Please find attached Keyes & Fox’s February 2020 Regulatory Memorandum dated March 5, 2020, an informational summary of the key California regulatory and compliance-related updates from the California Public Utilities Commission (CPUC).

Attachment: Keyes & Fox Regulatory Memorandum dated March 5, 2020
Summary

Keyes & Fox LLP and EQ Research, LLC, are pleased to provide VCE’s Board of Directors with this monthly informational memo describing key California regulatory and compliance-related updates from the California Public Utilities Commission (CPUC). A Glossary of Acronyms used is provided at the end of this memo.

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


- **PG&E’s 2020 ERRA Forecast**: Thanks in part to VCE’s in-person advocacy at the Commission, the CPUC approved a revised PD, which deducted an additional $92.9 million from the PABA account (which sets the PCIA) relative to the original PD, at its February 27, 2020, meeting. The final decision results in an uncapped system-average PCIA of $0.041/kWh for the 2017 vintage and a capped rate of $0.0317/kWh for the 2017 vintage, both of which are increases from the current $0.0267/kWh. These rates are likely to change yet again when PG&E files its Tier 2 Advice Letter on March 16 implementing the decision and truing up the forecast for October to December 2019 (actuals that had not been included to date).

- **PG&E’s 2018 ERRA Compliance**: The CPUC issued D.20-02-006, approving a settlement agreement and closing the proceeding.

- **RPS Rulemaking**: The CPUC issued D.20-02-040, correcting errors from its previous decision on 2019 RPS Procurement Plans, including correcting language that had erroneously indicated that VCE did not comply with the “LCBF Info” requirement. The Energy Division also confirmed by phone call (no written decision or ruling will be issued) that VCE’s revised 2019 RPS Procurement Plan filed in January 2020 is compliant. The CPUC also issued a Ruling requesting comments on a Staff Proposal making changes to confidentiality rules regarding the RPS program. The Energy Division hosted a workshop on the methods and templates of RPS Procurement Plans and Compliance Reports.

- **Investigation of PG&E Bankruptcy Plan**: The Assigned Commissioner issued a Ruling requesting parties’ comments on ten Proposals that include changes to PG&E’s financial and operational structure. Parties filed reply testimony and evidentiary hearings were held.
• **Investigation into PG&E Violations Related to Wildfires:** The ALJ issued a Ruling addressing several motions, including allowing AHC to withdraw as a party from the proceeding, but rejecting a request to withdraw its pleadings from the record. The ALJ issued the Presiding Officer’s Decision, approving the settlement agreement with modifications and resulting in PG&E shareholders liable for penalties totaling $2.137 billion – the largest penalty ever imposed by the CPUC – for the role PG&E’s equipment played in igniting catastrophic wildfires in 2017 and 2018.

• **IRP Rulemaking:** Parties including VCE submitted their Progress Reports on additional system RA procurement required under D.19-11-016. The ALJ issued a PD that would adopt a Reference System Portfolio for use by LSEs in their IRP filings, which would now be due July 1, 2020. LSEs including VCE filed comments providing updated load forecasts in response to a January Ruling.

• **RA Rulemaking (2021-2022):** The ALJ filed the Energy Division’s proposal on Maximum Cumulative Capacity buckets. Track 1 and 2 workshops were held, and various Track 2 working groups met. The ALJ issued a Ruling that attached Energy Division’s Track 2 proposals. On February 28, 2020, the ALJ issued two rulings, which provided Energy Division’s Track 1 proposal and modified the Track 2 procedural schedule, respectively. Energy Division also issued a final schedule for the third-party Load Impact Protocol requirements and the associated Energy Division-Stakeholder process, and demand response providers filed Draft Load Impact Protocol Evaluation Plans, which pertain to the establishment of Qualifying Capacity for DR resources.

• **RA Rulemaking (2019-2020):** A group of clean energy and energy storage parties filed a Petition for Modification of D.20-01-004 on hybrid resources.

• **2018 Rate Design Window:** Parties filed comments and reply comments on a PD addressing Phase 3 issues (primarily residential fixed charges and minimum bills) that would largely retain the overarching design of residential rates as they are now.

• **PG&E’s Phase 1 GRC:** PG&E and TURN filed a Motion to amend the settlement agreement to add additional information to indicate the resolution of certain Customer Care issues. The Joint CCAs filed a Response, a concurrently filed Motion seeking the opportunity to file a sur-reply brief, and a sur-reply brief, in response to PG&E’s Motion that modified the utility’s data request responses after the record in the proceeding closed.

• **PG&E’s Phase 2 GRC:** The Assigned Commissioner issued a Scoping Memo and Ruling. On February 28, 2020, the ALJ issued a Ruling setting and noticing public participation hearings.

• **PCIA Rulemaking:** Working Group 3 (Portfolio Optimization and Cost Reduction, and Allocation and Auction) filed its Final Report. The ALJ issued a PD on departing load forecast and presentation of the PCIA on customer bills.

• **Direct Access Rulemaking:** An Energy Division report on draft recommendations to the Legislature is expected March 9.

• **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.)

• **Investigation into PG&E’s Organization, Culture and Governance:** No updates this month. TURN filed a notice of ex parte communication, based on which it appears that TURN supports state ownership of PG&E’s transmission lines.

• **Wildfire Fund Non-Bypassable Charge (AB 1054):** The CPUC issued D.20-02-070 denying an Application for Rehearing filed by Ruth Hendricks of D.19-10-056, which approved the imposition of the wildfire fund non-bypassable charge.

• **Other Regulatory Developments:**
PG&E Application to Recover Wildfire Insurance Costs: PG&E filed an Application requesting to recover $498.7 million over a one-year period for 2017-2019 insurance costs recorded in its Wildfire Expense Memorandum Account (Docket No. A.20-02-004).

PG&E Application to Recover Wildfire Mitigation and Catastrophic Events Memorandum Accounts: PG&E filed an Application seeking to recover $899 million over a 17-month period for 2017-2019 costs recorded in various wildfire mitigation and catastrophic events memorandum accounts (Docket No. A.20-02-003).

New: PG&E’s 2019 ERRA Compliance

On February 28, 2020, PG&E filed its 2019 ERRA Compliance application.

- **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.

- **Details**: PG&E requests that the CPUC find that PG&E 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.

- **Analysis**: This proceeding addresses PG&E’s cost calculations and accounts for the actual costs it incurred in 2019 and whether it managed its portfolio of contracts and UOG in a reasonable manner.

- **Next Steps**: Protests and responses are due April 2, 2020. PG&E notes that it is reviewing the CPUC’s decision from its 2020 ERRA Forecast proceeding, approved at the CPUC’s February 27, 2020 meeting, and will provide supplemental testimony as necessary on April 13, 2020.

- **Additional Information**: PG&E’s Application and Testimony (February 28, 2020); Docket No. A.20-02-009.

PG&E’s 2020 ERRA Forecast

On February 13 and 18, 2020, respectively, parties filed opening and reply comments on the Proposed Decision (PD). The CPUC issued D.20-02-047 based on a revised PD on February 28, 2020.

