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TO PARTIES OF RECORD IN RULEMAKING 15-03-010:

This is the proposed decision of assigned Commissioner Martha Guzman Aceves. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's May 11, 2017 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

/s/ RICHARD SMITH for  
Karen V. Clopton, Chief  
Administrative Law Judge

KVC:lil

Attachment

Decision **PROPOSED DECISION OF COMMISSIONER GUZMAN ACEVES**  
(Mailed 4/7/2017)

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

Order Instituting Rulemaking to Identify  
Disadvantaged Communities in the San Joaquin  
Valley and Analyze Economically Feasible  
Options to Increase Access to Affordable Energy  
in those Disadvantaged Communities.

Rulemaking 15-03-010  
(Filed March 26, 2015)

**DECISION ADOPTING METHODOLOGY FOR IDENTIFICATION OF  
COMMUNITIES ELIGIBLE UNDER SECTION 783.5 AND  
PROVIDING GUIDANCE ON ECONOMIC FEASIBILITY  
STUDY TO BE COMPLETED IN PHASE II**

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**DECISION ADOPTING METHODOLOGY FOR IDENTIFICATION OF  
COMMUNITIES ELIGIBLE UNDER SECTION 783.5 AND  
PROVIDING GUIDANCE ON ECONOMIC FEASIBILITY  
STUDY TO BE COMPLETED IN PHASE II**

**Summary**

This decision resolves Phase I issues so that potential energy options may be evaluated for economic feasibility and implementation in the next phase. The Commission opened Rulemaking 15-03-010 pursuant to California Public Utilities Code Section 783.5, which seeks to increase access to affordable energy in disadvantaged communities in the San Joaquin Valley. Section 783.5 directs the Commission to evaluate the economic feasibility of extending natural gas service, increasing subsidies in electricity, and other potentially economically feasible energy options.

As a first step, we adopt a methodology and identify communities in compliance with the requirements of Section 783.5. The eligible communities have been compiled based on statutory requirement and presented to the Commission in an interactive tool which allows users to group and sort communities based on various characteristics such as number and percentage of residential customers without gas service. To provide a baseline against potential energy options, aspects of the current energy condition of San Joaquin Valley communities have also been identified.

For the option of extending gas service, we have identified the affected communities and the number of households in the San Joaquin Valley that receive electric service from investor-owned utilities but lack gas service. In addition to the current gas rules which govern the extension of gas service, we adopt additional non-financial factors to be considered in the economic feasibility study.

For the options of increasing electric subsidies and modifying or creating new affordable energy programs, we identify existing energy programs and pending Commission proceedings that could be modified for or targeted to the San Joaquin Valley.

This decision provides guidance on how economic feasibility may be evaluated and analyzed for these programs in the next phase.

## 1. Background

On September 26, 2014, Governor Edmund G. Brown, Jr. signed Assembly Bill (AB) 2672<sup>1</sup> into law and amended the California Public Utilities Code to include § 783.5,<sup>2</sup> which seeks to increase affordable access to energy for disadvantaged communities in the San Joaquin Valley and to improve the health, safety and air quality of these communities. The statute is particularly focused on assisting low income households in disadvantaged communities that lack natural gas service. Households without natural gas must rely on electricity, propane or wood burning to fulfill their space heating, water heating, and cooking needs.<sup>3</sup>

Pub. Util. Code § 783.5 directs the Commission to:

- Identify disadvantaged communities in the San Joaquin Valley meeting specific income, geographic, and population requirements; and
- Open a proceeding to evaluate the economic feasibility of extending natural gas pipelines, increasing subsidies, and

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<sup>1</sup> AB 2672 is attached to this decision as Attachment A.

<sup>2</sup> All references to code sections refer to the California Public Utilities Code, and Appendix A to this rulemaking provides the full text of Pub. Util. Code § 783.5.

<sup>3</sup> AB 2672 Analysis at [http://www.leginfo.ca.gov/pub/13-14/bill/asm/ab\\_2651-2700/ab\\_2672\\_cfa\\_20140404\\_153036\\_asm\\_comm.html](http://www.leginfo.ca.gov/pub/13-14/bill/asm/ab_2651-2700/ab_2672_cfa_20140404_153036_asm_comm.html).

other options intended to improve affordable access to energy for the identified communities.

On March 26, 2015, the Commission issued the Order Instituting Rulemaking (OIR) for this proceeding. We designated the Investor-Owned Utilities (IOUs) (Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and Southern California Gas Company (SoCal Gas))<sup>4</sup> as respondents and directed the IOUs to jointly submit a list of potential “disadvantaged communities” as defined by § 783.5. On May 4, 2015, the Greenlining Institute (Greenlining), SoCalGas, PG&E, SCE, the Office of Ratepayer Advocates (ORA), the Coalition of California Utility Employees (CUE) and the Joint Minority Parties<sup>5</sup> filed comments to the OIR. On May 12, The Utility Reform Network (TURN) filed a motion to late-file its comments to the OIR, which was granted and TURN filed its comments on May 18, 2015. On May 18, 2015, the California Rural Legal Assistance Inc. (California Rural) filed a motion for party status; and the Joint Minority Parties, PG&E, and SoCalGas filed reply comments.

A Prehearing Conference (PHC) was held in the Commission’s San Francisco office on July 6, 2015. During the PHC, parties discussed party status, anticipated scope of the proceeding, as well as procedural and scheduling issues related to the proceeding.

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<sup>4</sup> SCE, SoCalGas and PG&E may be jointly referred to as the IOUs or Respondents.

<sup>5</sup> The Joint Minority Parties consist of the National Asian American Coalition, the Ecumenical Center for Black Church Studies, the Jesse Miranda Center for Hispanic Leadership, Orange County Interdenominational Alliance, Christ Our Redeemer AME Church, and the Los Angeles Latino Chamber of Commerce.

On November 12, 2015, a Public Participation Hearing (PPH) was held in Allensworth, California. At the PPH, members of the community expressed their views on the proceeding, described their current energy sources, as well as the assistance they hope to receive from the utilities and the Commission.

On December 9, 2015, the assigned Commissioner issued a Scoping Memorandum (Scoping Memo). In the Scoping Memo, Phase I of this proceeding was reserved to identify eligible disadvantaged communities and potential energy options; create criteria to group communities with like characteristics; and determine appropriate factors and methodologies to evaluate economic feasibility. The Scoping Memo directed parties to answer questions related to proposed workshop topics. On January 29, 2016, PG&E, SCE, SoCalGas, the Joint Minority Parties, CUE, TURN, Natural Resources Defense Council (NRDC) and Sierra Club jointly, and the Leadership Counsel for Justice and Accountability (Leadership Counsel) filed comments on the Scoping Memo as well as their responses to the Scoping Memo questions. On February 17, 2016, SoCalGas, PG&E, TURN, the Joint Minority Parties, and CUE filed reply comments. On February 24, 2016, at a PHC held in the Commission's San Francisco office, the Data Working Group<sup>6</sup> and Survey Working Group<sup>7</sup> were created. The Data Working Group is responsible for compiling and analyzing available data on the potential communities and creating a list that can be sorted based on criteria such as distance to the nearest gas pipeline, percentage of

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<sup>6</sup> The Data Working Group is made up of representatives from PG&E, SCE, SoCalGAs, ORA, and Energy Division staff from the Commission.

<sup>7</sup> The Survey Working Group is made up of representatives from PG&E, SCE, SoCalGas, TURN, Sierra Club, NRDC, ORA, Greenlining, the town of Allensworth, the Center for Accessible Technology, the Leadership Counsel, and CUE.



households not served by natural gas, number of households in the community. The Survey Working Group was tasked with identifying additional information that is needed on affected households in the communities and to recommend a means of collecting this data, in order to more efficiently evaluate the energy options.

Since that time, the working groups have met via teleconferences and two workshops were held April 16, 2016 and August 31, 2016 at the Commission. The Data Working Group has submitted various cost estimates for gas line extensions, as well as a final report on eligible communities.

The Survey Working Group has also met via teleconference and submitted preliminary proposals on both the methodology and selection criteria for surveys to be conducted in Phase II.

