

Decision 20-02-006 February 6, 2020

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Compliance Review of Utility Owned Generation Operations, Electric Energy Resource Recovery Account Entries, Contract Administration, Economic Dispatch of Electric Resources, Utility Owned Generation Fuel Procurement, Diablo Canyon Seismic Studies Balancing Account, and Other Activities for the Period January 1 Through December 31, 2018. (U39E)

Application 19-02-018

DECISION APPROVING SETTLEMENT

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DECISION APPROVING SETTLEMENT

Summary

This decision approves the settlement agreement between Pacific Gas & Electric Company (PG&E), the Public Advocates Office at the California Public Utilities Commission, and the Joint Community Choice Aggregators to resolve the Application by PG&E for Compliance Review of its entries into its Energy Resource Recovery Account and other activities for the period January 1 through December 31, 2018.

The result of the parties' agreement is resolution of disputed issues related to Pacific Gas & Electric's least cost dispatch, utility owned generation operations and fuel procurement, greenhouse gas compliance, and various 2018 balancing accounts. Pursuant to the terms of the settlement, Pacific Gas & Electric is authorized to recover the balance in the Diablo Canyon Seismic Studies Balancing Account for a revenue requirement of \$4.690 million. Additionally, recovery of \$802,252 in PG&E's Energy Resource Recovery Account is disallowed. Furthermore, the application of PG&E is deemed just and reasonable and is approved, consistent with the terms of this settlement.

A copy of the settlement agreement is attached as Appendix A. The Settlement resolves all issues in this proceeding and therefore, this proceeding is closed.

1. Background

The Energy Resource Recovery Account (ERRA), authorized by Public Utilities Code Section 454.5(d) and Commission Decision (D.) 02-10-062, allows Investor Owned Utilities (IOUs) to recover power procurement costs for fuel and purchased power not already authorized to be recovered in rates. This balancing account tracks "the differences between recorded revenues and costs incurred

pursuant to an approved procurement plan” and is reviewed by the Commission.¹ The Commission’s compliance review examines whether a utility has complied with all applicable rules, regulations, decisions, and laws in implementing the most recently approved procurement plan, including prudent contract administration and management of utility-owned generation (UOG).²

On February 28, 2019, Pacific Gas and Electric Company (PG&E) filed Application (A.) 19-02-018, for compliance review of the record period, January 1 to December 31, 2018 (Application).³ PG&E asks the Commission to find its activities during the record period related to its fuel procurement, administration of power purchase contracts, greenhouse gas (GHG) compliance instrument procurement, and least-cost dispatch (LCD) of electric generation resources, to be in compliance with its Commission-approved Bundled Procurement Plan (BPP).⁴ PG&E also asks the Commission to find that it managed its UOG facilities reasonably, and for the Commission to approve the cost recovery proposed and the expenditures in its ERRAs as reasonable and consistent with applicable Commission directives.⁵

Concurrent with filing the Application, PG&E also served its Prepared Testimony and workpapers. PG&E then provided responses to Master Data

¹ PU Code 454.5(d)(3).

² PU Code 454.5(d)(2).

³ *Application of Pacific Gas and Electric Company for Compliance Review of Utility Owned Generation Operations, Electric Energy Resource Recovery Account Entries, Contract Administration, Economic Dispatch of Electric Resources, Utility Owned Generation Fuel Procurement, Diablo Canyon Seismic Studies Balancing Account, and Other Activities for the Period January 1 Through December 31, 2018 (U39E).*

⁴ PG&E Application at 1.

⁵ PG&E Application at 2.

requests (MDRs) propounded by The Public Advocates Office at the California Public Utilities Commission (Cal Advocates).

On April 5, 2019, East Bay Community Energy and Peninsula Clean Energy the Joint Community Choice Aggregators (Joint CCAs) filed a joint response to PG&E's Application to raise a misallocation of costs between the Cost Allocation Mechanism (CAM) balancing account and the ERRRA. The response also sought to preserve the Joint CCA's right to address the reasonableness of PG&E's portfolio management strategies and bidding behavior impacts on market prices.

Also, on April 5, 2019, Cal Advocates filed a protest to PG&E's Application identifying potential contested issues. On April 15, 2019, PG&E filed a reply to the protest and response.

On May 8, 2019, the Commission held a pre-hearing conference (PHC), during which Silicon Valley Clean Energy (SVCE) was granted party status. On June 3, 2019, the Assigned Commissioner issued a Scoping Memo setting forth the issues and hearing schedule.

On July 12, 2019, Cal Advocates and the Joint CCAs (now including SVCE) served testimony. On August 2, 2019, PG&E served rebuttal testimony.

Following consideration of testimony and the parties' report that all issues were settled, evidentiary hearings were cancelled.

On August 29, 2019, PG&E, Cal Advocates, and the Joint CCAs held a duly-noticed all party settlement telephonic conference pursuant to Commission Rules of Practice and Procedures (Rule) 12.1(b).⁶

⁶ Motion Requesting Approval of a Proposed Settlement at 3. California Code of Regulations, Title 20, Division 1, Chapter 1: hereinafter, Rule or Rules.