- **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.

PG&E proposed to increase the uncapped 2020 PCIA rates for residential customers from $0.02709/kWh to $0.04548/kWh for 2017 vintage customers and from $0.02979/kWh to $0.04567/kWh for 2018 vintage customers. A cap limiting the increase to $0.005/kWh would apply to each of these rates, subject to a potential trigger mechanism that would increase the rates beyond the cap. The PCIA rate for 2020 vintage residential customers, which is not capped because there is no cap for bundled customers (which make up the 2020 vintage), would be $0.04452/kWh. Of note, PG&E expects CCA and DA providers to serve more than 54% of PG&E’s system retail sales in 2020.

- **Details**: D.20-02-047 included a revision made to the original PD that deducted $92.9 million from the PABA balance, finding the 20% of starting bank RECs included in PG&E AL 5554-E should not be counted as unsold RPS. Otherwise, the Decision generally sided with PG&E on the remaining contested issues (PG&E had already agreed to changes on nearly $700 million worth
of issues). The Decision approves the following revenue requirements as proposed and subsequently revised by PG&E:

- The 2020 ERRA revenue requirement of $3.014 billion.
- The PCIA revenue requirement of $3.056 billion.
- The Competition Transition Charge (CTC) revenue requirement of $112 million.
- The Cost Allocation Mechanism (CAM) revenue requirement of $205 million.
- The Tree Mortality Non-Bypassable Charge revenue requirement of $102 million.
- The utility-owned generation revenue requirement of $2.260 billion.

**Analysis:** The decision results in an uncapped system-average PCIA of $0.041/kWh for the 2017 vintage and a capped rate of $0.0317/kWh for the 2017 vintage, both of which are increases from the current $0.0267/kWh. These rates are likely to change yet again when PG&E files its Tier 2 Advice Letter on March 16 implementing the decision and triuing up the forecast for October to December 2019.

**Next Steps:** The final written decision will be issued, after which the proceeding will be closed.

**Additional Information:** D.20-02-047 (February 28, 2020); 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’s 2018 ERRA Compliance

On February 12, 2020, the CPUC issued D.20-02-006, approving a settlement agreement and closing the proceeding.

**Background:** ERRA compliance review proceedings review the utility’s compliance in the preceding year regarding energy resource contract administration, least-cost dispatch, fuel procurement, and the 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.

**Details:** The Decision approves the Settlement Agreement resolves all disputed issues raised by parties to this proceeding. In the Settlement Agreement, the Joint CCAs and PG&E agreed rate adjustments addressing the prior misallocation of Cost Allocation Mechanism-related costs will occur through the PABA to avoid a situation where now-departed customers pay twice for the same energy and capacity. PG&E agreed to participate in a workshop with other California IOUs in order to develop and standardize renewable and storage resource reporting requirements and to certain modest cost disallowances. PG&E is authorized cost recovery of $4.7 million for Diablo Canyon seismic study costs.

**Analysis:** This proceeding addressed PG&E’s cost calculations 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:** This proceeding is now closed.

**Additional Information:** D.20-02-006 approving settlement agreement (February 12, 2020); Scoping Memo and Ruling (June 3, 2019); PG&E Application (February 28, 2019); Docket No. A.19-02-018.
RPS Rulemaking

On February 21, 2020, the CPUC issued D.20-02-040 correcting errors from its previous decision on 2019 RPS Procurement Plans, including correcting language that had erroneously indicated that VCE did not comply with the “LCBF Info” requirement. The Energy Division also confirmed by phone call (no written decision or ruling will be issued) that VCE’s revised 2019 RPS Procurement Plan filed in January 2020 is compliant. On February 27, 2020, the CPUC issued a Ruling requesting comments on a Staff Proposal making changes to confidentiality rules regarding the RPS program. Also on February 27, 2020, the Energy Division hosted a workshop on the methods and templates of RPS Procurement Plans and Compliance Reports.

- **Background**: This proceeding addresses ongoing RPS issues. VCE filed its 2019 RPS Procurement Plan on June 21, 2019, and its 2018 RPS Compliance Report on August 1, 2019. D.19-12-042, issued December 2019, required VCE to file an updated 2019 RPS Procurement Plan to address two deficiencies identified: (1) Least-Cost, Best-Fit (LCBF) information and (2) demonstration of compliance with the long-term contracting requirement.

- **Details**: D.20-02-040 corrected a clerical error in the CPUC’s prior decision on LSEs’ 2019 RPS Procurement Plans, removing language that stated that VCE was non-compliant with respect to the "LCBF [least-cost, best-fit] Info" requirement. However, it still required VCE to add more detail to show how it would meet the long-term contracting requirement, which VCE provided through a revised RPS Procurement Plan filed on January 29, 2020.

The Ruling seeks comments on a Staff Proposal attached to the Ruling to make the rules related to confidentiality of information about compliance, reporting, procurement, and planning for the RPS program more transparent, accessible, and consistent. Among other proposals, the Energy Division has proposed to make CCAs’ RPS procurement contract terms (e.g., price, quantity, resource type, location, etc.) publicly available 30 days after deliveries begin. The contract price would also be publicly available six months after a contract is signed (if that occurs sooner than 30 days after deliveries begin).

- **Analysis**: The Staff Proposals in the February 27, 2020, Ruling include provisions that could result in VCE being required to provide more transparency on various RPS information, such as RPS PPA pricing and other contract information.

D.19-09-007 on new CCAs’ 2018 RPS Procurement Plans, D.19-08-007 on RPS enforcement actions for two ESPs, and D.19-12-042 on 2019 RPS Procurement Plans together reinforce the CPUC’s increasing scrutiny of CCAs and their compliance obligations, and the potentially large penalties associated with non-compliance.

Remaining issues to be addressed in this proceeding include a determination on the revised 2019 RPS Procurement Plans, as well as issues that could impact future RPS compliance obligations, such as potentially allowing LSEs like VCE to forgo filing a separate RPS Procurement Plan in 2022 by using its 2022 IRP filing instead.

- **Next Steps**: Comments and reply comments, respectively, on the Staff Proposal are due March 30, 2020, and April 17, 2020. The 2020 RPS Procurement Plan is due June 21, 2020, and the 2019 RPS Compliance Report is due August 1, 2020.

In 2020, the Energy Division is developing a proposal (potentially including workshops or working groups) on integrating the IRP and RPS Procurement Plan filings, but the possibility of combining these filings will not occur prior to 2022, per D.19-12-042.

- **Additional Information**: 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); EnerCal’s Petition for Modification of D.19-12-042 (January 7, 2020); D.19-12-042 on 2019 RPS Procurement Plans (December 30, 2019); 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,
Investigation of PG&E Bankruptcy Plan

On February 18, 2020, the Assigned Commissioner (President Batjer) issued a Ruling requesting parties’ comments on ten Proposals (attached to the Ruling in Appendix A) that include changes to PG&E’s financial and operational structure. On February 21, 2020, parties filed reply testimony. Evidentiary hearings were held from February 25, 2020 through March 4, 2020.