## **2. Issues Before the Commission**

Pursuant to the Scoping Memo, Phase I of the Rulemaking (R.) 15-03-010 addresses the following issues:

- A. Whether the proposed list of disadvantaged communities complies with statutory requirements of § 783.5.
- B. Identification of costs and benefits associated with a) the current energy conditions of the identified communities resulting from lack of natural gas service and b) extending natural gas pipeline to those communities.
- C. What existing energy programs and tariffs are available to the identified communities and whether they have been fully utilized.
- D. Identification of new energy alternatives to increase access to affordable energy in the identified communities.
- E. Definition and methodology for evaluating “economic feasibility.”

- F. How to group the identified communities in order to facilitate the economic feasibility study for each possible option.
- G. Identification of any safety issues.

### **3. Discussion and Analysis**

#### **3.1. Whether the proposed list of disadvantaged communities complies with statutory requirements of § 783.5.**

Pursuant to § 783.5, a San Joaquin Valley disadvantaged community is in the counties of Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, or Tulare. It must also meet the following criteria:

- At least 25 percent of residential households with electrical service are enrolled in the California Alternate Rates for Energy (CARE) program
- Has a population greater than 100 persons within its geographic boundary; and
- Has a geographic boundary no further than seven miles from the nearest natural gas pipeline.

Pursuant to the OIR, the IOUs' initial proposed list of eligible communities included a description of the data sources and methodology used in arriving at the list. PG&E, SoCalGas and SCE used different data sources<sup>8</sup> and inconsistent definitions. For example, it was unclear whether distance to the nearest natural gas pipeline should be calculated from the center or the outside boundary of a

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<sup>8</sup> In their initial response filed with the Commission on May 4, 2015, PG&E used 2010 census data to estimate population while SCE used the dataset originally developed by Athens Research to support the IOUs required filings in the low income proceeding. SCE reviewed population estimates from the US Census American Community Survey, as well as estimates provided by a third-party vendor, Applied Geographic Solutions. SoCalGas took results from both PG&E and SCE and found communities within seven miles to its distribution or transmission line.

community; the IOUs also questioned whether “pipeline” referred to distribution or transmission natural gas pipelines.

In addition, parties differed in their interpretation of § 783.5 and the definition of “disadvantaged community.” Greenlining and the Leadership Counsel proposed potentially expanding the definition of disadvantaged communities beyond criteria identified in the statute,<sup>9</sup> while ORA, the Joint Minority Parties and TURN sought to limit and/or prioritize eligible communities in light of unidentified funding resources.<sup>10</sup>

To make informed policy decisions and effectively implement § 783.5, it is critical to properly and thoroughly identify eligible communities. Through rulings, discussions at the PHCs and workshops, and the formation of the Data Working Group, the assigned Administrative Law Judge (ALJ) directed parties to assemble a list of disadvantaged communities using consistent data sources, methodology and definitions.

The Data Working Group was open to any interested party that wished to participate, and ultimately settled on a set of data sources and methodology in assembling the eligible communities. The boundaries of communities were identified by city or Census Designated Places (CDPs). In order to be as inclusive as possible, the Data Working Group defined the seven mile distance to be the minimum of the distance from the center of a community, and the distance from its outside boundary; “natural gas pipeline” was defined to include both transmission and distribution lines. To most accurately estimate population and

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<sup>9</sup> See Greenlining Comments to OIR at 2 and Leadership Counsel Comments on Scoping Memo at 1.

<sup>10</sup> See ORA Comments to OIR at 2 and TURN Reply Comments to OIR at 4.

CARE enrollment in each of the communities, the working group relied on data developed by Athens Research to comply with low income proceeding filing requirements at the Commission.<sup>11</sup> The Data Working Group limited its analysis to communities that receive at least partial electric service from an IOU.

The Data Working Group presented its final report to the Commission on September 26, 2016 (Final Report).<sup>12</sup> In addition to identifying disadvantaged communities in the San Joaquin Valley, the Final Report collected data such as the total number of households receiving electric service, households not served by natural gas, minimum distance to gas pipeline, gas and electric service levels, community size, gas and electric providers, etc. Parties to the proceeding agree that the 170 communities included in the Final Report meet the criteria defined by § 783.5. Through comments, the Leadership Counsel recommended adding 16 communities as fitting the statutory criteria.<sup>13</sup> On March 24, 2017, the assigned ALJ issued a ruling requiring the IOUs to explain the exclusion of these 16 communities. The IOUs submitted their response on March 28, 2017.<sup>14</sup> The IOUs' response states that 6 of the 16 communities were excluded due to insufficient CARE enrollment, and that the 10 remaining communities could not be identified as CDPs or cities.<sup>15</sup> We defer to Phase II a broader consideration of communities with at least 25% CARE-eligible customers but less than 25%

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<sup>11</sup> Athens Research is the statewide contractor supporting all IOUs for all of their low income filings.

<sup>12</sup> See public version of the Data Working Group's final report as Attachment B.

<sup>13</sup> See Comments of Leadership Counsel on Scoping Memo (Scoping Memo Comment) - Attachment A filed on February 1, 2016.

<sup>14</sup> See IOUs' Response to E-mail ruling filed on March 28, 2017.

<sup>15</sup> The 10 communities are Alkali Flats, Earlimart Trico Acres, Five Points, Hardwick Kings, Hypericum (Dog Town), Madonna, Perry Colony, Ripperdan, Rolinda, and The Grove.

enrollment, as may be the case for the 6 excluded communities. To further ensure that eligible communities are not excluded, we direct the IOUs to work with Leadership Counsel in assessing the eligibility of these 10 communities. The Leadership Counsel is directed to provide additional identifying information such as specific geographic location and population for these 10 communities and the IOUs and the Leadership Counsel shall submit a report to the Commission within 30 days of this decision on their findings. In Phase II of this proceeding, we will consider including these communities for the options of extending natural gas pipelines or all electric investments.

As further discussed in Section 3.5 of this decision, the Final Report will be used to group eligible communities based on shared characteristics in our study of potential energy options. We note that the Final Report includes only communities that receive at least partial electric service from an IOU, and only considers the CARE enrollment status of those households served by an IOU. Some communities in the San Joaquin Valley are served by Publicly-Owned-Utilities (POU) for their electricity and/or natural gas. To the extent those communities have residents that are or could become IOU customers, are not currently included in the Final Report, and otherwise meet the eligibility requirements of § 783.5, we will consider their inclusion in Phase II.

The 170 communities in the Final Report represent approximately 890,000 households, and roughly 29,000 of these households lack natural gas.<sup>16</sup> These households and communities without natural gas service present the highest need for assistance. However, a community wholly served by natural

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<sup>16</sup> See REPORT IN ADVANCE OF WORKSHOP filed on August 29, 2016 by ORA, SCE, PG&E, and SoCalGas.

gas, while not prioritized in this proceeding, may still be a disadvantaged community under § 783.5. The Commission finds that the list of 170 communities proposed in the Final Report complies with § 783.5. We also find that the methodology and definitions used by the Data Working Group complies with the statutory requirements of § 783.5 and adopt it here. Since population and CARE enrollments are subject to change over time, a community previously not eligible to programs under this proceeding may later become eligible. In the next phase, we will consider a mechanism to add newly eligible or previously unidentified communities. We defer to Phase II consideration of whether to include communities or households within the service territory of a natural gas IOU that lack natural gas and receive electric service a POU. We also defer to Phase II consideration of whether natural gas penetration levels should be updated to account for the presence of a gas POU in a community.

**3.2. Identification of categories of costs and benefits associated with (a) the current energy condition of the identified communities resulting from lack of natural gas service and (b) extending natural gas pipelines to those communities**

The current energy condition of the eligible communities and households without natural gas serve as baselines against which to evaluate energy options in this proceeding. Since gas extension must be considered as an option, the Commission sought to identify costs and benefits for extending natural gas service in the first phase. While parties proposed factors and methodologies to be considered, there was no consensus on a matrix to be used in weighing the various factors nor sufficient data to evaluate specific household information.

This decision relies on the 2016 Low Income Needs Assessment (LINA) Study and the CalEnviroScreen tool to identify the general energy condition of

the eligible communities. To evaluate the energy condition of households using propane, electricity and wood burning respectively, the Commission will collect additional data through working groups, energy option assessment meetings in some of the eligible communities, and/or surveys or other studies in the second phase. For gas extensions, the Commission views the current applicable gas rules and cost estimates submitted by the IOUs as a starting place, pending additional input from the parties and consideration of historical gas rules.

