STATE OF CALIFORNIA GAVIN NEWSOM, *Governor*

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PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

April 2, 2020 **Agenda ID #18308**
Ratesetting

TO PARTIES OF RECORD IN RULEMAKING 11-03-012:

This is the proposed decision of Administrative Law Judges McKinney and Doherty. It will appear on the Commission's April 16, 2020 agenda. The Commission may act then, or it may postpone action until later.

When the Commission acts on the proposed decision, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Pursuant to Rule 14.6(b), comments on the proposed decision must be filed within 3 days of its mailing and reply comments are not permitted.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4)(B).

/s/ W. ANTHONY COLBERT for
Anne E. Simon
Chief Administrative Law Judge

AES:mph

Attachment

Decision **PROPOSED DECISION OF ALJ MCKINNEY AND ALJ DOHERTY**
(Mailed 4/2/2020)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Address Utility Cost and Revenue Issues Associated with Greenhouse Gas Emissions.	Rulemaking 11-03-012

DECISION MODIFYING SCHEDULE OF CLIMATE CREDIT DISBURSEMENTS FOR RESIDENTIAL ELECTRIC CUSTOMERS

Summary

This decision modifies the schedules for disbursement of the Climate Credit to residential electric customers of Southern California Edison Company and Pacific Gas and Electric Company so that these customers will receive credits in April, May and June 2020. Other than this modification, all other terms of prior decisions (including Decision (D.) 13-12-003 and D.19-12-002) remain in full force and effect. The director of the Commission's Energy Division is given authority to reconcile any potential conflicts between the orders of this decision and previous decisions in this proceeding to ensure that the orders of this decision are effectuated.

This proceeding remains open.

1. Jurisdiction

Pursuant to Public Utilities Code Section 1708,[1] this decision modifies certain orders of Commission Decision (D.) 13-12-003. Section 1708 states "[t]he commission may at any time, upon notice to the parties, and with opportunity to be heard as provided in the case of complaints, rescind, alter, or amend any order or decision made by it. Any order rescinding, altering, or amending a prior order or decision shall, when served upon the parties, have the same effect as an original order or decision."

2. Background

On March 19, 2020, the Governor signed Executive Order N-33-20 requiring Californians to heed the order of the California State Public Health Officer and the Director of the California Department of Public Health that all individuals living in the State of California stay home or at their place of residence, except as needed to maintain continuity of operation of the federal critical infrastructure sectors, in order to address the public health emergency presented by the COVID-19 disease (stay-at-home order).[2] The stay-at-home order is indefinite and as of the date of the issuance of this decision it remains in effect.

To better understand how the stay-at-home order is impacting residential electricity usage, the Commission's Energy Division issued data requests to the three large investor-owned electric utilities (IOUs). The IOUs' responses confirm that Californians have used more electricity at home since the issuance of the Governor's stay-at-home order. A ruling adding a summary of the relevant data

[1] All further statutory references are to the Public Utilities Code Sections unless otherwise specified.

[2] Executive Order N-33-20. Available at: https://covid19.ca.gov/img/Executive-Order-N-33-20.pdf. Last accessed March 27, 2020.

responses will be added to the record of this proceeding. This decision holds that it is reasonable to expect that home electric use will increase as a result of the stay-at-home order.

In order to mitigate the effects of increased residential electric bills that are likely to result due to the stay-at-home order, and provide residential customers increased opportunity to invest in energy-saving products, this decision considers whether to modify the timing of the Climate Credit disbursements as ordered by D.13-12-003.

3. The Climate Credit

As part of California's Cap-and-Trade program,[3] greenhouse gas (GHG) allowances are allocated to ratepayers. The utilities act as intermediaries to hold and then sell the allowances for ratepayer benefit in the California Air Resources Board (CARB) quarterly auctions. The revenue from the sale of these GHG allowances is then returned to ratepayers.[4]

The Commission opened Rulemaking (R.) 11-03-012 to determine how the IOUs should distribute the proceeds generated from the sale of GHG allowances for the sole benefit of the IOUs' retail ratepayers. D.13-12-003 is one of a series of decisions adopted in R.11-03-012 and Application 13-08-002 to implement the GHG proceeds allocation methodology adopted in D.12-12-033. D.12-12-033, in compliance with Assembly Bill 32 (Stats. 2006, ch. 488) and Section 748.5, allocated GHG allowance proceeds first to emissions-intensive and

[3] Health and Safety Code §§ 38562 et seq., California Code of Regulations, Title 17, Division 3, Subchapter 10 (Climate Change), Article 5, §§ 95800-96023 (17 CCR §§ 95800-96023).

[4] The GHG allowances are allocated to ratepayers with the utilities acting as an intermediary to hold and then sell the allowances for ratepayer benefit. The revenue from the sale of these GHG allowances is then returned to ratepayers and helps to offset the increases in electricity costs that result from GHG compliance.

trade-exposed entities, then to small businesses as defined therein, and then designated that the remainder of proceeds be distributed to residential customers on an equal per residential account basis delivered as a semi-annual, on-bill credit. This semi-annual credit is known as the California Climate Credit.

