



ALJ/ES2/fzs 1/6/2023

**FILED**

01/06/23

09:11 AM

R2103011

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to  
Implement Senate Bill 520 and  
Address Other Matters Related to  
Provider of Last Resort.

Rulemaking 21-03-011

**RULING OF THE ASSIGNED ADMINISTRATIVE LAW  
JUDGE ENTERING STAFF PROPOSAL INTO  
THE RECORD AND NOTICING PUBLIC WORKSHOPS**

This ruling makes available to parties and incorporates into the record of this proceeding an Energy Division Staff Proposal addressing additional options and expanded Provider of Last Resort (POLR) proposals for consideration in Phase 1 of this proceeding (Staff Proposal). The Staff Proposal is included as Attachment A to this ruling.

An initial workshop addressing the topics covered in the Staff Proposal is scheduled for January 26, 2023, at 10:00 a.m. A separate workshop will be held on March 7, 2023, at 10:00 a.m. for the investor-owned utilities to walk through example Financial Security Requirement (FSR) calculations and associated amounts. Opening comments on the Staff Proposal and example FSR calculations may be filed and served by March 21, 2023. Reply comments may be filed and served by April 7, 2023.

**1. Background**

Pursuant to Senate Bill 520 (Hertzberg; 2019, Ch. 408), Phase 1 of this proceeding will develop and implement a comprehensive framework for existing

POLR service requirements and customer migration rules.<sup>1</sup> In response to public workshops and multiple requests for written comments, parties have put forward a range of Phase 1 proposals and recommendations in this proceeding. The purpose of the Staff Proposal is to expand upon some of the party proposals received and provide additional options for Commission consideration.

## **2. Workshops and Remaining Phase 1 Schedule**

Energy Division will host a remote-participation workshop on January 26, 2023, at 10:00 a.m. to walk through the Staff Proposal and answer any questions. Remote participation information for the workshop will be e-mailed to the Service List and posted on the Commission's Daily Calendar closer to the date of the event.

In addition, the investor-owned utilities (IOUs)<sup>2</sup> are directed to host a remote-participation workshop on March 7, 2023, at 10:00 a.m. to walk through example FSR calculations and the associated FSR amounts. The purpose of this workshop is to provide parties and the Commission with a better understanding of how the different proposals being considered in this proceeding could impact the resultant FSR amounts. Remote participation information for the workshop will be emailed to the Service List and posted on the Commission's Daily Calendar closer to the date of the event. The IOUs shall coordinate with Energy Division Staff (e-mail [Dina.Mackin@cpuc.ca.gov](mailto:Dina.Mackin@cpuc.ca.gov)) when developing the agenda and example calculations to be presented during this workshop. Parties that submitted proposals for revisions to the FSR calculator may, but are not required

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<sup>1</sup> See September 16, 2021, Assigned Commissioner's Scoping Memo and Ruling at 3-5.

<sup>2</sup> Including Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company.

to, present their own sample calculations during the workshop. Any party that is interested in presenting should reach out to Energy Division Staff using the contact information above. In addition, at least one of the IOUs, as well as any other party that presents during the example FSR calculations workshop, shall include as an attachment to its opening comments on the Staff Proposal a copy of the workshop materials that were presented.

The remaining schedule and activities for Phase 1 of the proceeding are summarized below:

<i>Phase 1: POLR Service Requirements, Cost Recovery, &amp; Customer Migration</i>	
<b>Event</b>	<b>Date</b>
Workshop on Energy Division Staff Proposal	January 26, 2023
Workshop on Example FSR Calculations	March 7, 2023
Opening Comments Filed and Served on Energy Division Staff Proposal/Example FSR Calculations	March 21, 2023
Reply Comments Filed and Served on Energy Division Staff Proposal/Example FSR Calculations	April 7, 2023
Rule 13.9 Joint Case Management Statement with request for evidentiary hearings and/or briefs	10 calendar days from the submission of Reply Comments on the Energy Division Staff Proposal/Potential Changes to FSR Calculator
Evidentiary Hearings (if needed)	Q2-Q3 2023
Opening Briefs (if needed)	Q2-Q3 2023
Reply Briefs (if needed)	Q2-Q3 2023
Phase 1 Proposed Decision	Q3-Q4 2023

### **3. Request for Comments**

To help guide review of comments on the Staff Proposal and the FSR calculations workshop, parties are requested to organize their comments as follows:

Continuity of Service

- a. Do parties support, or support with modifications, the four objectives Staff identify as needing to be considered to ensure continuity of service? (See Staff Proposal at 3-4).
- b. Do parties support Staff's proposed schedule under "orderly deregistration," or propose a different schedule? (See Staff Proposal at 4-6.) Would setting a window for orderly deregistration mitigate the financial risk to the POLR of high market price exposure? Why or why not?
- c. Do parties support, or support with modifications, any of the options provided by Staff concerning resource assignment clauses? Do parties agree with Staff that Option 3 appears to be the most feasible? (See Staff Proposal at 5-8.)
- d. Can contract assignment clauses support the POLR in retaining resources needed to serve load and limit cost exposure? If so, should they be used to offset the cost of FSRs and/or reentry fees? Why or why not?