**(a) Cost and Benefits Associated with Current Energy Condition of the Identified Communities**

Residents without natural gas spend more on their energy usage because the costs of alternative fuel sources are significantly higher than natural gas.<sup>17</sup> The Leadership Counsel and the Joint Minority Parties state generally that the costs/benefits of current energy conditions should include financial considerations as well as those of public health, safety, and the environment.<sup>18</sup> During the February 24, 2016 PHC and in comments, parties urged the Commission to utilize the CalEnviroScreen tool to identify the San Joaquin Valley communities that are disproportionately burdened by multiple sources of pollution.<sup>19</sup>

In conjunction with party comments, the LINA study and the CalEnviroScreen tool provide insight into the general energy condition in San Joaquin Valley communities.

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<sup>17</sup> AB 2672 legislative Analysis at [http://www.leginfo.ca.gov/pub/13-14/bill/asm/ab\\_2651-2700/ab\\_2672\\_cfa\\_20140404\\_153036\\_asm\\_comm.html](http://www.leginfo.ca.gov/pub/13-14/bill/asm/ab_2651-2700/ab_2672_cfa_20140404_153036_asm_comm.html).

<sup>18</sup> See Comments filed by Leadership Counsel on February 2, 2016 at 2.

<sup>19</sup> See February 24, 2016 Pre Hearing Conference Transcript at 72 line 16-19.

The 2016 LINA study was ordered by Decision (D.) 14-11-025 and provides updated information to support program and regulatory decisions related to the needs of low income customers eligible for the Energy Assistance Savings (ESA) and CARE programs. The LINA study, as statutorily mandated, addresses all low income households in California and not just a specific segment. However, to the extent possible, the 2016 LINA study explored the energy burden of households in the San Joaquin Valley.<sup>20</sup> The 2016 LINA study drew upon a 2016 telephone survey of 905 households, phone interviews and in-person visits to community based organizations (CBOs), focus groups with high burden customers, and prior low-income studies (including the 2013 LINA). Of the 905 telephone surveys completed, 198 were from households in the San Joaquin Valley,<sup>21</sup> allowing for analysis of general energy condition in those communities. Of the four focus groups conducted on low income customers with high energy burdens, two were conducted in Fresno with 15 participants from San Joaquin communities.<sup>22</sup> The 2016 LINA study shows that low income households in the Central Valley region face the highest level of energy burden in California as related to their income.<sup>23</sup> CalEnviroScreen<sup>24</sup> is a tool developed by the Office of Environmental Protection Agency (CalEPA) pursuant to Senate Bill (SB) 535

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<sup>20</sup> The 2016 Low Income Needs Assessment Final Report can be accessed at <http://www.cpuc.ca.gov/iqap/>.

<sup>21</sup> See LINA study Final Report, Vol. 1 at 24.

<sup>22</sup> See LINA study Final Report, Vol. 1 at 30.

<sup>23</sup> See LINA Study Final Report, Vol. 1 at 49. We note that due to program constraints (study of electric and gas usage only), the LINA study does not include the cost of alternative fuel sources such as propane and wood burning in calculating energy burden.

<sup>24</sup> The Most current version of this tool is CalEnvironScreen3.0 at <https://oehha.ca.gov/calenviroscreen/report/calenviroscreen-30>.



(De Leon).<sup>25</sup> The tool is used by CalEPA and other agencies to identify disadvantaged communities disproportionately affected by multiple sources of pollution. CalEnviroScreen ranks census tracts in California based on potential exposures to pollutants, adverse environmental conditions, socioeconomic factors and prevalence of certain health conditions.<sup>26</sup> A comparison of CalEnviroScreen's top 25 percent ranked census tracts in California to communities identified in this proceeding reveal significant overlaps.<sup>27</sup>

To provide a framework for assessing the current energy condition of households in the disadvantaged communities, parties submitted proposals identifying both quantifiable data and qualitative factors to be considered. In the phase II, the Commission will gather data concerning the estimated number of customers in eligible communities who rely on each of the relevant fuel sources (natural gas, wood, propane or electricity) for space heating and direct costs to the household – for example, electricity bills, fuel costs, and other costs of maintaining and operating energy-related equipment. In addition, we adopt TURN's proposal to evaluate the cost and benefits of fuel sources separately.<sup>28</sup> For each of these fuels, the Commission will evaluate: (1) The relative emissions of Greenhouse Gas (GHG) per Million British Thermal Unit (MMBtu); (2) The

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<sup>25</sup> SB 535 directed that a quarter of the proceeds from the Greenhouse Gas Reduction Fund must also go to projects that provide a benefit to disadvantaged communities. A minimum of 10 percent of the funds must be for projects located within those communities.

<sup>26</sup> See CalEnviroScreen FAQs at <https://oehha.ca.gov/calenviroscreen/calenviroscreen-faqs>.

<sup>27</sup> See Calenviroscreen 2.0 interactive map at <http://oehha.maps.arcgis.com/apps/Viewer/index.html?appid=dae2fb1e42674c12a04a2b302a080598>.

<sup>28</sup> TURN proposed evaluating the cost and benefits of propane, electricity, and wood burning only. In order to provide a basis for comparison, we include evaluation of households with natural gas service.

relative emissions of criteria pollutants per MMBtu; (3) The relative cost of heating per MMBtu; and (4) Any other quantitative or qualitative factors identified that may impact customer health, comfort or safety.

**(b) Categories of Cost and Benefits for Extending Natural Gas pipelines**

Section 783.5 (b)(2)(A) directs the Commission to analyze the option of extending natural gas service. As such, the commission sought to identify categories of costs and benefits for extending natural gas service to facilitate the economic feasibility study in the next phase. The cost of extending natural gas pipelines varies greatly based on terrain, distance, pipe width, etc.

Pursuant to rulings issued by the assigned ALJ, workshops were held at the Commission's San Francisco office on April 25, 2016 and August 31, 2016. At the April 25, 2016 workshop, PG&E presented on its Gas Rules 15 (extension of main lines) and 16 (extension of service lines), and SoCalGas presented on its Gas Rules 20 (extension of main lines) and 21 (extension of service lines). PG&E and SoCalGas rely on these rules in evaluating the cost effectiveness of extending gas main and service extensions.

At the August 31, 2016 workshop, the IOUs presented cost figures for three gas extension projects recently completed in the San Joaquin Valley. On September 9, 2016, the assigned ALJ issued a ruling directing the IOUs to select ten representative communities with different levels of gas service and distance to the nearest natural gas pipeline and to submit cost estimates for extending gas service to those communities.<sup>29</sup>

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<sup>29</sup> The Data Working Group selected Allensworth, Cressey, Dulcor, El Nido, Johannesburg, Lavina, Le Grand, Lindclove, Seville, Stevinson, Valley Home, Volta, and West Goshen as

*Footnote continued on next page*

In cost estimates submitted by PG&E and SCE on October 12, 2016 for 10 representative communities, the total estimated cost of bringing gas service to the meters of individual households ranged from \$1,341,927 for Huron (\$16,567 per household) to \$69,458,622 for Madera Acres (\$28,630 per household). Due to the differences in population density, the cost on a per-household basis also ranged widely, from \$4,143 per household in California City to \$83,522 per household in the City of Selma.<sup>30</sup> The cost drivers for these estimates include need for regulator stations, transmission line extensions, and distribution line distances that need to be built. In addition, utilities only provided cost estimates for extending service to each household meter. The households would then have to retrofit their homes and purchase gas appliances to accommodate gas service.

Parties generally agreed through comments and at workshops that the Gas Rules are good starting places to evaluate the economic feasibility of extending natural gas pipelines. TURN and the Leadership Counsel suggested that Commission consider providing larger residential allowances or for ratepayers to subsidize costs in excess of the residential allowances in order to fund the

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representative communities to perform gas extension cost estimates. These communities range in number of households, distance to the nearest gas pipeline, and existing level of gas service.

<sup>30</sup> October 12, 2016, Response filed by Southern California Gas Company Conf # 102668; NATURAL GAS SERVICE EXTENSION COST ESTIMATES FOR REPRESENTATIVE COMMUNITIES PURSUANT TO EMAIL RULING  
<http://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=168811114>.

