

CPUC Public Agenda 3488

Thursday, June 24, 2021, 10:00 a.m.

Remote Presentation

Commissioners:

Marybel Batjer, President

Martha Guzman Aceves

Clifford Rechtschaffen

Genevieve Shiroma

Darcie L. Houck

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California Public
Utilities Commission

CPUC Mission

We Empower California through:

- Assuring utility services are clean and safe.
- Providing for critical services and infrastructure.
- Designing rates that are fair and reasonable.
- Protecting the interests of consumers and ratepayers

CPUC Core Values



Accountability



Excellence



Integrity



**Open
Communication**



Stewardship

Commissioner Code of Conduct

- I. Commissioners should conduct themselves in a manner that demonstrates respect for the public, for fellow Commissioners, and for Commission staff.
- II. Commission meetings should be opportunities for a full and respectful exchange of ideas and the responsible execution of Commission duties.
- III. Serving on the Commission is an honor and Commissioners should treat their colleagues at the Commission with respect for the varied backgrounds, skills and interests that each one brings.
- IV. Commissioners are public officials who should uphold the integrity of their office at all times.

Public Comment

- Per Resolution ALJ-252, **any member of the public** (excluding parties and their representatives) **who wishes to address the CPUC about matters before the Commission** must call in to toll-free number:



1-800-857-1917

Passcode: 9899501

- Once called, each speaker has up to 1 minute at the discretion of the Commission President.
- A bell will ring when time has expired.
- Public Comment is not permitted on the following items:
 - All items on the Closed Session Agenda

Public Agenda Changes

Items shown on the Consent Agenda will be taken up and voted on as a group in one of the first items of business of each CPUC meeting.

- Items on Today's Consent Agenda are:
1, 2, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 15, 16, 17, 18, 19, 20, 21, and 22.
- Any Commissioner, with consent of the other Commissioners, may request an item from the Regular Agenda be moved to the Consent Agenda prior to the meeting.
- **Items 29, 35, and 36** from the Regular Agenda have been added to the Consent Agenda.
- Any Commissioner may request an item be removed from the Consent Agenda for discussion on the Regular Agenda prior to the meeting.
- **Item 3** has been moved to the Regular Agenda.
- **Item 26A** has been withdrawn.
- The following items have been held to future Commission Meetings:
 - **Held to 7/15/21: 14 and 24.**

Regular Agenda

- Each item on the Regular Agenda (and its alternate if any) will be introduced by the assigned Commissioner or CPUC staff and discussed before it is moved for a vote.
- For each agenda item, a summary of the proposed action is included on the agenda; the CPUC's final decision may, however, differ from that proposed.
- The complete text of every Proposed Decision or Draft Resolution is available for download on the CPUC's website: www.cpuc.ca.gov
- Late changes to agenda items are available on the Virtual Escutia Table.

Regular Agenda | Orders and Resolutions

Item #3 [19463] Updates to the Avoided Cost Calculator for Use in Demand-Side Distributed Energy Resource Cost-Effectiveness Analyses

Res E-5150

PROPOSED OUTCOME:

- Adopts certain data input updates and minor modeling adjustments for the Avoided Cost Calculator for use in distributed energy resource cost-effectiveness analyses.

SAFETY CONSIDERATIONS:

- There are no safety considerations associated with this resolution.

ESTIMATED COST:

- No incremental cost. Funds necessary for updates to the Avoided Cost Calculator were authorized in Decision 16-06-007.

