

REGULATORY UPDATE FOR JANUARY 11 (WEEK OF JANUARY 4)**California Public Utilities Commission****New Proposed Decisions and Draft Resolutions:¹**

R.14-10-003 (OIR re Integrated DERs). This decision adopts pilots to test two frameworks for procuring distributed energy resources to avoid or defer utility distribution investments: (1) a five-year distributed energy resources distribution deferral tariff pilot called the Partnership Pilot because of its reliance on several partnerships; and (2) a three-year standard offer contract pilot for procuring distributed energy resources to defer distribution investments.

R.20-08-020 (NEM Proceeding). This decision adopts eight guiding principles to assist in the development and evaluation of proposals for a successor to the current net energy metering tariff. The principles reflect the statutory requirements of Public Utilities Code Section 2827.1; as well as equity; consumer protection measures; the fair consideration of all eligible technologies; coordination with the Commission and California's energy policies; transparency; maximizing the value of customer-sited renewable generation; and competitive neutrality amongst Load Serving Entities.

R.20-05-003 (IRP Proceeding). The purpose of this decision is to recommend electricity resource portfolios to the California Independent System Operator (CAISO) to study in its 2021-2022 Transmission Planning Process. The general recommendations are as follows:

- Base case portfolio, for both reliability and policy-driven purposes, to be used to determine transmission investments needed: a portfolio that meets a 46 million metric ton (MMT) greenhouse gas (GHG) emissions target in 2031, with additional pumped storage and out-of-state renewables included compared to the portfolio adopted in Decision (D.) 20-03-028. This base case portfolio includes approximately 10 gigawatts (GW) of new battery storage, 10 GW of new in-state renewables, and over 1 GW of out-of-state renewables.

- Two sensitivity portfolios, for study purposes: One portfolio that meets a 38 MMT GHG emissions target in 2031. This portfolio includes approximately 20 GW of new in-state renewables, over 10 GW of new battery storage, and 3 GW of out-of-state renewables. One portfolio that includes a large segment of offshore wind, to improve the transmission assumptions relevant to offshore wind for the benefit of future planning.

- Resource-to-busbar mapping methodology: includes improvements to the initial recommended methodology to prioritize siting of preferred resources, especially battery storage, in disadvantaged communities and/or local capacity areas with poor air quality. The

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.

methodology is also updated to use the CAISO’s updated deliverability, congestion, and curtailment information.

R.20-11-003 (Summer 2021 Resiliency). This decision directs and authorizes Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) to contract for capacity that is available to serve peak and net peak demand in the summer of 2021 and seek approval for cost recovery in rates. This decision outlines the parameters and timelines these three large electric investor-owned utilities must adhere to in seeking approval from the Commission.

A.20-04-013 (Oakland Clean Energy Initiative Cost Recovery). This decision authorizes PG&E to procure location-specific reliability services from two energy storage systems located at the Oakland L and Oakland C substations. Procurement agreements for the two energy storage systems state that they will provide 43.25 megawatts (MW) and 173 megawatt-hours if called during an emergency event. The decision authorizes PG&E to recover the costs of the agreements over their 10-year term for a total of approximately \$21.3 million, applying Cost Allocation Mechanism ratemaking treatment.

Key Rulings and Filings:

SDG&E Advice Letter 3666-E. On December 30, 2020, SDG&E submitted an advice letter seeking approval of the following agreements resulting from its 2021-2023 Integrated Resource Planning (IRP) Reliability Request for Offers and expected to achieve commercial operation by August 1, 2022 and August 1, 2023, as applicable. Four of the projects are lithium ion battery energy storage systems, and the Bright Canyon project is a hybrid solar photovoltaic with lithium ion battery project.

