ granted an extension of time to submit opening and reply briefs. Parties filed concurrent opening briefs on September 23, 2019.

- **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. A December 2018 Phase IIA Decision addressed PG&E’s restructuring of the CARE discounts into a single line item percentage discount to the customer’s total bill. The July 2019 Phase IIB Decision made determinations regarding PG&E’s rate design under its default TOU roll out beginning in October 2020 and established a process for a CCA wishing to have its customers defaulted to TOU generation rates. The proceeding is now focused on Phase III, which considers the IOUs’ proposals for fixed charges and/or minimum bills.

- **Details**: N/A.

- **Analysis**: This proceeding will impact the timing, details, and implementation of residential TOU rates for bundled PG&E customers as well as VCE customers via rate design changes to the distribution component of customer bills. It could affect the level of VCE’s rates compared to PG&E’s, and to the extent VCE mirrors PG&E’s residential rate design, lead to changes in the way VCE structures its residential rates. CCAs are not obligated to default their customers to TOU generation rates, but regardless of whether a CCA offers TOU generation rates, CCA customers will be subject to default TOU distribution rates.

- **Next Steps**: Phase III reply briefs are due October 14, 2019, with a Proposed Decision expected in Q1 2020. PG&E’s Phase 2 rate case is anticipated to be filed on November 22, 2019.

- **Additional Information**: D.19-07-004 in Phase IIB (July 19, 2019); PG&E Phase III Revised Testimony on fixed charges (April 12, 2019, and March 29, 2019); D.18-12-004 on Phase IIA Issues (December 21, 2018); Ruling clarifying scope (July 31, 2018); D.18-05-011 (Phase I) on the timing of a transition to default TOU rates (May 17, 2018); Amended Scoping Memo (April 10, 2018); PG&E Rate Design Window Application & Testimony (December 20, 2017); Docket No. [A.17-12-011](#) (consolidated).

### RPS Rulemaking

Comments and reply comments, respectively, on the ELCC PD were filed September 12, 2019, and September 17, 2019. On September 18, 2019, the CPUC issued D.19-09-007 on 2018 RPS Procurement Plans filed by six new CCAs, not including VCE. On September 26, 2019, the CPUC approved D.19-09-043, adopting modeling requirements for the ELCC.

- **Background**: This proceeding addresses ongoing or remaining RPS issues not addressed in the previous RPS rulemaking proceeding. VCE filed its 2019 RPS Procurement Plan on June 21, 2019, and its 2018 RPS Compliance Report on August 1, 2019.
Utility Wildfire Mitigation Plans Rulemaking

On September 17-19, 2019, the CPUC held a 3-day workshop on evaluation metrics, developing a common WMP template, data and datasets for future analytical efforts, the process for future WMP filings, and utility outreach to customers in different languages. On September 18, 2019, Commissioner Batjer issued a Scoping Ruling for Phase 2 of the CPUC’s consideration of utility WMPs.

**Background:** This proceeding implements electric utility Wildfire Mitigation Plans pursuant to SB 901 (2018). PG&E’s Wildfire Mitigation Plan, approved with modifications in June 2019 (D.19-05-037), provided an expanded use by PG&E of its Public Safety Power Shutoff (PSPS) program to prevent wildfires from occurring during extreme weather events and dry vegetation conditions, with the number of electric customer premises potentially impacted by PSPS events increasing year-over-year from 570,000 to 5.4 million. The CPUC’s separate 2019 Guidance Decision (D.19-05-036), addressing issues that are common to all of the Wildfire Mitigation Plans, ordered all IOUs to collect data and file reports on this year's Wildfire Mitigation Plans, initiated a process to establish metrics to evaluate the Wildfire Mitigation Plans, and established a process for 2020 Wildfire Mitigation Plans.