October 12, 2016, Response filed by Pacific Gas and Electric Company Conf # 102487; COST ESTIMATES FOR IDENTIFIED COMMUNITIES  
<http://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=168810560>.

extensions.<sup>31</sup> The Leadership Counsel specifically references historical gas rules, which provided significantly higher allowances in evaluating the cost effectiveness of gas extensions.

SoCalGas suggests that to the extent fuel switching (from wood to natural gas) reduces greenhouse gas emissions, the Commission should explore eligibility for cap and trade dollars.<sup>32</sup> The Leadership Counsel, Joint Minority Parties, CUE and the Sierra Club/NRDC believe that non-financial factors including health, safety, and environmental impact of the extension should be also be considered in our cost benefit analysis. Sierra Club/NRDC also recommended that the Commission consider a method for calculating the cost effectiveness of fuel switching. The method was brought before the Vermont Public Service Board by the Energy Futures Group, in a proceeding that considered extending natural gas transmission and distribution lines to counties in Vermont that relied on oil or propane for space heating.<sup>33</sup>

In addition to actual costs of extending natural gas pipelines and other non-financial factors, the Commission must also consider California's long term environmental goals. SB 350 mandates that regulated utilities procure 50 percent of their electricity from renewable sources by 2030 and calls for a 50 percent increase in energy efficiency in new buildings.

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<sup>31</sup> See TURN Comment on Scoping Memo at 8 and the Leadership Counsel Comment on Scoping Memo at 3.

<sup>32</sup> See Response of SoCalGas to Scoping Memo questions at 6.

<sup>33</sup> See Sierra Club/NRDC Comment to Scoping Memo, Attachment 2.

**3.3. Identification of energy programs or tariffs available to the identified disadvantaged communities that could increase access to affordable energy**

Section 783.5 (b)(2)(B) directs the Commission to consider increased subsidies for electricity and other energy options. In the Scoping Memo, existing energy programs and new energy alternatives were separate issues. As the proceeding evolved, it was clear that energy options should be considered collectively. This approach allows for potential integration and collaboration between programs and entities. This section seeks to identify existing programs, their potential modifications, as well as any new programs that could be created.

Under § 783.5, the Commission is tasked with “taking appropriate action and finding appropriate funding sources” for economically feasible energy options, once they have been identified. Rather than creating new programs which would need to be funded, we identify here pending proceedings at the Commission with low income components that can assist households in the San Joaquin Valley. If pending programs with identified funding can be tailored for the San Joaquin Valley, it would ensure more timely assistance to eligible households and minimize additional costs to ratepayers to fund new programs.

Before modifying existing programs or creating new ones, we sought to identify existing energy programs that could be leveraged to more efficiently increase access to affordable energy. To that end, the IOUs submitted information on low income energy programs, tariffs, and participation rates when available. Other parties submitted comments identifying barriers to participation in these programs, as well as proposals to improve outreach and enrollment by eligible low income households. These proposals also

recommended increasing subsidies by modifying program rules or eligibility requirements.

To avoid duplicity of effort, we also asked parties to submit information on low income programs not under Commission jurisdiction. We also include information in this Decision on other potentially relevant programs under Commission oversight. While we have made every attempt to include relevant programs both under Commission oversight and not under our jurisdiction, we recognize that many programs are potentially available to customers, and this list of programs and other energy options may not be complete. In particular, as the economic feasibility analysis is conducted in Phase II, a deeper dive in priority communities may reveal particular programs that could be leveraged in communities with nearby state parks, prisons, schools, or other institutions.

### **3.3.1. Energy Programs and applicable tariffs under Commission jurisdiction**

In the sections below, we discuss current programs and identify potential areas for increased effectiveness and/or modification. Some of these programs specifically serve low income customers, while others serve all residential customers. There are still other programs that address resource planning and improving energy infrastructure in low income communities.

#### **3.3.1.1. Natural Gas Pipeline Extension Rules**

Natural gas pipelines can be extended to households lacking service in accordance with PG&E Gas Rules 15 (extension of main lines) and 16 (extension of service lines), and SoCalGas Gas Rules 20 (extension of main lines) and 21 (extension of service lines). These rules have evolved over time, and in Phase II the Commission may evaluate the appropriateness of piloting altered gas extension rules. The Commission may also explore opportunities to leverage any

trenching activities to upgrade other utilities and share costs, as well as any overlap with the California Advanced Services Fund (CASF), which increases access to broadband services as authorized in D.07-12-054.

### **3.3.1.2. The California Alternate Rates for Energy (CARE) and the Energy Savings Assistance (ESA) programs**

CARE and ESA are two of the main low income subsidy programs administered by the Commission. CARE provides a discount on tiered rates for electric and gas bills for households at or below 200 percent of the federal poverty guideline. In 2016, CARE customers on average received an approximately 20 percent discount on their gas bill and between 32-39 percent on their electric bill.<sup>34</sup> ESA provides free energy efficiency upgrade and weatherization services for income eligible households. Energy efficiency measures include installation of energy efficient light bulbs, weather stripping, repair/replacement of furnaces, evaporative coolers, and/or refrigerators.

In their application for the 2015 -2017 CARE and ESA program, the IOUs estimate that 84 percent of eligible households in California are enrolled in the CARE program, while 54 percent of eligible households have participated in ESA.<sup>35</sup> However, some of the disadvantaged communities identified in this Decision have enrollment rates that are significantly below the state average.<sup>36</sup>

The CARE Program encounters language, cultural, and ethnic barriers to customer participation. ESA Program participation barriers include: 1) customer distrust of contractors; 2) missed customer appointments; and

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<sup>34</sup> See IOU CARE and ESA Programs annual report.

<sup>35</sup> See Applications (A.) 14-11-007, 14-11-009, 14-11-010, and 14-11-011.

<sup>36</sup> See Amended Joint Response of IOUs submitted on August 21, 2015.

3) perception that the household has no need of the program offerings.<sup>37</sup> Potential solutions to these barriers include increased use of CBOs in targeted communities to educate customers about the program offerings and benefits. Another solution would be to develop specific strategies and marketing plans to reach residents of the communities identified in this proceeding, such as door-to-door canvassing, use of in-language messaging (where feasible), and participation at local community events. While the CARE and ESA programs are generally overseen in and subject to the rules of the CARE/ESA proceeding (A.14-11-007 et al.), perhaps an additional solution for the communities targeted in this proceeding might be to offer programs or services that are coordinated with but additional to the basic CARE/ESA programs, so that targeted households find the overall IOU offerings better meet their particular needs.

Currently, R.12-06-013, in which the Commission is evaluating options for reforming the structure of residential electricity rates, is considering options to modify the structure of the CARE discount. Proposals for CARE restructuring are not due until later in 2017, but the proposals may include allowing CARE customers to use their CARE discount to obtain renewable energy from resources procured by IOUs. R.12-06-013 is also considering the potential impacts of default time-of-use rates on vulnerable customers.

PG&E and SCE oppose increasing subsidies in existing programs like CARE and ESA, stating that the current frameworks already provide assistance to low income households and are operating effectively.<sup>38</sup> SoCalGas, the Joint Minority Parties, TURN and the Leadership Counsel believe that existing

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<sup>37</sup> See 2013 LINA Report at 3-17.

<sup>38</sup> See PG&E and SCE's Opening Comment to Scoping Memo filed on January 29, 2016.



programs present an opportunity to make significant impact in low income communities without having to create new programs.<sup>39</sup>

In light of the extensive program revisions adopted on November 10, 2016, in D.16-11-022, on large IOUs' CARE and ESA program applications,<sup>40</sup> and in light of the consideration of CARE rates as part of R. 12-06-013, we will not consider modifying CARE/ESA subsidies in the second phase of this proceeding. To increase enrollment in under-enrolled communities, D.16-11-022 directs the IOUs to conduct workshops and devise marketing and outreach plans that would improve enrollment in communities with participation rates below the average for the IOUs' service territory. We reaffirm that direction here, and encourage the IOUs to focus in particular on the communities identified in this Decision. Additionally, while we will not modify the CARE/ESA programs, in Phase II we may consider new program services or offerings that could be delivered in a coordinated manner with the existing CARE/ESA programs and would offer additional assistance to the communities identified pursuant to § 783.5, like assisting in the payment of electric appliances.

