REGULATORY UPDATE FOR DECEMBER 21 (WEEK OF DECEMBER 14)

California Public Utilities Commission

New Proposed Decisions and Draft Resolutions:[1]

A.18-04-002 (PacifiCorp GRC). The Commission has ordered PacifiCorp to file general rate cases (GRCs) on a three-year cycle. On September 18, 2020, PacifiCorp petitioned to extend the filing of its next GRC one year, which would change the test year from 2022 to 2023. This petition also requests authorization to use the post-test year adjustment mechanism for an additional year, 2022. PacifiCorp requests the extension due to PacifiCorp planning additional filings at the end of 2020 and during 2021. This proposed decision grants the petition to extend the filing of PacifiCorp's next GRC one year with one clarification. Consistent with D.20-02-025, the deadline for filing retirement plans for coal facilities serving California customers, and any associated requests for accelerated depreciation, is the Q1 of 2021.

Voting Meetings:

The Commission's next voting meeting is scheduled for January 14, 2021. The agenda is scheduled to be published January 4, 2021.

The Commission held a voting meeting on December 17, 2020. The agenda included the following items:

Item 4: A.19-02-015 (Renewable Natural Gas Tariff). This proposed decision adopts a three-year voluntary pilot Renewable Natural Gas Tariff program for Southern California Gas Company and SDG&E (the Utilities). The Utilities are authorized to offer this program to their respective eligible core customers. **Signed, D.20-12-022**.

Item 8: A.19-07-006 (SDG&E EV High Power Charging Rate). This decision approves with modifications a proposal by SDG&E for a new rate for separately metered electric vehicle charging loads with an aggregated maximum demand of 20 kilowatts or greater, excluding single-family residential customers. **Signed, D.20-12-023**.

Item 11: R.19-07-017 (Wildfire Fund Non-Bypassable Charge). This decision directs the large electrical corporations to charge a Wildfire Fund Non-Bypassable Charge of $0.00580/kilowatt-hour to customers pursuant to D.19-10-056, and establishes the process for considering the amount of the annual Wildfire Fund Non-Bypassable Charge going forward. **Signed, D.20-12-024**.

[1] Per Commission Rules of Practice and Procedure Rule 14.3, comments on proposed decisions are due 20 days after issuance of the proposed decision, and reply comments are due five days thereafter. Comments on draft resolutions are due 20 days after the draft resolution appears in the Commission's daily calendar, per Rule 14.5.

Item 15: R.18-12-006 (Vehicle Electrification). This decision adopts elements of a Transportation Electrification Framework staff proposal regarding utilization by the large electrical corporations of certain proceeds they earn through the Low Carbon Fuel Standard program. The large electrical corporations are directed to spend certain Low Carbon Fuel Standard proceeds in accordance with the guidance and regulations established by the California Air Resources Board and the Commission. The large electrical corporations are also directed to file their plans for Low Carbon Fuel Standard expenditures as a Tier 2 Advice Letter, and coordinate their marketing, education, and outreach activities related to their Low Carbon Fuel Standard projects with other transportation electrification initiatives. **Signed, D.20-12-27**.

Item 17: Resolution E-5110. This Resolution adopts with modifications PG&E, SCE, and SDG&E's 2022 Demand Response Auction Mechanism (DRAM) Request for Offers and Contract Language, with the solicitation to be conducted in Q1 of 2021, resulting in Resource Adequacy contracts for third party Demand Response resource capacity to be delivered in 2022. This Resolution approves several proposals for technical improvements in the DRAM design, rejects or defers some of the refinement proposals, and clarifies certain contract implementation issues based on existing Commission decisions, including a significant correction by the Energy Division to capacity invoice payment calculation in the 2022 DRAM pro forma. **Adopted**.

Item 18: A.20-07-009 (SDG&E PCIA). This proposed decision authorizes SDG&E to increase Power Charge Indifference Adjustment (PCIA) rates on departing load customers to recover an undercollection of $8.92 million. The temporary rate increase will begin January 1, 2021 and end December 31, 2021. **Signed, D.20-21-028**.

Item 19: R.18-12-006 (Vehicle Electrification). This decision adopts strategies and metrics to further the integration of electric vehicles as electrical grid resources, and fulfills obligations imposed on the Commission by Senate Bill 676. **Signed, D.20-12-029**.

Item 23: R.13-02-008 (Biomethane Standards). This decision adopts with modification the standard renewable gas interconnection and operating agreement. **Signed, D.20-12-031**.

