

**CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES**  
**QUARTERLY STAFF REPORT**  
**MAY – AUGUST 2019**

**EXECUTIVE SUMMARY: THE PAST QUARTER AT A GLANCE** (pages 2–3):

**Western Grid Integration** (full report on page 4)

CEERT and our regional allies continued to develop fair, balanced suggestions on key issues such as transmission access charges, transmission availability, greenhouse-gas (GHG) adders, and resource adequacy as the California Independent System Operator (CAISO) reviews expanding the Energy Imbalance Market’s (EIM’s) governance structure to encompass a new *Enhanced Day Ahead Market*.

The Los Angeles Department of Water and Power (LADWP) is making technical upgrades to its information technology capabilities, which will enable *LADWP to join the EIM* in early 2021.

**Southern California Utilities** (full report on pages 4 – 5)

CEERT’s Jim Caldwell has been meeting with LADWP’s senior management as they develop plans for *accelerating investment in transmission expansion, in-Basin solar, demand response, and electrification of the Port of Los Angeles and Los Angeles International Airport* to replace three retiring in-Basin gas-fired plants. We expect an LADWP announcement of a *procurement opportunity* in the fall on the order of 1 gigawatt of battery and thermal storage, demand response, targeted energy efficiency, and commercial solar projects.

Jim has been providing technical support to environmental interveners *opposing Glendale Water and Power’s proposed 280 megawatts (MW) gas-fired plant*. The Glendale City Council voted to cut the amount of new gas to a maximum of 93 MW and replace the remainder with *125 MW of new local preferred resources*.

CEERT is working with Southern California Edison Senior Vice President Colin Cushnie and his team on removing barriers to greater reliance on preferred resources, especially *demand response* and *local solar*. We supported SCE’s successful efforts to establish a *near-term procurement track for 2,500 MW of resource adequacy resources* in the Integrated Resource Planning proceeding with a COD of summer 2021, and are now working to maximize preferred-resource procurement and minimize life-extension contracts with existing gas facilities.

**Transmission Expansions** (full report on page 5)

CEERT’s comments in the Integrated Resource Planning proceeding emphasized the importance of the CPUC and CEC submitting *generation portfolios* to the *CAISO transmission planning process (TPP)* based on Senate Bill (SB) 100 requirements, in order to ensure transmission expansions get built for sufficient renewable resources to meet the state’s 2030, 2040 and 2050 *climate and clean-energy targets*.

**Large-Scale Energy Storage** (full report on pages 5 – 6)

Discussions have continued among key stakeholders, but *large-scale, long-duration storage projects* continue to face significant barriers and resistance. The first official announcement of long-range plans for “seasonal storage” (> 24 hr.) is likely to be from the Southern California Municipal Utilities at the current site of the coal-fired Intermountain Power Plant in Utah that will retire in 2025. LADWP has selected technology partners for this effort and is expected to announce a *150 MW pilot program* early next year.

**Discussions with the Governor’s Office** (full report on page 6)

V. John White participated in several meetings and calls with a coalition of renewable contract holders and trade groups to discuss with the Governor's Office the critical importance of preventing *renewable contracts* from being abrogated in the *PG&E bankruptcy proceedings*. The discussions led to a broad consensus among stakeholders to support the Governor's proposal on the contracts.

**Advocacy at the California Public Utilities Commission (CPUC)** (*full report on pages 6 – 16*)  
CEERT continues to track the CPUC's investigation of *PG&E's Governance and Safety Culture*.

Parties have asked the CPUC to reactivate the *ReMAT program*, whose closure they claim had harmed small renewable project developers.

The CPUC issued a ruling identifying issues and schedule of review for *2019 Renewable Portfolio Standard (RPS) Procurement Plans*, and stressing the importance of coordination with the Integrated Resource Planning (IRP) rulemaking.

In the *IRP proceeding*, a decision adopted a modified version of the Reference System Plan as the *Preferred System Plan*, and required that each load-serving entity in PG&E's service area explicitly address in its next IRP filing the need for *Diablo Canyon replacement energy* that has similar characteristics.

CEERT filed Comments on the *IRP Procurement Track Ruling*, strongly urging the CPUC to initiate a procurement of *preferred resources* and *preferred resource hybrids* to mitigate potential capacity shortfalls and likely market power of the gas generators as a capacity shortfall approaches. This procurement is an opportunity for the CPUC to begin the transition to actually *relying on preferred resources for reliability needs*, in accordance with the direction of state energy policy.

In the *Resource Adequacy (RA)* proceeding, CEERT recommended that a Proposed Decision (PD) be modified to immediately authorize load-serving entities to procure significant non-fossil preferred capacity resources. However, the PD was adopted as proposed.

CPUC Commissioner Randolph issued a Ruling seeking responses to determine compliance with current rules on *RA import resources* and whether those rules should be changed to deter speculative contracts.

CEERT submitted a response endorsing SCE's Advice Letter 4002-E and urging the CPUC to expeditiously approve *energy storage contracts* procured as a result of SCE's Second *Aliso Canyon Storage Request for Offers (ACES 2 RFO)*. We asked that the next edition of the RA Report use ACES 2 RFO and other recent results as benchmarks to compare the cost of preferred resources with new gas-fired generation for Local Capacity Requirement purposes, and we supported dedicating a portion of ratepayer savings to remediation of the Mandalay site.

CEERT submitted testimony on *SCE's 2018 Local Capacity Requirement Request for Proposals* for the Moorpark sub-area.

The CPUC approved a four-year continuation of the *Demand Response Auction Mechanism (DRAM)*.

CEERT has party status in the CPUC proceeding on *Building Decarbonization*.

A Proposed Decision adopted *energy savings goals* for ratepayer-funded energy efficiency program portfolios for 2020-2030 based on an assessment of market potential using the Total Resource Cost test.

**Clean Transportation Advocacy** (*full report on page 16*)

The California Air Resources Board (CARB) negotiated a *dramatic agreement* with BMW, Ford, Volkswagen, and Honda for the companies to meet *California's GHG emissions standards* and *Obama-era fuel economy rules* in all 50 states, in exchange for some additional flexibility and incentives for their compliance. The agreement lays the foundation for CARB to adopt the next generation of tighter vehicle GHG emissions standards for 2024-2026.