- **Background**: Under AB 1054, in order for PG&E to be eligible to participate in the Wildfire Fund, its plan must be “neutral, on average, to ratepayers.” 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. This proceeding will consider the ratemaking implications of the proposed plan and settlement agreement, whether the plan satisfactorily resolves claims for monetary fines of penalties for PG&E’s pre-petition conduct, whether to approve the governance structure of the utility and the appropriate disposition of potential changes to PG&E’s corporate structure and authorization to operate, whether to make any other approvals related to the confirmation and implementation of the plan, and any other findings necessary to approve a proposed settlement, including but not limited to whether doing so is in the public interest.

PG&E’s reorganization plan would result in a $13.5 billion Fire Victim Trust and a $11 billion settlement with insurance claim holders and companies. The Fire Victim Trust will be funded through $6.75 billion in cash, and $6.75 billion in stock of reorganized PG&E Corp., representing at least a 20.9% share ownership of the reorganized PG&E Corp. Notably, tort claimants of PG&E have shifted their support from the plan of the Ad Hoc Committee of Senior Unsecured Noteholders of PG&E to the amended plan proposed by PG&E.

On January 22, 2020, PG&E announced that it had reached an agreement with AHC regarding its reorganization plan. This agreement was approved by the Bankruptcy Court on February 4, 2020. PG&E’s amended reorganization plan now addresses the claims of holders of utility prepetition funded debt, separately classifies Ghost Ship Fire Claims from other Fire Claims (i.e., rather than channeling them through the Fire Victim Trust), clarifies that all accrued and unpaid payments as of the Effective Date that are due under the Debtors’ Employee Benefit Plans will be paid on or as soon as practicable after the Effective Date, and incorporates agreements with IBEW Local 1245.

- **Details**: In a press release on the Ruling, President Batjer said she is “very concerned about PG&E’s pattern of safety-related failures,” and that its handling of fall 2019 PSPS events “raises questions about its ability to effectively plan and execute on decisions and actions within its control.” The Ruling identifies ten proposals for providing more oversight of PG&E along with management and operational changes at PG&E. Among the proposals is for PG&E to create local operating regions, including appointing regional officers to manage each region and having each region have its own risk officer and safety officer. The last of the ten proposals identifies a roadmap for how the CPUC will closely monitor PG&E’s performance, specifying various steps that PG&E could progress through if repeatedly found to be non-compliant, with the last step being a review and possible revocation of its Certificate of Public Convenience and Necessity. More significant reforms that have been of interest to VCE and other CCAs and local governments, such as municipalization, separating PG&E electric and gas operations, or transforming PG&E into a publicly owned or cooperative utility are not addressed.

In testimony, CCAs made the following arguments:

- Joint CCAs recommended that the CPCU develop a plan in l.15-08-019 (Investigation into PG&E’s Organization, Culture and Governance) to phase out PG&E’s retail electric generation service to customers, including the associated procurement activities, by 2025. Joint CCAs also urged better coordination between PG&E and local governments,
particularly on wildfire and safety issues, and proposed a process for ensuring that PG&E’s Plan is “neutral, on average, to the ratepayers.”

- The City and County of San Francisco recommended that PG&E be required to provide additional information on its Regional Restructuring Plan and safety and operational metrics prior to approval. Furthermore, it urged the CPUC to reject PG&E’s request to preclude consideration of structural alternatives in the I.15-08-019 and disallow PG&E from recovering from ratepayers costs associated with its bankruptcy and emergence from bankruptcy. Finally, it recommended that PG&E be required to consider asset sales and restructuring of long-term contracts that could improve PG&E’s financial condition, as well as alternatives to its current management and operational structures.

- **Analysis**: This proceeding will allow the CPUC to approve a restructuring plan for PG&E, which ultimately must secure approval for the plan by the federal Bankruptcy Court. The express exclusion of municipalization issues from the scope of the proceeding has implications for VCE and its bid to PG&E to purchase the transmission and distribution assets of PG&E as part of PG&E’s restructuring. The stock component of the amended reorganization plan could align tort claimants with PG&E in ways that are detrimental to VCE’s bid for municipalization and other interests as well. VCE is a party to this proceeding.

- **Next Steps**: Opening briefs (including opening comments on the February 18 Ruling) and reply briefs (including reply comments on the February 18 Ruling), respectively, are due March 13, 2020, and March 26, 2020. The deadline to request evidentiary hearings on the Assigned Commissioner Ruling proposals is March 16, 2020. A PD on financial issues is targeted for April 2020. The CPUC intends to complete the proceeding sufficiently in advance of the June 30, 2020 deadline in order to allow the bankruptcy court sufficient time to address and approve any changes to the plan that result from CPUC directives.

- **Additional Information**: Ruling requesting comments on the Assigned Commissioner’s proposals (February 18, 2020); Press Release on President’s statement on PG&E’s bankruptcy plan (February 18, 2020); PG&E Notice of Amended Plan of Reorganization and Testimony (January 31, 2019); Ruling modifying procedural schedule (January 16, 2020); Ruling on Section 854 (November 27, 2019); Scoping Memo and Ruling (November 14, 2019); PG&E Amended Plan (November 5, 2019); Order Instituting Investigation (October 4, 2019); Docket No. I.19-09-016.

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

On February 24, 2020, the ALJ issued a Ruling addressing several motions, including allowing AHC to withdraw as a party from the proceeding, but rejecting a request to withdraw its pleadings from the record. On February 27, 2020, the ALJ issued the Presiding Officer’s Decision, approving the settlement agreement with modifications and resulting in PG&E shareholders liable for penalties totaling $2.137 billion – the largest penalty ever imposed by the CPUC – for the role PG&E’s equipment played in igniting catastrophic wildfires in 2017 and 2018.

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

The terms of the Settlement Agreement specify that PG&E’s shareholders are on the hook for $1.675 billion in financial obligations as a result of numerous wildfires its equipment played a role in sparking in 2017 and 2018. Specifically, PG&E would not be permitted seek rate recovery of wildfire-related expenses and capital expenditures totaling $1.625 billion. In addition, PG&E would be required to spend $50 million in shareholder-provided settlement funds on specified System Enhancement Initiatives.

- **Details:** The Presiding Officer’s Decision increased by $198 million the disallowances for wildfire-related expenditures that was provided in the settlement agreement between PG&E, the CPUC’s Safety and Enforcement Division, the CPUC’s Office of the Safety Advocate, and the Coalition of California Utility Employees. It also increased PG&E’s System Enhancement Initiatives and corrective actions by $64 million. The Decision also added a $200 million fine, payable to the General Fund. In total, these changes increased PG&E’s penalties by $462 million relative to the settlement agreement. The Presiding Officer's Decision also required any tax savings associated with the shareholder payments under the settlement agreement, as modified by this decision, to be returned to the benefit of ratepayers. Finally, it denied all previously-unaddressed motions filed in the docket.

