

Memorandum

Date: October 7, 2024

To: Alice Busching Reynolds, President
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

From: Department of Water Resources

Subject: Rulemaking 23-03-007 – 60-day Notice Regarding 2025 Wildfire Nonbypassable Charge

In this 60-day Notice, the Department of Water Resources (DWR or the Department) provides notice to the California Public Utilities Commission (CPUC) – pertaining to Section 5.1 of the Wildfire Rate Agreement approved in D.19-10-056 that the CPUC shall calculate, revise, and impose the Wildfire Nonbypassable Charge (NBC) to always be sufficient to fund the \$902.4 million annual Revenue Requirement. The CPUC shall also direct the Investor-Owned Utilities (Pacific Gas and Electric [PG&E], Southern California Edison [SCE], and San Diego Gas and Electric [SDG&E], [collectively referred to as IOUs]),¹ to initiate the Wildfire NBC as defined below of \$5.95 per megawatt-hour (MWh) (\$0.00595 per kilowatt-hour [kWh]) on all non-exempt load delivered to ratepayers in the IOUs' service areas beginning January 1, 2025.

The projected 2025 Wildfire NBC of \$5.95 per MWh is expected to produce \$922.8 million. The projected \$922.8 million for 2025 is \$20.4 million more than the \$902.4 million Revenue Requirement to make up for the under collection projected through 2024. Variances between projected Wildfire NBC revenues and actual Wildfire NBC collections are affected by factors such as non-exempt load variances, collection curves, and uncollectible amounts.

DWR will continue to support and assist the CPUC in its implementation of CPUC Decision 19-10-056.

Background on Assembly Bill 1054

On July 12, 2019, Governor Newsom signed legislation that addressed critical issues explicitly related to catastrophic wildfires and their impact on the IOUs and ratepayers. The legislation encompasses Assembly Bill 1054 (AB 1054) and a companion bill, Assembly Bill 111 (AB 111), with AB 111 primarily covering the oversight and implementation of AB 1054. Their objective was to reduce wildfire risks while establishing a system to spread the exposure IOUs have for liabilities from wildfires. The legislation, among other things, created the Wildfire Fund – a new fund to facilitate payment of wildfire-related liabilities. Through the addition of Division 28 - Wildfire Prevention and Recovery Act of 2019 (Act) to the California Water Code, the legislation authorized DWR to issue, if necessary, revenue bonds known as Wildfire Revenue Bonds to help capitalize the Wildfire Fund.

¹ PG&E, SCE, and SDG&E are the only IOUs in California participating in the Wildfire Fund.

AB 1054 effectuated the end of the DWR Bond Charge for the Power Supply Revenue Bonds (PSRB). It established the DWR Charge Fund and instituted the Wildfire NBC by directing the CPUC, through the IOUs, to impose and collect Wildfire NBCs for deposit into the DWR Charge Fund in the same manner the DWR Bond Charge was imposed and collected for the PSRBs. The Wildfire NBC Revenue Requirement should equal the average annual amount of DWR Bond Charges for the PSRBs collected from January 1, 2013, through December 31, 2018, which is \$902.4 million per year.²

AB 1054 directed the CPUC to make a just and reasonable determination regarding the issuance of DWR Wildfire Revenue Bonds at the outset of the program and the \$902.4 million annual Revenue Requirement throughout the life of the program. Accordingly, CPUC Decision 19-10-056, effective October 24, 2019, approved the imposition and collection of the Wildfire NBCs in the same manner as the DWR Bond Charges for the PSRBs under the Power Supply Program. This decision also determined that the \$902.4 million annual Revenue Requirement (as defined in the Wildfire Rate Agreement) is just and reasonable.

Key Agreements for the Wildfire Nonbypassable Charges

The **Wildfire Rate Agreement** for the Wildfire NBCs contains a covenant that the CPUC shall calculate, revise, and impose Wildfire NBCs to always be sufficient to fund the \$902.4 million annual Revenue Requirement. This covenant has the force and effect of an "irrevocable financing order" under the California Public Utilities Code. Under section 842(d) of the California Public Utilities Code, any action required by an "irrevocable financing order" is binding upon the CPUC. As it may be constituted from time to time, the CPUC shall have no authority to rescind, alter, or amend any requirement thereunder.