V. John White worked behind the scenes in 2017 and 2018 with former CARB and EPA vehicle emission experts to develop a strategy for negotiating relatively minor adjustments in the Obama/California regulations in order to pull receptive companies away from the national car company lobby.

The agreement is a tremendous victory for California.

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### **Western Grid Integration**

CEERT and other Western NGOs have been participating in discussions as the California Independent System Operator (CAISO) continues its review of enlarging the Energy Imbalance Market's (EIM's) current governance structure to encompass a new Enhanced Day Ahead Market (EDAM).

Some CAISO market participants, especially those from outside California, have argued for an expansive role for the EIM Governance Review Committee to include decisions on issues affecting the real-time market. California's investor owned utilities (IOUs) have pushed for a narrower role for the Committee, arguing that since many EIM participants are voluntary and can leave at any time, it is important that California IOUs and their customers be protected from unfair treatment resulting from out-of-state market participants having too much influence on key issues that are central to the CAISO real-time market.

CEERT has been engaging with advocates from throughout the West to develop fair and balanced suggestions on the full range of governance issues. We are working to ensure that any changes lead EIM entities and their regulatory bodies to feel comfortable with the governance structure, while at the same time enabling CAISO and California Participating Transmission Owners to meet California energy policy goals and uphold California state law.

We anticipate that, in parallel with the governance review, the CAISO will begin a formal stakeholder process on the more technical issues with EDAM development, such as transmission access charges, transmission availability, greenhouse gas (GHG) adders, and resource sufficiency.

There has been steady progress in adding new utility participants to the Energy Imbalance Market, and confidence and comfort is growing with the operations of the EIM and its demonstrated role in balancing loads and reducing costs. And of special importance, the Los Angeles Department of Water and Power is continuing to make technical upgrades to its information technology capabilities, which will enable LADWP to join the EIM in early 2021.

### **Southern California Utilities**

#### **LADWP**

CEERT's Jim Caldwell has been active as a member of the Public Advisory Committee for the Los Angeles Department of Water and Power's study, which NREL is conducting, of how to get to 100% clean energy. Jim has also been meeting with LADWP management as they develop plans for accelerating investment in transmission expansion, in-Basin solar, demand response, and electrification of the Port of Los Angeles and Los Angeles International Airport to replace three retiring in-Basin natural gas plants. These plants are scheduled for closure between 2024 and 2029, and there has been strong environmental and community pressure not to invest \$4 billion in gas infrastructure as a first step in moving to 100% clean energy. The transmission element of the plan is due to be made public in September.

CEERT has been reaching out to potential preferred resource providers and clean energy companies to participate in LADWP's recent Request for Information, and we expect an announcement of an upcoming procurement opportunity in the fall for on the order of 1 gigawatt of battery and thermal storage, demand response, targeted energy efficiency, and commercial solar projects. So far, the only formal announcement has been a doubling of the Feed-In Tariff target. The existing program is essentially fully subscribed and LADWP did not want to lose momentum while it developed the other pieces of its ambitious distributed energy resources plan.

In July, LADWP announced an agreement with 8minuteenergy for a 400 megawatt (MW) solar + storage project in the Upper Mojave Desert that establishes a new record-low price for PV at less than \$20/MWH.

### Glendale

Jim Caldwell has been providing technical support to a group of local environmental intervenors, including the Sierra Club and Earthjustice, that oppose construction of a new 280 MW gas-fired plant by the Glendale Water and Power (GWP) municipal utility. The proposed Grayson plant would replace an aging gas facility that is being retired. Jim has worked with CAISO, LADWP, and GWP staff to explore expanding transmission connections between Glendale and LADWP, which would reduce the need for some of the proposed plant's output.

In addition, the City has put out an RFP for preferred resources, including storage, demand response, and distributed solar. While GWP management continues to strongly favor some additional gas, the size of the proposed plant keeps getting smaller. In late July, the City Council voted to procure 125 MW of local preferred resources and establish the maximum amount of new gas at 93 MW, with an objective of cutting that roughly in half before the purchase order is issued in 2021. Glendale will also contract for a piece of the new solar + storage project with LADWP.

Both LADWP and Glendale are key venues for moving away from gas generation, and for demonstrating the economic and technical feasibility of providing grid reliability services with zero-carbon resources.

### Southern California Edison (SCE)

CEERT is working with SCE Senior Vice President Colin Cushnie and his team on ways to remove barriers to greater reliance on preferred resources, especially demand response and local solar. We discussed pending CPUC decisions on Resource Adequacy (RA) and the Integrated Resource Plan/Procurement Track, and share SCE's sense of urgency about the need for a large procurement of preferred resources to be available by 2021. We hope to work with SCE on a proposal we submitted in our RA Comments urging the utilization of a "portfolio net qualifying capacity" to enable preferred resources to count and be paid for providing grid reliability, and to diminish the market power of incumbent natural-gas generators.

### Transmission Expansions

CEERT's comments in the Integrated Resource Planning proceeding emphasized the importance of generation portfolios being submitted to the CAISO transmission planning process (TPP) based on the statutory requirements of SB 100, in order to ensure that transmission gets built for sufficient renewable resources to meet the state's energy and climate goals. We have continued to explore the need for policies and administrative action to ensure that the TPP, and the future generation scenarios it relies upon from the CPUC and the CEC, include transmission expansions needed to meet 2030, 2040 and 2050 climate and clean energy targets.

### Large-Scale Energy Storage

Despite the obvious need for a balanced portfolio of large-scale, long-duration storage projects to help California balance its grid, there continue to be significant barriers and resistance to the procurement of such projects. Weaknesses and faulty assumptions in the CPUC's Integrated Resource Planning modeling have resulted in the deferral of new storage facilities, and mixed signals from CAISO and parts of the renewable industry have undermined the clarity of the message on the need to advance multiple large-scale storage technologies, rather than simply rely on batteries.