On September 30, 2019, PG&E, Cal Advocates, and the Joint CCAs filed a Joint Motion for Approval of a Proposed Settlement Agreement and a Joint Motion to Offer and Receive into Evidence Parties' Testimony. Also, on September 30, 2019, PG&E filed a Motion to Seal Portions of the Evidentiary Record. On November 21, 2019, ALJ Wildgrube issued a Ruling admitting the testimony into evidence and sealing relevant portions of the evidentiary record.

2. Summary of PG&E's Application

This proceeding examined whether PG&E reasonably complied with its Commission-approved BPP for administration and management of fuel procurement and purchase power contracts, GHG compliance instrument procurement, and LCD of electric generation resources during the record period.⁷ The Application asks the Commission to find PG&E's management of its UOG facilities reasonable. PG&E also asks the Commission to find its recorded costs entries into the ERRRA reasonable and to approve the recovery of revenue requirements for Diablo Canyon seismic study costs.⁸

PG&E contends it operated its UOG facilities in compliance with the Commission's reasonable manager standard and prudently administered contracts to comply with the Commission-approved BPP for fuel procurement costs and hedging costs.⁹ PG&E further requests the Commission find PG&E in compliance with its GHG Procurement Plan as set forth in its BPP and offers an analysis on its contract management decision to financially or physically settle tolling agreements consistent with its 2017 ERRRA Settlement Agreement.¹⁰

⁷ PG&E Application at 1.

⁸ PG&E Application at 2.

⁹ PG&E Application at 5.

¹⁰ PG&E Application at 5-6.

PG&E asserts its LCD compliance through adherence to Commission Decisions and past Settlement Agreements between PG&E and Cal Advocates.¹¹

The Application also requested the Commission find PG&E's recorded entries to its ERRA are appropriate, correctly stated, and in compliance with Commission decisions.¹² PG&E asks for Commission approval of entries reasonably recorded in its the Diablo Canyon Seismic Studies Balancing Account (DCSSBA), the Green Tariff Shared Renewables Memorandum Account (GTSRMA), and the Green Tariff Shared Renewables Balancing Account (GTSRBA) for costs incurred.¹³ PG&E is seeking recovery of \$4.690 million for Diablo Canyon seismic study costs.¹⁴

3. Summary of Settlement Agreement

PG&E, Cal Advocates and the Joint CCAs settled all issues in the scope of this case. The Settlement Agreement is attached as Appendix A to this decision. The settling parties state by their joint motion that the principle components of the settlement are:

1. Least Cost Dispatch: Cal Advocates recommends that the Commission host a workshop with all three investor-owned utilities to develop and standardize renewable and storage resource reporting requirements. Pursuant to D.19-02-005¹⁵, PG&E agrees to participate in any such workshop proposed by Cal Advocates or the Commission.

2. Hydroelectric Utility-Owned Generation: PG&E agrees to a disallowance of \$800,000 for the replacement power costs associated

¹¹ PG&E Application at 4-5.

¹² PG&E Application at 6.

¹³ PG&E Application at 7-9.

¹⁴ PG&E Application at 7.

¹⁵ Issued March 2, 2019. *Settlement Agreement between Pacific Gas & Electric Company and The Public Advocates Office at the California Public Utilities Commission.*

with the May 11, 2018 Belden Powerhouse forced outage. PG&E also agrees to report the progress of its implementation of all corrective actions in its next ERRA Compliance Application, including those indicated in the Belden Thrust Bearing Wipe Cause Evaluation Report and the Auto Testing Frequency and Over Speed Testing slide presentation, dated December 10, 2018.

3. Fossil and Renewables Utility-Owned Generation: PG&E agrees to a disallowance of \$2,252 for the Humboldt Bay Generating Station Unit 3 forced outage occurring from November 8, 2017 through February 3, 2018.

4. Greenhouse Gas Compliance: Cal Advocates agrees to withdraw its three recommendations related to GHG compliance for various reasons:

- i. Cal Advocates withdraws its recommendation that the Commission should require PG&E to demonstrate compliance with its BPP by providing an additional explanation of its Air Resources Board auction bid quantity calculations because PG&E's rebuttal testimony sufficiently provided this explanation.
- ii. Cal Advocates withdraws its recommendation that the Commission should order PG&E to include a workpaper with its Weighted Average Cost (WAC) true-up calculations in future ERRA compliance filings in the format provided in response to a discovery request because Cal Advocates will request this information as part of the Master Data Request (MDR) in future PG&E ERRA Compliance applications.
- iii. Cal Advocates withdraws its recommendation that the Commission require PG&E to resubmit an analysis related to GHG procurement strategy because the 2017 ERRA Compliance Settlement Agreement approved by D.19-02-005 established that PG&E will include an analysis of its decision to financially or physically settle tolling agreements and the 2018 ERRA Compliance

Settlement establishes that PG&E will continue to provide this information.