Avoided Cost Calculator

Proposed 2021 Update

Resolution E-5150

Simon Baker, Director
Costs, Rates, & Planning
Energy Division



California Public
Utilities Commission

Avoided Cost Calculator

Several types of avoided costs:

- (Generation) Capacity
- Energy
- Transmission & Distribution Capacity (T&D)
- Ancillary Services
- Greenhouse Gas (GHG)
- High GWP gases (methane, refrigerants)



Avoided Cost Calculator – background

- The ACC is an essential tool for accurately determining the value of Distributed Energy Resources.
- In 2020, major changes were made to the ACC (D.20-04-010) so as to closely align it with the grid planning efforts of the Integrated Resource Planning (R. 16-02-007) and Distributed Resource Plan (R. 14-08-013) proceedings.
 - Uses both input and output data from the Reference System Plan, which the IRP generates using a capacity expansion model known as RESOLVE. The inputs and assumptions used to determine the Reference System Plan are also used to determine an alternative scenario, the “No New DER” case, which is used for the ACC.
- As per D.19-05-019, annual ACC updates alternate between major changes (even years) and minor changes (odd years). Major changes require a decision; minor changes are done by an Energy Division staff resolution.
- The 2021 ACC forecasts lower avoided costs, particularly for midday hours, as compared with the 2020 calculator.

The 2021 Avoided Costs are broadly lower than in 2020 for several reasons:

- + **Lower GHG value from IRP capacity expansion modeling**, due primarily to lower costs for utility scale solar and energy storage. The **2030 GHG value declined from \$202/Ton to \$118/Ton (\$nominal)**. The 2030 GHG value is the primary data point used to determine the annual GHG adder, which is used to estimate the value per ton of avoiding GHG emissions.
- + **Lower marginal heat rates in updated production cost simulation modeling**. Average annual **implied marginal heat rates for 2030 were 8,203 Btu/kWh in the 2020 ACC versus 5,788 Btu/kWh in for the 2021 ACC**. These heat rates are used to estimate hourly grid GHG emissions, which are multiplied by the GHG adder to determine avoided GHG costs.
- + **Lower energy prices from production cost simulation** due to corrections to the SERVM model and IRP benchmarking of SERVM production simulation to historical CAISO market prices.
 - **The average annual energy value in 2030 declined from \$62/MWh to \$44/MWh.**
 - **For hour ending 13 (noon – 1 pm) the average annual energy value declined from \$46/MWh to \$16/MWh**, more in line with lower daytime prices observed in recent years in the CAISO market due to abundant utility-scale solar generation.
- + **Lower generation capacity value** due to lower energy storage costs and increased market revenues in generation capacity modeling with 2021 SERVM modeled energy prices that have greater day-to-evening price differentials. This increases the market revenues (gross margins) that generators can earn, which decreases the avoided cost of capacity.
 - **2020 fixed costs for a stand alone 4-hour battery was \$228/kW-Yr. for the 2020 ACC and \$186/kW-Yr. for the 2021 ACC.**

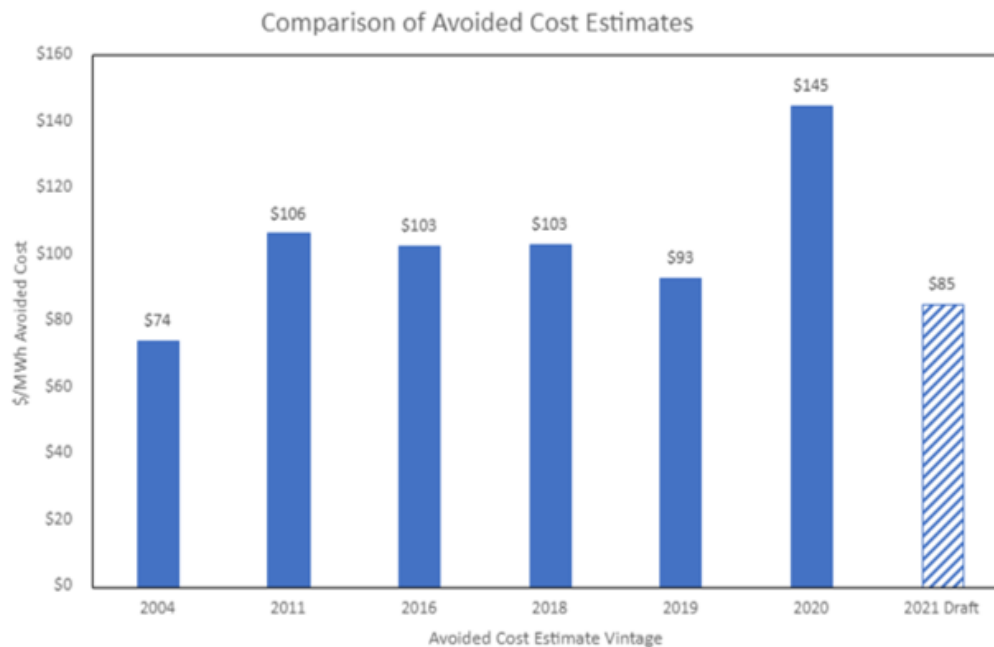
Comparison of Benefits using 2020 and 2021 ACC