Discussions have continued among key stakeholders, including pumped-storage project proponents, California labor organizations, CAISO, environmental NGOs, renewable and gas generators, and customer groups about possible measures to further planning and procurement for large-scale storage projects to serve the California market. But so far there is no consensus, with some stakeholders arguing that increasing large-scale storage will impede efforts to expand CAISO and build a regional grid. Others argue against limiting projects to in-state, when cost-effective, interconnected projects in neighboring states are available. Gas plant operators also have opposed expediting procurement of new pumped-hydro projects.

The Los Angeles Department of Water and Power is exploring new pumped-hydro storage at Hoover Dam, and has been working with compressed-air storage developers on an integrated storage/renewables/hybrid gas plant project adjacent to the retiring coal plant site in Delta, Utah, with the goal of utilizing the existing DC transmission line from Utah to LA. LADWP has selected technology partners for this effort and is expected to announce a 150 MW pilot program early next year.

### **Discussions with the Governor's Office**

V. John White participated in meetings and conference calls with a coalition of PG&E renewable contract holders and affiliated trade groups to discuss the Governor's strike force recommendations on the contracts and a proposal from the Governor. The discussions led to a broad consensus among stakeholders to support the Governor's proposal. There have also been discussions with the Governor's office and with PG&E on additional measures that would authorize the issuance of tax-exempt bonds to help pay wildfire victim claims, which would be paid back by means of a surcharge against PG&E's corporate earnings.

### **Advocacy at the California Public Utilities Commission (CPUC)**

#### *New CPUC President*

On May 30, Michael Picker announced that he was going to be stepping down as CPUC President later this year. On July 12, Governor Newsom announced that Marybel Batjer would be the new CPUC President. Ms. Batjer has been Secretary of the California Government Operations Agency.

#### *CPUC Investigation of Pacific Gas & Electric's (PG&E's) Governance and Safety Culture (I.15-08-019)*

On June 18, the CPUC issued [D.19-06-008](#), the Interim Decision Ordering Reporting of Safety Experience Qualifications of the Board of Directors of PG&E and PG&E Corporation and Establishing Advisory Panel on Corporate Governance. This decision directs PGE and PG&E Corporation to provide information about the safety experience and qualifications of independent directors on the board(s) of PG&E and PG&E Corporation. The CPUC is establishing a CPUC Advisory Panel on Corporate Governance.

A Joint Assigned Commissioner's and ALJ's [June 18 Ruling](#) sought comments on proposals to improve the safety culture of PG&E and PG&E Corporation to be filed on July 19 and August 2. These proposals include (1) separating PG&E into separate gas and electric utilities or selling the gas assets; (2) establishing the periodic review of PG&E's Certificate of Public Convenience and Necessity (PG&E's license to operate as a public utility within a defined geographic area); (3) modification of PG&E Corporation's holding company structure; and (4) linking PG&E's rate of return or return on equity to safety performance metrics. CEERT did not offer comments on these proposals, but will continue to track this proceeding, especially as it relates to any developments at the Legislature or Bankruptcy Court.

#### *CPUC's Investigation of PG&E's Maintenance, Operations and Practices (I.19-06-015)*

On June 27, the CPUC issued [I.19-06-015](#), an Order Instituting Investigation on the CPUC's Own Motion into the Maintenance, Operations and Practices of PG&E with Respect to its Electric Facilities; and Order to Show Cause Why the CPUC Should not Impose Penalties and/or Other Remedies for the Role PG&E's Electrical Facilities had in Igniting Fires in its Service Territory in 2017.

On July 22, ALJ Houck issued a [Ruling](#) Releasing Safety Enforcement Division's Report on October 2017 Fire Siege, and a [Ruling](#) that set the Prehearing Conference for August 13. CEERT will track this proceeding and has sought Information Only status for now, but will attend the PHC, especially to hear any updates or positions PG&E takes on the intersection of this proceeding and its Bankruptcy petition.

#### *PG&E Bankruptcy*

On May 2, the U.S. Department of Justice filed on behalf of the Federal Energy Regulatory Commission (FERC) a "Statement of Recent Development and Request for Judicial Notice" in the PG&E bankruptcy

proceeding, informing the bankruptcy court that on May 1 FERC had issued an order denying PG&E's request for rehearing of its order finding that a "party to a Commission-jurisdictional wholesale power contract must obtain approval from both the bankruptcy court and the Commission to reject a contract and modify the filed rate, respectively."

Also on May 2, a Stipulation Re Procedure for Disposition of Adversary Proceeding was filed jointly by PG&E/PG&E Corporation, FERC, and "Intervenor Defendants" (i.e., NextEra, et al.), indicating the parties had conferred about the jurisdictional issues for the PPA contracts, but were not able to reach agreement on terms of a judgment, and therefore agreed that the bankruptcy court could enter final judgment on the record, inclusive of FERC's Order Denying Rehearing, which was also attached to this pleading.

On May 3, the bankruptcy court indicated it had reviewed the Stipulation re Procedure and commended the parties for moving the adversary proceeding "toward final resolution." The order stated that "the court expects to issue a decision in the coming weeks," and that it "notes with interest the May 1, 2019 FERC Order Denying Rehearing that is now part of the record."

As for the main bankruptcy proceeding (Case 19-30088), a key matter before the Court is a motion by the Ad Hoc Committee of Unsecured Noteholders to terminate PG&E/PG&E Corporation's "exclusive periods" to propose a plan of reorganization. That Motion will be before Judge Montali at an August 9 status conference hearing to address "negotiations of a protocol for the submission of plan proposals."

#### CPUC's Investigation of SoCalGas (I.19-06-014)

On June 27, the CPUC issued [I.19-06-014](#), an Order Instituting Investigation on the Commission's Own Motion to Determine Whether SoCalGas' and Sempra's Organizational Culture and Governance Prioritize Safety. For the first phase of this proceeding, the CPUC directs its Safety and Enforcement Division to investigate and produce a consultant's report evaluating SoCalGas' and Sempra Energy's organizational culture, governance, policies, practices, and accountability metrics to ensure that they and their California-regulated subsidiaries operate their systems in a safe manner.