- **Analysis:** If the Presiding Officer’s Decision becomes final, this investigation will have resulted in the largest penalty in CPUC history. It also will require additional spending by PG&E to mitigate future wildfire risk, potentially impacting the quality of service experienced by VCE customers. Monetary penalties will 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:** Appeals to the Presiding Officer’s Decision are due March 28, 2020; if no appeals are filed, the decision becomes final. In addition, any Commissioner may request review of the Presiding Officer’s Decision by filing and serving a Request for Review by the same date. Any party may file and serve a Response to an Appeal or Request for Review within 15 days after the date the Appeal or Request for Review was filed, or, if multiple Appeals or Requests for Review are filed, the Response may be to all such filings and may be filed 15 days after the last Appeal or Request for Review was filed.

- **Additional Information:** Presiding Officer’s Decision approving the settlement agreement with modifications (February 27, 2020); Ruling denying AHC motion to withdraw and rulings on other motions (February 24, 2020); Ruling modifying procedural schedule (January 21, 2020); Joint Motion for Approval of Settlement Agreement (December 17, 2019); Ruling amending scope (December 5, 2019); Report on Camp Fire (November 26, 2019; Note: Large File, 259 MB); Ruling granting extension of proceeding schedule (November 25, 2019); Amended Scoping Memo and Ruling (October 28, 2019); GO 95 Rule 31.1; GO 95 Rule 35; GO 95 Rule 38; Order Instituting Investigation (June 27, 2019); Docket No. I.19-06-015.

**IRP Rulemaking**

On February 18, 2020, parties including VCE submitted their Progress Reports on additional system RA procurement required under D.19-11-016. On February 21, 2020, the ALJ issued a PD that would adopt a Reference System Portfolio (RSP) for use by LSEs in their IRP filings, which would now be due July 1, 2020. On February 28, 2020, LSEs including VCE filed comments providing updated load forecasts in response to a January Ruling.

- **Background:** In the CPUC’s IRP process, the RSP is essentially a proposed statewide IRP portfolio that sets a statewide benchmark for later IRPs filed by individual LSEs. The CPUC ultimately adopts a Preferred System Portfolio (PSP) to be used in statewide planning and future procurement.
D.19-11-016 recommended meeting the potential RA capacity shortage identified through two tranches. Tranche 1 consists of a recommendation that the state Water Resources Control Board (Water Board) extend the retirement dates for several existing generation facilities that use once-through cooling (OTC) systems (~3,750 MW of capacity slated to retire December 31, 2020). Tranche 2 consists of a mandatory procurement of 3,300 MW of additional capacity from resources incremental to baseline capacity included in the 2022 PSP. At least 50% of resources must be on-line by August 1, 2021, 75% by August 1, 2022, and 100% by August 1, 2023. VCE’s incremental system RA procurement requirements for these respective deadlines are 6.3 MW, 9.4 MW, and 12.6 MW.

- **Details:** The PD would adopt a 2019-2020 RSP based on a GHG target for the electric sector for 2030 of 46 million metric tons (MMT), which the PD asserts would comport with a trajectory to meet the state’s goal to supply 100% of retail electricity sales with clean energy by 2045. The resulting 2019-2020 RSP includes a large amount of new solar, wind, and battery storage resources. For instance, it shows the total resource mix in 2030 including 25,084 MW of natural gas (down from 27,562 MW in 2020), 25,905 MW of solar (an increase of 9,595 MW), 20,066 MW of customer solar (an increase of 10,239 MW), 12,138 MW of battery storage (an increase of 10,292 MW), and 10,293 MW of wind (an increase of 2,936 MW). Unlike the previous (2017-2018) RSP, this RSP does not include new geothermal resources, but adds out-of-state wind and pumped storage, or other long-duration storage, resources. The CPUC would explore further in the procurement track of this or a successor proceeding how to go about ensuring that these additional resources, or others with equivalent attributes, are planned for and procured for the benefit of the sector as a whole.

In their individual IRPs, LSEs are required to show how their previous and planned resource procurement will help the state collectively meet this optimal portfolio and GHG target. The PD would adopt certain modifications to the specific requirements for individual LSEs filing IRPs, and delegates to CPUC staff to finalize the templates for this purpose by no later than April 15, 2020.

- **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. Any changes to D.19-11-016 in response to the three applications for rehearing could change the requirement that VCE procure an additional 12.6 MW of incremental procurement over the baseline.

The proposed 2019-2020 RSP would result in large additions of solar and energy storage resources to California’s supply mix, as well as smaller quantities of wind, over the next decade.

- **Next Steps:** Comments on the PD are due March 12, 2020, with reply comments due March 17, 2020. Reply comments on updated load forecasts provided by LSEs are due March 13, 2020.

- **Additional Information:** Proposed Decision on RSP and 2020 IRP filing requirements (February 21, 2020); Ruling allowing updated load forecasts (January 24, 2020); Protect Our Communities Application for Rehearing of D.19-11-016 (December 13, 2019); GenOn Holdings Application for Rehearing of D.19-11-016 (December 13, 2019); Joint Application for Rehearing of D. 19-11-016(December 5, 2019); List of Baseline Resources (December 2, 2019); E-Mail Ruling extending RSP comments deadlines (November 19, 2019); D.19-11-016 (November 13, 2019); Ruling requesting comments on RSP (November 6, 2019); Ruling initiating procurement track (June 20, 2019); D.19-04-040 on 2018 IRPs and 2020 IRP requirements (May 1, 2019); Docket No. R.16-02-007.

**RA Rulemaking (2021-2022)**

On February 7, the ALJ filed the Energy Division’s proposal on Maximum Cumulative Capacity buckets. On February 11, 2020, Energy Division issued this final schedule for the third-party Load Impact Protocol (LIP) requirements and the associated Energy Division-Stakeholder process. On February 14, 2020, a Track 1 workshop was held. On February 12-13 and February 24, 2020, the various Track 2 working
groups met. On February 21, 2020, the ALJ issued a Ruling that attached Energy Division’s Track 2 proposals. On February 28, 2020, the ALJ issued a ruling attaching the Energy Division’s Track 1 proposal, and another ruling setting forth the Track 2 schedule. On February 28, 2020, demand response providers filed Draft Load Impact Protocol Evaluation Plans, which pertain to the establishment of Qualifying Capacity for DR resources. A workshop on Track 2 proposals was held March 5, 2020.