### **3.3.1.3. Baseline Programs- the All Electric Baseline and Medical Baseline**

A number of low income programs and tariffs are based on allowances above "baseline" usage. The 1976 Warren-Miller Lifeline Act established Section 739, the baseline statute, in response to the energy price spikes of the

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<sup>39</sup> See parties' opening comments to Scoping Memo.

<sup>40</sup> D.16-11-022 extensively revised program guidelines for ESA by allowing re-treatment of a home that has been visited by ESA in the last ten years, adding additional program offerings, and removing the 3 measure minimum. The CARE program has been revised to streamline the income verification process and to prioritize households consuming 400 percent of baseline for ESA participation.

late 70s. The baseline provides an energy allowance for basic energy needs at a lower rate and is set at between 50-70 percent of average household consumption. Electric baseline amounts vary by climate zone and season because the amount of energy required to stay reasonably cool in the hot inland areas of the state is larger than the amount needed in coastal areas. There are baseline amounts for natural gas as well, which are larger during the winter to accommodate home heating needs.

To account for different energy needs between customers whose residential energy needs are supplied by electricity alone or by both electricity and gas, § 739 directed the Commission to “develop a separate baseline quantity for all-electric residential customers.” For these purposes, “all-electric residential customers” are residential customers having electrical service only or whose space heating is provided by electricity, or both.”<sup>41</sup> With this in mind, the larger baseline for all-electric customers takes into account that the amount of electricity required to meet basic energy needs (such as heating in the winter) is larger than in a home with natural gas heating.

The All Electric Baseline is available to households that have permanently installed electric heating that serves as the primary source for heat and to households in which electricity is the only source of energy in the housing unit.<sup>42</sup> While it is not an income qualified program, low income households without natural gas service would benefit from an increased allowance in their electric

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<sup>41</sup> See Pub. Util. Code § 739.

<sup>42</sup> See i.e., PG&E tariff sheet found at [https://www.pge.com/tariffs/tm2/pdf/ELEC\\_SCHS\\_E-1.pdf](https://www.pge.com/tariffs/tm2/pdf/ELEC_SCHS_E-1.pdf).

baseline. Currently, homes heated by propane and wood do not qualify for enrollment in the All Electric Baseline.

In the second phase of this proceeding, the Commission will evaluate at least two ways in which the All Electric Baseline program may be modified: (1) to increase the baseline quota for enrolled households; and (2) to expand eligibility requirements to allow enrollment by households with propane or wood burning as energy sources.

Medical Baseline is a financial assistance program for residential customers that have special energy needs due to certain qualifying medical conditions. Medical baseline was also established in the Baseline Act of 1976, which authorized baseline for all customers. The act directed the Commission to provide larger quantities of power at the baseline rate to residential customers who have special medical needs and/or are dependent on life-support equipment. A list of conditions and devices are specified in statute.

Eligible customers may receive a “standard” Medical Baseline quantity of approximately 500 kilowatt-hours of electricity and/or 25 therms of gas per month, in addition to regular Baseline quantities. A customer must provide certification from a doctor of a covered medical condition and confirm residency at the place of abode. Requiring life support equipment or a medical condition are ways to receive incremental baseline allocation.

Neither the Commission nor the IOUs track medical conditions of ratepayers, it is therefore difficult to estimate the number of eligible households in the San Joaquin Valley. The 2009 LINA study estimates that 14 percent of low income households have disabled members and an additional 13 percent have

both elderly and disabled members for a total of 27 percent.<sup>43</sup> While the Medical Baseline statute specifies covered conditions that may differ from those identified in the LINA study, there are only roughly 80,000 households enrolled in Medical Baseline out of approximately 890,000 households, or only 9 percent.<sup>44</sup> The IOUs concede that there is no concerted outreach or marketing effort to make ratepayers aware of the Medical Baseline program. In the next phase of the proceeding we will further evaluate the potential gap between eligible households and enrollment in the medical baseline program, as well as steps that could be taken both by the IOUs directly and in conjunction with other state agencies or programs to increase awareness and enrollment amongst eligible households.

#### **3.3.1.4. Self-Generation Incentive Program**

The Self-Generation Incentive Program (R.12-11-005) provides rebates for the installation of energy storage and renewable generation projects, with a portion of the budget carved out for residential installations. Residential and community scale storage and renewable generation projects are likely to have greater benefit in households and communities that are not utilizing gas.

#### **3.3.1.5. Rooftop Solar Programs**

The Multi-family Affordable Solar Housing (MASH),<sup>45</sup> Single Family Affordable Solar Homes (SASH),<sup>46</sup> California Solar Initiative (CSI) Thermal, and

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<sup>43</sup> See 2013 LINA study at Section 5.2.1.2.

<sup>44</sup> The 80,000 figure is reached by adding all of the households enrolled in Medical Baseline, as supplied by PG&E, SCE, and SoCalGas in their Supplemental Information filed on January 15, 2016.

<sup>45</sup> See D.08-10-036.

the Multifamily Affordable Housing Solar Roofs Program (MAHSRP) are residential solar programs. MASH, SASH, and the low income CSI Thermal programs are administered under the CSI, and provide upfront financial incentives to offset the cost of installing solar energy technologies on low income households. MASH and SASH offer financial incentives to install solar photovoltaic systems on multi-family affordable housing and owner-occupied, low income single family home units while the CSI thermal program encourages installation of gas displacing solar water heating systems. To qualify for the programs, households must meet certain income requirements and the housing units must be deed restricted to remain below market rate housing.

On March 17, 2016, the CPUC approved PG&E Advice Letter 3691-G/4800-E/ CSE Advice Letter 69 /SCG Advice Letter 4930 to shift \$25 million from all sectors of the CSI Thermal general market budget to the CSI-Thermal low income budget, increasing the total low income budget to \$50 million. Approximately \$30 million of the budget has been allocated or is under review at the time of this Decision.

Under current rules, CSI Thermal incentives do not cover the entire costs of the water heating system. Solar water heating systems that displace natural gas receive significantly higher incentives than systems that displace electricity or propane water heating systems.<sup>47</sup> For communities without natural gas

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<sup>46</sup> See D.07-11-045 which originally created the SASH program. Both MASH and SASH were extended with additional funding from the Legislature and some new program requirements in D.15-01-027.

<sup>47</sup> See TURN's Opening Responses of The Utility Reform Network to The Assigned Commissioner's Scoping Memorandum and Ruling addressing Phase I Scope at 10.

service, the lowered incentive level would likely keep households from participating in the program.

Separately from the CSI solar programs, AB 693 (Eggman, 2015) directed the Commission to create the MAHSRP. The bill authorizes 10% of available utility Greenhouse Gas allowance proceeds or \$100,000,000 annually (whichever is less), for up to ten years, to fund a new program that will offer upfront financial incentives for solar energy systems installed on qualifying multifamily affordable housing properties. AB 693 requires that eligible properties meet a statutory definition of deed-restricted affordable housing and either be located in a disadvantaged community, or have 80% of the households with incomes at or below 60% of the area median income. Program rules and other implementation details are currently under consideration in R.14-07-002 and have not yet been adopted by the Commission.

A shared barrier to entry to these solar programs is that installations must occur on housing that meets programmatic definitions of qualifying affordable housing. While the policy ensures that the solar systems are built and kept for low to moderate income households that qualify to purchase or rent below market rate homes, it also prevents low income households living in non-qualifying types of housing from being able to access the programs.

In R.14-07-002, developing a successor to existing net energy metering tariffs, the Commission is considering alternatives that would promote adoption of renewable distributed generation by residential customers in disadvantaged communities. Deliberations and alternatives are under consideration in phase II of that proceeding.

For example, the Commission is considering alternatives that would promote adoption of solar by residential customers in disadvantaged

communities, including neighborhood virtual net energy metering. On March 14, 2017, the Commission asked for comment on how to ensure growth of solar in disadvantaged communities, including the specific consideration of how to ensure growth in the disadvantaged communities identified in this proceeding.<sup>48</sup>

### **3.3.1.6. Energy Efficiency Programs**

The IOUs offer extensive energy efficiency programs under R.13-11-005. These include programs targeted specifically at multi-family dwellings, whole-house upgrades, financing pilots, Local Government Partnerships, and many other diverse programs that San Joaquin Valley residents are eligible to participate in.