using PG&E climate zone 12, values shown for 2030 in \$/MWh

Resource	Benefits using 2019 ACC	Benefits using 2020 ACC	Benefits using 2021 ACC	% change from 2020 to 2021
Residential Heat Pump	\$115	\$33	\$81	145%
Electric Vehicle*	\$344	\$269	\$351	31%
Rooftop Solar + Storage	\$80	\$139	\$58	-58%
Rooftop Solar	\$29	\$117	\$31	-74%
Residential Cooling	\$130	\$180	\$102	-43%

*Note: This uses a “managed” load shape for EVs, which assumes that customers adjust the time of day they charge their vehicles so as to maximize their energy savings. With an unmanaged load shape, benefits are approximately 15% lower.

Figure 6: Average 20-year Levelized* Full Avoided Cost Value Stack, PG&E CZ4



Source: Joint Utilities comments on Draft Resolution E-5150 (Avoided Cost Calculator 2021). Data was verified by Energy Division's consultant E3.

**Note: 2011 vintage is a 30-year levelized, as this vintage only had 15 and 30-year levelization options*

Party Comments – Opposed to 2021 ACC

SEIA & Vote Solar, CALSSA, AEE, CCSA, CEDMC, CESA, Clean Coalition, 350 Bay Area

- Changes are major in scope and impact.
- Changes to other models were major, they were not given enough time or information to analyze those changes, and models' results are inaccurate.
- Used unapproved IRP modeling results.
- Disputes the validity of several inputs and outputs of the IRP modeling used for the 2021 ACC, which they say is unvetted.
- Procedural errors didn't allow parties to provide input.

Party Comments – Support of 2021 ACC

Cal Advocates, TURN, NRDC, Joint Utilities, CUE

- Changes are minor in scope, even though the impact was large.
- Changes to other models were minor.
- 2021 ACC makes necessary corrections of errors found in 2020 ACC.
- Not necessary to use adopted IRP modeling results; all IRP modeling was public and vetted.
- All changes were documented by Energy Division staff.
- Parties had ample time and opportunity to comment.

Questions?



Regular Agenda | Orders and Resolutions

Item #3 [19463] Updates to the Avoided Cost Calculator for Use in Demand-Side Distributed Energy Resource Cost-Effectiveness Analyses

Res E-5150

PROPOSED OUTCOME:

- Adopts certain data input updates and minor modeling adjustments for the Avoided Cost Calculator for use in distributed energy resource cost-effectiveness analyses.

SAFETY CONSIDERATIONS:

- There are no safety considerations associated with this resolution.

ESTIMATED COST:

- No incremental cost. Funds necessary for updates to the Avoided Cost Calculator were authorized in Decision 16-06-007.

Regular Agenda | Energy Orders

Item #23 [19518] Direct Access Expansion Recommendation Pursuant to Senate Bill 237

R.19-03-009

Order Instituting Rulemaking to Implement Senate Bill 237 Related to Direct Access.

Quasi-Legislative

Comr. Guzman Aceves - Judge McKinney

PROPOSED OUTCOME:

- Recommends Direct Access not be expanded.
- Closes the proceeding.

