

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding
Building Decarbonization.

R. _____

**ORDER INSTITUTING RULEMAKING REGARDING BUILDING
DECARBONIZATION**

Table of Contents

Title	Page
ORDER INSTITUTING RULEMAKING REGARDING BUILDING DECARBONIZATION.....	1
Summary	2
1. Background	3
2. Preliminary Scoping Memo	7
2.1. Implementing SB 1477.....	10
2.1.1. Statutory Program Requirements	11
2.1.2. Commission-Determined Program Elements	13
2.1.3. Future Funding	14
2.2. Potential Pilot Programs for Decarbonization of New Construction in Areas Damaged by Wildfires.....	14
2.3. Coordinating with Title 24 Building Energy-Efficiency Standards and Title 20 Appliance Standards.....	15
2.4. Building Decarbonization Policy Development.....	16
2.4.1. Guiding Principles.....	16
2.4.2. Technical Issues	17
2.4.3. Consumer Protection	18
2.4.4. Funding.....	18
2.5. Not in Scope.....	18
2.5.1. Energy Efficiency Three-Prong Test.....	18
3. Invitation to Comment on Preliminary Scoping Memo	19
4. Initial Schedule	21
5. Category of Proceeding; <i>Ex Parte</i> Communications; and Need for Hearing	23
6. Respondents.....	24
7. Service List.....	24
8. Subscription Service.....	25
9. Intervenor Compensation	25
10. Public Advisor	26
ORDER	26

Attachment A – List of Respondents and Their Contact Information

ORDER INSTITUTING RULEMAKING REGARDING BUILDING DECARBONIZATION

Summary

The Commission initiates this Order Instituting Rulemaking (OIR) on its own motion to begin crafting a policy framework surrounding decarbonization of buildings. The initial scope of this proceeding is designed to be inclusive of any alternatives that could lead to the reduction of greenhouse gas (GHG) emissions associated with energy use in buildings. These issues are, in turn, related to the State's goals of reducing economy-wide GHG emissions 40% below 1990 levels by 2030 and achieving carbon neutrality by 2045 or sooner.

Initially, the scope of this rulemaking is intended to focus on implementation of Senate Bill 1477 (Stern, 2018), which requires the Commission to develop two programs designed to test two specific programmatic approaches to building decarbonization.

The proceeding scope may also include the potential to develop pilot programs to support rebuilding efforts in geographic areas of the state affected by recent wildfires.

More broadly, this proceeding is intended to coordinate with the California Energy Commission's activities to design and implement Title 24 building codes and Title 20 appliance standards, to support further building decarbonization potential.

Finally, the scope may include all policy framework issues, including programs, rules, and rates, that will help accomplish building decarbonization, as part of the state's GHG reduction goals.

Initially, all large natural gas corporations regulated by the Commission, as well as the large investor-owned electric distribution utilities, will be

respondents to this proceeding. This rulemaking will be served on a large number of proceedings that currently contain, or may contain, issues related to building decarbonization.

Parties are invited to comment on this OIR and its initial proposed scope within 30 days of the issuance of this rulemaking. Reply comments may be filed within 45 days.

1. Background

State law requires the California Air Resources Board (CARB) to reduce statewide greenhouse gas (GHG) emissions to 40% below 1990 levels by 2030.¹ In 2018, Governor Brown established a new statewide goal of achieving carbon neutrality by 2045 or sooner, and maintaining negative emissions thereafter.² Similar goals were also codified in Senate Bill (SB) 100 (DeLeón, 2018). To achieve statewide GHG emissions reduction goals, CARB created and regularly updates a Scoping Plan that articulates the state's multi-faceted strategy for reducing GHG emissions across all sectors of the economy. CARB most recently updated its Scoping Plan in 2017.³

The California Public Utilities Commission (Commission) currently oversees a wide range of programs and activities to decarbonize California's electricity and natural gas systems in a manner consistent with the Scoping Plan while maintaining safe, reliable, and affordable service. Current programs are

¹ The goal of reducing statewide emissions to 40% below 1990 levels by 2030 was originally declared in Governor Brown's Executive Order B-30-15 in 2015 and subsequently codified into law by Senate Bill (SB) 32 (Pavley, 2016).

² Executive Order B-55-10.

³ California's 2017 Climate Change Scoping Plan.
https://www.arb.ca.gov/cc/scopingplan/scoping_plan_2017.pdf

greening California's energy system by improving energy efficiency and demand management, expanding renewable and low-carbon electricity generation, and reducing emissions from natural gas.