Project Name	Developer / Builder	MW	Contract Type	Contract Term in Years	COD	Location	Delivery Point	MWh Output
Johanna Energy Center	Calpine	20	PPA	10	8/1/2022	Orange County	CAISO	80
North Johnson Energy Center	Wellhead	25	PPA	15	6/1/2022	San Diego County	CAISO	100
BCE Los Alamitos	Bright Canyon	10	PPA	10	6/1/2022	Orange County	CAISO	40
Ortega Grid	Able Grid	10	RA-only	10	6/1/2022	Riverside County	CAISO	40
Desert Peak Energy Storage II	Next Era	75	PPA	15	6/15/2023	Riverside County	CAISO	300

Voting Meetings:

The Commission's next voting meeting is scheduled for January 14, 2021. The agenda includes the following items:

Item 18. Resolution E-5117. This resolution approves SDG&E's request to procure 124 MW of nameplate energy storage capacity to satisfy the procurement requirements ordered in D.19-11-016, composed of Resource Adequacy contracts for LS Power's 10 MW Vista Energy Storage Project and Terra Gen's 50 MW Valley Center Energy Storage Project and a power purchase agreement for Terra Gen's 54 MW Valley Center Energy Storage II Project. All three contracts are for a term of 15 years. The resolution also denies approval of two 20 MW Fluence energy storage projects (Melrose Energy Storage and Kearney Energy Storage) that were to be utility-owned.

Item 20. R.18-07-003 (RPS Proceeding). This decision authorizes PG&E not to hold an annual RPS procurement solicitation for new resources in 2021, and allow it to have a minimum of two RPS sales solicitations in 2021 for short-term deliveries in 2021 and 2022. It also approves the draft 2020 RPS plans, with modifications, of PG&E, SCE, and SDG&E. The decision authorizes SDG&E to hold a solicitation in 2021 for short- and long-term deliveries, and grants SCE the option of holding a solicitation in 2021 if the IRP process determines a need. This decision also accepts, with modifications, the draft 2020 RPS Procurement Plans filed by other retail sellers of electricity subject to California's RPS program.

Item 21. 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 Q1 of 2021.

Item 30. A.19-08-013 (SDG&E GRC). This decision adopts the uncontested settlement as proposed by SCE, the Public Advocates Office at the Commission, The Utility Reform Network, and Small Business Utility Advocates addressing SCE's recorded 2018-2019 wildfire mitigation costs being considered in Track 2 of this proceeding (Settlement Agreement), for a total revenue requirement of \$391.3 million. SCE is directed to file a Tier 1 Advice Letter within 30 days of the effective date of this decision to implement the specific terms of the Settlement Agreement approved in this decision. The revised rates will become effective no earlier than January 1, 2021, and shall be amortized over a period of not less than 12 months.

Item 37. A.20-04-014 (SDG&E Revenue Requirements). This proposed decision adopts a 2021 forecast electric procurement revenue requirement for SDG&E of \$1,161.437 million consisting of (1) a \$663.435 million ERRA revenue requirement, (2) a \$332.469 million PABA

revenue requirement and 2020 PABA under-collected balance of \$123.812 million, (3) a \$11.401 million Competition Transition Charge revenue requirement, (4) a \$124.439 million Local Generation revenue requirement, and (5) a \$1.073 million San Onofre Nuclear Generating Station Unit 1 Offsite Spent Fuel Storage Cost revenue requirement. The proposed decision also adopts a 2021 forecast Tree Mortality Non-Bypassable Charge revenue requirement and approves SDG&E's request for confidentiality. In addition, this decision approves SDG&E's 2021 (1) forecast GHG allowance revenues of \$115.836 million and its adjusted forecast GHG allowance revenues eligible to return to customers of \$96.031 million, (2) forecast GHG clean energy/energy efficiency program set-asides of \$17.774 million, including \$16.744 million for the Solar on Multifamily Affordable Housing program and \$1.030 million for the Disadvantaged Communities Single Family Solar Homes program, (3) forecast GHG revenue returns of \$(1.657) million to small business and \$(0.839) 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 \$(93.536) 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.

Item 37A. A.20-04-014. Commissioner Guzman Aceves' Alternate Decision. The Alternate Proposed Decision concludes that the calculation of commodity rates is not within the scope of this proceeding but is within the scope of SDG&E's current general rate case proceeding, A.19-03-002. The Alternate Proposed Decision directs SDG&E to implement rates based upon its 2021 energy requirements sales forecast used to derive the ERRR revenue requirement in this proceeding.