5. 2018 Accounting Adjustments: The Joint CCAs agree to withdraw their recommendation that PG&E provide more details on the timing and methodology used to distribute over-collected funds via the Power Charge Indifference Adjustment (PCIA) in order for the prior period adjustments to the ERRA requested in this proceeding to be approved because the July 29, 2019 Supplemental Testimony submitted in PG&E's 2020 ERRA Forecast Application (A.19-06-001) contains sufficient information for the Joint CCAs to determine that both bundled and unbundled customers will see simultaneous rate adjustments addressing the prior misallocation of CAM-related costs through the CIA component of their respective rates. Those adjustments to the PCIA will occur through the Portfolio Balancing Account, thereby avoiding a situation where now-departed customers pay twice for the same energy and capacity. This information allows the Joint CCAs to conclude the prior period adjustments to the ERRA requested in this case are appropriate.

There were no disputed issues related to the administration and management of qualifying facilities and non-qualifying facility contracts or safety considerations. Also undisputed was the \$4.69 million in revenue requirements for seismic study costs and interest recorded in the Diablo Canyon Seismic Studies Balancing Account¹⁶ and the \$1.442 million recorded in the Green Tariff Shared Renewables Account. The Agreement deems any undisputed proposals raised in PG&E's Application to be supported by Cal Advocates and unopposed by the Joint CCAs.¹⁷ The parties' agreement calls for Commission approval of the relief requested in PG&E Application, except as expressly provided in this Settlement.

¹⁶ In addition to interest, the account includes an amount for Revenue Fees and Uncollectibles (RF&U). Settlement Agreement at 11.

¹⁷ Settlement Agreement at 1.

4. Discussion

We have historically favored settlements as a means of resolving contested issues where the settlement is reasonable in light of the record, consistent with law, and in the public interest. As set forth below, the Settlement satisfies these criteria. Accordingly, we adopt the Settlement and close this proceeding.

4.1. Standard for Review of Settlements

Rule 12.1(d) provides: “The Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest.”

4.2. The Agreement is an All-Party Settlement

The Parties’ Settlement is not only uncontested; it is sponsored by all of the parties in this proceeding. Therefore, we review it pursuant to precedent for consideration of all-party settlements. The seminal Commission decision approving an all-party settlement is the 1992 decision in a San Diego Gas & Electric Co. rate case, D.92-12-019. The Commission, in that decision, repeated its admonition that, “we do not delve deeply into the details of settlements and attempt to second-guess and re-evaluate each aspect of the settlement, so long as the settlements as a whole are reasonable and in the public interest...”¹⁸

Following this rationale, the Commission adopted four criteria (in lieu of the application of predecessors to Rule 12) for approval of an all-party settlement: (a) that it “commands the unanimous sponsorship of all active parties to the instant proceeding;” (b) “that the sponsoring parties are fairly reflective of the affected interests;” (c) “that no term of the settlement contravenes statutory provisions or prior Commission decisions;” and (d) “that the settlement conveys

¹⁸ *Re San Diego Gas & Electric Co.* D.92-12-019, 46 CPUC 2d 538, 551 (1992); citing D.90-08-068, 37 CPUC2d 346 (1990).

to the Commission sufficient information to permit [the Commission] to discharge [its] future regulatory obligations with respect to the parties and their interests.¹⁹

This Settlement meets these criteria.

4.2.1. The Settlement is Sponsored by All Active Parties

The Parties to this Settlement, PG&E, Cal Advocates, and Joint CCAs, were the only parties to this proceeding. Therefore, we conclude this Settlement commands the unanimous sponsorship of all active parties to this proceeding and is appropriately considered for our approval as an all-party settlement.

4.2.2. The Sponsoring Parties Represent the Affected Interests

The Commission held in D.92-12019 that the sponsors of an all-party settlement must represent the affected interests:

As noted in our review of recent precedent, a critical factor in our decision to adopt a settlement is confidence that it commands broad support among participants fairly reflective of affected interests. Here we find that the settlement is sponsored by a range of parties ideally positioned to comment on the operation of the utility and ratepayer perception.²⁰

PG&E's Application, testimony, workpapers, and responses to Cal Advocates and the Joint CCA's discovery requests were reviewed during the litigation of this case. The record reflects that sharply divergent views of this evidence were presented. The Joint CCAs are each governed by a Board of elected officials representing the interest of the local communities that the CCA serves.²¹ The Cal Advocates represents "the interests of public utility customers and subscribers" in receiving "the lowest possible rate for service consistent with

¹⁹ 46 CPUC2d, at 550-551.

²⁰ *Id.*, at 554.

²¹ *See* Pub. Util. Code §366.2.

reliable and safe service levels.”²² The unanimous recommendation of PG&E, Cal Advocates, and the Joint CCAs for the Commission to adopt the Settlement convinces the Commission that the Settlement is “fairly reflective of the affected interests” of the public.