- **Background**: See the RA Rulemaking (2019-2020) proceeding below for additional background information on current RA issues. The preliminary scope of this proceeding includes Local and Flexible RA requirements beginning in 2021, structural program changes, and program refinements. Specifically, it will determine local RA requirements for the 2021-2023 compliance years, including the CAISO’s local capacity study, local area aggregation, local RA waivers or adjustments, and the reliability criteria targeted through procurement obligations. It will also establish Flexible RA requirements for the 2021 and 2022 compliance years. Per the Scoping Memo, this proceeding is divided into 4 tracks:
  1. Track 1 considers revisions to the RA import rules.
  2. Track 2 considers System and Flexible RA requirements for 2021 and Local RA requirements for 2021-2023. It also considers time-sensitive refinements to the RA program, including modifications to the maximum cumulative capacity (MCC) buckets to address increasing reliance on use-limited resources to meet reliability and needs; using a working group process to consider qualifying capacity counting conventions and requirements for hydro resources, hybrid resources, and third-party demand response resources; re-aggregation of the “PG&E Other” area; and changes to the existing penalty structure and waiver process to address potential market power.
  3. Track 3 examines the broader RA capacity structure to address energy attributes and hourly capacity requirements, given the increasing penetration of use-limited resources, greater reliance on preferred resources, rolling off of a significant amount of long-term tolling contracts held by utilities, and material increases in energy and capacity prices experienced in California over the past years.
  4. Track 4 will consider the 2022 program year requirements for System and Flexible RA, and the 2022-2024 Local RA requirements.

- **Details**: In Track 1, the Energy Division is proposing the following measures to reduce speculation and potential gaming in the RA import market to ensure electricity is delivered into California when it is actually needed:
  1. Require resource-specific RA imports to be pseudo-tied or dynamically scheduled into the CAISO day-ahead and real-time markets and to have resource-specific IDs;
  2. Require non-resource specific RA imports (i.e., energy contracts) to (a) have contractually specified fixed energy price provisions and contain no curtailment provisions, (b) deliver or schedule energy into the day-ahead and real-time markets, and (c) deliver energy at least during the availability assessment hours regularly throughout the RA compliance month; and
  3. Require load-serving entities (LSEs) to provide RA import contracts in a timely manner, with no provisions redacted, to Energy Division staff in order for the RA import contracts to count towards an LSE’s RA obligation.

In Track 2, with respect to Energy Division’s MCC proposal, for background, the MCC bucket system, which was last updated in 2012, groups capacity resources into categories (currently 5 in total) based on their monthly availability limits during summer (i.e., peak) months, and limits the amount of capacity that may be procured from use-limited resources to specified percentages of RA capacity needs. The Staff Proposal contains four options for updating the MCC bucket system and recommends Option #4b (essentially an all of the above option). Of note, solar and wind are currently considered “unrestricted” resources (Category 4), meaning that they are not limited to specified maximum quantities. Energy Division’s proposal would retain solar and wind within Category 4, but modify it to provide that at least 56.1% of resources must be 24-hour
dispatchable resources. This amount was arrived at by analyzing the MCC bucket percentages using net load duration curves (i.e., load minus solar and wind).

Energy Division’s other Track 2 proposals include re-aggregating the PG&E “Other” Local Area; requiring all non-emergency DR except DR auction mechanism (DRAM) resources be required to dispatch for a four-hour period during RA measurement hours on three days during the July - September time frame; establishing an optional alternative to the use of LIPs for non-IOU DR resources; supporting the design and application of the current interim methodology for hybrid resource (i.e., generation resources paired with energy storage); capping the effective flexible capacity of energy storage resources; recommending that the CPUC affirm several reporting elements that are largely reflected in the 2020 RA Filing Guide to avoid confusion about how capacity should be reported; and proposing to clarify the meaning of notices indicating an RA deficiency versus a need for corrections; and modifying the RA penalty structure by increasing penalties for summer months and decreasing penalties in non-summer months. It also seeks comments on whether it is appropriate to penalize an LSE twice when a month ahead deficiency is redundant to a year ahead deficiency that was not cured in the interim and whether a procedure should be established to remove LSEs that consistently cannot procure sufficient capacity from the market, and a potential alternative where penalties are escalated for repeated violations.

• **Analysis:** Regulatory developments under consideration in this proceeding that may impact VCE’s capacity procurement obligations include the consideration of hourly capacity requirements in light of the increasing penetration of use-limited resources; modifications to maximum cumulative capacity buckets and whether the RA program should cap use-limited and preferred resources; whether the CPUC should cap imports; the potential expansion of multi-year local forward RA to system or flexible resources; RA penalties and waivers; counting conventions for hydro, hybrid resources, and DR resources; and Marginal ELCC counting conventions for solar, wind and hybrid resources.

• **Next Steps:** In Track 1, comments on workshop report and/or proposals are due March 6, 2020. In Track 2, comments and reply comments on the workshop and all proposals filed are due March 23 and March 30, 2020, respectively. Flexible and local RA issues will be addressed in April-May, kicking off with the CAISO draft 2021 LCR Report filed on April 1. With respect to Counting Convention proposals specifically, the working group will issue a report on March 11, 2020, with comments and motions for evidentiary hearing due March 23, 2020, and reply comments due March 30, 2020.

In Track 3, proposals from parties and Energy Division are due July 10. The schedule and scope of issues for Track 4 will be established in a later Scoping Memo.

• **Additional Information:** Ruling providing Energy Division’s Track 1 Proposal (February 28, 2020); Ruling modifying Track 2 schedule (February 28, 2020); Scoping Memo and Ruling (January 22, 2020); Ruling attaching Energy Division’s Track 2 proposals (February 21, 2020); Ruling attaching Energy Division’s Maximum Cumulative Capacity (MCC) buckets proposal (February 7, 2020); Order Instituting Rulemaking (November 13, 2019); Docket No. R.19-11-009.

RA Rulemaking (2019-2020)

On February 11, 2020, a group of clean energy and energy storage parties filed a Petition for Modification (PFM) of D.20-01-004 on hybrid resources.

• **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). A pending settlement agreement, filed by CalCCA among other parties (but not PG&E), would create a RA Central Procurement Entity ("RA-CPE"), unidentified in the Settlement Agreement, to procure residual collective RA for all CPUC-jurisdictional LSEs and rejected a request for RA import rules (October 17, 2019). Most significant impacts of D.19-10-021 will be felt by CCAs with unspecified imports currently under contract.

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.

CalCCA’s Petition for Modification, if granted, would provide CCAs with the potential for a waiver of system and flexible RA requirements (in addition to the existing waiver process for local RA). 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 timeline for a final decision regarding the central buyer is unclear.

**Additional Information:** PFM of D.20-01-004 (February 11, 2020); D.20-01-004 on qualifying capacity value of hybrid resources (January 17, 2020); Ruling on Energy Division’s RA State of the Market Report (January 14, 2020); D.19-12-064 granting motion for stay of D.19-10-021 (December 23, 2019); Powerex Application for Rehearing of D.19-10-021 (November 18, 2019); CAISO Application for Rehearing of D.19-10-021 (November 18, 2019); Petition for Modification of D.19-06-026 by CalCCA (October 30, 2019); CalCCA Application for Rehearing of D.19-10-021 (October 24, 2019); D.19-10-021 affirming RA import rules (October 17, 2019); D.19-09-054 extending statutory deadline (September 26, 2019); PG&E PFM regarding PG&E Other disaggregation (September 11, 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.
2018 Rate Design Window

On February 25, 2020, and March 2, 2020, parties filed comments and reply comments, respectively, on a PD addressing Phase 3 issues (primarily residential fixed charges and minimum bills) that would largely retain the overarching design of residential rates as they are now.