In a later phase of the investigation, the CPUC may consider revising existing or imposing new orders and conditions on SoCalGas or Sempra, as necessary and appropriate, to optimize public utility resources, achieve the operational and safety performance record required by law, and promote a high-functioning safety culture that promotes continuous safety improvement.

#### Renewable Portfolio Standard (RPS) Program (R.18-07-003)

On April 19, Assigned Commissioner Rechtschaffen and Assigned ALJ Atamturk issued a [Ruling](#) Identifying Issues and Schedule of Review for 2019 RPS Procurement Plans, and stressing the importance of coordination with the IRP proceeding. In the fourth quarter of 2019, Proposed and Final Decisions are expected, and the investor-owned utilities (IOUs) will be issuing their requests for offers (RFOs) for solicitations or otherwise pursuing approved RPS procurement.

On June 28, the CPUC issued [D.19-06-023](#), a Decision Implementing Provisions of Senate Bill 100 Relating to Procurement Quantity Requirements under the California RPS. The Decision provides that:

1. For the compliance period 2021-2024, retail sellers must procure no less than 44% of their retail sales from eligible renewable energy resources by December 31, 2024.
2. For the compliance period 2025-2027, retail sellers must procure no less than 52% of their retail sales from eligible renewable energy resources by December 31, 2027.
3. For the compliance period 2028-2030, retail sellers must procure no less than 60% of their retail sales from eligible renewable energy resources by December 31, 2030.
4. Progress toward compliance during intervening years of compliance periods from 2021 through 2030 will continue to be measured by the straight-line method set out in D.11-12-020 and D.16-12-040.

5. For each compliance period beginning with the 2031-2033 compliance period, each retail seller must procure not less than 60% of retail sales from eligible renewable energy resources.

On July 2, ALJ Thomas issued a [Proposed Decision](#) on Enforcement of California RPS Program Rules. At the August 1 CPUC Business Meeting, all five Commissioners voted to adopt this item, which was issued on August 7 as [Final Decision D.19-08-007](#). The Decision enforces California RPS program rules by imposing fines on Liberty Power Holdings and Gexa Energy for failing to comply with certain program requirements, and denying the companies' request for waiver of penalties. (While the pleadings at issue were filed in Rulemaking 15-02-020, that proceeding is closed; this proceeding is the successor.)

For the compliance period of 2011-2013, neither Liberty Power nor Gexa met the levels of renewables procurement that D.14-12-023 required. While the decision allows, and Liberty Power and Gexa sought, waivers of such penalties, the companies did not demonstrate entitlement to waivers. Therefore, the CPUC imposed penalties of \$431,014 on Liberty and \$1,725,461 on Gexa. The proceeding remains open.

On July 19, the Energy Division hosted a workshop on the Bioenergy Market Adjusting Tariff (BioMAT) program. Topics discussed included the BioMAT pricing mechanism, production flexibility in BioMAT contracts, and project lifecycle emissions.

*RPS ReMAT (Renewable Market Adjusting Tariff) Program – On Hold per U.S. District Court Decision*

On December 6, 2017, U.S. District Judge Donato issued an order granting summary judgment in favor of Winding Creek Solar LLC's requests for relief from PG&E's ReMAT program, and found that CPUC decisions establishing the ReMAT Program conflict with federal law (PURPA). The decision effectively shut down the ReMAT program and foreclosed the IOUs from signing new ReMAT contracts. Both sides appealed this Order, and oral arguments took place on February 13.

On July 29, the Ninth Circuit Court of Appeals issued its decision ([9th Circuit Decision \(Winding Creek\)](#)) upholding the District Court's order that had suspended ReMAT based on identified issues between that program and PURPA. As explained below, R.18-07-017, specifically issued to address those issues and with a record on how that could be accomplished, could proceed to a decision making those revisions and reactivating the program.

*Public Utility Regulatory Policies Act (PURPA) (R.18-07-017)*

On August 1 the CPUC issued [R.18-07-017](#) as a direct response to the U.S. District Court's order in *Winding Creek v. Peevey* (see above). On November 2, Assigned Commissioner Rechtschaffen issued a [Scoping Memo and Ruling](#), which stated that a Proposed Decision and Final Decision were expected to be issued in the first quarter of 2019. Because this schedule has not been met, parties have taken action in response to the July 29 9<sup>th</sup> Circuit Decision referenced above in the section on ReMAT.

On August 1, the California Wind Energy Association, Solar Energy Solutions, Clean Coalition, Utica Water and Power Authority, JTN Energy, Coalition for the Efficient Use of Transmission Infrastructure, and Calaveras County Water District wrote a joint letter to Commissioner Rechtschaffen urging him, now that "clarity" had been "set" by the 9<sup>th</sup> Circuit decision, to issue its planned Proposed Decision in R.18-07-017 to permit a final decision at the CPUC's September 12 Business Meeting. By that decision, these parties have asked the CPUC to reactivate the ReMAT program, whose closure they claimed had harmed small renewable project developers, along with changes in the program consistent with the court's order.

*Integrated Resource Planning (IRP) (R.16-02-007)*

On May 1, the CPUC issued [D.19-04-040](#), which evaluates the first round of individual IRP filings by all CPUC-jurisdictional load-serving entities (LSEs). The decision discusses CPUC staff's analysis of the Hybrid Conforming Portfolio (HCP), which aggregated the individual IRPs and resource preferences of

all LSEs. The HCP, after appropriate adjustments by CPUC staff to render it feasible, was determined to be less reliable and result in more greenhouse gas (GHG) emissions than the CPUC's prior adopted Reference System Plan (RSP) from D.18-02-018. Thus, this decision adopts a modified version of the RSP that will become the Preferred System Plan (PSP). The decision recommends to the CAISO that the PSP as adopted be used as both the reliability base case and the policy-driven base case for study in its 2019-2020 Transmission Planning Process.