A 2018 study on deep decarbonization prepared for the California Energy Commission (CEC) as part of the Electric Program Investment Charge (EPIC) research and development program, which focuses on emerging issues, highlights the importance of leveraging the ongoing decarbonization of California's energy supply to drive down GHG emissions in other sectors, particularly in the transportation and building sectors.⁴

To facilitate transportation decarbonization, the Commission has recently authorized significant investments in electric vehicle charging infrastructure,⁵ as well as new rate designs and education and outreach efforts targeted to increase electric vehicle adoption.

Building decarbonization has received less attention to date; we use the term herein to include both actions to reduce the emissions and impacts from natural gas use in buildings, as well as to electrify certain building end uses. Issues related to building decarbonization, going beyond traditional energy efficiency programs, have recently surfaced in several different proceedings.

In the energy efficiency rulemaking (R.) 13-11-005, parties have raised the issue of building decarbonization in the context of examining the three-prong test that the Commission currently uses to determine the conditions under which

⁴ See <https://www.energy.ca.gov/2018publications/CEC-500-2018-012/CEC-500-2018-012.pdf>

⁵ See, for example, Commission Decision (D.) 14-12-079, D.16-01-045 and D.16-12-065.

energy efficiency funding may be used to support switching customers to a cleaner fuel for end-use appliances, while still reducing energy consumption.⁶

In the integrated resources planning proceeding (R.16-02-007), the role of building decarbonization in helping the state meet economy-wide GHG reduction goals has informed the development of forward-looking energy modeling scenarios that reflect the impact of higher loads on optimal resource portfolios.⁷

In R.15-03-010, the Commission is considering approaches for increasing access to affordable energy in disadvantaged communities in the San Joaquin Valley. Many of the approved pilot projects could simultaneously improve access to affordable energy for community members while contributing to building decarbonization goals.⁸

In the Commission's natural gas leakage abatement proceeding, R.15-01-008, a draft report jointly prepared by CARB and Commission staff indicates that in 2017, leakage at customer meter sets was the single largest source of leakage-based GHG emissions, and has actually risen each year since 2015.⁹

⁶ See Assigned Commissioner and Administrative Law Judge's Ruling and Amended Scoping Memorandum (Regarding Remainder of Phase III), April 26, 2018, at 2.

⁷ See D.18-02-018, at 146.

⁸ See D.18-12-015.

⁹ See Attachment A of *Administrative Law Judge's Ruling Entering California Air Resources Board and California Public Utilities Commission Joint Staff Annual Report on Analysis of June 15, 2018 Utilities' Reports Into the Record and Seeking Comments*, at 7 (Table 2).

None of the Commission's current active proceedings, however, is well-suited for a direct exploration of how the Commission could more effectively support GHG emissions reductions in buildings.

Two new bills signed into law in 2018, SB 1477 (Stern, 2018) and Assembly Bill (AB) 3232 (Friedman, 2018), further underscore the state's recognition of the importance of a greater and more focused work on reducing GHG emissions from buildings. Noting that "the electricity and heating fuels used in buildings are responsible for a quarter of California's GHG emissions and contribute to indoor and outdoor air pollution," SB 1477 requires the Commission to oversee the development of two new building decarbonization programs, called Building Initiative for Low Emissions Development (BUILD), and Technology and Equipment for Clean Heating (TECH). AB 3232 requires the CEC to assess the potential for reducing GHG emissions from buildings by at least 40% below 1990 levels by 2030.

The CEC's 2019 Title 24 building energy efficiency standards, which are effective starting in 2020, provide another example of the increasing statewide policy focus on building decarbonization. With the 2019 standards, CEC has begun to shift from a goal of minimizing building energy use to the more specific goal of minimizing building GHG emissions.¹⁰ Several of the changes in the 2019 standards help pave the way for reducing GHG emissions in buildings. One prominent example is the establishment of a new prescriptive pathway that

¹⁰ See a list of Frequently Asked Questions about the 2019 building standards for more information, available at: https://www.energy.ca.gov/title24/2019standards/documents/Title24_2019_Standards_detail_ed_faq.pdf

makes it easier for builders to develop all-electric buildings that comply with the building code.¹¹

The costs and benefits of building standards that support decarbonization are interdependent with many policies that fall under Commission jurisdiction, including electricity and natural gas rates, compensation for customer-sited electricity generation, storage, energy efficiency and low-income energy efficiency policy and programs, demand response policy and programs, and interconnection procedures. In order to maximize cost-effective reduction of GHG emissions from buildings, it is critical for the Commission to carefully consider such interdependencies.