- **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 1 Decision granted PG&E approval to begin transitioning eligible residential customers to TOU rates beginning in October 2020. A December 2018 Phase 2A 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 2B 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 3, which considers the IOUs’ proposals for fixed charges and/or minimum bills.

- **Details:** The PD would find that the utilities failed to demonstrate that their fixed charge proposals would be met with customer acceptance and understanding of what would be a novel rate design for California. It would reject PG&E’s proposal to establish a $6.37/month fixed charge. The PD would allow PG&E to increase the standard minimum bill amount, currently $10/month, for 2020 to reflect the CPI inflation percentages for 2018 and 2019, with an annual CPI adjustment beginning in 2021. The CARE rate will remain at the current $5/month rate as adjusted for inflation.

  The PD would direct that the minimum bill amounts be calculated based on distribution charges only beginning October 1, 2020. This is a shift from present design under which the minimum bill is assessed based on all non-generation volumetric rates, which also include transmission and other non-bypassable charges. It also would determine that if a customer does pay a fixed charge under an optional rate that they choose to enroll in, the customer may not also be charged a minimum bill.

- **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. However, the pending Track 3 PD, if adopted, would not result in major residential rate design changes for PG&E customers, as it rejects PG&E’s proposed fixed charge and only slightly modifies PG&E’s existing minimum bill.

- **Next Steps:** The PD may be adopted, at the earliest, at the CPUC’s March 12, 2020, meeting.

- **Additional Information:** Proposed Decision on Track 3 issues (February 5, 2020); 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).

PG&E’s Phase 1 GRC

On February 6, 2020, PG&E and TURN filed a Motion to amend the settlement agreement to add additional information to indicate the resolution of certain Customer Care issues. On February 11, 2020, the Joint CCAs filed a Response, and a concurrently filed Motion seeking the opportunity to file a sur-
reply brief, in response to PG&E’s Motion that requested official notice of information contained in PG&E Corporation’s and PG&E’s Form 10-K Annual Reports.

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

The Settlement Agreement, filed December 30, 2019, would result in an increase in PG&E’s 2020 revenue requirement of $575 million (i.e., $483 million lower than PG&E’s original request), with additional increases of $318 million, or 3.5% in 2021, and $367 million, or 3.9%, in 2022. The Settlement Agreement would result in PG&E withdrawing its proposal for a non-bypassable charge related to its hydroelectric facilities. It would require PG&E to develop new and enhanced reporting to provide increased visibility into the work it performed. It also provides for PG&E’s ability to purchase insurance coverage up to $1.4 billion to protect against wildfire risk and other liabilities, reflected in PG&E’s forecast as a cost of $307 million. The consolidated 2020 electric and gas bill impact would be 3.4%.

- **Details**: The Joint CCAs contend that PG&E requested notice of information that contradicts evidence the utility provided the Joint CCAs and failed to correct over the course of the proceeding. Rather than requesting the CPUC deny PG&E’s Motion, the Joint CCAs are requesting an opportunity to file a Sur-Reply Brief in response to PG&E’s Reply Brief. The Sur-Reply Brief was attached to the Motion. PG&E filed a reply to the response to the Motion agreeing the Joint CCAs should be given the opportunity to respond but alleging the Joint CCAs’ response was overbroad.

- **Analysis**: PG&E’s GRC proposals include shifting substantial costs associated with its hydroelectric generation from its generation rates (applicable only to its bundled customers) into a non-bypassable charge affecting all of its distribution customers, including VCE customers, which would negatively affect the competitiveness of VCE’s rates relative to PG&E’s. However, that proposal would be withdrawn if the Settlement Agreement is approved. The remaining CCA-related issues in the case include the Joint CCAs’ recommendations that the Commission:
  
  - Revise the allocation of certain customer-service costs since unbundled customers use those services far less than bundled customers.
  - Ensure CCAs can connect clean generation to PG&E’s temporary microgrids during PSPS events.
  - Revise the settlement’s exorbitant decommissioning costs for PG&E’s PCIA-eligible facilities.
  - Revise the settlement to ensure grid modernization data is accessible to CCAs to ensure a level playing field in the provision of grid services.

- **Next Steps**: The ALJs will issue a proposed decision.

- **Additional Information**: Joint CCAs’ [PG&E Motion](#) for Official Notice of Facts (January 27, 2020); Joint Motion for Settlement Agreement (January 14, 2020); E-Mail Ruling granting oral argument (January 6, 2020); E-Mail Ruling modifying procedural schedule (December 2, 2019); E-Mail Ruling suspending briefing deadlines (November 25, 2019); D.19-11-014 (November 14, 2019); Ruling setting public participation hearings (May 7, 2019); Scoping Memo and Ruling (March 8, 2019); Joint CCAs’ Protest (January 17, 2019); Application and PG&E GRC Website (December 13, 2018); Docket No. [A.18-12-009](#).
PG&E’s Phase 2 GRC

On February 10, 2020, the Assigned Commissioner issued a Scoping Memo and Ruling. On February 28, 2020, the ALJ issued a Ruling setting and noticing public participation hearings.

- **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.

- **Details**: The Scoping Memo and Ruling establishes the procedural schedule and the issues to be examined in this proceeding.

- **Analysis**: This proceeding may not impact the transparency between a bundled and unbundled customer’s bills because of the Working Group 1 proposed decision discussed in the PCIA docket below. It will affect the allocation of PG&E’s revenues requirements among Valley’s different rate classes. It will also affect distribution and PPP charges paid by VCE customers to PG&E. Further, PG&E includes a cost-of-service study the purpose of which is to establish the groundwork for separating net metering customers into a separate customer class in the utility’s next rate case. If PG&E’s proposed CCA fee revisions are adopted, it will increase the cost VCE pays to PG&E for various services.

- **Next Steps**: Regarding the essential usage study design specifically, a workshop will be held in March, followed by PG&E filing its proposal on April 1, 2020, and opening and reply comments, respectively, due May 1 and May 15, 2020. The schedule for general issues in this proceeding includes the following key dates: PG&E hosts public workshop on marginal costs and revenue allocation proposals the week of April 13, 2020; PG&E serves updated testimony May 1, 2020; public participation hearings are scheduled for May and June 2020; intervenor direct testimony is due September 25, 2020. A CPUC decision is anticipated for September 2021.

- **Additional Information**: Ruling setting public participation hearings (February 28, 2020); Scoping Memo and Ruling (February 10, 2020); E-mail Ruling extending Protest deadline (December 3, 2019); Application, Exhibit (PG&E-1): Overview and Policy, Exhibit (PG&E-2): Cost of Service, Exhibit (PG&E-3): Revenue Allocation, Rate Design and Rate Programs, and Exhibit (PG&E-4): Appendices (November 22, 2019); Docket No. A.19-11-019.