4.2.3. The Terms Do Not Contravene Statutes or Commission Decisions

Approval of an all-party settlement under D.92-12-019 also requires “that no term of the settlement contravenes statutory provisions or prior Commission decisions.”

Public Utilities Code Section 451 requires that all rates “demanded or received by any public utility . . . be just and reasonable.” Public Utilities Code Section 454.5(d)(3) authorizes the Commission to “review the power procurement balancing accounts . . . [and] adjust rates or order refunds, as necessary . . . [to] ensure timely recovery of prospective procurement costs incurred pursuant to an approved procurement plan.” Further, Public Utilities Code Section 454.5(d)(2) authorizes the Commission’s review of compliance with approved procurement plans and administration of procurement-related contracts.

The parties have established by their joint motion and the record of this proceeding that the ERRRA enables PG&E to recover appropriate power procurement costs sufficient to maintain services to its customers at just and reasonable rates. PG&E provided information related to its LCD and demand response, fuel costs, contract administration, GHG compliance, and UOG facility management. PG&E provided information related to its ERRRA activities and entries during the record period. After review of this extensive testimony, the

²² Pub. Util. Code §309.5.

Settlement includes \$802,252 in disallowances for replacement power costs associated with forced outages at Belden Powerhouse and Humboldt Bay Generating Station Unit 3. The Settlement also includes prospective actions PG&E agrees to undertake, as is consistent with Commission precedent in PG&E's past ERRA Compliance proceedings.²³

Therefore, we find the terms of the Settlement not only do not contravene, but indeed, are consistent with, statute and prior Commission decisions.

4.2.4. Sufficient Information is Provided for Future Commission Action

An all-party settlement must provide sufficient information for the Commission to be able to discharge future regulatory obligations with respect to the parties and their interests and obligations.

The agreement of the parties calls for \$802,252 in disallowances for replacement power costs associated with PG&E's management of contractors during two forced outages. The agreement requires PG&E to report on the progress it makes implementing corrective actions in its next ERRA Compliance application. PG&E will participate in any workshops held by the Commission to develop and standardize renewable and storage resource reporting requirements related to LCD. PG&E will also provide Cal Advocates with information in future ERRA Compliance applications related to GHG compliance, particularly Weighted Average Cost (WAC) true-up calculations and an analysis of its decision to financially or physically settle tolling agreements.²⁴

²³ See D.09-12-002, D.14-01-011, and D.18-02-015.

²⁴ Settlement Agreement at 4.

The terms of the Settlement provide the Commission sufficient information for it to be able to discharge future regulatory obligations.

4.3. The Settlement is Reasonable in Light of the Whole Record, Consistent with Law, and in the Public Interest

In evaluating settlements, the Commission recognizes “a strong public policy favoring the settlement of disputes to avoid costly and protracted litigation.”²⁵ Settling parties demonstrate here that the Settlement Agreement satisfies the requirements of Rule 12.1(d) and should be adopted.

4.3.1. Reasonable in Light of the Whole Record

The Settlement Agreement is reasonable in light of the whole record. The Parties’ testimonies establish a reasonable basis for the terms of the agreement approving PG&E’s Compliance Application. The Settlement Agreement reflects the parties’ compromises within the range of the testimony. The agreement resolves any disputes or recommendations made by Cal Advocates and the Joint CCAs and addresses all issues raised in this proceeding.

4.3.2. Consistent with Law

The Settlement Agreement is consistent with law. The Agreement is the product of multiple parties’ thorough reviews of PG&E’s compliance with various 2018 balancing accounts, GHG requirements, fuel procurement, contract administration, LCD, and utility owned generation. The terms allow PG&E to recover appropriate costs associated with power procurement at a rate that is just a reasonable for its customers and sufficient to provide safe and reliable service.

4.3.3. In the Public Interest

Finally, the Settlement Agreement is in the public interest. The Settlement Agreement allows PG&E to recover power procurement costs that are just and

²⁵ *Re PG&E*, 30 CPUC2d 189, 221, D.88-12-083.

reasonable charges sufficient to maintain a reasonable level of service quality. The agreement also calls for future collaboration and information sharing between PG&E and Cal Advocates, both of which serve the public's interest in having just rates and safe services. This agreement was obtained without extensive litigation and conserves Commission resources by avoiding additional litigation through resolution of all disputed issues raised in this proceeding.

4.4. Safety Considerations

With the adoption of the *Safety Policy Statement of the California Public Utilities Commission* on July 10, 2014, the Commission has, among other things, heightened its focus on the potential safety implications here. We have considered the potential safety implications here. We are satisfied that PG&E will meet the Commission's minimum safety goals and expectations for an investor owned utility because PG&E is a public utility that is required pursuant to Public Utilities Code Section 451 to "...furnish and maintain such adequate, efficient, just and reasonable service, instrumentalities, equipment, and facilities . . . as necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public." Further, the conclusion of the additional reporting requirements from the 2017 ERRR Compliance Settlement in the Agreement increases transparency and clarity of PG&E's processes.²⁶

5. Conclusion

The Settlement Agreement is reasonable in light of the whole record, consistent with law, and in the public interest. The joint motion for approval of the settlement agreement is granted.