The decision also addresses a 2018 petition for modification of D.18-02-018 on replacement energy for the Diablo Canyon Nuclear Power Plant, and requires that each LSE serving load in PG&E's service area include in its next IRP filing a section explicitly addressing the need for Diablo Canyon replacement energy that has similar characteristics. The proceeding remains open to continue the planning process for the 2019-2020 IRP cycle.

On June 17, the CPUC Energy Division hosted an IRP Modeling Advisory Group Webinar. Topics discussed included core input updates for the RESOLVE and SERVM models and proposed key updates to certain RESOLVE functionality.

On June 20, Assigned Commissioner Randolph and ALJ Fitch issued a [Ruling](#) Initiating Procurement Track and Seeking Comment on Potential Reliability Issues. The Ruling describes the scope and content of the procurement track, and seeks comments from the parties on its framing and structure, on the potential for near-term reliability challenges as analyzed by CPUC Staff, and on options for potential solutions, if parties agree that reliability challenges are possible or likely.

CEERT filed [Opening Comments](#) on the Procurement Track Ruling on July 22, strongly urging the CPUC to initiate a procurement of preferred resources and preferred resource hybrids to mitigate potential capacity shortfalls and likely market power of the gas generators as a capacity shortfall approaches. This procurement is an opportunity for the Commission to proceed with true integrated resource planning and procurement, and begin the transition to actually relying on preferred resources for reliability needs in accordance with the direction of state energy policy.

#### *Resource Adequacy (RA) (R.17-09-020)*

On May 24, ALJ Chiv issued a [Proposed Decision](#) Adopting Local Capacity Obligations for 2020-2022, Adopting Flexible Capacity Obligations for 2020, and Refining the RA Program in R.17-09-020.

On June 13, CEERT filed [Opening Comments](#), arguing that the Proposed Decision (PD) fails to deal with the critical challenges facing RA today. We recommended that the PD be modified to immediately authorize the procurement by CPUC jurisdictional load-serving entities of significant non-fossil preferred capacity resources, with an on-line date of summer 2020.

On June 18, CEERT filed and served [Reply Comments](#) supporting the numerous parties that had concerns about the PD's Effective Load Carrying Capability (ELCC) Methodology and Net Qualifying Capacity (NQC) counting rules. We again urged significant early procurement of preferred capacity resources.

At the June 27 Commission Business Meeting, all five Commissioners voted to adopt the PD, which was issued as [D.19-06-026](#) on July 5.

On July 2, ALJ Chiv issued a [Proposed Decision](#) Denying the Petition for Modification of Shell Energy North America, L.P. At the August 1 CPUC Business Meeting, all five Commissioners voted to adopt the [Revised Proposed Decision](#), but Final Decision D.19-08-005 has not yet been issued. The PD finds that the issues Shell Energy raised pertaining to the adoption of multiyear RA procurement were considered in D.19-02-022, as was the confidentiality of posting a preliminary list of resources of each load-serving entity's monthly RA plan.

On July 3, Assigned Commissioner Randolph issued a [Ruling](#) seeking responses from parties on questions about the use of energy imported into California to meet RA requirements. These responses are necessary to determine compliance with current rules on RA import resources and whether those rules should be changed to deter speculative contracts, as well as to ensure the integrity of the RA program. Comments were submitted on July 19 and Reply Comments on July 26.

On July 26, the Commission hosted a workshop on 2020 multiyear RA templates and guides workshop. The workshop discussed RA compliance rules and procedures for the 2020 RA compliance year, and introduced the 2020 RA templates and RA compliance guide.

*Aliso Canyon Energy Storage (ACES) (SCE Advice Letter 4002-E)*

On May 23, Southern California Edison (SCE) submitted Advice Letter (AL) 4002-E requesting review and approval of energy storage contracts procured as a result of SCE's Second Aliso Canyon Storage Request for Offers (ACES 2 RFO). Responses and protests to this Advice Letter were due on June 12.

CEERT submitted a response to AL 4002-E wholeheartedly endorsing the AL and urging the CPUC to expeditiously approve the results of the ACES 2 RFO. We asked that, in the next edition of the RA Report, Energy Division compare the aggregated cost of this Advice Letter plus Application (A.) 19-04-016 (SCE 2018 Local Capacity Requirement (LCR) Request for Proposal (RFP)) plus the Moorpark-Pardee 4<sup>th</sup> 230 kv circuit with the proposed cost of the Puente Project plus the Ellwood refurbishment as a benchmark for comparing the cost of preferred resources with new gas-fired generation for LCR purposes.

We supported dedicating a portion of ratepayer savings to remediation of the Mandalay site, and recommended that a workshop be held to develop best contracting practices for hybrid preferred resources, using pro forma contracts from this solicitation plus comparable contracts from other IOUs' templates.

*SCE 2018 LCR Requests for Proposals (RFPs) (A.19-04-016)*

On April 22, SCE filed an [Application](#) for Approval of the Results of its 2018 LCR RFPs, and in particular requested CPUC approval of one contract resulting from the RFP: a Strata Saticoy 100 MW/400 MWh in-front-of-the-meter energy storage project, with a delivery period expected to begin December 1, 2020. Responses and Protests were submitted May 22. CEERT was granted party status at a June 25 [Prehearing Conference](#).

On July 10, Assigned Commissioner Randolph issued a [Scoping Memo and Ruling](#) that covered:

1. Whether the results of SCE's 2018 LCR RFP for the Moorpark sub-area enhance the safe and reliable operation of SCE's electrical service.
2. Whether SCE's 2018 LCR RFP complies with the procurement authority granted by the Commission in D.13-02-015.
3. Whether the results of SCE's 2018 LCR RFP are a reasonable means of meeting the LCR need in the Moorpark sub-area (which includes the Santa Clara and the Goleta sub-areas).

The scope of this proceeding is limited to the one contract approved through SCE's 2018 LCR RFP. The Commission, however, may still consider the ACES 2 RFO contracts when evaluating the LCR need in the Moorpark sub-area. Evidentiary hearings may be necessary if disputed issues of facts are raised by parties in testimony. The schedule adopted is as follows:

- September 9, 2019: Deadline for Motion to Request Evidentiary Hearings
- October 1-2, 2019: Evidentiary Hearings
- November 4, 2019: Opening Briefs due
- November 25, 2019: Reply Briefs due

CEERT submitted testimony in this matter on August 5.