Item 38. R.19-09-009 (Microgrids). This decision adopts microgrid rates, tariffs, and rules for large investor-owned electrical corporations. First, it directs SCE to revise its Rule 2 to permit installing added or special facilities microgrids. Second, it directs SCE and PG&E to revise their Rule(s) 18, SDG&E to revise its Rule 19, to allow microgrids to serve critical customers on adjacent parcels. A subscription limit of 10 Rule 18 or Rule 19 microgrid projects is permitted across each of the large investor-owned electrical corporations' service territories. Third, SCE, PG&E, and SDG&E shall each form a new microgrid tariff for their respective service territories. Fourth, SCE, PG&E, and SDG&E shall jointly develop a Microgrid Incentive Program. Fifth, it directs SCE, PG&E, and SDG&E to develop pathways for the evaluation and approval of low-cost, reliable electrical isolation methods. This decision also creates a Resiliency and Microgrids Working Group. Through the Resiliency and Microgrids Working Group, this decision directs the Commission's Energy Division to identify microgrid-specific policy issues, if any, that are not adequately addressed by existing venues at the Commission, California Energy Commission, California Air Resources Board, and CAISO and create a workplan for considering these issues within the Resiliency and Microgrids Working Group and Track 3 of this proceeding. This decision also directs the Energy Division to include the subject of codifying standards and protocols necessary to meet California electrical corporation and CAISO microgrid requirements in the Resiliency and Microgrids Working Group work plan. This decision requires SCE, as the lead investor-owned utility, in coordination with Energy Division Staff, to report to the Commission and stakeholders on direct current metering activities

occurring outside of this proceeding to facilitate the commercialization of microgrids. This decision directs the Energy Division to hire – through the State of California procurement process – a neutral, third-party program evaluator to review and evaluate the microgrid tariff, rates, rules, incentive programs, and pilot studies to help the Commission determine whether any changes to the adopted policies would be in the public interest. Finally, this decision adopts an interim approach for minimizing emissions from generation during grid outages.

California Independent System Operator

Upcoming Meetings and Deadlines:

Resource Adequacy Enhancements: Draft Final Proposal and Sixth Revised Straw Proposal. As a follow-up to the January 5-7, 2021 stakeholder calls that discussed the Resource Adequacy Enhancements draft final proposal and sixth revised straw proposal, the CAISO has scheduled an additional public stakeholder call on January 15, 2021, to discuss the remaining elements of the sixth revised straw proposal. Written comments are due by January 29.

Market Enhancements for Summer 2021 Readiness Initiative. The CAISO has scheduled public stakeholder workshops on January 12-13, 2021 to discuss export and load scheduling priorities, and the Western Energy Imbalance Market Resource Sufficiency Evaluation, respectively. Comments are due by January 20.

California Energy Commission

The California Energy Commission's next business meeting is scheduled for January 25, 2021. The agenda for business meetings is generally available about 10 business days prior to the meeting.

On January 21, 2021, the California Energy Commission will host a [workshop](#) on clean energy alternatives to diesel backup generator systems and their use in data centers and other commercial operations in California. The workshop will focus on ongoing efforts to develop clean energy alternatives to diesel backup generator systems, and discuss future research opportunities to initiate new technology solutions to provide clean energy alternatives to diesel backup generator systems. California Energy Commission will accept oral comments at the end of the workshop, and written comments on the topic may be submitted to the California Energy Commission Docket Unit by February 12, 2021.

Minnesota Public Utilities Commission

No updates this week.

Federal Energy Regulatory Commission

1. Federal Energy Regulatory Commission's (FERC) next open meeting is January 19, 2021.
2. Mark Christie was sworn in as the newest FERC Commissioner on January 4, 2021.

Hawaii Public Utilities Commission

On December 23, 2020, the Hawaii Public Utilities Commission (PUC) issued a decision and order approving new performance-based regulatory framework (PBR Framework) for the Hawaiian Electric Companies. The PBR Framework is intended as part of a transition away from traditional cost-of-service regulation. According to the PUC, the portfolio of regulatory mechanisms in the PBR Framework will strengthen the utility's financial condition and benefit customers by lowering utility costs, accelerating the integration of renewable energy resources, and improving customer service and engagement. More information can be found here: [Public Utilities Commission | Performance Based Regulation \(PBR\) \(hawaii.gov\)](#).