²⁶ D. 19-02-005 at 26.

Unless expressly provided otherwise, adoption of a settlement does not constitute approval of, or precedent regarding, any principle or issue in the proceeding or in any future proceeding. (Rule 12.5.) We recognize that the Settlement Agreement represents parties' compromises of the issues in this proceeding only.

6. Categorization and Need for Hearing

The Commission in Resolution ALJ-176-3434, issued on March 14, 2019, determined that the category of this proceeding is ratesetting as defined by Rule 1.3(e) and requires hearings. Hearings were cancelled to allow for ongoing settlement discussions, which ultimately resulted in the Settlement Agreement discussed herein. We confirm the categorization as ratesetting and change the hearings determination to no hearings are necessary.

7. Comments on Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments supporting the proposed decision were filed on January 21, 2020 by Cal Advocates. No other comments were filed.

8. Assignment of Proceeding

Martha Guzman Aceves is the assigned Commissioner and Eric Wildgrube is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. On February 28, 2018, Pacific Gas & Electric filed this Application seeking Compliance Review of utility-owned generation operations, Energy Resource Recovery Account entries, contract administration, least cost dispatch, fuel procurement, greenhouse gas compliance, the Green Tariff Shared Renewables Account, and the Diablo Canyon Seismic Studies Balancing Account for 2018.

2. As required by Rule 3.2, PG&E complied with the Commission's Customer Notice requirements and filed its Notice of its compliance with the Commission on April 18, 2019.

3. PG&E, the Public Advocates Office at the California Public Utilities Commission, and the Joint Community Choice Aggregators have entered into a voluntary settlement to resolve all pending issues in this proceeding.

4. PG&E, Cal Advocates, and the Joint CCAs are the only active parties.

5. The active parties fairly reflect the interests affected by this proceeding.

6. The Settlement is unopposed.

7. The Settlement conserves party and Commission resources.

8. The Settlement establishes that PG&E will participate in any workshop proposed by the Commission to develop and standardize renewable and storage resource reporting requirements consistent with the 2017 ERRA Compliance Settlement Agreement approved by D.19-02-005.

9. The parties have agreed to a disallowance of \$800,000 for the replacement power costs associated with the May 11, 2018 Belden Powerhouse forced outage.

10. The parties have agreed PG&E will report in its next ERRA Compliance application the progress of its implementation of all corrective actions taken at Belden Powerhouse, including those indicated in the Belden Thrust Bearing Wipe Cause Evaluation Report and the Auto Testing Frequency and Over Speed Testing slide presentation, dated December 10, 2018.

11. The parties have agreed to a disallowance of \$2,252 in PG&E's ERRA balancing account for the 2018 Record Period for the Humboldt Bay Generating Station Unit 3 forced outage occurring from November 8, 2017 through February 3, 2018.

12. PG&E has acted as a reasonable manager and prudently administered contracts, utility-owned generation resources, LCD, and GHG compliance pursuant to its Commission-approved procurement plan.

13. Except as expressly provided in the Settlement, the entries and costs recorded in the ERRRA and other accounts contained herein are reasonable, appropriate, and correctly stated.

Conclusions of Law

1. The Settlement is an uncontested agreement as defined by Rule 12.1(d) of the Commission's Rules of Practice and Procedure and is an all-party settlement under *San Diego Gas & Electric*, D.92-12-019. The proposed Settlement satisfies the requirements of Rule 12.1(s) and D.92-12-019.

2. The parties complied with procedural rules of Article 12 of the Commission's Rules of Practice and Procedure.

3. The terms of the Settlement are reasonable given the record, the parties' agreement, and the Commission's resolution of prior matters.

4. The terms of the Settlement are in the public interest.

5. The terms of the Settlement are consistent with law.

6. The parties' motion for adoption of the Settlement should be granted and the Settlement should be approved.

7. The Commission should approve PG&E's compliance ERRRA application for Record Year 2018, consistent with the terms set forth in the Settlement.

8. The Settlement establishes that PG&E will continue to provide an analysis of its decision to financially or physically settle tolling agreements as approved by D.19-02-005 in the 2017 ERRRA Compliance Settlement Agreement.

9. The Commission should disallow PG&E recovery of \$800,000 for the replacement power costs associated with the May 11, 2018 Belden Powerhouse forced outage.

10. The Settlement establishes that PG&E will report in its next ERAA Compliance application, the progress of its implementation of all corrective actions including those indicated in the Belden Thrust Bearing Wipe Cause Evaluation Report and the Auto Testing Frequency and Over Speed Testing slide presentation, dated December 10, 2018.

11. The Commission should disallow PG&E recovery of \$2,252 for the Humboldt Bay Generating Station Unit 3 forced outage occurring from November 8, 2017 through February 3, 2018.