**Details:** The Scoping Ruling establishes a scope for Phase 2 of this proceeding, as follows:

- **Details:** D.19-09-007 addresses the RPS Procurement Plans filed by new CCAs that have all been approved to begin operation but are not expected to serve load until 2020. The decision accepts the 2018 plans (filed in April and May 2019) as final but identifies a series of deficiencies in the plans and directs the CCAs to update their draft 2019 plans to address these deficiencies.

The ELCC Decision (D.19-09-043) requires IOUs to use the Strategic Energy Risk Valuation Model (SERVM) to determine marginal ELCC values and conduct an annual loss of load expectation (LOLE) study, which calculates the expected number of days annually for which the available generation capacity is insufficient to serve the demand at least once per day. For the 2020 procurement cycle, IOUs will model the resource portfolio from the 2017-2018 IRP’s Preferred System Plan with a study year of 2022, 2026, and 2030. The Decision directs the IOUs to conduct a joint ELCC study utilizing the adopted modeling requirements for use in RPS procurement in 2020 and to continue to update the joint ELCC study annually. PG&E, SCE and SDG&E must jointly file their ELCC study results with their final 2019 RPS Procurement Plans, and the IOUs must update the modeling annually in their RPS Procurement Plans or file a Tier 2 Advice Letter by April 30 of each year.

- **Analysis:** D.19-09-007, as well as recent D.19-08-007 on RPS enforcement actions for two ESPs, reinforce the CPUC’s increasing scrutiny of CCAs and their compliance obligations, and the potentially large penalties associated with non-compliance. D.19-09-043 impacts utilities’ valuation of various renewable and renewable-paired storage resources for their RPS procurements and directs IOUs to analyze 4-hour duration batteries in ELCC studies.

Remaining issues to be addressed in this proceeding could also impact RPS compliance obligations and above-market costs for the PCIA calculation. For instance, the April 2019 Ruling proposed a process that would allow LSEs like VCE to forgo filing a separate RPS Procurement Plan in 2020 by using its 2020 IRP filing instead.

- **Next Steps:** According to the updated scoping ruling, a PD and decision on 2019 RPS Procurement Plans is anticipated for Q4 2019.

- **Additional Information:** D.19-09-043 on ELCC modeling (September 26, 2019); D.19-09-007 on new CCAs’ 2018 RPS Procurement Plans (September 18, 2019); D.19-08-007 on RPS enforcement actions (August 7, 2019); D.19-06-023 on implementing SB 100 (May 22, 2019); Ruling extending procedural schedule (May 7, 2019); Ruling identifying issues, schedule and 2019 RPS Procurement Plan requirements (April 19, 2019); PG&E Final, Conforming 2018 RPS Procurement Plan (March 15, 2019); D.19-02-007 (February 28, 2019); Scoping Ruling (November 9, 2018); Docket No. R.18-07-003.
Development of metrics for evaluating the effectiveness of WMP mitigation work at reducing catastrophic wildfire risk, including data collection and reporting.

The process, selection, and tasks for an independent evaluator.

2019 WMP implementation and progress, including information on delays, challenges, and problems.

Developing enforcement mechanisms.

Whether and how to expand utility outreach to customers to additional languages beyond those specified in the Phase 1 decision.

PG&E's second amended WMP, which was submitted too late for consideration in Phase 1. For reference, the June 2019 Ruling stated that PG&E's second amended WMP presented two key questions: (a) impacts of proposed delays in many deadlines specified in the initial plan, and (b) whether PG&E's proposals to use "objective" factors rather than subjective judgment in determining trees to remove could result in the utility ignoring the opinions of certified arborists or result in the unnecessary removal of healthy trees.

Consideration of statutory changes made by 2019 AB 1054 and AB 111 to the WMP process.

**Analysis:** PG&E's Wildfire Mitigation Plan established its management approach to preventing wildfires in the future and included provisions impacting the quality of service experienced by VCE customers (e.g., PG&E’s procedures for de-energizing electrical lines) and costs paid by VCE customers (e.g., PG&E’s expenditures related to maintaining its transmission and distribution systems are paid by all distribution customers, including VCE customers). While wildfire plans can influence the approach and investments made by utilities like PG&E to mitigate the risk of catastrophic wildfires, cost recovery issues are generally outside the scope and will be separately addressed through utility GRCs.