*SoCalGas and SDG&E Application for Low Operational Flow Order (OFO) and Emergency Flow Order Requirements (A.14-06-021)*

On June 5, the CPUC issued [D.19-05-030](#), which grants in part and denies in part the August 15, 2018 Petition for Modification (PFM) filed by SCE and Southern California Generation Coalition (SCGC). This item relates to A.14-06-021 and A.14-12-017, which pertain to the Applications of Southern California Gas (SoCalGas) and SDG&E for Low Operational Flow Order (OFO) and Emergency Flow Order Requirements. This decision also grants in part and denies in part the Settling Parties' Motion for adoption of the Settlement Agreement filed on April 2.

The decision adopts, during the peak summer months of June 1 through September 30, the proposal in the PFM to change the current OFO penalties to \$5.00/decatherm (dth) in Stage 4 and \$5.00/dth plus the daily balancing standby rate in Stage 5. During the period of October 1 through May 31, the alternate structure as set forth in the Settlement Agreement is adopted. The Commission reserves the right to revisit the OFO penalties before summer 2020, using data collected during summer 2019. Options for conducting this review include an Order Instituting Rulemaking on reliability issues. The proceeding is closed.

*Building Decarbonization (R.19-01-011)*

CEERT was granted party status in this proceeding at an April 24 Pre-Hearing Conference.

On July 16, Assigned Commissioner Picker issued a [Ruling Amending Scoping Memo](#) that included the following issues in the scope of the proceeding: (1) funding mechanism and program budgets and (2) customer eligibility for benefits of the Building Initiative for Low-emissions Development (BUILD) program and the Technology and Equipment for Clean Heating (TECH) initiative.

On July 16, ALJ Rizzo issued a [Ruling](#) seeking comments on the CPUC and CEC Draft Staff Proposal for Building Decarbonization Pilots. Comments were due on August 13 and Reply Comments on August 20.

On July 30, the CPUC and CEC hosted a Joint Public Workshop on Building Decarbonization that focused on the BUILD and TECH programs.

*Demand Response (DR) Applications (A.17-01-012, et al.)*

On April 18, PG&E held a Settlement Conference to discuss settlement of issues within the scope of the short-term "Step 1" pilot in the February 28 Ruling. Step 1 is the limited critical improvements to the DR Auction Mechanism (DRAM) in the initial decision to provide for solicitation in 2019 and deliveries in 2020 (considered to be a bridge period). On May 21 and 31, SCE provided notice to the service list that it intends to file a Motion Seeking Adoption of a Multi-Party Settlement resolving some, but not all, of the disputed DRAM issues.

However, on May 31, ALJ Hymes issued a [Proposed Decision](#) Addressing Auction Mechanism, Baselines, and Auto DR for Battery Storage, and on July 11, the CPUC issued [D.19-07-009](#), which:

- Approves a four-year continuation of the DR Auction Mechanism (DRAM) to improve shortcomings, beginning with critical improvements in a 2019 solicitation.
- Establishes a procedural schedule to address related policy matters by the end of 2019, which will be followed by an informal process to address technical and contractual improvements to the DRAM.
- Authorizes annual budgets of \$14 million for solicitations in 2020 through 2022 (to procure one-year capacity contracts) and a pro-rated budget of \$12.78 million for the 2019 solicitation (to procure seven-month capacity contracts).

- Adopts, for settlement purposes in the DRAM, four baseline methods recently approved by the Federal Energy Regulatory Commission, including the 5-in-10 method for residential customers.
- Directs PG&E, SDG&E, and SCE to include in their 2020 mid-cycle review a proposal for costs and schedules to implement a 5-in-10 baseline for residential customers in the Capacity Bidding Program.
- Establishes a working group to develop a proposal to be included in the utilities' 2023-2027 DR portfolio applications.
- On Auto DR, declines to make policy changes as it relates to battery energy storage.

Between July 15 and 30, the CPUC Energy Division hosted six workshops on potential DRAM improvements. Proposals presented at these workshops will be submitted in a Workshop Report on August 9. The CPUC recently extended the statutory deadline for this proceeding to January 17, 2020.

#### Prohibited Resources (A.18-10-008, et al.)

ALJ Hymes recently suspended the June 29-August 2 Evidentiary Hearings, which she said would be rescheduled. The remaining proposed schedule is:

- October 18: Supplemental Filing on Test Data Loggers and Interval Meters Pursuant to E-4906
- November 17: Workshop Presentation by the three IOUs on Test Data Findings pursuant to E-4906
- December 16: Opening Briefs
- January 13, 2020: Reply Briefs

#### Other CPUC Rulemakings and Governance Actions:

CEERT has had a limited budget to actively participate in other CPUC issues. Nevertheless, we are currently a party to or are tracking the following proceedings in order to advance key resources.

#### Power Charge Indifference Adjustment (PCIA) (R.17-06-026)

On July 17, ALJ Atamturk issued a [Ruling](#) Denying Motion for Evidentiary Hearings. The Ruling rejects Protect Our Communities Foundation's argument that the working group process is insufficient to fulfill the Commission's statutory mandates to protect the viability of community choice aggregation.

#### Distribution Resource Plans (DRPs) (R.14-08-013)

On May 7, ALJ Mason issued a [Ruling](#) modifying the Distribution Investment Deferral Framework (DIDF) Process and establishing requirements for inclusion in the Grid Needs Assessment and the Distribution Deferral Opportunity Report.

On June 5, ALJ Mason issued a [Ruling](#) Requesting Comments on the Energy Division White Paper on Avoided Costs and Locational Granularity of Transmission and Distribution Deferral Values. Comments were submitted on June 21 and a workshop was held on July 18.

On July 3, ALJ Mason issued a [Ruling](#) Requesting Comments on Refinements to the Integration Capacity Analysis (ICA). The Ruling seeks comments to questions on potential refinements to the ICA data and associated online map functionality.