Item 39: A.20-07-004 (SCE ERRA Forecast). This decision approves SCE's total 2021 Energy Resource Recovery Account (ERRA) electric procurement cost revenue requirement forecast of $4,454.131 million, consisting of both a generation service component and a delivery service component. **Signed, D.20-12-035**.

Item 40: A.19-05-007 (SDG&E 2018 ERRA Approval). This decision approves entries and costs recorded in the ERRA and other accounts as appropriate and correctly stated, and finds that SDG&E's procurement of GHG compliance instruments during the Record Year is consistent with Commission directives. The decision orders return of the 2018 overcollection in the Local Generation Balancing Account to ratepayers in SDGE's ERRA forecast application for 2021. **Signed, D.20-12-036**.

Item 42: A.20-04-014 (SDG&E Revenue Requirements). This decision adopts a 2021 forecast electric procurement revenue requirement for SDG&E of $1,161.437 million. The proposed decision also adopts a 2021 forecast Tree Mortality Non-Bypassable Charge revenue requirement. In addition, this decision approves SDG&E's 2021 (1) forecast GHG allowance revenues of $115.84 million and its adjusted forecast GHG allowance revenues eligible to return to customers of $96.03 million, (2) forecast GHG clean energy/energy efficiency program set-asides of $17.77 million, including $16.74 million for the Solar on Multifamily Affordable Housing program and $1.03 million for the Disadvantaged Communities Single Family Solar Homes program, (3) forecast GHG revenue returns of $(1.66) million to small business and $(0.84) million to emissions-intensive trade-exposed retail customers, (4) forecast GHG administration, customer education, and outreach plan costs of $45,133, (5) forecast revenue returns to residential customers via the California Climate Credit of $(93.54) million, and the associated semi-annual California Climate Credit of $34.60 per household, (6) proposed PCIA rates, and (7) proposed rate components for the Green Tariff Shared Renewables program. **Held to January 14, 2021 voting meeting.**

Item 44: A.20-07-002 (PG&E ERRA Forecast). This decision adopts the following PG&E forecasts and proposals, as modified: (1) 2021 forecast of electric sales; (2) 2021 forecasted energy procurement revenue requirements to be effective in rates on or after January 1, 2021; (3) GHG allowance revenue return forecast and costs; (4) 2021 Green Tariff Shared Renewables and Enhanced Community Renewables rate design proposals; (5) proposals to credit customers for the 2019 and 2020 ERRA overcollections; and (6) proposal to refund the 2020 balance of the PCIA Undercollection Balancing Account to bundled customers.

2021 Revenue Requirement (millions): ERRA $2,666; Ongoing Competition Transition Charge $3; PCIA $2,233; Cost Allocation Mechanism $262; Tree Mortality Non-Bypassable Charge $66; ERRA PCIA Financing Subaccount Credit ($14); Revenue Requirement for Rate Setting $5,107; less: Utility Owned Generation Related Costs ($2,250). Total $2,965.

2021 GHG Revenue Return, Costs, and Set-Asides (millions): GHG Administrative and Outreach Expenses $0.85; 2020 Solar on Multifamily Affordable Housing (SOMAH) Set-Aside $20.86; 2016-2019 SOMAH True-Up Set-Aside $4.45; 2021 Clean Energy and Energy Efficiency Programs Set-Aside $42.45; Net GHG Revenue Return $202.40; Semi-annual Residential California Climate Credit $17.20. **Signed, D.20-12-038**.

Item 50: R.20-05-003 (IRP). This decision adopts requirements for all load-serving entities (LSEs) required to procure electric capacity by D.19-11-016, which did not opt out of providing their assigned capacity, to file biannual updates of their procurement progress relative to contractual and procurement milestones defined in this decision. The compliance filing information is required on February 1 and August 1 of 2021, 2022, and 2023. The decision also lays out general criteria for Commission staff to use in reviewing the procurement information provided by LSEs. After review of contractual progress of all LSEs self-providing capacity toward the D.19-11-016 procurement requirements, Commission staff are required to bring a resolution before the Commission for a vote, recommending initiation of backstop procurement by particular investor-owned utilities if the procurement activities of other self-providing LSEs with customers in their service territory are determined to be falling short of procurement goals. The details of the cost allocation of any backstop procurement required by the Commission will be addressed in a subsequent decision. **Signed, D.20-12-038**.