As described in the Wildfire Rate Agreement, Wildfire NBCs sufficient to fund the Revenue Requirement for each Revenue Requirement Period will be remitted to DWR and will be used to support the Wildfire Fund administered by the California Earthquake Authority as the Wildfire Fund Administrator. Furthermore, DWR is authorized by AB 1054 to use a portion of the Wildfire NBCs to cover the DWR Charge Fund's program-related costs to the extent needed. Program-related costs are defined to include: (1) amounts necessary to pay for the principal and interest on Wildfire Revenue Bonds issued by the Department when due, (2) amounts necessary to make payments under any contracts, agreements, or obligations entered into pursuant to the Act, (3) reserves as needed or desirable as determined by the Department, (4) repayment of the loan from the Surplus Money Investment Fund to the Wildfire Fund, and (5) administrative costs incurred by the Department in administering Division 28 of the Water Code. The monthly 2025 DWR Charge Fund Account projections are attached in Appendix A of this 60-day Notice.

² The Revenue Requirement is based on collected amounts (cash rather than accrual).

In the event of the issuance of Wildfire Revenue Bonds, an indenture would establish DWR's obligations concerning the issuance and security of certain Wildfire Revenue Bonds.³ Under an indenture, the primary source of moneys for the payment of debt service on the Wildfire Revenue Bonds and other program related costs will be Wildfire NBC revenues, which constitute part of the "Trust Estate" securing the Wildfire Revenue Bond. The "Trust Estate" will be assigned and pledged to the Trustee under an indenture as security for payment of the Wildfire Revenue Bonds and Parity Obligations. Generally, an indenture would identify certain charge accounts primarily used to deposit Wildfire NBC revenues and application thereof per the Act.

To service and implement the collection of revenues, the CPUC approved **Servicing Orders** in Decision 20-07-014, directing the IOUs to bill and collect Wildfire NBCs and perform other services on behalf of DWR relating to the Wildfire Program. Under such Orders, the IOUs collect Wildfire NBCs solely as the agents of DWR.

Revenue Sufficiency

In respect to the Wildfire NBCs, in the Wildfire Rate Agreement DWR agrees to cooperate with and assist the CPUC in its determination, at least annually, of the Wildfire NBCs. Pursuant to Section 3289 of the Public Utilities Code, the CPUC is required to impose Wildfire NBCs in an amount sufficient to fund the Revenue Requirement for each Revenue Requirement Period, or the first and last Revenue Requirement Period, which is the pro rata portion thereof for such period.

The Wildfire Rate Agreement obligates DWR, at least annually, and more frequently as deemed necessary or appropriate by DWR or the CPUC, to conduct a review and determine if the amount collected by the Wildfire NBCs is forecasted to be sufficient to meet the Revenue Requirement. If any annual or more frequent review indicates that collections received by DWR concerning the Revenue Requirement are or will be insufficient to meet the Revenue Requirement, DWR will notify the CPUC of the under-collection. In such a case, under the Wildfire Rate Agreement, the CPUC is required to take necessary action to correct or avoid any deficiency, including adjustment of existing Wildfire NBCs. The CPUC may modify the Wildfire NBC to cover such a shortfall on an interim basis pending receipt of a deficiency notice from DWR, to the extent that DWR has not provided a notice to the CPUC of any deficiency within the period required by the Wildfire Rate Agreement. In this event, the CPUC is also required to determine, based on its record, that Wildfire NBCs are not sufficient to meet the Revenue Requirement. DWR will conduct such reviews and determinations as mandated by the Wildfire Rate Agreement.