The confluence of these various factors motivates the need for a new Commission rulemaking focused specifically on policies to support building decarbonization. Our intention is to fulfill the legislative requirements set forth in SB 1477, as well as to develop a new framework for establishing future policies, rules, and procedures for reducing GHG emissions from buildings, in coordination with CEC, CARB, and other stakeholders.

2. Preliminary Scoping Memo

As required by Rule 7.1(d)¹² of the Commission's Rules of Practice and Procedure (Rules), this Order includes a preliminary scoping memo. In this Preliminary Scoping Memo, we describe the issues to be considered in this

¹¹ See <https://www.energy.ca.gov/title24/2016standards/index.html> for the 2016 building standards, which include provisions for all-electric buildings.

¹² "An order instituting rulemaking shall preliminarily determine the category and need for hearing, and shall attach a preliminary scoping memo. The preliminary determination is not appealable, but shall be confirmed or changes by assigned Commissioner's ruling [ACR] pursuant to Rule 7.3, and such ruling as to category is subject to appeal under Rule 7.6." (Rule 7.1(d).)

proceeding and the timetable for resolving the proceeding. In response to this rulemaking order, parties will have the opportunity to provide preliminary comments on the issues raised. After a prehearing conference (PHC), an Assigned Commissioner’s Scoping Ruling will be issued laying out the issues and procedural path in greater detail.

Building decarbonization issues relate to a number of different Commission proceedings, including, but not limited to, those listed in Table 1 below.

Table 1. Building Decarbonization-Related Proceedings

	Docket	Proceeding Number
1	Integrated Resource Planning	R.16-02-007
2	Energy Efficiency	R.13-11-005 and A.17-01-013 et al.
3	Rulemaking on Affordable Energy in the San Joaquin Valley	R.15-03-010
4	Methane Leakage Abatement	R.15-01-008
5	Low Income Energy Efficiency	A.15-02-001 et al.
6	Self Generation Incentive Program	R.12-11-005
7	Electricity Storage	A.18-02-016 et al.
8	Net Energy Metering	R.14-07-002
9	Demand Response	R.13-09-011
10	EPIC on Research and Development	A.17-04-028 et al.
11	Transportation Electrification	R.18-12-006
12	Distribution Resources Planning	R.14-08-013 et al.
13	Integrated Distributed Energy Resources	R.14-10-003
14	Climate Adaptation	R.18-04-019
15	Natural Gas Utility Cap-and-Trade	R.14-03-003

This proceeding will address four general categories of issues:

- 1) Implementing SB 1477. This category entails addressing all statutory requirements detailed in Pub. Util. Code¹³ §§ 748.6, 910.4, 921, and 922, including selecting a program administrator for the BUILD program and TECH initiative and allocating funding to gas corporations for each program from each gas corporation's respective GHG emissions allowance proceeds. It may also include setting specific rules or general guidelines for program design, such as participant and equipment eligibility rules, incentive levels, evaluation metrics, or other parameters.
- 2) Potential pilot programs to address new construction in areas damaged by wildfires. After past wildfires, electric corporations have offered increased energy efficiency incentives to customers going beyond current codes when rebuilding. However, these programs have had limited ability to fund investments for homes and businesses to convert to all-electric homes or undertake other decarbonization approaches. This category can explore pilot programs focused on decarbonization of homes in areas of California impacted by recent wildfires.
- 3) Coordinating with Title 24 Building Energy Efficiency Standards and Title 20 Appliance Efficiency Standards. This category involves developing guidelines for Commission rules, policies, and procedures to support the development of current and future Title 24 building standards and Title 20 appliance standards at least cost, maximizing their decarbonization benefits. In this area, the Commission could consider developing voluntary programs and incentives in the areas of low emissions and energy efficient, demand response, and self-generation technologies and strategies, to support the transformation of markets that deliver low emissions solutions in buildings, in concert with the modification of building standards over time. The Commission can also consider offering incentives to builders

¹³ All further code section references are to the Public Utilities Code, unless otherwise noted.

for reaching for more aggressive targets in the current code by taking whole-building approaches to code compliance.

- 4) Establishing a Building Decarbonization Policy Framework. This category of activity involves the development of a coherent and comprehensive set of Commission rules, policies, and procedures to accelerate the reduction of GHG from buildings. The Commission will draw on lessons learned from the smaller-scale programs authorized by SB 1477 and other activities to shape up a large-scale approach to decarbonizing buildings. This area may involve rules for programs already funded through electricity and natural gas rates, and/or the development of new initiatives to support building decarbonization policy.