For example, in partnership with PG&E, the City of Fresno, in partnership with PG&E, provides the Home Energy Tune-up program to residents of Fresno, Kings, Kern, Tulare, Madera, San Joaquin County, Merced and Stanislaus who are served by PG&E. The Home Energy Profile is a web-based analytic assessment to identify how a home is using energy and then identify ways to reduce that use through simple measures, upgrades or repairs of systems in the home. The Home Energy Tune-up program also offers field audits and phone consultations along with installations and upgrades where appropriate.

Additionally, pursuant to AB 793 (Quirk, 2015), the Commission's energy efficiency and demand response Rulemakings jointly called for the electric and gas corporations to develop a program to provide incentives to residential or small and medium business customers to acquire energy management

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<sup>48</sup> See ALJ Ruling Seeking updated Proposals at <http://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=180950179>.

technologies. In Resolution E-4820, the Commission directed the IOUs to develop specific strategies on how they plan to market these technologies to the communities with the highest disconnection rates in their service territories or in disadvantaged communities.

Finally, we note that the IOUs have significant latitude to consider and propose new programs in their energy efficiency portfolios, and that they may choose to consider measures that might be particularly relevant to households without access to natural gas, such as incentives or financing to encourage the installation of ground and/or air source heat pumps.

#### **3.3.1.7. Demand Response**

The IOUs have numerous ongoing demand response programs, for which residents of the communities identified in this decision may be eligible. Additionally, the IOUs recently submitted five-year demand response program applications in A.17-01-012 et al. In its Scoping Memo in that proceeding, the Commission asked if it should “consider whether the Utilities’ proposed programs and portfolios adequately focus on locating demand response participants in particular geographic areas, such as disadvantaged communities [... and if so, whether the Utilities could] increase utilization of demand response in disadvantaged communities.”

#### **3.3.1.8. Green Tariff Shared Renewables Program**

In D.15-01-051, the Commission approved the Green Tariff Shared Renewables (GTSR) Program. The GTSR program implements SB 43 (Stats.2013, ch. 413 (Wolk)), which sets a formal requirement for the three large electrical utilities to offer two programs to customers: (1) the green tariff program and (2) the enhanced community renewable program. Of the up to 600 megawatts (MW) of energy procured for GTSR programs, SB 43 reserved 100 MW for



disadvantaged communities. SB 43 and D.15-01-051 found that renewable energy facilities located in disadvantaged communities would create economic activity and jobs, and allow residents of the community to purchase renewable energy from community based projects. . Customers who enroll in either of the GTSR programs could wind up paying higher electricity rates. By reserving 100 MW for disadvantaged communities, the Legislature intended to promote development of renewable projects in those communities. Despite the Legislature’s intent, to date we are not aware of any GTSR projects located in disadvantaged communities. D.15-01-051 found that an expanded definition of “community” for the enhanced community renewables program might boost development of enhanced community renewable projects in disadvantaged communities as envisioned by the statute.

#### **3.3.1.9. Electric Vehicle Grid Integration Pilot Programs**

PG&E, SCE, and SDG&E are rolling out Vehicle Grid Integration pilot programs in their territories.<sup>49</sup> All three IOUs have committed to at least ten percent of the charging stations being located in disadvantaged communities and to cover the base costs of electric vehicle charging equipment. Pursuant to SB 350, all three utilities are required to address disadvantaged communities in their proposals to accelerate transportation electrification.<sup>50</sup>

#### **3.3.1.10. Short-Lived Climate Pollutants**

SB 1383 (Lara, 2016) focuses on efforts to reduce dairy methane emissions. The bill directs the Commission to institute a proceeding which will scope out

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<sup>49</sup> See D16-01-023 for SCE, D.16-01-045 for SDG&E, and D. 16-12-065 for PG&E.

<sup>50</sup> See A.17-01-020 for SDG&E, A. 17-01-021 for SCE, and A. 17-01-022 for PG&E.

the framework for selecting criteria for a pilot of bio-methane projects as one mechanism for achieving these reductions. According to the California Statistics 2016 Annual Report, the five leading counties in total milk production for 2016, in ranking order, were: Tulare (27.3 percent), Merced (15.2 percent), Kings (10.6 percent), Stanislaus (9.9 percent), and Kern (9.5 percent).<sup>51</sup> These five counties accounted for 72.4 percent of California's total milk production, and the implementation of SB1683 and § 783.5 could be complementary.

#### **3.3.1.11. The Electric Program Investment Charge (EPIC)**

In D.12-05-037, the Commission established the purposes and governance for the EPIC program. The California Energy Commission (CEC) is one of four administrators of the program and must submit coordinated investment plans to the CPUC for consideration. The other designated administrators are PG&E, SCE, SoCalGas and SDG&E, each of which are charged with administering a portion of the EPIC Program funding.

The portion of the EPIC Program administered by the CEC provides funding for applied research and development, technology demonstration and deployment, and market facilitation for clean energy technologies and approaches for the benefit of ratepayers of PG&E, SDG&E, and SCE through a competitive grant solicitation process. Projects must address strategic objectives and funding initiatives as detailed in the appropriate EPIC Investment Plan.

The CEC has committed to make at least 25% of the EPIC investment in disadvantaged communities.

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<sup>51</sup> The California Statistics 2016 Annual is a joint effort of the California Department of Food and Agriculture and the United States Department of Agriculture.

### **3.3.1.12. Natural Gas Research and Development Program**

The Commission oversees the Natural Gas Research, Development, and Demonstration Program, which is administered by the CEC. The program was established by D.04-08-010 and invests in natural gas efficiency, renewables, transportation and other research areas. This program has begun to address and focus on disadvantaged communities and to provide investment and benefits for these communities.

In its most recent budget plan filings, the CEC has identified a number of opportunities to target natural gas energy innovation projects to disadvantaged communities. The most recent Commission draft resolution approving investments in this program provided additional guidance, highlighting opportunities to target project workforce and training benefits.<sup>52</sup> The CEC's 2017-2018 budget plan, filed March 30, 2017, also identifies a range of ways the program can expand its focus on DAC issues and benefits.

### **3.3.2. Energy Assistance Programs not under Commission Jurisdiction**

There are local and federal low income programs which are not administered by the Commission. The federal Low Income Home Energy Assistance Program (LIHEAP) and Weatherization Assistance Program administered by the California Department of Community Services and Development, are available to customers who meet federal eligibility standards. The California Air Resources Board funds woodstove air pollution reduction and change-outs. Additional grants are offered by Air Quality Management Districts.

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<sup>52</sup> See Resolution G-3524.

The utilities have voluntary charitable programs for low-income assistance such as Relief for Energy Assistance through Community Help, sponsored by PG&E and administered by Salvation Army, which provides an energy credit for up to \$300 to offset past-due bills. There is some coordination between the LIHEAP providers and the ESA providers. Local assistance programs vary widely and communities rely on local organizations for outreach and navigation.

Pursuant to SB 350, the CEC issued a Barriers Study Final Report (Barriers Report) on December 14, 2016.<sup>53</sup> The Barriers Report “explores the barriers to and opportunities for expanding low-income customers’ access to energy efficiency, weatherization, and renewable energy investments. It also examines barriers and opportunities related to contracting with small businesses located in disadvantaged communities.”

In addition to studying the barriers for low income households and communities to benefit from renewable energy programs, the Barrier Study puts forth a number of recommendations intended to address structural challenges faced generally by disadvantaged communities. A central goal in this proceeding is to leverage existing resources and improve interprogram coordination between the Commission’s proceedings as well as at other related California agencies.

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<sup>53</sup> The Barriers Study Final Report, Part A may be accessed at [http://www.energy.ca.gov/sb350/barriers\\_report/](http://www.energy.ca.gov/sb350/barriers_report/).

### **3.4. Definition and Methodology for Evaluating Economic Feasibility**

The OIR defines “Economic Feasibility” as the process of determining whether a new venture is worth the cost and time investment.<sup>54</sup> As the rulemaking has progressed, it became clear that energy options have unique characteristics and need to be evaluated individually.

Our discussion above identifies basic categories of cost and benefits for potential energy options in this rulemaking and this decision adopts general factors to be further refined in the next phase. These factors are developed under the guidance of existing Commission statutes and will be applied as appropriate to the energy options in the next phase. § 701.1(a) states that “a principal goal of electric and natural gas utilities’ resource planning and investment shall be to minimize the cost to society ...and to improve the environment and to encourage the diversity of energy sources through improvements in energy efficiency and development of renewable energy resources...” Furthermore, § 701.1(c) states that in calculating the cost effectiveness of energy resources, “the commission shall include, in addition to other ratepayer protection objectives, a value for any costs and benefits to the environment, including air quality.”