Financial Monitoring

- e. Do parties support, or support with modifications, Staff's proposed list of conditions that would trigger financial risk monitoring reporting requirements? (See Staff Proposal at 8-9). If one or more of the conditions should be modified, please explain how and why, being as detailed as possible.
- f. What rating is considered "investment grade"?
- g. Do parties support, or support with modifications, Staff's proposed financial risk monitoring reporting requirements? (See Staff Proposal at 9.) If one or more of the risk monitoring reporting requirements should be modified, please explain how and why, being as detailed as possible.
- h. How should the Commission enforce the financial reporting requirements and ensure timely disclosure if triggered?

Cost Recovery

- i. Should Phase 2 of this proceeding further examine the Commission's authority and options for approval and implementation of an insurance pool? Is development of an insurance pool reasonable and necessary? If so, are the conditions identified by Staff in Attachment A sufficient, or should additional/different conditions be considered as part of Phase 2 of the proceeding? (*See Staff Proposal at 10-11.*)
- j. Do parties support Staff's proposal to provide a ramping period for FSRs? (*See Staff Proposal at 11-12.*) If so, please comment upon how such a ramping period should be designed.
- k. Do parties support, or support with modifications, Staff's proposal to calculate the FSR amount based on winter market conditions, or otherwise offer a discount to the calculated reentry fees for Community Choice Aggregators that demonstrate adequate hedging contracts and are not considered to be at financial risk? Are the proposed risk mitigation measures reasonable?
- l. Do parties support Staff's position that the cost recovery proposals above should only apply to Community Choice Aggregators, and not Electric Service Providers?
- m. Do parties support Staff's proposal to allow the IOUs to establish a balancing account to track adjustments to the reentry fee? (*See Staff Proposal at 15.*) Why or why not?

Load-Serving Entity (LSE) Deregistration Process

- n. Do parties agree with Staff's proposed deregistration checklist (*See Staff Proposal at 15-16 and Appendix A*)? If one or more items on the checklist should be modified, please explain how and why, being as detailed as possible.
- o. Are any changes necessary to the deregistration checklist to make it consistent with existing Commission requirements? If so, please explain and include references where applicable.

Example FSR Calculations Workshop

- p. Do parties have any comments on the example FSR calculations presented during the March 7, 2023, workshop?
- q. Parties may also include additional example FSR calculations in comments. Any example calculations should clearly identify the inputs used, and provide a rationale for any inputs that differ from what was presented during the March 7, 2023 workshop.

Party comments on the above topics may be served and filed no later than March 21, 2023. Reply comments may be served and filed no later than April 7, 2023. Comments should be as specific and detailed as possible, and include examples where relevant.

**IT IS RULED** that:

1. The attachment to this ruling, “Energy Division Staff Analysis and Proposal for Phase 1 Issues in the Provider of Last Resort Proceeding,” is hereby incorporated into the record of this proceeding.

2. A remote-participation workshop is scheduled for January 26, 2023, at 10:00 a.m. for Commission Staff to present the attachment to this ruling and to answer any questions. Commission Staff will email the Service List of this proceeding with the details for participating, and a notice will also be posted on the Commission’s Daily Calendar.

3. A remote-participation workshop is scheduled for March 7, 2023, at 10:00 a.m. for the investor-owned utilities to present example Financial Security Requirement (FSR) calculations and the associated FSR amounts. Commission Staff will e-mail the Service List of this proceeding with the details for participating, and a notice will also be posted on the Commission’s Daily Calendar.

4. Opening comments on the questions in Section 3 of this ruling shall be filed and served no later than March 21, 2023.

5. Reply comments shall be filed and served no later than April 7, 2023.

6. The remaining schedule for Phase 1 of this proceeding is modified as shown in Section 2 of this ruling.

Dated January 6, 2023, at San Francisco, California.

/s/ EHREN D. SEYBERT

Ehren D. Seybert  
Administrative Law Judge

**Attachment A**  
**Energy Division Staff Analysis and Proposal for**  
**Phase 1 Issues in the Provider of Last Resort**  
**Proceeding**