PCIA Rulemaking

On February 21, 2020, Working Group 3 (Portfolio Optimization and Cost Reduction, and Allocation and Auction) filed its Final Report. On February 25, 2020, the ALJ issued a PD on departing load forecast and presentation of the PCIA.
• **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 declines to adopt any technical modifications to departing load forecasting. It would require each IOU to report in each regulatory filing their meet-and-confer activities with the CCAs, if the regulatory filing includes a departing load forecast. It would direct the IOUs to collaborate to submit a joint proposal for bill and tariff changes to show a PCIA line item in their tariffs and bill summary table on all customer bills, with each utility submitting a Tier 3 Advice Letter by August 31, 2020, to implement the joint proposal by the last business day of 2021. It would also direct IOUs to file a petition to modify to correct the mathematical errors claimed to exist in the PCIA template. Finally, the PD would deny a motion for evidentiary hearings filed by Protect Our Communities on August 2, 2019.

The Working Group 3 Final Report includes consensus recommendations on a majority of items assigned to the working group, including recommendations that the CPUC, among other actions: (1) adopt the proposed allocation and market offer-based frameworks for disposition of the IOUs’ PCIA-eligible products; (2) update the PCIA ratemaking mechanism to be implemented in conjunction with these mechanisms; (3) direct the IOUs to issue an RFI in 2021 and 2022 to solicit interest from their RPS counterparties in pursuing agreements to optimize the PCIA portfolios (e.g., potentially contracting with other LSEs for buy-outs or full assignments of the IOU’s RPS contracts that would remove the contracts from the IOU’s portfolio); (4) implement specific recommendations via other relevant CPUC proceedings; and (5) fully implement the allocation proposals in 2022 for 2023 deliveries of RPS energy, GHG-free energy, and System and Flex RA, and 2022 for the 2024-25 compliance years for Local RA.

**Analysis:** The PD would increase the transparency between bundled and unbundled customers bills and is good news for the CCAs overall.

• **Next Steps:** Opening and reply comments on the PD are due March 16 and March 23, 2020, respectively.

Opening and reply comments, respectively, are due March 13 and 27, 2020 on the final Working Group 3 report. Motions for an evidentiary hearing are due April 3, 2020, and a proposed decision is expected in Q3 2020.

• **Additional Information:** Proposed Decision on departing load forecast and presentation of the PCIA (February 25, 2020); Ruling modifying procedural schedule for working group 3 (January 22, 2020); D.20-01-030 denying rehearing of D.18-10-019 as modified (January 21, 2020); Ruling modifying procedural schedule (January 15, 2020); Ruling modifying procedural schedule (December 18, 2019); Working Group 2 Final Report (December 9, 2019); AL 5705-E (December 2, 2019); D.19-10-001 (October 17, 2019); AL 5624-E establishing PCIA Undercollection Balancing Account and Trigger Mechanism (August 30, 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.
• **Background:** Phase 1 issues were resolved on May 30, 2019. For Phase 2 of this proceeding, the CPUC will address the SB 237 mandate requiring the CPUC to, by June 1, 2020, provide recommendations to the Legislature on “implementing a further direct transactions reopening schedule, including, but not limited to, the phase-in period over which further direct transactions shall occur for all remaining nonresidential customer accounts in each electrical corporation’s service territory.” The Commission is required to make certain findings regarding the consistency of its recommendation with state climate, air pollution, reliability and cost-shifting policies.

• **Details:** The Energy Division held a workshop on January 8, 2020, and accepted post-workshop informal comments and reply comments on January 21, 2020 and January 27, 2020, respectively.

• **Analysis:** This proceeding will impact the CPUC’s recommendations to the Legislature regarding the potential future expansion of DA in California, including a potential lifting of the existing cap on nonresidential DA transactions altogether. Further expansion of DA in California could result in non-residential customer departures from VCE and make it more difficult for VCE to forecast load and conduct resource planning. CalCCA has argued that further expansion of nonresidential DA is likely to adversely impact attainment of the state’s environmental and reliability goals, and will result in cost-shifting to both bundled and CCA customers.

• **Next Steps:** A report containing the Energy Division’s draft recommendations to the Legislature will be published March 9, 2020, with comments and reply comments on the final recommendations due March 30, 2020 and April 9, 2020, respectively. A proposed decision is anticipated for May 22, 2020, with comments and reply comments due June 11 and June 16, 2020, respectively. A final decision by the Commission is expected no earlier than June 25, 2020.

• **Additional Information:** Amended Scoping Memo and Ruling adding issues and a schedule for Phase 2 (December 19, 2019); Docket No. R.19-03-009; see also SB 237.

**Wildfire Cost Recovery Methodology Rulemaking**

No updates this month. An August 7, 2019, PG&E Application for Rehearing remains pending regarding the CPUC’s recent Decision establishing criteria and a methodology for wildfire cost recovery, which has been referred to as a “Stress Test” for determining how much of wildfire liability costs that utilities can afford to pay (D.19-06-027).

• **Background:** SB 901 requires the CPUC to determine, when considering cost recovery associated with 2017 California wildfires, that the utility’s rates and charges are "just and reasonable." In addition, and notwithstanding this basic rule, the CPUC must “consider the electrical corporation’s financial status and determine the maximum amount the corporation can pay without harming ratepayers or materially impacting its ability to provide adequate and safe service.”

D.19-06-027 found that the Stress Test cannot be applied to a utility that has filed for Chapter 11 bankruptcy protection (i.e., PG&E) because under those circumstances the CPUC cannot determine essential components of the utility’s financial status. In that instance, a reorganization plan will inevitably address all pre-petition debts, include 2017 wildfire costs, as part of the bankruptcy process. The framework proposed for adoption in the PD is based on an April 2019 Staff Proposal, with some modifications. The framework requires a utility to pay the greatest amount of costs while maintaining an investment grade rating. It also requires utilities to propose ratepayer protection measures in Stress Test applications and establishes two options for doing so.

PG&E’s application for rehearing challenges the CPUC’s prohibition on applying the Stress Test to utilities like itself that have filed for Chapter 11 bankruptcy. PG&E’s rationale is that SB 901 requires the CPUC to determine that the stress test methodology to be applied to all IOUs. Several parties filed responses to PG&E’s application for rehearing disagreeing with PG&E.
• **Details:** N/A.

• **Analysis:** This proceeding established the methodology the CPUC will use to determine, in a separate proceeding, the specific costs that the IOUs (other than PG&E) may recover associated with 2017 or future wildfires.

• **Next Steps:** The only matter remaining to be resolved in this proceeding is PG&E’s application for rehearing. This proceeding is otherwise closed.

• **Additional Information:** [PG&E Application for Rehearing](#) (August 7, 2019); [D.19-06-027](#) (July 8, 2019); [Assigned Commissioner's Ruling](#) releasing Staff Proposal (April 5, 2019); [Scoping Memo and Ruling](#) (March 29, 2019); [Order Instituting Rulemaking](#) (January 18, 2019); Docket No. **R.19-01-006**. See also **SB 901**, enacted September 21, 2018.

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

No significant updates this month. On February 13, 2020, TURN filed a notice of ex parte communication.

• **Background:** On December 21, 2018, the CPUC issued a Scoping Memo opening the next phase of an ongoing investigation into whether PG&E’s organizational culture and governance prioritize safety. This current phase of the proceeding is considering alternatives to current management and operational structures for providing electric and natural gas in Northern California.