The Commission also draws guidance from the administration of the ESA program. When evaluating the cost effectiveness of the ESA framework, the legislature directed the Commission to take into consideration “both the cost effectiveness of the services and the policy of reducing hardships facing low income households.”<sup>55</sup> Consistent with this direction, the ESA Program

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<sup>54</sup> See OIR at 4.

<sup>55</sup> See § 2790(a).

incorporates non-energy benefits relating to health, comfort, and safety in its cost-effectiveness calculations and overall program design.

Accordingly, the economic feasibility of each identified option in this proceeding will be evaluated based on:

- Direct financial and energy specific costs and benefits of the individual program, including the implementation costs of the program to utilities, ratepayers, and the participating households. Quantifiable benefits including lowered energy costs and increased energy efficiency.
- Direct health, comfort, and safety impacts of the option on participating households.
- Indirect costs and benefits to society and the environment, including improved air quality in the community, reduced greenhouse gases, and increased diversity in energy sources.

These factors will be considered in conjunction with cost and benefit categories for each of the identified energy options.

### **3.5. How to group the identified communities in order to facilitate the economic feasibility study for each possible option**

Rather than conducting separate economic feasibility studies for each energy option in each disadvantaged community, the Scoping Memo anticipated grouping communities by like characteristics so that resources can be allocated efficiently.<sup>56</sup> For the option of extending gas service, parties generally agreed that proximity to the nearest natural gas pipeline should be used as the primary grouping criteria. The Joint Minority Parties also recommends that communities be further grouped by their rank on the CalEnviroScreen tool, which takes into

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<sup>56</sup> See Scoping Memo at 6.

consideration poverty and pollution levels.<sup>57</sup> To evaluate other energy options, NRDC and the Sierra Club recommend grouping by current source of fuel for space and water heating.

As discussed above, the Final Report allows the user to sort or group eligible communities based on relevant data as collected during this proceeding. For example, the Final Report can be sorted to identify communities representing the highest number of households without natural gas. The grouping function will also be used to facilitate the economic feasibility study in the second phase, particularly for those communities that may have an all-electric option. Furthermore, the Commission may use the CalEnviroScreen tool to pinpoint communities located in the top 25 percent of census tracts most burdened by pollution.

As we have stated, a primary focus of this proceeding is to increase access to affordable energy for low income households without natural gas service. It is therefore worthwhile to note that of the 170 communities identified in the Final Report, 37 communities are already 100 percent served by gas and 103 communities are between 90 to 100 percent served by natural gas. The 37 communities that are already 100% served by natural gas will not be prioritized in this proceeding, though they remain among the list of 170 communities identified pursuant to § 783.5.

Significantly, there are 18 communities at less than 5 percent served by natural gas (*see* Figure 1). The approximately 9,056 households without natural gas service in these communities represent one-third of the total households without natural gas in the San Joaquin Valley. In Phase II, the Commission will

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<sup>57</sup> See Joint Minority Parties Comment on Questions in Scoping Memo Attachment 3 at 7.

prioritize communities with less than 5 percent natural gas service for a more in-depth assessment and development of energy options.

Additionally, 14 disadvantaged communities identified by this decision are at least partially served by publicly owned utilities for their electricity.

Figure 1

<b>Communities with less than 5% gas service</b>			
<b>Community - /Census Designated Place (CDP)</b>	<b>Est. Number of Households</b>	<b>Electricity Provider</b>	<b>County Location</b>
Allensworth CDP	125	PG&E and SCE	Tulare
Ducor CDP	148	SCE	
Lindcove CDP	137	SCE	
Seville CDP	113	PG&E and SCE	
West Goshen CDP	151	SCE	
Cressy CDP	120	PG&E	Merced
El Nido CDP	103	PG&E	
Le Grand CDP	479	PG&E	
Stevinson CDP	102	PG&E	
Dos Palos Y CDP	106	PG&E	
Volta CDP	91	PG&E	
La Vina CDP	67	PG&E	
Madera Acres CDP	2469		Madera
Valley Home CDP	80	PG&E	Stanislaus
Johannesburg CDP	121	SCE	Kern
Coalinga City	4219	PG&E	Fresno
Friant CPD	233	PG&E	
Terminous CDP	192	PG&E	San Joaquin
TOTAL	9056		

#### **4. Safety Considerations**

When enacting AB 2672, the legislature found that increasing access to affordable energy can improve the health, safety, and air quality of the eligible communities. This Decision implements a portion of the requirements enacted



by AB 2672. By doing so, this decision takes steps towards improving the health and safety of California residents.

## **5. Phase II**

The Scoping Memo set forth issues to be resolved in Phase II of this proceeding. This decision provides additional direction on the scope of issues to be resolved in Phase II. A prehearing conference to further discuss Phase II will be set following issuance of this decision.

In order to solicit additional input and community participation, we intend to hold a series of Energy Option Assessment meetings at some of the identified communities. These meetings are intended to bring together community members, the utilities, and other stakeholders. Input from these meetings will shape the scope of Phase II in this proceeding. In Phase II, the Commission's goal is to evaluate extending natural gas service, craft targeted solutions for communities with less than 5 percent natural gas service, and develop general or specific electric programs or subsidy solutions pursuant to § 783.5. We will also separately issue a ruling for a pre-hearing conference in order to solicit parties' input on scope of issues and procedural schedule going forward.

The Commission may also choose to consider benefits to the communities identified in this Decision in other proceedings, particularly those listed in Section 3.3 above.

## **6. Comments on Proposed Decision**

The proposed decision of Commissioner Guzman Aceves 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 were filed on \_\_\_\_, and reply comments were filed on \_\_\_\_ by \_\_\_\_.

## 7. Assignment of Proceeding

Martha Guzman Acevez is the assigned Commissioner and S. Pat Tsen is the assigned ALJ in this proceeding.

### Findings of Fact

1. Pursuant to Section 783.5 of the California Public Utilities Code, R.15-03-010 was instituted to increase affordable access to energy for disadvantaged communities in the San Joaquin Valley.

2. Section 783.5 defined a disadvantaged community as one that is located within the counties of Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, or Tulare; has a population of at least 100; with at least 25 percent of residential households enrolled in CARE; and has geographic boundary no further than seven miles from the nearest natural gas pipeline.

3. The Data Working Group submitted the Final Report on September 26, 2016 which detailed its methodology and identified 170 communities in the San Joaquin Valley.

4. The Final Report uses city and CDP boundaries to identify communities.

5. The Final Report uses the Athens Research Group database to determine population and CARE enrollment.

6. The Final Report uses natural gas distribution maps provided by the Utilities to determine location of existing natural gas pipelines.

7. The Final Report methodology relies on data that change over time.

8. The Final Report does not include communities that are wholly served by Publicly-Owned-Utilities and it does not account for electricity or gas service that a household receives from a Publicly Owned Utility.

9. The Leadership Counsel recommends adding sixteen additional communities to the Final Report.

10. The IOUs were unable to locate ten of the communities recommended by the Leadership Counsel.

11. There is insufficient data to determine whether the 10 communities identified by the Leadership Counsel, and could not be located by the utilities are disadvantaged communities under the Data Working Group methodology.

12. The 2016 LINA Study and the CalEnviroScreen tool contain information on current energy conditions in the San Joaquin Valley.

13. The CalEnviroScreen tool ranks census tracts in California to identify communities disproportionately burdened by multiple sources of pollution.

14. While communities in this proceeding and the CalEnviroScreen are based on different geographic units, there is significant overlap between communities identified in this proceeding and the top 25 percent of census tracts burdened by pollution as identified by the CalEnviroScreen tool.

15. Households without natural gas service rely on electricity, propane or wood burning for their space heating, water heating and cooking needs.

16. Natural gas, electricity, propane, and wood burning are distinct energy options with different relative emissions, costs, and other factors.

17. Section 783.5 directs the Commission to evaluate the economic feasibility of extending natural gas pipelines, increasing electric subsidies, and other potentially cost effective energy options for the disadvantaged communities in this proceeding.