2.1. Implementing SB 1477

SB 1477 requires the Commission to develop two new programs. The BUILD program will incent the deployment of building technologies in new buildings that reduce GHG emissions significantly beyond what otherwise would have resulted from complying with Title 24 prescriptive standards. The TECH Initiative will incent the deployment of low-emissions space and water heating technologies that are in an early stage of market development in new and existing residential buildings.

The BUILD and TECH programs will serve as pilot programs that can be used to raise awareness of building decarbonization technologies and applications, test program and policy designs, and gain the practical implementation experience and knowledge necessary to develop a larger scale approach. Scalability will be a critical criterion for evaluating different program design and implementation options.

2.1.1. Statutory Program Requirements

Some of the parameters for BUILD and TECH are specified in statute, while others must be determined in this proceeding. Key parameters for BUILD that are specified by statute include:

- Funding Source (§ 748.6 and § 921.1(a)(3))
 - Funding for the program shall be made available from an annual pool of \$50 million derived from the GHG emission allowances directly allocated to natural gas corporations and consigned at auction as part of CARB's Cap and Trade program from 2019-2023 (shared with TECH Initiative).
- Focus on New Low-Income Housing
 - 30% of the total funding allocated from natural gas corporation GHG emission allowances must be for new low-income housing (§ 921.1(c)(1)).
 - After two years, unspent funds reserved for new low-income housing may be directed to other purposes consistent with the program, or program rules may be changed to increase participation (§ 921.1(c)(2)).
 - Incentives available from this program for new low-income housing must be higher than incentives for other types of housing (§ 921.1(b) and § 921.1(d)(2)).
 - Projects in new low-income housing must not result in higher utility bills for occupants (§ 921.1(d)(3)).
 - Technical assistance must be offered in conjunction with funding for projects directed at new low-income housing (§ 921.1(d)(1)).
 - An outreach plan must be implemented to encourage applications for projects in new low-income housing (§ 921.1(d)(5)).

- Incentive Sizing
 - The amount of the incentive must be set in consideration of existing available incentives and amount of expected GHG emission reductions (§ 921.1(b)).
- Program Guideline Requirements (§ 921.1(d)(4)(A))

The program guidelines must include, at a minimum:

- List of eligible technologies;
 - Process for evaluating new technologies;
 - Criteria for scoring and selecting projects; and
 - Process and set of metrics by which to evaluate and track results.
- Program Metrics (§ 921.1(d)(4)(B))

Program metrics must include, at a minimum:

- Number of low-emissions systems installed in each building type;
- Projected utility bill savings; and
- Cost per metric ton of avoided GHG emissions.

Key parameters of the TECH Initiative that are specified in statute include:

- Funding Source (§ 748.6 and PUC 922(d))
 - Funding for the program shall be made available from an annual pool of \$50 million derived from the GHG emission allowances directly allocated to natural gas corporations and consigned at auction as part of CARB's Cap and Trade program from 2019-2023 (shared with BUILD Program).
- Technology Eligibility and Targeting Criteria (§ 922(b))
 - Space and water heating technology.
 - Technology at an early stage of market development.

- Technology with greatest potential for reducing GHG emissions.
- Technology with greatest potential for improving health and safety and energy affordability for low-income households.
- Required Program Elements (§ 922(c)(1))
 - Guidelines and evaluation metrics.
 - Outreach strategies for hard-to-reach customers.
 - Job training and employment opportunities.
- Program Guideline Requirements (§ 922(c)(2)(A))

The program guidelines must include, at a minimum:

- List of eligible technologies;
 - Process for evaluating new technologies; and
 - Process and set of metrics by which to evaluate and track results.
- Program Metrics (§ 922(c)(2)(B))

Program metrics must include, at a minimum:

- Market share for eligible technologies;
- Projected utility bill savings; and
- Cost per metric ton of avoided GHG emissions.

2.1.2. Commission-Determined Program Elements

There are many other important elements of program design that are not specified by statute, including which entity should serve as program administrator, and what proportion of the total budget to allocate to each program and to program evaluation. To help the Commission create programs that can be used to quickly test different approaches to find the most efficient and scalable solutions, parties are invited to comment on any aspect of program

design. Some specific questions of interest are listed below in the section “Invitation to Comment to Comment on Preliminary Scoping Memo.”

2.1.3. Future Funding

If the Commission determines that the BUILD and TECH programs merit additional funding in the future, this proceeding will consider what mechanisms would be appropriate and adequate to provide such funding.