SAFETY CONSIDERATIONS:

- Preventing electric market fragmentation improves reliability and public safety.

ESTIMATED COST:

- There is no cost associated with this decision.

Regular Agenda | Energy Orders (continued)

Item #25 [19545] Phase 3 Revised and Additional Guidelines and Rules for Public Safety Power Shutoffs (Proactive De-Energizations) by Electric Investor-Owned Utilities to Mitigate Wildfire Risk Caused By Utility Infrastructure.

R.18-12-005

Order Instituting Rulemaking to Examine Electric Utility De-Energization of Power Lines in Dangerous Conditions.

Quasi-Legislative

Comr. Batjer - Judge DeAngelis - Judge Kao

PROPOSED OUTCOME:

- Adopts and revises the Commission's guidelines and rules for electric investor-owned utilities regarding proactive de-energizations or Public Safety Power Shut Off (PSPS) events as a last resort measure to mitigate the risk of catastrophic wildfire caused by utility infrastructure.
- This proceeding remains open.

SAFETY CONSIDERATIONS:

- This is a safety policy decision focused on protecting the public safety during PSPS events (proactive de-energizations).

ESTIMATED COST:

- No cost recovery is authorized in this decision.

Regular Agenda | Energy Orders (continued)

Item #26 [19549] Procurement to Address Mid-Term Reliability (2023-2026)

R.20-05-003

Order Instituting Rulemaking to Continue Electric Integrated Resource Planning and Related Procurement Processes.

Ratesetting

Comr. Rechtschaffen - Judge Fitch

PROPOSED OUTCOME:

- Requires procurement of at least 11,500 megawatts of net qualifying capacity from all load-serving entities under the purview of the Commission's integrated resource planning process, between 2023 and 2026, all from zero-emitting or renewable resources.
- Required procurement addresses the retirement of capacity from the Diablo Canyon Power Plant and several once-through cooling units through the middle of this decade.
- Required capacity addresses system needs for reliability and renewable integration.
- The capacity is required to meet the state's long-term goals for zero-carbon resources on the electricity system, while supporting reliability through the transition to these goals.

SAFETY CONSIDERATIONS:

- This decision is intended to ensure that electricity resource investments are made to ensure safe and reliable delivery of electricity.

ESTIMATED COST:

- Costs of the decision are to be determined during the course of the procurement of the required resources by the load-serving entities, only some of which are subject to the Commission's cost oversight..

Regular Agenda | Energy Orders (continued)

Item #27 [19550] COVID-19 Relief to Energy Utility Customers

R.21-02-014

Order Instituting Rulemaking to Address Energy Utility Customer Bill Debt Accumulated During the COVID-19 Pandemic.

Ratesetting

Comr. Guzman Aceves - Judge Watts-Zagha

PROPOSED OUTCOME:

- Requires all Commission-regulated energy utilities to automatically amortize customer debt related to the COVID-19 pandemic.
- Residential large energy utility customer debt shall be amortized over two years, residential small energy utility customer debt shall be amortized at least over eight months, and terms of small business customer debt will be customized so that debt payments are no more than ten percent of the customer's average bill.
- Energy utilities are directed to employ Community Based Organizations to support Environmental and Social Justice communities' and other priority populations' ability to manage payments and successfully eliminate COVID-19 debt.
- Proceeding remains open for forthcoming second phase.

SAFETY CONSIDERATIONS:

- Retaining access to electricity and gas service is critical to public health and safety.

ESTIMATED COST:

- There are no costs associated with this decision.

Regular Agenda | Energy Orders (continued)

Item #28 [19558] Order Instituting Rulemaking to Modernize the Electric Grid for a High Distributed Energy Resources Future

R. _____

Order Instituting Rulemaking to Modernize the Electric Grid for a High Distributed Energy Resources Future.