12. The Commission should authorize the \$4.690 million for Diablo Canyon seismic study costs, reflecting the actual recorded costs presented in the DCSSBA plus interest and an amount for Revenue Fees and Uncollectibles. The RF&U amount will be updated to reflect the RF&U factor in effect at the time the Commission approves a decision in this filing.

13. The Commission should find PG&E's entries into the ERRA for the record period, except as stated herein, as reasonable, correctly stated, and in compliance with applicable Commission Decisions.

14. This order should be effective today so that the Settlement Agreement is effective without delay, thereby providing certainty to PG&E, shareholders, the Joint CCAs directors, ratepayers, and the public.

O R D E R

IT IS ORDERED that:

1. The *Settlement Agreement Between Pacific Gas & Electric Company (U 39 E), The Public Advocates Office at the Public Utilities Commission, and Joint Community Choice Aggregators* attached as Appendix A to this decision is adopted.

2. The Application of Pacific Gas & Electric, Application 19-02-018, is approved consistent with the terms set forth in the *Settlement Agreement Between Pacific Gas & Electric Company (U 39 E), The Public Advocates Office at the Public Utilities Commission, and Joint Community Choice Aggregators*.

3. Pacific Gas & Electric is authorized to recover the balance in the Diablo Canyon Seismic Studies Balancing Account for a revenue requirement of \$4.690 million.

4. Recovery of \$800,000 related to the Belden Powerhouse forced outage on May 11, 2018 is disallowed.

5. Recovery of \$2,252 in Pacific Gas & Electric's Energy Resource Recovery Account for the Humboldt Bay Generating Station Unit 3 forced outage is disallowed.

6. All rulings of the assigned Commissioner and Administrative Law Judge are affirmed.

7. The determination concerning the need for hearing is changed to hearing not required.

8. No later than 30 days from the issuance of this decision, Pacific Gas & Electric Company shall file a Tier One Advice Letter to implement the authority granted herein. The tariff sheets filed in the Advice Letter shall be effective on or after the date filed, subject to the Commission's Energy Division determining the tariff sheets comply with this decision.

9. Application 19-02-018 is closed.

This order is effective today.

Dated February 6, 2020, at Bakersfield, California.

LIANE M. RANDOLPH
MARTHA GUZMAN ACEVES
CLIFFORD RECHTSCHAFFEN
GENEVIEVE SHIROMA
Commissioners

President Marybel Batjer, being
necessarily absent, did not participate.

APPENDIX A

Attachment A

**Settlement Agreement Between
Pacific Gas and Electric Company (U 39 E),
the Public Advocates Office at the
Public Utilities Commission,
and Joint Community Choice Aggregators**

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

Application of Pacific Gas and Electric Company for Compliance Review of Utility Owned Generation Operations, Electric Energy Resource Recovery Account Entries, Contract Administration, Economic Dispatch of Electric Resources, Utility Owned Generation Fuel Procurement, Diablo Canyon Seismic Studies Balancing Account, and Other Activities for the Period January 1 Through December 31, 2018.

Application 19-02-018
(Filed February 28, 2019)

(U 39 E)

**SETTLEMENT AGREEMENT
BETWEEN PACIFIC GAS AND ELECTRIC COMPANY (U 39 E), THE PUBLIC
ADVOCATES OFFICE AT THE PUBLIC UTILITIES COMMISSION, AND JOINT
COMMUNITY CHOICE AGGREGATORS**

Pacific Gas and Electric Company (PG&E), the Public Advocates Office at the Public Utilities Commission (Public Advocates Office), and the Joint Community Choice Aggregators (Joint CCAs)^{1/} (collectively, the Parties) enter into this Settlement Agreement (Settlement) as a compromise of their respective litigation positions to resolve all disputed issues raised in the above-captioned proceeding before the California Public Utilities Commission (Commission). The Parties have addressed all issues in the proceeding and have negotiated this Settlement to resolve their disputes. Any undisputed PG&E proposals raised in its Application and supporting testimony shall be deemed to have been supported by the Public Advocates Office and shall be deemed to have been unopposed by the Joint CCAs. PG&E and the Public Advocates Office request the CPUC approve such proposals as just and reasonable.

I. PROCEDURAL HISTORY

On February 28, 2019, PG&E filed Application (A.) 19-02-018 (Application) for compliance and reasonableness review of its Energy Resource Recovery Account (ERRA) for the record period January 1 through December 31, 2018 (Record Period). Concurrent with filing

^{1/} The Joint CCAs include East Bay Community Energy, Peninsula Clean Energy and Silicon Valley Clean Energy.

the Application, PG&E also served its Prepared Testimony and workpapers, as well as responses to the Master Data Requests (MDRs) propounded by the Public Advocates Office.

On April 5, 2019, the Public Advocates Office filed a protest to PG&E's Application; East Bay Community Energy and Peninsular Clean Energy filed a joint response. PG&E filed a reply to the protest and response on April 15, 2019.