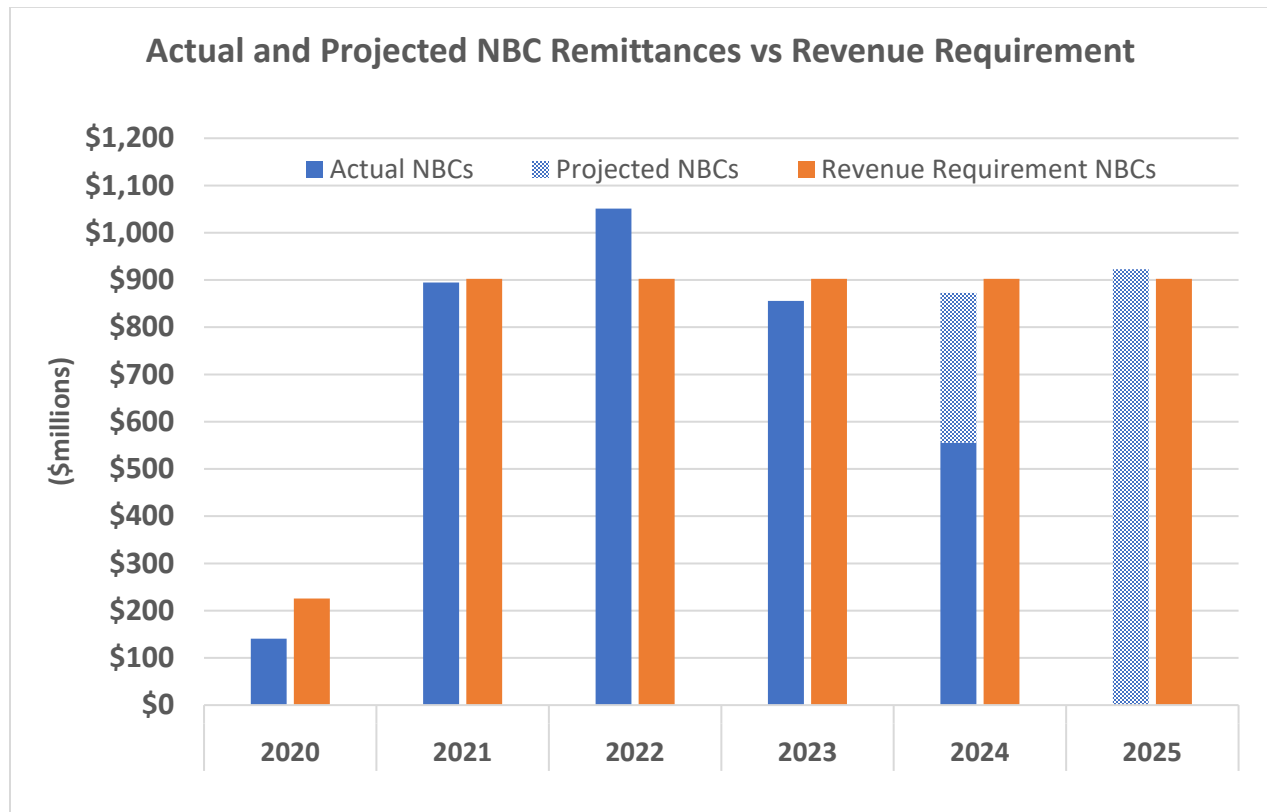
By November 1st each year, DWR shall notify the CPUC of the annual collections expected to be received by DWR with respect to the Revenue Requirement and the amount of collections above or below the Revenue Requirement. The CPUC will

³ The Wildfire Fund Administrator, in conjunction with the State Treasurer's Office and Department of Finance, will decide when and if DWR issues Wildfire Revenue Bonds based on several factors focused on the durability of the Wildfire Fund.

ensure the Wildfire NBC in the subsequent year is adjusted within 60 days to reflect any excess or deficiency.

If within any Revenue Requirement Period, DWR forecasts that the CPUC’s Revenue Requirement will not be met and the collections will not be sufficient to fund the Revenue Requirement, then DWR is to notify the CPUC in writing within 20 days of such determination, and the CPUC is required to act within 30 days of such notification to increase the Wildfire NBC so that amounts collected during that period are sufficient to fund the Revenue Requirement. The Wildfire Rate Agreement also stipulates that even if DWR does not give such notice, the CPUC may calculate, revise, and impose Wildfire NBCs to cover a shortfall on an interim basis.