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

• **Details:** Based on its ex parte filing, TURN appears to support state ownership of PG&E’s transmission lines.

• **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, 2018); Docket No. **I.15-08-019**.

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

The CPUC issued D.20-02-070 denying an Application for Rehearing filed by Ruth Hendricks of D.19-10-056, which approved the imposition of the wildfire fund non-bypassable charge.

• **Background:** This rulemaking implemented AB 1054 and extended a non-bypassable charge on ratepayers to fund the Wildfire Fund. The scope of this proceeding was limited to consideration of whether the CPUC should authorize ratepayer funding of the Wildfire Fund established by AB 1054, enacted in July 2019, via the continuation of an existing non-bypassable charge (Department of Water Resources bond charge) that would have otherwise expired by the end of 2021. On August 26, 2019, the Bankruptcy Court tentatively granted PG&E’s request to participate in the Wildfire Fund.
D.19-10-056, issued in October 2019, approved the establishment of a non-bypassable charge on IOU customers to provide revenue for the newly established state Wildfire Fund pursuant to 2019 AB 1054. The charge will only be assessed on customers of utilities that participate in the Wildfire Fund (i.e., PG&E, SCE, and SDG&E), and will expire at the end of 2035. The Decision also provides that once a large IOU commits to Wildfire Fund participation, it may not later revoke its participation. The annual revenue requirement for the charge among the large IOUs will total $902.4 million, allocated at $404.6 million for PG&E, $408.2 million for SCE, and $89.6 million for SDG&E. (There is a June 30, 2020, deadline for PG&E to satisfactorily complete its insolvency proceeding under AB 1054, and therefore become eligible to participate in the Wildfire Fund.) The Wildfire Fund NBC will be collected on a $/kWh basis, with the revenue requirement allocated based on each class's share of energy sales. Residential CARE and medical baseline customers are exempt. The Wildfire Fund NBC cannot take effect until the DWR Bond charge sunsets, which may take place as early as the second half of 2020.

- **Details:** The Decision denies the Application for Rehearing on the ground that there were no due process violations in the Commission’s determination not to hold evidentiary hearings, and that the non-bypassable charge is just and reasonable.

- **Analysis:** This proceeding established a new non-bypassable charge on VCE customers beginning as early as the second half of 2020 to fund the Wildfire Fund under AB 1054. Whether customers in PG&E’s territory will be subject to the charge will be determined only after its Bankruptcy proceeding is complete. D.19-10-056 kept the proceeding open to later consider the annual revenue requirement and sales forecast for the Wildfire Fund non-bypassable charge in 2020.

- **Next Steps:** The non-bypassable charge will go into effect as early as the second half of 2020.

- **Additional Information:** D.20-02-070 denying Application for Rehearing; (March 2, 2020); D.19-10-056 approving a non-bypassable charge (October 24, 2019); Scoping Memo and Ruling (August 14, 2019); Order Instituting Rulemaking (August 2, 2019); Docket No. R.19-07-017. See also AB 1054.

### Other Regulatory Developments

- **PG&E Application to Recover Wildfire Insurance Costs:** On February 7, 2020, PG&E filed an Application requesting to recover $498.7 million over a one-year period for 2017-2019 insurance costs recorded in its Wildfire Expense Memorandum Account (Docket No. A.20-02-004). PG&E proposes to recover the revenue requirements as part of its Annual Electric True-Up and Annual Gas True-Up advice letter filings, respectively, on January 1, 2021. Under the proposal, bundled service customer rates would increase 2.7% (2.8% for residential customers specifically), and CCA customer rates would increase 1.8% (2.1% for residential customers specifically). Protests are due March 12, 2020.

- **PG&E Application to Recover Wildfire Mitigation and Catastrophic Events Memorandum Accounts:** On February 7, 2020 PG&E filed an Application seeking to recover $899 million over a 17-month period for 2017-2019 costs recorded in various wildfire mitigation and catastrophic events memorandum accounts (Docket No. A.20-02-003). The total amount reflects 85% of the revenue requirement associated with the costs PG&E has already incurred through December 31, 2019. PG&E is requesting the CPUC make a policy determination – on a going-forward basis – to provide interim rates, subject to refund, for significant accumulated balances in similarly-situated memorandum accounts. Specifically, PG&E seeks CPUC support for interim rates whenever PG&E accumulates a total of $100 million or more (in revenue requirement equivalent) relating to new Commission- or legislative-mandated activity in one or more memorandum accounts established to allow the utility to record such costs. Under the proposal, bundled service customer rates would increase 3.7% (4.6% for residential customers specifically), and CCA customer rates would increase 5.8% (6.8% for residential customers specifically). Protests are due March 13, 2020.
## Glossary of Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>AB</td>
<td>Assembly Bill</td>
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<tr>
<td>AET</td>
<td>Annual Electric True-up</td>
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<td>ALJ</td>
<td>Administrative Law Judge</td>
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<td>BTM</td>
<td>Behind the Meter</td>
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<td>CAISO</td>
<td>California Independent System Operator</td>
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<td>CAM</td>
<td>Cost Allocation Mechanism</td>
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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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<td>CPUC</td>
<td>California Public Utilities Commission</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>GRC</td>
<td>General Rate Case</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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<tr>
<td>IEPR</td>
<td>Integrated Energy Policy Report</td>
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<td>IFOM</td>
<td>In Front of the Meter</td>
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<tr>
<td>IRP</td>
<td>Integrated Resource Plan</td>
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<td>IOU</td>
<td>Investor-Owned Utility</td>
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<td>LSE</td>
<td>Load-Serving Entity</td>
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<td>MCC</td>
<td>Maximum Cumulative Capacity</td>
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<td>PABA</td>
<td>Portfolio Allocation Balancing Account</td>
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<tr>
<td>PD</td>
<td>Proposed Decision</td>
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<tr>
<td>PG&amp;E</td>
<td>Pacific Gas &amp; Electric</td>
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<td>PFM</td>
<td>Petition for Modification</td>
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<td>PCIA</td>
<td>Power Charge Indifference Adjustment</td>
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<td>PSPS</td>
<td>Public Safety Power Shutoff</td>
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<td>PUBA</td>
<td>PCIA Undercollection Balancing Account</td>
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<td>QC</td>
<td>Qualifying Capacity</td>
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<td>Resource Adequacy</td>
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<td>Rate Design Window</td>
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<td>RPS</td>
<td>Renewables Portfolio Standard</td>
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<td>SCE</td>
<td>Southern California Edison</td>
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<td>SED</td>
<td>Safety and Enforcement Division (CPUC)</td>
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<td>TCJA</td>
<td>Tax Cuts and Jobs Act of 2017</td>
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<td>TURN</td>
<td>The Utility Reform Network</td>
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<tr>
<td>Acronym</td>
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<td>UOG</td>
<td>Utility-Owned Generation</td>
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<td>Wildfire Mitigation Plan</td>
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