PROPOSED OUTCOME:

- Enables swift evolution of grid capabilities and operations to integrate solar, storage, electric vehicle and other distributed energy resources to meet the State's 100 percent clean energy goals;
- Improves distribution planning, including charging infrastructure forecasting to support cost effective and widespread transportation electrification; and
- Optimizes grid infrastructure investments by facilitating community input about planned developments, distributed energy resource siting plans, and resiliency needs.

SAFETY CONSIDERATIONS:

- The Order Instituting Rulemaking (OIR) will consider issues related to the safety and reliability of the grid.

ESTIMATED COST:

- No costs are associated with the opening of this OIR.

Regular Agenda | Orders Extending Statutory Deadline

Item #30 [19460] – Order Extending Statutory Deadline

R.18-10-007

Order Instituting Rulemaking to Implement Electric Utility Wildfire Mitigation Plans Pursuant to Senate Bill 901 (2018).

Ratesetting

Comr. Batjer - Judge Fogel

PROPOSED OUTCOME:

- Extends Statutory Deadline for completion of this proceeding until December 31, 2021.

SAFETY CONSIDERATIONS:

- There are no safety considerations associated with this Order Extending Statutory Deadline.

ESTIMATED COST:

- There are no costs associated with this Order Extending Statutory Deadline.

Regular Agenda | Orders Extending Statutory Deadline (continued)

Item #31 [19527] – Order Extending Statutory Deadline

R.19-03-009

Order Instituting Rulemaking to Implement Senate Bill 237 Related to Direct Access.

Quasi-Legislative

Comr. Guzman Aceves - Judge McKinney

PROPOSED OUTCOME:

- Extends Statutory Deadline for completion of this proceeding until August 12, 2021.

SAFETY CONSIDERATIONS:

- There are no safety considerations associated with this Order Extending Statutory Deadline.

ESTIMATED COST:

- There are no costs associated with this Order Extending Statutory Deadline.

Regular Agenda | Orders Extending Statutory Deadline (continued)

Item #32 [19529] – Order Extending Statutory Deadline

I.19-06-013

Order Instituting Investigation for the Purpose of Establishing a List for the Fiscal Years 2020-2021 and 2021-2022 of Existing Crossings at Grade of City Streets, County Roads or State Highways in need of separation, or Existing Separations in need of Alterations or Reconstruction in Accordance with Section 2452 of the California Streets and Highways Code.

Quasi-Legislative

Comr. Shiroma - Judge Fortune

PROPOSED OUTCOME:

- Extends Statutory Deadline for completion of this proceeding until August 31, 2021.

SAFETY CONSIDERATIONS:

- There are no safety considerations associated with this Order Extending Statutory Deadline.

ESTIMATED COST:

- There are no costs associated with this Order Extending Statutory Deadline.

Regular Agenda | Orders Extending Statutory Deadline (continued)

Item #33 [19546] – Order Extending Statutory Deadline

R.14-08-013, A.15-07-002, A.15-07-003, and A.15-07-006. Not Consolidated A.15-07-005, A.15-07-007, and A.15-07-008 - Related matters.

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769.

Quasi-Legislative

Comr. Houck - Judge Mason

PROPOSED OUTCOME:

- Extends Statutory Deadline for completion of this proceeding until November 8, 2021.

SAFETY CONSIDERATIONS:

- There are no safety considerations associated with this Order Extending Statutory Deadline.

ESTIMATED COST:

- There are no costs associated with this Order Extending Statutory Deadline.

Regular Agenda | Orders Extending Statutory Deadline (continued)

Item #34 [19569] – Order Extending Statutory Deadline

R.14-07-002, A.16-07-015 - Related matters.

Order Instituting Rulemaking to Develop a Successor to Existing Net Energy Metering Tariffs Pursuant to Public Utilities Code Section 2827.1, and to Address Other Issues Related to Net Energy Metering.

Ratesetting

Comr. Guzman Aceves - Judge Doherty - Judge Kao

PROPOSED OUTCOME:

- Extends Statutory Deadline for completion of these proceedings until October 1, 2021.