**Next Steps:** The Scoping Ruling anticipates a Ruling on October 9, 2019, seeking comments on workshop topics, with comments and motions for evidentiary hearings due October 30, 2019, and replies to comments and responses to hearing motions due November 13, 2019. If a hearing is ordered, testimony is due December 3, 2019, and the hearing starts December 9, 2019.

**Additional Information:** Scoping Ruling on Phase 2 (September 18, 2019); AL 5555-E establishing Wildfire Plan Memorandum Account (August 8, 2019); Ruling launching Phase 2 of proceeding (June 14, 2019); D.19-05-037 PG&E-specific decision on 2019 Wildfire Mitigation Plan (June 4, 2019); D.19-05-036 Guidance Decision on 2019 Wildfire Mitigation Plans (June 3, 2019); PG&E Second Amendment to Wildfire Mitigation Plan (April 25, 2019); PG&E Wildfire Mitigation Plan (February 6, 2019); Order Instituting Rulemaking (October 25, 2018); Docket No. R.18-10-007.

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

No updates this month.

**Background:** On December 21, 2019, the CPUC issued a Scoping Memo opening the next phase of an ongoing investigation into whether PG&E’s organizational culture and governance prioritize safety. This current phase of the proceeding is considering alternatives to current management and operational structures for providing electric and natural gas in Northern California.

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

• **Analysis**: This proceeding could have a range of possible impacts on CCAs within PG&E’s territory and their customers, given the broad issues under investigation pertaining to PG&E’s corporate structure and governance.

• **Next Steps**: TBD.

• **Additional Information**: *Ruling* on proposals to improve PG&E safety culture (June 18, 2019); D.19-06-008 directing PG&E to report on safety experience and qualifications of board members (June 18, 2019); *Scoping Memo* (December 21, 2019); Docket No. I.15-08-019.

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**PG&E’s 2020 ERRA Forecast**

On September 10, 2019, parties filed testimony. Evidentiary hearings were held September 30, 2019, through October 2, 2019.

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

In its July Supplement, PG&E said it would reflect its proposed application of the PCIA rate cap or a CPUC approved PCIA rate cap in the PCIA rates presented as part of PG&E’s November Update. PG&E’s July Supplement showed an increase in several of its forecasted costs compared to initial filing, as follows:

- Increasing the 2020 ERRA revenue requirement from $2.908 billion to $3.184 billion.
- Increasing the PCIA from $2.549 billion to $2.996 billion.
- Increasing the Competition Transition Charge (CTC) from $62.2 million to $81.5 million.
- Increasing the Cost Allocation Mechanism from $147.4 million to $147.8 million.
- Maintaining the Tree Mortality Non-Bypassable Charge at $92.6 million.
- Maintaining the utility-owned generation revenue requirement forecast at $2.368 billion.

• **Details**: N/A.

• **Analysis**: This proceeding will establish the amount of the PCIA for VCE’s 2020 rates and the level of PG&E’s generation rates for bundled customers. The PCIA revenue requirement detailed above is now shared between bundled and unbundled customers. PG&E’s requested increase in the PCIA revenue requirement for unbundled customers only for this year is approximately $650 million, an increase of over two-thirds of the final revenue requirement for unbundled customers from last year.

• **Next Steps**: Opening and reply briefs, respectively, are due October 21, 2019, and October 31, 2019. In November 2019, PG&E will update its 2020 ERRA Forecast revenue requirements, forecasted end of year balancing account balances, and electric sales forecast, after which parties will have 10 days to file comments. A proposed decision is anticipated by December 2, 2019, with comments and reply comments, respectively, due 10 and 15 days thereafter, followed by a final decision on December 19, 2019.