Item 51: Resolution UEB-004. This Resolution approves a citation program for enforcing the Net Energy Metering interconnection application consumer protection requirements enacted in D.16-01-044, D.18-09-044, and D.20-02-011. **Withdrawn**.

California Independent System Operator

Upcoming Meetings and Deadlines:

Board of Governors Meeting. California Independent System Operator (ISO) Board of Governors met on December 16 and 17, 2020. Among other actions, the Board adopted a default energy bid cost methodology for storage resources under its Energy Storage and Distributed Energy Resources (ESDER) Initiative, and authorized California Independent System Operator Corporation (CAISO) management to designate the Midway Sunset Cogen units for reliability must-run service contingent upon execution of a reliability must-run contract with rates, terms, and conditions acceptable to management.

Energy Storage and Distributed Energy Resources Phase 4 Initiative. The California ISO has posted an updated Demand Response Effective Load Carrying Capability study as part of the ESDER Phase 4 Initiative. The study was conducted by Energy + Environmental Economics (E3). This study was performed to support the ISO's examination of capacity valuation for variable output Demand Response and has been updated to incorporate new information provided by study participants. The study is available on the initiative webpage at https://stakeholdercenter.caiso.com/StakeholderInitiatives/Energy-storage-and-distributed-energy-resources.

California Energy Commission

On December 22, 2020, during its business meeting, the CEC will consider and possibly vote on proposed amendments to the regulations governing enforcement of the Renewables Portfolio Standard for local publicly owned electric utilities. Notice of the hearing and the CEC's latest round of revisions to the proposed amendments are available here.

Minnesota Public Utilities Commission

Northern States Power Company dba Xcel Energy ("Xcel" or the "Company") Stay-Out and Rate-Case Dockets

After hearings on December 8-9, 2020, the Minnesota Public Utilities Commission ("Commission") met on December 17, 2020, to resolve three pending and related Xcel dockets. First, the Commission analyzed the Company's Stay-Out Petition filed in MPUC Docket No. E-002/M-20-743 (the "Stay-Out Docket"), in which Xcel sought to withdraw its 2020 Rate Case by collecting additional revenue through the use of various true-up mechanisms. Xcel filed and received Commission approval of a similar proposal in 2019. Xcel's 2020 as-filed proposal, however, was met with added scrutiny and opposition including from a government agency that supported the Company's request the previous year. The added skepticism largely stemmed from the impacts, both known and projected, to the demand-billed customer class. Throughout the stakeholder comment period, parties discovered that Xcel's 2019 Stay-Out true-up will likely result in significantly higher costs to demand-billed customers than originally contemplated by the 2019 filing (approximately $80 million more, or roughly double the initial projections provided in 2019). Furthermore, Xcel is forecasting an even larger true-up will be required for calendar year 2021, which true-up filing will be submitted in 2022. As such, specific stakeholders favored denial of Xcel's Stay-Out in favor of continuing with the 2020 Rate Case in MPUC Docket No. E-002/GR-20-723. Ultimately, citing the prospect of continuing a rate case and increasing rates during the COVID-19 pandemic, the Commission approved Xcel's petition with certain modifications to further protect residential ratepayers. To be sure, while the Commission's decision in the Stay-Out Docket may hold base rates for some customer classes flat, rates for all customer classes will likely increase in 2021, in some cases significantly, due to various cost recovery riders.

Because the Commission approved the Stay-Out petition, Xcel will withdraw its 2020 Rate Case upon receiving a final order on the Stay-Out. In the meantime, the Commission accepted Xcel's 2020 Rate Case as substantially complete and stayed the schedule pending the final Stay-Out order. Lastly, the Commission denied the pending Motion to Consolidate various dockets into Xcel's 2020 Rate Case because the Commission's previous decisions contemplate the eventual withdrawal of the case. Based on timing of the Commission's written order approving Xcel's previous Stay-Out, stakeholders expect the Commission's Stay-Out Docket order during the first quarter of 2021.

Federal Energy Regulatory Commission

1. During FERC's monthly open meeting, FERC Chairman Danly presented a draft show cause orderthat he proposed be issued to CAISO to determine whether its tariff is unjust and unreasonable and should therefore be revised. The proposal was related to the heat events of August 14-19, 2020 and the possibility CAISO's existing tariff may be inadequate to ensure that sufficient resources are available to meet load and maintain system reliability. In a unique turn of events, however, Commissioners Glick and Chatterjee voted down the proposal, meaning that the Chairman's proposed show cause order was not actually issued.