2.2. Potential Pilot Programs for Decarbonization of New Construction in Areas Damaged by Wildfires

After past wildfires, electric corporations have offered increased energy efficiency incentives to customers going beyond current codes when rebuilding. However, these programs have had limited ability to fund investments for homes and businesses to be all-electric or pursue other decarbonization strategies. In Sonoma and Mendocino Counties, Pacific Gas and Electric (PG&E) was able to partner with Sonoma Clean Power to offer increased incentives to homeowners who rebuild fire-damaged homes as all-electric homes with no new natural gas connection. However, absent a community choice aggregator or third party that could partner with an electric corporation, the electric corporations have limited ability offer increased incentives to customers who agree to make permanent decarbonization investments when rebuilding damaged homes. Under this category of the proceeding, we will seek input from parties on if and how the Commission should develop pilot programs to promote decarbonization efforts in areas damaged by wildfires.

2.3. Coordinating with Title 24 Building Energy-Efficiency Standards and Title 20 Appliance Standards

Historically, California's energy efficiency policies, including Title 24 building codes and Title 20 appliance standards, have focused on reducing energy use. To meet California's statewide GHG emission reduction goals, building codes are shifting from this historic focus on reducing energy use to a more holistic environmental goal of reducing GHG emissions. In the current 2019 version of the Title 24 building codes, builders have the flexibility to make different design choices in satisfying the code requirements. Some choices may result in lower GHG emissions than others. To the extent possible, Commission programs aimed at reducing GHG emissions associated with buildings should be coordinated with Title 24 standards to encourage builders to choose design pathways that maximize GHG reductions. This proceeding will consider specific program policies, procedures, and rules that the Commission could implement to incent builders to choose Title 24 compliance pathways that maximize GHG reductions. This proceeding will also consider ways in which coordination with Title 20 appliance standards may further the same goals.

Typically, the policies and programs overseen by this Commission help support the future development of more stringent building codes by developing market conditions that make the transition to code more feasible. For example, the Commission's energy efficiency funding and programs support the development of emerging technologies, which are then supported with incentives to customers, manufacturers, distributors, or others in the market for selling and installing new technologies or practices. Once a technology or approach becomes more commonplace and costs are reduced, it becomes easier

to justify a building code change to make the technology or practice a requirement for new or existing buildings in the future.

In this portion of the proceeding, we will examine additional policies or frameworks that the Commission can use to support transformation of portions of the building market to support faster penetration of more stringent building codes related to building decarbonization.

Depending on the exact scope of this effort, it may also be appropriate to coordinate with ongoing work occurring in the energy efficiency rulemaking (R.13-11-005) related to the design and implementation of market transformation initiatives and utility-led codes and standards advocacy programs.

2.4. Building Decarbonization Policy Development

2.4.1. Guiding Principles

This proceeding will develop guiding principles for the development of rules, policies, and procedures that accelerate the reduction of GHG emissions from buildings. Parties are invited to comment on these suggested initial principles:

- Technology and Vendor Neutral Competition: The Commission should avoid picking technology winners and encourage competition among technologies, vendors, and approaches by using transparent criteria for evaluating alternative program proposals based on their ability to produce scalable reductions in GHG emissions.
- Transparency: The Commission should strive to make its rules, policies, and procedures as transparent as possible. This applies both to how customers or vendors can access incentives, but also the conditions and circumstances under which vendors may be subject to citations and fines for bad behavior.
- Regulatory Simplicity: All else being equal, the fewer and simpler the rules, the better. The easier it is for people to understand the rules, the easier it is for them to participate in

Commission programs and respond to those rules in ways that benefit ratepayers and the public at large. This also makes Commission oversight easier.

- Market Transformation: The Commission should aim for developing self-sustaining practices where targeted technologies or approaches can ultimately operate in the general market without subsidies.
- Equity: Programs and incentives should benefit and be accessible to all Californians.

2.4.2. Technical Issues

This proceeding will evaluate technical issues related to the development of rules, policies, and procedures that are aimed at reducing GHG emissions from buildings. Such issues may include, but are not limited to, the following:

- GHG reductions: How GHG reductions should be measured.
- Targets: Whether and how the Commission should set market development, adoption, GHG reduction, or other targets specific to building decarbonization.
- Incentive types and levels: How to determine appropriate compensation for GHG emissions reductions, and how that compensation should or should not reflect other Commission, state, or international approaches to the valuation GHG emissions reduction. Incentive types may include grants, rebates, performance-based incentives, and alternative rates or rate structures.
- Rates: Whether electric utilities should develop alternative rate designs to help incent customers and vendors to select and use equipment in ways that reduce GHG emissions, while also managing the impacts on customer bills. Examples of rate design changes that could help align GHG emissions reductions with individual customer economic interests include: an electric rate that includes baseline adjustments for fuel substitution; removal of non-coincident demand charges and high user charges; and reduction of full retail-rate netting for rooftop solar.