SAFETY CONSIDERATIONS:

- There are no safety considerations associated with this Order Extending Statutory Deadline.

ESTIMATED COST:

- There are no costs associated with this Order Extending Statutory Deadline.

Management Reports



Item #38 [19577]

Management Report on Administrative Activities

Management Report: Transition of Wildfire Safety Division to Office of Energy Infrastructure Safety

Rachel Peterson, Executive Director
Caroline Thomas Jacobs, Director, Wildfire Safety Division

June 24, 2021



California Public
Utilities Commission

Reducing wildfire risk in California is a top priority

- Consistent with the mandate in AB 1054:
 - Wildfire Safety Division was started up at the CPUC in 2019
 - Will transition to become the Office of Energy Infrastructure Safety on July 1, 2021
 - CPUC also supported the startup of the Wildfire Safety Advisory Board
- Focus 2019-2021:
 - Reducing risk of wildfire ignited by utility electric equipment
 - Accountability for utilities executing and mitigating Public Safety Power Shutoffs: PG&E and SCE
 - Development of new tools and processes in constant pursuit of wildfire risk reduction
 - Team from across the CPUC: Analysts, engineers, attorneys, administrative law judges, administrative staff
 - Build relationships with CAL FIRE, Cal OES
- Focus leading to July 1, 2021:
 - Framework for post-transition collaboration
 - Preparation for transition in IT, HR, administrative, fiscal core services
- Focus post July 1, 2021:
 - Continuity of collaboration on wildfire safety matters
 - Process coordination: enforcement matters, and wildfire mitigation costs impacting customer rates
 - Glide path for Office of Energy Infrastructure Safety to fully transition IT, administrative activities
 - Wildfire Safety Advisory Board transition

Item #38 [19577]

Management Report on Administrative Activities

Item #39 [19614]

Update on Western Community Energy

Staff will provide an update on the decertification of Western Community Energy (WCE), the process of returning WCE customers to Southern California Edison Bundled Service, and assuring sufficient energy procured to meet reliability needs.

Agenda Item # 39

Management Report on Western Community Energy

June 24, 2021

Dina Mackin

Supervisor, Market Structure and Design, Energy Division



California Public
Utilities Commission

Western Community Energy Profile

- Western Community Energy (WCE) launched in April 2020 and served customers in six western Riverside County cities: Eastvale, Hemet, Jurupa Valley, Norco, Perris, and Wildomar.
- WCE served roughly 113,000 customers, around 40% of whom were on CARE rates.
- WCE load peaked at 485 MW in 2020, or roughly 2% of SCE peak load that year.

Timeline of Key Events

- WCE filed for Chapter 9 bankruptcy protection on May 24, 2021, with intent to restructure.
- WCE's Board voted to deregister as a CCA on June 9, 2021.
- WCE notified the CPUC of its decision to deregister on June 10, 2021 and served its notice on multiple service lists.
- On June 11, 2021, SCE began transferring customers back to bundled service in batches.
- On June 15, 2021, SCE took over the role of scheduling coordinator for all WCE customers in the CAISO markets.
- By June 25, 2021, SCE expects to complete the transfer of WCE customers into their system.
- SCE expects to file its proposed reentry fees for WCE with the Commission by July 12, 2021.

Causes of WCE Financial Crisis*

- COVID-19 stay-at-home orders caused residential energy use to spike, and the pandemic led to \$6 million in unpaid bills.
- Instability in the power market caused significant cost increases. Power supply was also constrained, meaning WCE could not always buy power when needed.
 - High spot market prices during the 2020 heatwave resulted in \$12 million in additional costs over the summer and fall.
- Later, WCE identified that it was insufficiently hedged to meet 2021 needs.
- WCE was unable to obtain bridge loans or federal funds that it had anticipated.
- After filing for bankruptcy on May 24, 2021, most WCE contracts were cancelled, which accelerated its failure. WCE relied increasingly on the spot market and was only able to pay certain creditors, following court orders. WCE anticipated inability to operate by late June.
- WCE originally pegged their rates at 2% below SCE, which did not cover their costs. Rate changes planned for 2021 were unable to recover revenue requirements in time to prevent insolvency.