• **Additional Information**: *Scoping Memo and Ruling* (August 22, 2019); *Application* (June 3, 2019); *Testimony* available on PG&E’s regulatory webpage (June 3, 2019); Docket No. A.19-06-001.
PG&E Phase I GRC

Evidentiary hearings began on September 23, 2019.

- **Background:** PG&E’s three-year GRC covers the 2020-2022 period. For 2020, it has requested an additional $1.058 billion (from $8.518 billion to $9.576 billion), or a 12.4% increase over its 2019 authorized revenue requirement, comprised of increases related to its gas distribution ($2.097 billion total, or a $134 million increase), electric distribution ($5.113 billion total, or a $749 million increase), and generation ($2.366 billion total, or a $175 million increase) services. If approved, it would increase a typical monthly residential electric (500 kWh) and natural gas (34 therms) customer bill by $10.57, or 6.4%, comprised of an electric bill increase of $8.73 and a gas bill increase of $1.84. For 2021 and 2022, PG&E requested total increases of $454 million and $486 million, respectively. PG&E’s GRC does not include a request for cost recovery related to 2017 and 2018 wildfire liabilities.

Overall, more than half of PG&E’s proposed increase in this GRC is directly related to wildfire prevention, risk reduction, and additional safety enhancements. Specifically, PG&E proposes expanding its integrated wildfire mitigation strategy, the Community Wildfire Safety Program, which PG&E established following the October 2017 North Bay wildfires to mitigate wildfire threats, with plans to spend an incremental $5 billion between 2018-2022. PG&E is also requesting a two-way balancing account for insurance premiums and other financial-risk transfer instruments, under which it would be permitted to recover up to $2 billion in insurance costs.

Significantly, PG&E is proposing to shift substantial hydroelectric generation costs into a non-bypassable charge, arguing that its hydro facilities provide benefits beyond electricity generation. PG&E proposes to shift costs associated with these alleged public benefits from its generation rates (applicable only to bundled customers) to a non-bypassable charge (e.g., the Electric Public Purpose Programs charge). Examples of current and future costs that would be recovered through the non-bypassable charge include, but are not limited to: (1) protection of the natural habitat of fish, wildlife, and plants; (2) outdoor public recreation; (3) protection of historic resources; (4) compliance with conservation easements on the watershed lands; (5) post-decommissioning activities that are a result of FERC orders. PG&E estimates that the unrecovered historic costs that it would shift to the non-bypassable electric charge are $83.1 million for fish and wildlife and recreation values, plus tens of millions in forecasted future costs, with new license compliance (~$59 million in 2021-2022) expected as the largest subcategory of future expenses.

- **Details:** N/A.

- **Analysis:** PG&E’s GRC proposals include shifting substantial costs associated with its hydroelectric generation from its generation rates (applicable only to its bundled customers) into a non-bypassable charge affecting all of its distribution customers, including VCE customers, which would negatively affect the competitiveness of VCE’s rates relative to PG&E’s.

- **Next Steps:** A proposed GRC Phase 1 decision is targeted for Q1 2020. PG&E will propose its cost allocation and rate design in its 2020 GRC Phase 2 proceeding, which PG&E plans to file by November 22, 2019.

- **Additional Information:** Ruling setting public participation hearings (May 7, 2019); Scoping Memo and Ruling (March 8, 2019); Joint CCAs’ Protest (January 17, 2019); Application and PG&E GRC Website (December 13, 2018); Docket No. A.18-12-009.
**PG&E’s 2018 ERRA Compliance**

No updates this month. In August 2019, the evidentiary hearing was canceled and PG&E, Public Advocates Office, and the Joint CCAs (EBCE, PCE, and SVCE) gave notice of a settlement conference, held on August 29, 2019.