The revenue projections and actuals compared to the Revenue Requirement are illustrated in the chart and table below.⁴



Year	Projected and Actuals NBCs (\$millions)	Revenue Requirement NBCs (\$millions)	Over/(Under) Collections (\$millions)	NBC rates
2020	140.6	225.6	(85.0)	\$5.80 per MWh
2021	894.7	902.4	(7.7)	\$5.80 per MWh

⁴ The data for 2024 represents the receipt of the actual Wildfire NBCs through August 31, 2024 and projected NBC’s for the remainder of 2024.

Year	Projected and Actuals NBCs (\$millions)	Revenue Requirement NBCs (\$millions)	Over/(Under) Collections (\$millions)	NBC rates
2022	1,051.2	902.4	148.8	\$6.52 per MWh
2023	855.8	902.4	(46.6)	\$5.30 per MWh
2024	872.5	902.4	(29.9)	\$5.61 per MWh
2025	922.8	902.4	20.4	\$5.95 per MWh
Total	4,737.6	4,737.6		

Note: totals may not sum due to rounding

Calculation of Wildfire Nonbypassable Charge

In this 60-day Notice, DWR is conveying to the CPUC its calculation of the Wildfire NBC for 2025 based on the following: (1) projected prior-period collection of the Revenue Requirement consistent with Decision 19-10-056, the Wildfire Rate Agreement, and AB 1054, (2) electricity sales forecast for all IOUs for the remainder of 2024 and 2025, and (3) DWR’s calculation of the resulting Wildfire NBCs for ratepayers, subject to the Wildfire NBCs pursuant to Decision 19-10-056.

The calculation of the Wildfire NBC and the subsequent review of the sufficiency of Wildfire NBCs to fund the Revenue Requirement during a particular Revenue Requirement Period is determined, in each case, based on the forecasted electricity usage of the customers of the IOUs in the IOUs’ service areas, after excluding any electricity usage for certain specified exempt customers.

For the period beginning January 1, 2025, through December 31, 2025, DWR sends notice to the CPUC to direct the IOUs to initiate the Wildfire NBC of \$5.95 per MWh (\$0.00595 per kWh) on all non-exempt load delivered to ratepayers in the IOUs’ service areas beginning on January 1, 2025, to collect the \$902.4 million annual Revenue Requirement pursuant to Decision 19-10-056, reflecting the prior-period collection variance as required by the Act and described in Decision 19-10-056.⁵

Assumptions Used in Calculating the Wildfire Nonbypassable Charge

DWR sent data requests to the IOUs on July 2, 2024, and received responses to its data requests on July 23, 2024. The responses provided forecasted load at the customer meter for bundled load, direct access load, and community choice aggregation load, with additional details for the load in these categories that would not be exempt from the Wildfire NBCs. Additionally, the IOUs were requested to provide an estimate of other departing loads: municipal departing load, customer-generated departing load, and other departing load that could be classified as distributed generation. DWR reviewed these forecasts and compared them with past actual loads.

⁵ The 2025 Wildfire NBC is projected to collect \$922.8 million, which is \$20.4 million more than the \$902.4 million Revenue Requirement due to the net \$20.4 million under collection projected by year-end 2024. The net \$20.4 million projected under collection is due to 2023 actuals collecting \$3.9 million less than projected, and a projected 2024 under collection of \$16.5 million.

The table below provides the projected aggregate Total Load and Non-Exempt Load for the forecast period for PG&E, SCE, and SDG&E service areas combined.

Estimated Energy Requirements for the 2025 Revenue Requirement Period			
Load Type	Bundled (MWh)	Direct Access, CCA and Other Departing Load (MWh)	Total (MWh)
Non-Exempt Load	72,955,278	84,321,132	157,276,410
Total Load	85,321,798	127,577,754	212,889,552

To determine the 2025 Wildfire NBCs needed, DWR uses a collection curve which accounts for the lag between the time of the imposition of Wildfire NBCs on customer bills and the customer cash remittances received by DWR. The monthly non-exempt loads forecasted to be billed to customers each month are multiplied by an assumed Wildfire NBC, resulting in a forecasted remittance accrual. This accrual amount is then reduced by a forecasted uncollectible factor. On average, the time between the imposition of charges and the collection of revenues from such charges is approximately 30 days. Using both the collection curve and the uncollectible factor, the Department then calculates the Wildfire NBC that produces \$902.4 million plus any over or under-collection in prior periods that is projected to be sufficient, on a cash basis, to meet the Revenue Requirement as specified in the Act.