2.4.3. Consumer Protection

A critical public policy goal in developing new markets is ensuring that there are mechanisms to protect consumers. This proceeding will consider different mechanisms for ensuring the protection of consumers who receive service from firms or individuals that access Commission incentives for reducing GHG emissions in buildings.

2.4.4. Funding

As the Commission gains experience with BUILD and TECH, it will become better positioned to evaluate whether an expansion or evolution of these programs would be in ratepayers' best interests and merit additional funding. This proceeding will undertake that evaluation, along with a consideration of what mechanisms would be appropriate and adequate for providing such funding. Funding will also likely be needed for market research and baseline setting to ensure that strategies designed in this proceeding will address the decarbonization goals.

2.5. Not in Scope

2.5.1. Energy Efficiency Three-Prong Test

In the energy efficiency rulemaking (R.13-11-005) in 2017, several parties filed a motion for the Commission to consider modifications to the “three-prong test” used to determine the appropriateness of funding for technologies or programs that involve substituting fuels from electricity to natural gas or vice versa, while also saving energy.¹⁴

¹⁴ See the June 8, 2017 Motion of the Natural Resources Defense Council, Sierra Club, and the California Energy Efficiency Industry Council, Seeking Review and Modification of the Three-Prong Fuel Substitution Text, available at:

<http://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=191912103>.

The three-prong test was developed by the Commission in the early 1990s to assess whether energy efficiency measures that involve fuel substitution (at the time, primarily from electricity to natural gas) could receive energy efficiency program incentives. The three “prongs” require that the fuel substitution program: (1) must not increase source British Thermal Units compared with the most efficient same-fuel substitute technologies available; (2) must have a benefit-cost ratio of greater than 1.0 for both the Total Resource Cost and Program Administrator Cost tests; and (3) must not result in residual emissions that adversely impact the environment (again, in comparison with the same-fuel alternatives that would be selected absent the program).

This issue is being handled in R.13-11-005 and involves narrower issues than those to be handled in this proceeding. While there is clearly overlap between specific components of the three-prong test and issues that will be addressed in this proceeding, there are also significant differences in the goals of the energy efficiency proceeding – which is focused on programs that reduce energy consumption – and this proceeding, which will look more broadly at programs that may or may not reduce energy consumption, but do reduce overall GHG emissions. Consequently, while issues associated with one or more of the prongs of the three-prong test may be considered in this proceeding, the specific changes to the energy efficiency three-prong test will not be within the scope of this proceeding.

3. Invitation to Comment on Preliminary Scoping Memo

This Order Instituting Rulemaking (OIR) serves as a solicitation for parties to comment on the Preliminary Scoping Memo and issues identified in this document.

In particular, we invite parties to comment on:

- The appropriateness (or lack thereof) of items included in the preliminary scope of this proceeding;
- Whether there are additional items that should be included in the scope of this proceeding; and
- The appropriate prioritization or sequencing of topics and activities that should be handled in this proceeding leading to Commission decision(s).
- Several specific questions below:
 1. Do you agree or disagree with the organization of the proceeding into the four proposed categories (Implementing SB 1477, Potential Pilot Programs for Decarbonization of New Construction in Areas Damaged by Wildfires, Coordinating with Title 24 Building Standards and Title 20 Appliance Standards, and Building Decarbonization Policy Development)? Explain your reasoning.
 2. How should the Commission go about determining the administrative structure for the SB 1477 BUILD and TECH programs, from among the options listed in the statute?
 3. If the Commission chooses a third-party administrator, what process should it use to select the administrator?
 4. How should the Commission establish the budget for each program? What portion of the budget should be reserved for program evaluation? How should the program evaluator be selected?
 5. What program design parameters should be established by the Commission independent of the program administrator, and which aspects should it allow the selected program administrator to develop on behalf of the Commission? For example:
 - a. Technology eligibility criteria
 - b. Process for evaluating new technologies
 - c. Guidelines and evaluation metrics

d. Criteria for scoring and selecting projects

6. Should the Commission consider proposals for new rate designs as part of the design and implementation of the BUILD and TECH programs?
7. What goals should the Commission set for building decarbonization?
8. What other specific initiatives should the Commission examine to further the goals outlined in the question above?

Initial comments are due to be filed and served no later than 30 days after issuance of this rulemaking, with reply comments 15 days later. The Commission will utilize parties' comments and a PHC, to be scheduled, as a basis to identify areas that need clarification, and may consider the addition of specific issues or questions related to the items described in Section 2 on the scope of this proceeding, pursuant to the guidance set forth herein.