- **Background**: ERRA compliance review proceedings review the utility’s compliance in the preceding year regarding energy resource contract administration, least-cost dispatch, fuel procurement, and the ERRA balancing account. In its application, PG&E requested that the CPUC find that it 2018 PG&E complied with its CPUC-approved Bundled Procurement Plan (BPP) in the areas of fuel procurement, administration of power purchase contracts, greenhouse gas compliance instrument procurement, and least-cost dispatch of electric generation resources, as well as that it managed its utility-owned generation (UOG) facilities reasonably. PG&E also requested recovery of $4.7 million for Diablo Canyon seismic study costs.

- **Details**: N/A.

- **Analysis**: This proceeding will address whether PG&E correctly calculated and accounted for the actual costs it incurred in 2018 and whether it managed its portfolio of contracts and UOG in a reasonable manner.

- **Next Steps**: Parties have reached a settlement in this proceeding. A Proposed Decision was scheduled for Q1 2020 but may come sooner.

- **Additional Information**: Scoping Memo and Ruling (June 3, 2019); Notice of Prehearing Conference (April 17, 2019); Response of EBCE and PCE (April 5, 2019); Resolution categorizing proceeding as ratesetting (March 14, 2019); PG&E Application (February 28, 2019); Docket No. A.19-02-018.

**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 (adopted June 27, 2019); [Assigned Commissioner’s Ruling](#) releasing Staff Proposal (April 5, 2019); [Scoping Memo and Ruling](#) (March 29, 2019); [Order Instituting Rulemaking](#) (January 18, 2019); Docket No. R.19-01-006. See also [SB 901](#), enacted September 21, 2018.

### Other Regulatory Developments

• **Investigation of PG&E Bankruptcy Plan:** On September 26, 2019, the CPUC adopted an [Order Instituting Investigation](#) (I.19-09-016) to consider the ratemaking and other implications of PG&E’s proposed plan to resolve its pending Chapter 11 bankruptcy proceeding. The case will address regulatory review and approval of the plan, in particular the questions surrounding whether the plan meets the requirements AB 1054 imposes for PG&E to participate in the newly established Wildfire Fund, which is encumbered by a June 30, 2020, deadline.

• **Direct Access Rulemaking (SB 237):** On September 20, 2019, the CPUC issued a [Ruling](#) kicking off Phase 2 of its implementation of expansion of direct access under SB 237, which addresses the SB 237 requirement that the CPUC develop recommendations on re-opening direct access fully to all interested non-residential customers. The recommendations will be based on an Energy Division study. Parties, including CalCCA, filed comments on the Ruling on September 30, 2019, with reply comments due October 7, 2019.

• **Microgrid Rulemaking (SB 1339):** On September 19, 2019 the CPUC issued an Order Instituting Rulemaking (OIR) establishing a proceeding to implement the requirements of 2018 SB 1339, which requires the CPUC, in consultation with the CAISO and CEC, to take a number of actions to facilitate the commercialization of microgrids for distribution customers of the large IOUs. The proceeding may include all microgrid policy framework issues, though a number of more specific areas for action are expressly described. Comments on the OIR are due October 21, 2019, and replies are due November 5, 2019. A prehearing is expected to take place in Q4 2019, followed by a Scoping Ruling in Q1 2020, party comments and proposals in Q3 2020, and ultimately a PD in Q4 2020.

• **Joint ESP Letter to Commission:** On September 27, 2019, several LSEs (the Regents of the University of California; Just Energy Solutions Inc.; Shell Energy North America (US), L.P.; Pilot Power Group, Inc.; Tiger Natural Gas, Inc.; and 3 Phases Renewables) sent a letter to new CPUC President Batjer regarding several “new, burdensome and duplicative” reporting obligations on LSEs the Commission has imposed in the past few years. The letter states that the CPUC and CEC now require more than forty (40) reports by LSEs in addition to responding to an increasing number of data requests. The letter suggests the establishment of a joint CPUC-CEC data warehouse for data (e.g. RA capacity, procurement contract data) to avoid the burdensome and duplicative requests.
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