#### Integrated Distributed Energy Resources (IDER) (R.14-10-003)

At the May 16 CPUC Business Meeting, the Revised Proposed Decision (PD) Adopting Cost-Effectiveness Analysis Framework Policies for All Distributed Energy Resources (DERs) was adopted 4-1 with Commissioner Guzman Aceves voting against the PD. [D.19-05-019](#) issued on May 21.

The decision adopts three new cost-effectiveness analysis framework policies for DERs. First, beginning on July 1, the Total Resource Cost (TRC) test will be considered the primary test of cost-effectiveness for all DERs applicable filings or advice letter submittals that require cost-effectiveness analyses. Simultane-

ously, the decision requires discussion of the Program Administrator Cost (PAC) and Ratepayer Impact Measure (RIM) cost-effectiveness tests in all relevant proceedings, and adopts the modified TRC, PAC, and RIM tests as replacements for the existing tests. The tests are modified by replacing the Interim GHG Adder values adopted in D.17-08-022 with the GHG Adder values adopted in D.18-02-018.

The decision also adopts a three-element Societal Cost Test (SCT) through December 31, 2020 for informational purposes in the IRP proceeding. The decision reaffirms that only minor changes can be made to the Avoided Cost Calculator (ACC) using the previously approved resolution process performed by the CPUC Energy Division but refines the definition of minor changes. Changes are more than minor require a formal process. This proceeding remains open to address other unresolved issues.

On June 18, the CPUC issued Resolution E-5004, which approves with modifications PG&E, SCE and SDG&E's Advice ALs that request approval of a technology-neutral pro forma contract for soliciting DERs for distribution deferral under the Competitive Solicitation Framework. The Resolution resolves and clarifies issues in each utility's technology-neutral pro forma contract.

On July 12, the CPUC issued [Resolution E-4997](#), which rejects SDG&E's Advice Letter 3309-E on its request to procure a DER solution pursuant to D.18-02-004. The Resolution rejects SDG&E's request to procure DERs in the 2018 DIDF procurement cycle, and requires SDG&E to evaluate the need to couple capacity service with a back-tie requirement on a case-by-case basis. The Resolution also directs SDG&E to evaluate the candidate distribution deferral project in 2019 DIDF Distribution Planning Advisory Group (DPAG) process.

At the August 1 CPUC Business Meeting, all five Commissioners voted to adopt Resolution E-5014, which adopts certain data input updates and minor modeling adjustments to the ACC for use in demand-side DERs cost-effectiveness analyses. [Final Resolution E-5014](#) was issued on August 2.

#### DER Improvements to Rule 21 (R.17-07-007)

On April 5 the Commission issued [D.19-03-013](#), which adopts several proposals from the March 15, 2018 Working Group One Final Report on refinements to the interconnection of DERs under Electric Tariff Rule 21. The utilities are ordered to file a Tier Two Advice Letter, revising Rule 21 to be consistent with the decision. There has not been much recent activity in this matter.

#### Energy Efficiency (EE) (R.13-11-005)

On April 10, ALJ Fitch issued a [Ruling](#) seeking comments on a proposed framework for developing market transformation initiatives that was drafted by a working group of the California Energy Efficiency Coordinating Committee (CAEECC) and submitted on March 19 via a motion by Natural Resources Defense Council. The Ruling also asks for comments on the March 18 "CAEECC-Hosted Market Transformation Working Group Report and Recommendations to the California Public Utilities Commission." Comments were submitted on May 6 and Reply Comments on May 20.

On May 1, ALJ Kao issued a [Ruling](#) that requests comments on a consultant report on energy savings goals for energy efficiency program administrators from 2020 to 2030. Comments were submitted on May 21 and Reply Comments on May 31.

On June 28, ALJ Fitch issued a [Proposed Decision](#) Modifying the Energy Efficiency Three-Prong Test Related to Fuel Substitution. At the August 1 CPUC Business Meeting, all five Commissioners voted to adopt Decision [D.19-08-009](#), which was issued on August 5. This Decision modifies the energy efficiency three-prong test established in Decision 92-02-075, which was designed to avoid encouraging programs that involved substituting one fuel for another (electricity or natural gas), but had a "predominantly load build-

ing or load retention character." At the time the test was originally established, fuel substitution primarily involved replacing electric equipment with gear fueled by natural gas.

The Decision requires that the reformulated test be applied at the individual measure level. It determines that the baseline against which a fuel substitution measure is compared should be determined in the same manner as for other measures in the EE portfolio (using code baseline, industry standard practice, or existing conditions, depending on the circumstances of the measure installation). The measure must save energy and not harm the environment (as currently measured by GHG emissions). The decision determines that a fuel substitution measure should no longer be required to pass a cost-effectiveness threshold at the measure level. Instead, fuel substitution measures will be reflected in the cost-effectiveness evaluation of a program administrator's overall energy efficiency portfolio. Since the cost-effectiveness prong will effectively be removed, the test will hereafter be referred to as the Fuel Substitution Test.

When a measure first passes the Fuel Substitution Test to be included in the portfolio, it shall use a default net-to-gross (NTG) ratio assumption of 1.0, until impact evaluation results become available. Thereafter, the evaluated NTG ratio for the individual measure shall be used in the portfolio cost-effectiveness calculation. The Decision requires that the new-fuel ratepayers fund the proposed fuel substitution measures, and that energy savings accrue to those ratepayers, while the original fuel utility's energy savings goals are also credited with the fuel savings that otherwise will become unavailable to them due to the fuel substitution activities.

This proceeding remains open to consider several other policy issues in Phase 3 of the proceeding.

On July 15, ALJ Kao issued a [Proposed Decision](#) adopting energy savings goals for ratepayer-funded energy efficiency program portfolios for 2020-2030 based on an assessment of market potential using the Total Resource Cost test. Comments were submitted on August 5 and Reply Comments on August 12.