On May 8, 2019, PG&E, the Public Advocates Office, and the Joint CCAs participated in a pre-hearing conference with assigned Administrative Law Judge Eric Wildgrube.

On June 3, 2019, Commissioner Guzman Aceves issued an Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo).

On July 12, 2019, the Public Advocates Office and Joint CCAs served their Testimony.

On August 2, 2019, PG&E served its Rebuttal Testimony.

On August 13, 2019, ALJ Wildgrube issued a Ruling requesting a Case Management Statement that outlines the disputed issues and sets forth a cross-examination schedule. PG&E filed the Case Management Statement on August 15, 2019, informing ALJ Wildgrube that most issues had been resolved and that only one day of evidentiary hearing is requested.

On August 19, 2019, PG&E informed ALJ Wildgrube that all matters had been settled between the parties and requested that the evidentiary hearing be cancelled. ALJ Wildgrube granted this request in an August 20, 2019 Ruling.

On August 26, 2019, PG&E provided notice of a settlement conference to the service list pursuant to Commission Rules of Practice and Procedure (Rule) 12.1(b). The settlement conference was conducted telephonically on August 29, 2019. Parties participating in the settlement conference included PG&E, Public Advocates Office, and Joint CCAs.

The Public Advocates Office has reviewed PG&E's Application, testimony, workpapers, and responses to Public Advocates Office's discovery and concluded that the Commission's final decision in this proceeding should approve all of the relief requested in PG&E's Application, except as expressly provided in this Settlement. Similarly, the Joint CCAs have reviewed PG&E's Application, testimony, workpapers, and responses to Joint CCAs discovery requests,

and conclude that they do not oppose PG&E's Application since the ratemaking treatment for prior period adjustments described in PG&E's 2020 ERRA Forecast proceeding allow the Joint CCAs to conclude that the prior period adjustments to the ERRA requested in this case are appropriate.

II. SETTLEMENT TERMS AND CONDITIONS

The Parties agree to the following terms and conditions as a complete and final resolution of the issues between the parties in this proceeding:

1. Least Cost Dispatch

1.1 The Public Advocates Office recommends in its Testimony that the Commission hold a workshop with all three investor-owned utilities present in order to develop and standardize renewable and storage resource reporting requirements. Consistent with the 2017 ERRA Compliance Settlement Agreement approved by D.19-02-005,^{2/} PG&E agrees to participate in any such workshop that is proposed by the Public Advocates Office or Commission.

2. Utility-Owned Generation - Hydroelectric

2.1 PG&E agrees to a disallowance of \$800,000 for the replacement power costs associated with the May 11, 2018 Belden Powerhouse forced outage.

2.2 PG&E agrees to report in its next ERRA Compliance application, the progress of its implementation of all corrective actions including those indicated in the Belden Thrust Bearing Wipe Cause Evaluation Report and the Auto Testing Frequency and Over Speed Testing slide presentation, dated December 10, 2018.

3. Utility-Owned Generation – Fossil and Renewables

3.1 PG&E agrees to a disallowance of \$2,252 in PG&E's ERRA balancing account for the 2018 Record Period for the Humboldt Bay Generating Station Unit 3 forced outage

^{2/} Issued March 1, 2019. *Settlement Agreement between Pacific Gas and Electric Company and Public Advocates Office*

occurring from November 8, 2017 through February 3, 2018.

4. Greenhouse Gas Compliance

4.1 The Public Advocates Office agrees to withdraw its recommendation that the Commission should require PG&E to demonstrate compliance with its Bundled Procurement Plan by providing an additional explanation of its Air Resources Board (ARB) auction bid quantity calculations because PG&E's rebuttal testimony sufficiently provided this explanation.

4.2 The Public Advocates Office agrees to withdraw its recommendation that the Commission should order PG&E to include a workpaper with its Weighted Average Cost (WAC) true-up calculations in future ERRA compliance filings in the format provided in response to a discovery request. The Public Advocates Office will request this information as part of the MDR in future PG&E ERRA Compliance applications.

4.3 The Public Advocates Office agrees to withdraw its recommendation that the Commission require PG&E to resubmit an analysis related to GHG procurement strategy. The 2017 ERRA Compliance Settlement Agreement approved by D.19-02-005 established that PG&E will include an analysis of its decision to financially or physically settle tolling agreements. This 2018 ERRA Compliance Settlement establishes that PG&E will continue to provide this information.

5. 2018 Accounting Adjustments

5.1 The Joint CCAs agree to withdraw their recommendation that PG&E must provide more details on the timing and methodology used to distribute over-collected funds via the Power Charge Indifference Adjustment (PCIA) in order for the prior period adjustments to the ERRA requested in this proceeding to be approved. The July 29, 2019 Supplemental Testimony submitted in PG&E's 2020 ERRA Forecast Application (A.19-06-001) contains sufficient information for the Joint CCAs to determine that both bundled and unbundled customers will see simultaneous rate adjustments addressing the prior misallocation of Cost Allocation Mechanism-related costs through the PCIA component of their respective rates. Those adjustments to the PCIA will occur through the Portfolio Allocation Balancing

Account, thereby avoiding a situation where now-departed customers pay twice for the same energy and capacity. This information allows the Joint CCAs to conclude the prior period adjustments to the ERRAs requested in this case are appropriate.