2. FERC issued a Notice of Proposed Rulemaking that would allow public utilities to request incentives for certain cybersecurity investments that go above and beyond the requirements of the NERC Critical Infrastructure Protection (CIP) Reliability Standards. The proposed cybersecurity incentives would encourage public utilities to undertake cybersecurity investments on a voluntary basis that are above and beyond the requirements of the mandatory CIP Reliability Standards. Initial comments are due 60 days, and reply comments 90 days, after the date of publication in the Federal Register.
3. FERC issued an order directing NERC to make an informational filing by January 1, 2022 that considers the feasibility of modifying the CIP Reliability Standards to facilitate the voluntary use of virtualization and cloud computing for purposes beyond data storage (i.e., to perform BES reliability operating services), as well as the status and schedule for any plans to modify the standards by NERC.
4. FERC issued a final rule to amend the definition of useful thermal energy output in its regulations implementing PURPA to include thermal energy that is used by a fuel cell system with an integrated steam hydrocarbon reformation process for production of hydrogen to be used, ultimately, as fuel for electricity generation.
5. FERC issued an Order Rejecting Proposed Tariff Revisions proposed by the PJM Stakeholders to address end of life (EOL)-driven transmission projects as part of PJM's Regional Transmission Expansion Plan (RTEP) managed by PJM. The PJM Stakeholders' EOL proposal followed on the heels of the FERC's August 2020 approval of revisions proposed by the PJM Transmission Owners (PJM TOs) to expand the scope of the separate Attachment M-3 process by requiring each PJM TO present its EOL criteria for annually assessing whether a transmission facility requires replacement—an area of responsibility specifically retained by the PJM TOs in the PJM governing documents. Order Accepting Proposed Tariff Revisions. The PJM Stakeholder proposal would have provided a new structure for transmission projects to address EOL conditions within the PJM RTEP process, a process that is managed and controlled by PJM. But the PJM TOs opposed this proposal arguing, among other things, that it violated their contractual rights under the PJM governing documents, and that they cannot be compelled to cede any rights and responsibilities to PJM other than those voluntarily transferred to PJM. The FERC agreed and rejected the PJM Stakeholder proposal, finding that the PJM TOs had retained the right to "maintain" their transmission facilities and that, consistent with court precedent (*Atl. City Elec. Co. v. FERC*, 295 F.3d 1, 6 (D.C. Cir. 2002), the PJM TOs generally retain all rights and responsibilities not specifically granted to PJM.
6. FERC's next open meeting is January 19, 2021.

Key Federal Nominations from the Biden Administration

President-elect Joe Biden has announced several key cabinet nominations with implications for the energy industry.

President-elect Biden has nominated Michael Regan to serve as Administrator of the U.S. Environmental Protection Agency. Regan is currently Secretary of the North Carolina Department of Environmental Quality. Regan spent almost a decade working at U.S. EPA, was an associate vice president at the Environmental Defense Fund, and was also the head of his own environmental and energy consulting firm.

President-elect Biden has nominated Jennifer Granholm as Secretary of Energy. Granholm served as the Governor of Michigan from 2003 to 2011 and Michigan's Attorney General from 1999 to 2003.

President-elect Biden has nominated Deb Haaland as Secretary of the Interior. Haaland is currently the U.S. Representative for New Mexico's First Congressional District. She is also a member of the Laguna Pueblo.

President-elect Biden has nominated Brenda Mallory as Chair of the Council on Environmental Quality (CEQ). Mallory is currently director of regulatory policy at the Southern Environmental Law Center. Mallory worked for more than 15 years at U.S. EPA, including as principal deputy general counsel, and served as general counsel for CEQ during President Obama's administration.

President-elect Biden has chosen two individuals to head the administration's efforts on climate change. President-elect Biden has nominated Gina McCarthy to head the new Office of Domestic Climate Policy. McCarthy served as the Administrator of U.S. EPA from 2013 to 2017 and is currently the head of the Natural Resources Defense Council. President-elect Biden has named John Kerry as his special presidential envoy for climate. Kerry will be a cabinet level official in the administration and will sit on the National Security Council. Kerry has held numerous positions in federal and state government, including as U.S. Secretary of State under President Obama, U.S. Senator for Massachusetts, and Lieutenant Governor of Massachusetts, and was the Democratic presidential nominee in 2004.