#### EE Business Plans (A.17-01-013, et al.)

On July 2, ALJ Kao issued a [Proposed Decision](#) Adopting Standard Contract for Energy Efficiency Local Government Partnerships. This PD was adopted at the August 1 CPUC Business Meeting, but Final Decision D.19-08-006 has not yet been issued. The decision adopts a standard contract for EE local government implementers and associated implementation details, and closes these consolidated proceedings.

#### Energy Storage Procurement Plans (A.18-02-016, et al.)

At the June 27 CPUC Business Meeting, all five Commissioners voted to adopt the Proposed Decision Implementing the Assembly Bill (AB) 2868 Energy Storage Program and Investment Framework and Approving AB 2868 Applications with Modification, which was issued as [D.19-06-032](#) on July 5. The decision adopts the AB 2868 components of the Applications of SDG&E, PG&E, and SCE with modification, and provides direction to the Applicants on how to seek future approvals for energy storage projects pursuant to AB 2868. PG&E's behind-the-retail-meter thermal storage program proposal is granted with the requested rate recovery mechanism, but the front-of-the-meter investment proposals of the three Applicants and SDG&E's and SCE's behind-the-meter programs are not granted as proposed. The Applicants are invited to propose additional programs pursuant to AB 2868.

#### Public Records Access (R.14-11-001)

There has been no recent activity in this proceeding.

#### Climate Change Adaptation (R.18-04-019)

There have been no recent developments in this proceeding other than Working Group activity.

#### Disconnections (R.18-07-005)

On April 5, Assigned Commissioner Guzman Aceves issued a Phase 1-A [Scoping Memo](#) in this proceeding. The schedule for the proceeding will be established at a later date, but will include workshops, a workshop report, comments on the workshop report, a Proposed Decision and a Final Decision. This proceeding is quasi-legislative and evidentiary hearings are not necessary.

On May 1, ALJ Kelly issued a [Ruling](#) Requesting Responses to Questions. The questions are intended to help the CPUC develop standards and rules to reduce disconnection rates and improve arrearage management. Comments were submitted on June 14 and Reply Comments on June 21.

On June 12, ALJ Kelly issued a [Ruling](#) Setting Workshops, Issuing Staff Reports and Questions Along with Other Data and Request for Comments and Reply Comments. Comments were submitted on July 10 and Reply Comments on July 15. Attached to the Ruling are the following Reports and Documents:

- Workshop Report Considering New Approaches to Disconnections and Reconnections to Improve Energy Access and Contain Costs
- Workshop Appendices
- An Empirical Analysis of Residential Utility Service Disconnections in California: An Energy Staff Report
- Summary of Arrearage Management Programs in Other States
- Department of Community Services and Development All Program Counts
- High Disconnection Zipcodes
- Letter to Commissioner Guzman-Aceves

In addition, the Ruling requests responses to questions on transparency, risk assessment, deposit, Low-Income Home Energy Assistance Program, field visits, and eligible customers for service disconnection.

#### Affordability (R.18-07-006)

There has been no recent activity in this proceeding.

#### Transportation Electrification (R.18-12-006)

On May 2, Assigned Commissioner Rechtschaffen issued a [Scoping Memo and Ruling](#). The scope of this proceeding includes: (1) Issues Related to the Transportation Electrification Framework (TEF), (2) Cost Recovery Mechanisms for Transportation Electrification Investments, (3) Rates for Zero-Emission Vehicles (ZEVs) and Hydrogen-Fueled Vehicles, (4) Vehicle Grid Integration, (5) Coordination with Existing ZEV Programs, (6) Safety, and (7) Other.

The remaining proceeding schedule is:

- October 2019: Energy Division TEF Proposal due
- November or December 2019: Workshop on TEF Proposal
- Q1 2020: Commission adoption of TEF

#### Non-Bypassable Charge (R.19-07-017)

On July 26, the CPUC issued [R.19-07-017](#), an Order Instituting Rulemaking that will consider whether the Commission should exercise its authority under P.U. Code Section 701 to require certain electrical corporations to collect from ratepayers the non-bypassable charge described in that statute to support California's new Wildfire Fund.

#### Clean Transportation Advocacy

In July, Mary Nichols, Chair of the California Air Resources Board (CARB), announced a dramatic agreement on vehicle emission standards with four of the world's largest automakers: BMW, Ford, Volkswagen and Honda. Under the agreement, the four companies would comply with California's

already adopted GHG emission standards and with fuel economy rules adopted by the Obama Administration. In exchange, CARB agreed to give the companies some additional flexibility and incentives to adhere to the regulations. The agreement would bypass the Trump Administration's rollback of Obama-era fuel economy and emission standards, because the companies agreed to comply with CARB's standards in all 50 states.

The agreement was negotiated in utmost secrecy after negotiations with the Trump Administration broke down, and lays the foundation for CARB to adopt the next generation of tighter vehicle GHG emissions standards for 2024-2026, which CARB has announced it intends to develop and approve in 2020. If Trump is reelected, it is likely his administration would override California's waiver to its own vehicle standards, setting off a major court challenge. In the meantime, California and national environmental groups are mounting a campaign challenging General Motors, Toyota, and other car manufacturers to join the agreement signed by the "Green 4."

V. John White worked behind the scenes in 2017 and 2018 with Vickie Patton and her consulting team of former CARB and EPA vehicle emission experts to develop a plan for negotiating some relatively minor adjustments in the Obama/California standards, which several of the auto companies had previously asked for, but EPA had not included by in the final regulations adopted in January 2017 by the outgoing Obama Administration. The idea was to pull those companies thought to be receptive away from the national car company lobby, which was fearful of the wrath of Trump.

The companies had hoped to broker a deal between California and the Trump Administration, but hardliners in the Administration, and lobbying by the oil industry, blew up any chance of an agreement. The Administration's decision to go far beyond the relatively minor changes to the regulations the auto industry wanted, and instead pursue a frontal assault on existing fuel economy rules, combined with the skilled diplomacy of Mary Nichols and senior CARB staff, resulted in a tremendous victory for California, and opened up a huge rift between the "Green 4," the auto alliance and the Trump Administration.