III. GENERAL PROVISIONS

6.1 In accordance with Rule 12.5, the Parties intend that Commission adoption of this Settlement will be binding on the Parties, including their legal successors, assigns, partners, members, agents, parent or subsidiary companies, affiliates, officers, directors, and/or employees. Unless the Commission expressly provides otherwise, and except as otherwise expressly provided herein, such adoption does not constitute approval or precedent for any principle or issue in this or any future proceeding.

6.2 The Parties agree that nothing contained in this Settlement Agreement is to be construed as an admission of liability, fault, or improper action by either Party.

6.3 The Parties agree that this Settlement is subject to approval by the Commission. As soon as practicable after the Parties have signed this Settlement, the Parties shall jointly file a motion for Commission approval and adoption of the Settlement. The Parties will furnish such additional information, documents, and/or testimony as the ALJ or the Commission may require in granting the motion adopting this Settlement.

6.4 The Parties agree to support the Settlement and use their best efforts to secure Commission approval of the Settlement in its entirety without modification.

6.5 The Parties agree to recommend that the Commission approve and adopt this Settlement in its entirety without change.

6.6 The Parties agree that, if the Commission fails to adopt this Settlement in its entirety and without modification, the Parties shall convene a settlement conference within fifteen (15) days thereof to discuss whether they can resolve the issues raised by the Commission's actions. If the Parties cannot mutually agree to resolve the issues raised by the Commission's actions, the Settlement shall be rescinded, and the Parties shall be released from their obligation to support the Settlement. Thereafter, the Parties may pursue any action they

deem appropriate, but agree to cooperate in establishing a procedural schedule.

6.7 The Parties agree to actively and mutually defend the Settlement if the adoption is opposed by any other party.

6.8 This Settlement constitutes a full and final settlement of all issues reviewed by Public Advocates Office and the Joint CCAs in the above-captioned proceeding. This Settlement constitutes the Parties' entire settlement, which cannot be amended or modified without the express written and signed consent of all the Parties hereto.

IV. MISCELLANEOUS PROVISIONS

7.1 The Parties agree that no signatory to the Settlement or any employee thereof assumes any personal liability as a result of the Settlement.

7.2 If any Party fails to perform its respective obligations under the Settlement, the other Party may come before the Commission to pursue a remedy including enforcement.

7.3 The provisions of this Settlement are not severable. If the Commission, or any competent court of jurisdiction, overrules or modifies as legally invalid any material provision of the Settlement, the Settlement may be considered rescinded as of the date such ruling or modification becomes final, at the discretion of the Parties.

7.4 The Parties acknowledge and stipulate that they are agreeing to this Settlement freely, voluntarily, and without any fraud, duress, or undue influence by any other party. Each party states that it has read and fully understands its rights, privileges, and duties under the Settlement, including each Party's right to discuss the Settlement with its legal counsel and has exercised those rights, privileges, and duties to the extent deemed necessary.

7.5 In executing this Settlement, each Party declares and mutually agrees that the terms and conditions are reasonable, consistent with law, and in the public interest.

7.6 No Party has relied, or presently relies, upon any statement, promise, or representation by any other Party, whether oral or written, except as specifically set forth in this Settlement. Each Party expressly assumes the risk of any mistake of law or fact made by such Party or its authorized representative.


7.7 This Settlement may be executed in separate counterparts by the different Parties hereto with the same effect as if all Parties had signed one and the same document. All such counterparts shall be deemed to be an original and shall together constitute one and the same Settlement.

7.8 This Settlement shall become effective and binding on the Parties as of the date it is approved by the Commission in a final and non-appealable decision.

7.9 This Settlement shall be governed by the laws of the State of California as to all matters, including but not limited to, matters of validity, construction, effect, performance, and remedies.

The Parties mutually believe that, based on the terms and conditions stated above, this Settlement is reasonable in light of the whole record, consistent with the law, and in the public interest. The Parties' authorized representatives have duly executed this Settlement on behalf of the Parties they represent.

PACIFIC GAS AND ELECTRIC
COMPANY



Robert Kenney
Vice President, Regulatory Affairs

Date: September 27, 2019

THE PUBLIC ADVOCATES OFFICE AT
THE CALIFORNIA PUBLIC UTILITIES
COMMISSION



Linda Serizawa
Deputy Director of the Public Advocates
Office, California Public Utilities Commission

Date: September 26, 2019

JOINT COMMUNITY CHOICE
AGGREGATORS



Tim Lindl
Attorney for the Joint CCAs

Date: September 26, 2019