We direct parties to limit their comments to the specific issues set forth in this OIR, as well as to objections to the preliminary determinations below. Comments are limited to no more than 25 pages per party, with replies limited to 15 pages per party.

4. Initial Schedule

Initially, within 30 days of the adoption of this OIR, we request that parties file comments on the Preliminary Scoping Memo contained herein. Reply comments may be filed 15 days later. A prehearing conference will also be scheduled for shortly after the 30-day period for comments and replies has elapsed.

Preliminary Schedule

Proceeding Milestone	Date
Comments on OIR filed and served	30 days after OIR issuance
Reply comments on OIR filed and served	45 days after OIR issuance
Prehearing Conference	1 st Quarter 2019
Scoping Ruling	2 nd Quarter 2019
Ruling on Proposed Approach to Implementing SB 1477	2 nd Quarter 2019
Comments/Reply and Party Alternative Proposals on Proposed Approach to Implementing SB 1477	3 rd Quarter 2019
Proposed decision addressing SB 1477	4 th Quarter 2019

Each of the issue areas outlined in the Preliminary Scoping Memo will likely require different types and degrees of public participation. Therefore, we delegate further definition of procedure and schedule for each issue area to the assigned Commissioner and Administrative Law Judge (ALJ) as determined in the Scoping Ruling or a later ruling. We leave open the possibility that issue areas may be decided upon individually in interim decisions, if necessary. In addition, we authorize the assigned Commissioner and ALJ to organize issues within the proceeding, including creating tracks for organization. The assigned Commissioner or ALJ has the authority to make changes to the above schedule.

This proceeding will conform to the statutory case management deadline for quasi-legislative matters set forth in § 1701.5. In particular, it is our intention to resolve all relevant issues within 36 months of the date this OIR is adopted. In using the authority granted in § 1701.5(b) to set a time longer than 18 months, we consider the number and complexity of the tasks and the need to coordinate with multiple other proceedings.

In addition, there will likely be workshops in this proceeding. Notice of such workshops will be posted on the Commission's Daily Calendar to inform the public that a decisionmaker or an advisor may be present at those meetings or workshops. Parties should check the Daily Calendar regularly for such notices.

5. Category of Proceeding; *Ex Parte* Communications; and Need for Hearing

The Commission's Rules of Practice and Procedure require that an OIR preliminarily determine the category of the proceeding and the need for hearing.¹⁵ As a preliminary matter, we determine that this proceeding is categorized as quasi-legislative, as defined in Rule 1.3(e), because our consideration and approval of the issues raised would establish policy or rules affecting a class of regulated entities. Accordingly, *ex parte* communications are permitted without restriction or reporting requirement pursuant to Article 8 of the Rules.

We are also required to preliminarily determine if hearings are necessary. We preliminarily determine that hearings are not necessary.

Any person who objects to the preliminary categorization of this rulemaking as quasi-legislative or to the preliminary hearing determination shall state their objections in the comments on the Rulemaking. After considering the comments, the assigned Commissioner will issue a scoping ruling making a final category determination; this final category determination is subject to appeal as specified in Rule 7.6.

¹⁵ Rule 7.1(a).

6. Respondents

All large Commission-jurisdictional natural gas providers, including Southern California Gas Company, PG&E, San Diego Gas & Electric Company (SDG&E), and Southwest Gas, and large investor-owned electric distribution utilities, including PG&E, Southern California Edison Company, and SDG&E, shall be respondents to this proceeding and shall therefore be parties.¹⁶ Within 15 days of mailing of this rulemaking, each respondent shall inform the Commission's Process Office of the contact information for a single representative, although other representatives and persons affiliated with the respondents may be placed on the Information Only service list.

7. Service List

This OIR shall be served on all respondents.

In addition, in the interest of broad notice, this OIR will be served on the service list for all of the proceedings listed in Section 2, Table 1, of this order.

Service of the OIR does not confer party status or place any person who has received such service on the Official Service List for this proceeding, other than respondents.

Addition to the official service list is governed by Rule 1.9(f) of the Commission's Rules of Practice and Procedure.

Respondents are parties to the proceeding (*see* Rule 1.4(d)) and will be immediately placed on the official service list.

Any person will be added to the "Information Only" category of the official service list upon request, for electronic service of all documents in the

¹⁶ See Attachment A which includes a complete list of respondents and the contact information for their regulatory affairs personnel.

proceeding, and should do so promptly in order to ensure timely service of comments and other documents and correspondence in the proceeding. (See Rule 1.9(f).) The request must be sent to the Commission's Process Office by e-mail (Process_Office@cpuc.ca.gov) or letter (Process Office, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102). Please include the Docket Number of this Rulemaking in the request.