* The information on this slide comes from a May 24, 2021, report by WCE staff to the WCE Board and from a June 9, 2021, WCE presentation to the Wildomar City Council. The last bullet point is Energy Division staff analysis.

Coordinated Response

Minimizing customer impact was the primary goal.

- Energy Division staff, SCE, WCE, and CAISO met numerous times in May and June to ensure a coordinated response.
- WCE initiated deregistration on June 10, 2021, which triggered an involuntary return of its customers to bundled SCE service.
- SCE will treat all customer returns after May 24 as involuntary.
 - Involuntary return protects customers from the Transitional Bundled Rate, which passes through real-time CAISO prices.
- SCE will file an Advice Letter with a proposed Reentry Fee within 30 days of the deregistration (by July 12, 2021), pursuant to Resolution E-5059.
 - This fee covers the administrative and procurement costs to serve returning WCE customers
 - WCE will contribute to these fees through its Financial Security Requirement and other funding sources, and any remaining costs would be backstopped by returning WCE customers.
 - This is necessary to avoid cost-shifting to bundled customers.

Impacts on WCE Customers

- SCE has taken over scheduling energy for WCE customers in the CAISO markets. **There will be no service impacts.**
- WCE customers should continue to receive and pay their bills as normal. Since the transfer may occur in the middle of a bill cycle, the first bill after the transfer may be smaller or larger than usual.
- SCE's costs to handle returning WCE customers (aka "reentry fees") are still being calculated and are expected to be filed by July 12, 2021. The chart below does not include any potential reentry fees since they are unknown at this time.
- Returning customers should see decreases in their rates, since WCE had implemented significant rate increases in 2021 to cover their undercollections.

Rate Component	WCE Choice Rate*	SCE Domestic Rate	Customer Impact
Residential Rate	\$0.127 / kWh	\$0.096 / kWh	(\$0.03)
Residential CARE Rate	\$0.12 / kWh	0.068 / kWh	(\$0.052)

*WCE rates include SCE PCIA, CTC, DWR surcharges as those are included on CCA customers bills, in addition to WCE Generation rates as of June 2021.

Implications for the Market

- At this time, Energy Division is not aware of other CCAs who are in (or near) a situation like WCE's. Staff will continue to monitor developments.
- COVID affected all load serving entities and was not predictable. Extreme heat events are hard to predict but are increasingly expected.
- This situation underscores the importance of forward procurement (hedging), realistic rate development, and advance notice of problems.
- Outside the energy compliance programs such as Resource Adequacy and Renewables Portfolio Standard, the Commission has limited jurisdiction over CCA activities and no authority to review feasibility plans and finances.

Item #39 [19614]

Update on Western Community Energy

Staff will provide an update on the decertification of Western Community Energy (WCE), the process of returning WCE customers to Southern California Edison Bundled Service, and assuring sufficient energy procured to meet reliability needs.

Management Reports



Commissioners' Reports



Commissioner
Martha Guzman Aceves



Commissioner
Clifford Rechtschaffen



President
Marybel Batjer



Commissioner
Genevieve Shiroma



Commissioner
Darcie L. Houck

The CPUC thanks you for
participating in today's meeting

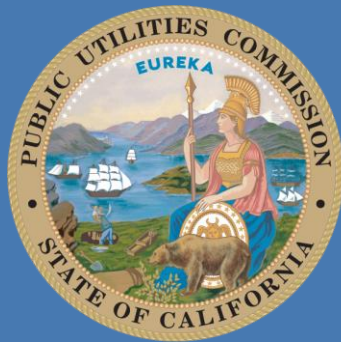
The next Public Meeting will be:

July 15, 2021

10:00 a.m.

remote





California Public Utilities Commission

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