18. PG&E currently relies on Gas Rules 15 and 16 to determine the cost effectiveness of extending natural gas pipelines in its territory.

19. SoCalGas currently relies on Gas Rules 20 and 21 to determine the cost effectiveness of extending natural gas pipelines in its territory.

20. SB 350 mandates that regulated utilities procure 50 percent of their electricity from renewable sources by 2030 and calls for a 50 percent increase in energy efficiency in new buildings.

21. By considering non-financial factors including reduction of GHG and climate pollutants, as well as improvements in health and safety, the proceeding would contribute to reaching goals set by SB 350.

22. The Energy Savings Assistance Program considers non-energy benefits in the areas of health, comfort, and safety in its assessment of cost-effectiveness.

23. Some communities identified in this proceeding have lower than anticipated participation rates in the CARE and the Energy Savings Assistance Programs.

24. The Commission has ordered the IOUs to conduct workshops and devise outreach and marketing plans to improve CARE and ESA enrollment in communities with lower than expected enrollment rates.

25. The All Electric Baseline tariff currently prohibits enrollment by households that have propane or wood burning as energy sources.

26. There is no current outreach and marketing effort for the Medical Baseline tariff.

27. Increasing baseline amounts or expanding eligibility for All Electric Baseline to allow enrollment by households with propane and wood burning would reduce residential electricity costs for those households.

28. Some of the traditional low income solar programs administered by the Commission are available only to housing units with deed restrictions to remain "low income."

29. Low income Solar programs without deed restrictions would allow more low income households to benefit from solar technology.

30. The Green Tariff Shared Renewables Program reserves 100 MW of renewable generation facilities to be located in disadvantaged communities in California. The Electric Vehicle Grid Integration Pilot program reserved at least ten percent of the charging stations to be installed in disadvantaged communities identified by CalEnviroScreen.

31. SB 1383 (Lara, 2016) directs the Commission to scope out the selection criteria for pilot biomethane projects.

32. The San Joaquin Valley has clusters of dairy farms.

33. The Barriers Study Final Report as published by the CEC explores barriers to and opportunities to expand low income customers' access to energy efficiency, weatherization and clean energy.

34. Coordination and leveraging of resources between programs and ongoing proceedings may address structural challenges to assisting disadvantaged communities.

35. The CEC has expressed its intent to target outreach and research to economically depressed communities in its administration of the EPIC Program.

36. The CEC has expressed its intent to focus on disadvantaged communities in its administration of the Natural Gas Research, Development, and Demonstration Program.

37. The Commission may consider non-financial factors in making resource planning and investment decisions.

38. Direct costs and benefits of potential energy programs include the implementation costs of the program to utilities, ratepayers, and the affected households. Quantifiable benefits include lowered energy costs, achieved energy efficiency, measurable reduction in greenhouse gases and other pollutants, etc.

39. Indirect costs and benefits of energy programs include benefits to society and the environment, which include improved air quality, reduced greenhouse gases, and increased diversity in energy sources. The Final Report submitted by the Data Working Group allows users to sort communities based on shared characteristics including number of households, level of service, and distance to natural gas pipelines.

40. The Final Report, in conjunction with the CalEnviroScreen tool, allow the Commission to group and sort eligible communities based on shared characteristics.

41. Energy Option Assessment meetings held at local communities would allow utilities, community members and other stakeholders to meet and discuss viable affordable energy options.

### **Conclusions of Law**

1. The methodology and definition to identify eligible communities, as proposed by the Data Working Group is in compliance with the statutory requirements of Section 783.5 and should be adopted.

2. The List of 170 communities in the Final Report complies with the statutory requirements of Section 783.5.

3. The Leadership Counsel and the IOUs should work jointly to determine the eligibility of 10 communities for this proceeding that the utilities could not locate.

4. The Commission should consider a mechanism for updating eligible communities in this proceeding due to changes in community characteristics over time.

5. Energy conditions of households using natural gas, electricity, propane and wood burning should be evaluated based on (1) The relative emissions of

GHG per MMBtu; (2) The relative emissions of criteria pollutants per MMBtu; (3) The relative cost of heating per MMBtu; and (4) Any other quantitative or qualitative factors identified that may impact customer health, comfort or safety.

6. The Commission should direct utilities to submit a report on its efforts to conduct marketing and outreach to under-enrolled communities in the San Joaquin Valley pursuant to D.16-11-022.

7. The Commission should consider increasing the baseline amount for the All Electric Baseline.

8. The Commission should consider expanding the eligibility requirements for the All Electric Baseline to include households that use propane and wood burning as energy sources.

9. The Commission should consider expanding marketing and outreach to households eligible for the Medical Baseline tariff.

10. The Commission should consider solar programs that do not carry deed restrictions.

11. The Commission should direct the IOUs to submit reports on their efforts to comply with requirements in commission decisions to target disadvantaged communities as well as other ongoing programs. The IOUs' reports should focus on efforts in the San Joaquin Valley, and include the Net Energy Metering Program for disadvantaged communities, Self Generation Incentive Program, the California Solar Initiative Thermal program, the Multifamily Affordable Housing Solar Roofs Program, the Green Tariffs Shared Renewables Program, and the Electric Vehicle Grid Integration Pilot programs.

12. The Commission should monitor ongoing proceedings both at the Commission and other state agencies to identify potential coordination opportunities.

13. In compliance with Section 701.1(a), economic feasibility should consider both cost effectiveness and the costs to society, as well as the goal to improve the environment and to encourage diversity of energy sources.

14. Pursuant to Section 701.1 (c), in calculating the cost effectiveness of energy resources, “the commission shall include, in addition to other ratepayer protection objectives, a value for any costs and benefits to the environment, including air quality.”

15. The economic feasibility of each energy option should consider direct costs and benefits of the individual program, including the implementation costs of the program to utilities, ratepayers, and the affected households. Quantifiable benefits including lowered energy costs, achieved energy efficiency, measurable reduction in greenhouse gases and other pollutants.

16. The economic feasibility of each energy option should consider indirect costs and benefits to society and the environment, including improved air quality, reduced greenhouse gases, and increased economic activity for the community.

17. The Commission should identify any overlap between the identified communities in this proceeding and the top 25 percent of census tracts as identified by the CalEnviroScreen tool.

18. The Commission should initiate a Phase II to the proceeding to further implement Section 783.5 and increase access to affordable energy in disadvantaged communities in the San Joaquin Valley.

19. The Energy Division should, in conjunction with stakeholder input, host a series of energy option assessment meetings in relevant communities to seek input from stakeholders.



20. For purposes of Section 701.1, Economic Feasibility includes both direct and indirect costs.

## O R D E R

### IT IS ORDERED that:

1. The methodology and definition as submitted by the Data Working Group in its Final Report is adopted to identify eligible communities in this proceeding and shall be subject to any mechanism for updating the determination of eligible communities that is adopted in Phase II of this proceeding.

2. Leadership Counsel, Pacific Gas and Electric Company, Southern California Edison Company, and Southern California Gas Company shall jointly assess the eligibility of Alkali Flats, Earlimart Trico Acres, Five Points, Hardwick Kings, Hypericum (Dog Town), Madonna, Perry Colony, Ripperdan, Rolinda, and The Grove to be included in this proceeding and submit a report on their findings within 30 days of the issuance of this Decision.

3. Pacific Gas and Electric Company, Southern California Edison Company, and Southern California Gas Company shall each serve and file a report of its marketing and outreach efforts pursuant to Decision 16 -11-022 to reach disadvantaged communities in the San Joaquin Valley within 30 days of the issuance of this decision.

4. Pacific Gas and Electric Company, Southern California Edison Company, and Southern California Gas Company shall each serve and file a report detailing their efforts to engage disadvantaged communities in the San Joaquin Valley. The reports shall include information on the Net Energy Metering Program for disadvantaged communities, Self Generation Incentive Program, the California Solar Initiative Thermal program, the Multifamily Affordable Housing Solar Roofs

Program, Green Tariff Shared Renewables Program, and the Electric Vehicle Grid Integration Pilot program.

5. Energy Division is directed to coordinate with parties and other stakeholders, and the Commission's Public Advisor's Office, to hold a minimum of three community-based, Energy Option Assessment meetings at selected communities.
6. Rulemaking 15-03-010 remains open.

This order is effective today

Dated \_\_\_\_\_, at Merced, California.