Persons who file responsive comments become parties to the proceeding (see Rule 1.4(a)(2)) and will be added to the "Parties" category of the official service list upon such filing. In order to assure service of comments and other documents and correspondence in advance of obtaining party status, persons should promptly request addition to the "Information Only" category as described above; they will be removed from that category upon obtaining party status.

8. Subscription Service

Persons may monitor the proceeding by subscribing to receive electronic copies of documents in this proceeding that are published on the Commission's website. There is no need to be on the official service list in order to use the subscription service. Instructions for enrolling in the subscription service are available on the Commission's website at: <http://subscribe.puc.ca.gov/>.

9. Intervenor Compensation

Intervenor Compensation is permitted in this proceeding. Any party that expects to claim intervenor compensation for its participation in this rulemaking shall file its notice of intent to claim intervenor compensation within 30 days after the filing of reply comments, except that notice may be filed within 30 days of a prehearing conference as well. (See Rule 17.1(a)(2).) Intervenor compensation rules are governed by Section 1801 et seq. of the Public Utilities

Code. Parties new to participating in Commission proceedings may contact the Commission's Public Advisor.

10. Public Advisor

Any person or entity interested in participating in this rulemaking who is unfamiliar with the Commission's procedures should contact the Commission's Public Advisor in San Francisco at (415) 703-2074 or (866) 849-8390, or e-mail public.advisor@cpuc.ca.gov. The TTY number is (866) 836-7825.

O R D E R

IT IS ORDERED that:

1. The Commission institutes this rulemaking on its own motion to enhance its ongoing efforts to reduce greenhouse gas emissions associated with buildings and to ensure that we comply with Senate Bill 1477, as codified in Public Utilities Code Sections 748.6, 921, and 922.
2. All large jurisdictional natural gas providers, including Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southwest Gas Company, and all large investor-owned electric distribution utilities, including Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison, shall be respondents to this proceeding.
3. The Executive Director shall cause this Order Instituting Rulemaking to be served on the respondents listed in Ordering Paragraph 2 above, and on the service lists for all proceedings listed in Section 2, Table 1, of this order, as replicated below:

	Docket	Proceeding Number
1	Integrated Resource Planning	R.16-02-007
2	Energy Efficiency	R.13-11-005 and A.17-01-013 et al.
3	Rulemaking on Affordable Energy in the San Joaquin Valley	R.15-03-010
4	Natural Gas Leakage Abatement	R.15-01-008
5	Low Income Energy Efficiency	A.15-02-001 et al.
6	Self Generation Incentive Program	R.12-11-005
7	Electricity Storage	A.18-02-016 et al.
8	Net Energy Metering	R.14-07-002
9	Demand Response	R.13-09-011
10	EPIC on Research and Development	A.17-04-028 et al.
11	Transportation Electrification	R.18-12-006
12	Distribution Resources Planning	R.14-08-013 et al.
13	Integrated Distributed Energy Resources	R.14-10-003
14	Climate Adaptation	R.18-04-019
15	Natural Gas Utility Cap-and-Trade	R.14-03-003

4. Respondents, parties, and/or prospective parties may file and serve comments on the preliminary scope of this proceeding outlined in this document by no later than 30 days after the issuance of this order. Pursuant to Rule 6.2 of the Commission's Rules of Practice and Procedure, parties shall include in their comments any objections regarding the category, need for hearing, issues to be considered, or schedule. Comments shall be limited to no more than 25 pages per party. Reply comments may be filed and served no later than 45 days after the issuance of this order and shall be limited to no more than 15 pages per party.

5. Any person or representative of an entity interested in participating in or monitoring this proceeding that does not make an appearance at the prehearing conference shall follow the process for doing so set forth herein.

6. The category of this rulemaking is preliminarily determined to be quasi-legislative.

7. Evidentiary hearings are preliminarily determined not to be needed.

8. Any party that expects to claim intervenor compensation for its participation in this rulemaking shall file its notice of intent to claim intervenor compensation no later than 30 days after the due date for reply comments; notices may also be filed 30 days after the prehearing conference.

9. The assigned Commissioner or Administrative Law Judge may make any revisions to the scheduling and filing determinations made herein as necessary to facilitate the efficient management of the proceeding, including organization of issues into separate tracks of the proceeding.

This order is effective today.

Dated _____, at Sacramento, California.

Attachment A – List of Respondents and Their Contact Information

(Will be updated in final.)