Revenue Sufficiency Process

As previously noted, DWR concurs in the Wildfire Rate Agreement respective to the Wildfire NBCs, to cooperate with and assist the CPUC in its determination, at least annually, of the Wildfire NBC. Under Section 3289 of the Public Utilities Code, the CPUC is required to impose Wildfire NBCs in an amount sufficient to fund the Revenue Requirement for each Revenue Requirement Period, or the first and last Revenue Requirement Period, the pro rata portion thereof for such period.

Alice Busching Reynolds, President
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Summary

In this 60-day Notice DWR is transmitting to the CPUC its calculation of the Determination of the Wildfire NBC for 2025 based on the following: (1) the actual collections through August 31, 2024, and projections thereafter through December 31, 2024, (2) 2025 Revenue Requirement consistent with CPUC Decision 19-10-056, the Wildfire Rate Agreement, and AB 1054, (3) electricity sales forecast for all IOUs for the remainder of 2024 and 2025, and (4) DWR's calculation of the resulting Wildfire NBC for non-exempt customers for the period of January 1, 2025, through December 31, 2025, considering the over-collection (or under-collections) for prior periods pursuant to CPUC Decision 19-10-056.

If you have any questions or need additional information, please contact Jesse Cason at (916) 557-4631 or jesse.cason@water.ca.gov.

A handwritten signature in blue ink, appearing to read 'Jesse Cason, Jr.', with a stylized flourish at the end.

Jesse Cason, Jr,
Manager, California Energy Bond Office

Alice Busching Reynolds, President

October 7, 2024

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Appendix

Appendix A- Projected Monthly Summary of DWR Charge Fund Accounts (DCFA), in thousands (\$000s)

	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Total
Beginning Balance in DCFA													
Collection Account	37,386	28,890	34,529	34,672	25,450	30,857	38,727	30,921	43,498	51,469	36,146	39,302	
Admin. & Operating Cost Account	1,723	1,723	1,798	1,723	1,783	1,872	1,811	1,904	1,858	1,783	1,783	1,783	
Payment Account	-	-	-	-	-	-	-	-	-	-	-	-	
Liquidity Account	-	-	-	-	-	-	-	-	-	-	-	-	
Debt Service Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	
Wildfire Transfer Account	-	-	-	-	-	-	-	-	-	-	-	-	
Total Beginning Balance in DCFA	39,109	30,613	36,328	36,395	27,234	32,729	40,538	32,826	45,356	53,252	37,929	41,085	
DCFA Revenues													
Nonbypassable Charges	70,020	74,523	68,207	70,414	69,382	73,134	80,168	89,504	90,278	85,970	78,714	72,505	922,821
Interest Earnings	824	-	-	739	-	-	712	-	-	883	-	-	3,159
Total DCFA Revenues	70,844	74,523	68,207	71,153	69,382	73,134	80,881	89,504	90,278	86,854	78,714	72,505	925,979
DCFA Expenses													
Admin. And Operating Costs	408	408	498	408	408	483	422	469	497	422	516	422	5,364
Transfers to Wildfire Fund	78,931	68,400	67,643	79,906	63,478	64,841	88,171	76,505	81,885	101,754	75,043	85,997	932,554
Total DCFA Expenses	79,340	68,809	68,140	80,314	63,887	65,325	88,593	76,974	82,382	102,177	75,559	86,419	937,918
Net DCFA Revenues	(8,496)	5,715	67	(9,161)	5,495	7,809	(7,712)	12,530	7,896	(15,323)	3,156	(13,915)	(11,939)
Ending Aggregate Balance in DCFA	30,613	36,328	36,395	27,234	32,729	40,538	32,826	45,356	53,252	37,929	41,085	27,170	

Note: Totals may not sum due to rounding.

Note: This table does not depict internal transfers between sub accounts.