

APRIL 1, 2021

Regulatory Update



Regulatory Overview

Procurement-
Related Cases

Rates-Related
Cases

Affordability and
Equity-Related
Cases

Distributed
Energy Resource-
Related Cases

Energy Markets
Restructuring-
Related Cases

- EBCE's Public Policy team is actively engaged in over 30 regulatory proceedings, primarily at the California Public Utilities Commission (CPUC), but also at the California Independent System Operator (CAISO), California Energy Commission (CEC), and California Air Resources Board (CARB) as needed
- Objectives vary by case, but are aligned with EBCE's overall interests
- EBCE participates in cases individually, as part of joint CCA efforts, or as part of CalCCA participation, depending on the case

Regulatory Highlights

- Resource Adequacy (RA)
- Integrated Resources Planning (IRP)
- COVID-19 Customer Debt Relief
- Power Charge Indifference Adjustment (PCIA)
- PG&E Energy Resource Recovery Account (ERRA)
 - Compliance Application
 - Forecast Application

Resource Adequacy (RA)

- The CPUC is contemplating changes to the RA requirements that govern utilities, CCAs and Energy Service Providers (ESPs)
 - Near-term program refinements
 - Broad structural reform
- Key Near-term Refinements Issues:
 - Increased penalties for RA shortfalls
 - Changes to rules around setting requirements, and constraints on resource types used to meet them
 - Changes to resource counting methodologies
- Key Broad Structural Reform Issues:
 - Incorporating energy attributes and hourly capacity requirements given evolving mix of resources on the grid
- The CPUC is considering stakeholder feedback on proposals
 - Proposed decision expected in May; final Decision as early as June
 - Earliest timeframe for implementing broad RA reform is compliance year 2023

Integrated Resource Planning (IRP)

- The CPUC's IRP proceeding has two primary tracks:
 - Planning: Load-serving entities file individual IRPs, Commission compares to state-wide plan
 - Procurement: Commission determines if procurement is necessary, and if so, orders LSEs to buy certain quantities/types
- First procurement order was issued in Nov 2019 for 3,000 MW total. First compliance showing is August 2021
- Ruling released outlining proposal for second procurement order to address mid-term reliability needs due to resource retirements (Diablo Canyon nuclear, once-through cooling plants, additional fossil retirements)
 - 7,500 MW total in tranches from 2023 to 2025
 - Geothermal and long-duration storage carve-outs of 1,000 MW each
 - Allocation methodology to consider net contracted position (entities who are under-procured relative to whole are allocated greater share)
- Decision expected early summer 2021

COVID-19 Customer Debt Relief

- Purpose: Identify if existing relief programs can adequately support customers or develop new mechanisms to reduce accumulated arrearages during Covid-19 pandemic
- Key Issues: Identify which customer classes are facing extreme difficulties, recommend effective relief strategies, allocate proper and equitable funding sources, and define program sunset
- Potential Proposals:
 - Expand eligibility requirement for the CPUC's Arrearage Management Program
 - Extend payment plans to 24 months
 - Offer one-time \$200 bill forgiveness
- Proposed Decision expected May 21; final Decision could be voted out as early as June 24

Power Charge Indifference Adjustment (PCIA)

- PCIA is the CPUC-authorized way for PG&E to recover uneconomic procurement costs
- For EBCE to maintain its value proposition, EBCE's generation rate + PCIA must be less than the equivalent PG&E bundled generation rate
- Changes to PCIA rate design are the subject of an ongoing CPUC PCIA rulemaking
 - New rate framework adopted in October 2018
 - Implementation of the framework is ongoing
 - Awaiting proposed decision on Working Group 3 proposal
- The PCIA rate is set via annual PG&E Energy Resource Recovery Account (ERRA) filings

Energy Resource Recovery Account (ERRA) Applications

- ERRA Forecast Application: Filed June 1 annually
 - Sets PG&E bundled generation and PCIA rates for the following year
 - CPUC usually acts by year-end so new rates take effect in Q1
 - Administrative litigation focuses on issues such as the "brown power true-up" and "unsold RPS"
 - Advocacy reduced PCIA ~\$600m in 2019, and ~\$200m in 2021
 - Awaiting PG&E's 2022 ERRA Forecast application, due June 1, 2021
- ERRA Compliance Application: Filed March 1 annually
 - Reviews PG&E generation portfolio activities for the prior year
 - CPUC usually acts within 12 months of filing
 - Issues involve accounting for things like "unsold RPS" and timing mismatches in booking of revenue/costs
 - Advocacy reduced PCIA ~\$100m in 2020
 - PG&E filed its 2020 ERRA Compliance application in March 2021