D.13-12-003 set out a schedule for the IOUs to use in distributing the semi-annual Climate Credit to their residential customers. They were ordered to distribute the Climate Credit in April and October of each year after 2014.[5] These months were selected so that customers would not experience reduced bills during the summer when price signals to reduce peak summer usage were at their strongest. The Commission was concerned that summertime California Climate Credit distributions would interfere with public policy goals around demand response and energy efficiency programs.[6]

The annual Climate Credit is calculated separately for each of the three large electric IOUs in their individual Energy Resource Recovery Account (ERRA) forecast proceedings. For 2020, the semi-annual Climate Credit amounts are as follows: $37 per Southern California Edison Company (SCE) customer[7] and $35.73 per Pacific Gas and Electric Company (PG&E) customer.[8]

The schedule for San Diego Gas & Electric Company (SDG&E) Climate Credit distributions was altered by D.19-12-002. In that decision, the Commission found that abnormally high summer temperatures in SDG&E territory justified the rescheduling of the Climate Credit distributions to lower

[5] D.13-12-003, OP 1.

[6] D.13-12-003 at 13, COL 9.

[7] D.20-01-022, OP 2, set the Climate Credit at $36.92 for 2020, but allowed the amount to be rounded to the nearest dollar.

[8] D.20-02-047, OP 1, set the semi-annual Climate Credit at $35.73 for 2020.

summer bills, and to test the effectiveness of outreach and messaging during a time of high customer engagement. D.19-12-002 ordered SDG&E to distribute the residential Climate Credit in August and September for the years 2020 and 2021 only.[9]

PG&E and SDG&E also deliver a natural gas California Climate Credit to their natural gas customers in April of each year.

On March 27, 2020, the Public Advocates Office of the California Public Utilities Commission (Cal Advocates) filed an Emergency Motion of the Public Advocates Office to Provide Customer Relief Related to COVID-19 and for an Order Shortening Time to Respond; [Proposed Order] (Emergency Motion). The Emergency Motion proposed changing the disbursement schedule for the 2020 and 2021 California Climate Credits to mitigate the near-term bill impacts expected to result from COVID-19 impacts. Cal Advocates states that it is necessary "to provide relief to customers who may be facing economic hardship due to the impact of COVID-19."[10]

4. Discussion

The stay-at-home order is an unprecedented measure that seeks to reduce the public health threat of the COVID-19 disease by limiting the ability of Californians to leave their homes. As a result of the order many Californians are spending more time in their homes than usual. This increased time spent at home is likely driving residential electricity use higher than usual given that most Californians use electrical appliances while at home. This decision

[9] D.19-12-002, OP 1.

[10] Emergency Motion at 1.

therefore concludes that average residential electricity use, and therefore average residential electric bills, are increasing as a result of the stay-at-home order.

The stay-at-home order is mandatory and only exempts certain essential out-of-home activities. As a result, residential electrical customers are practically required to use more electricity at home than they normally do in order to assist the state in addressing a public health emergency. It is equitable to blunt some of the impact of these expected bill increases given that most residential customers have no choice but to stay at home and in some cases conduct work or school from home. Moving the California Climate Credit can also provide additional opportunities for residential customers to purchase energy-saving devices or services, which may be especially useful during this period and can further help reduce bill impacts of the shelter-in-place order by allowing ratepayers to more effectively manage their in-home energy consumption.

In addition to a potential increase in their electric bills, many customers face unexpected financial hardship due to the economic impacts of COVID-19. In its Emergency Motion, Cal Advocates cites Executive Order N-28-20, which states that "Californians are experiencing substantial losses of income as a result of business closures, the loss of hours or wages, or layoffs related to COVID-19, hindering their ability to keep up with their rents, mortgages, and utility bills."[11]

At this time, the stay-at-home order is indefinite, so this decision holds that it is reasonable to attempt to mitigate higher electric bills that can be expected as a result of the stay-at-home order in May and June 2020. In a future decision the Commission may address the need for mitigation of electric bill

[11] Emergency Motion at 5.

increases in July 2020 and later should the stay-at-home order remain in effect during that time.

Pursuant to ordering paragraph 1 of D.13-12-002, SCE and PG&E are distributing the first half of the 2020 California Climate Credit to their residential electric customers as a credit on April 2020 bills. SCE's California Climate Credit for April is $37 per customer. PG&E's California Climate Credit in April is $35.73. In accordance with D.19-12-002, SDG&E will not distribute a California Climate Credit to their electric customers in April 2020 and SDG&E is not scheduled to do so until August 2020. SDG&E's California Climate Credit in August 2020 should equal $32.28 per residential customer.

If the California Climate Credit distribution for SCE and PG&E electric customers scheduled for October is advanced to May and June (with half of the total October California Climate Credit being distributed in each month), then the bills of SCE customers would be reduced by $18.50 in May and June, and the bills of PG&E electric customers would be reduced by $17.86 in May and June. Therefore, advancing the distribution of the SCE and PG&E October 2020 California Climate Credits to May and June will help mitigate the higher electric bills expected in those months as a result of the stay-at-home order and provide opportunities for customers to manage their in-home electric consumption.

Reducing the electric bills of IOU residential customers by these amounts in May and June 2020 is equitable and reasonable as it helps to mitigate the higher electric bills expected as a result of the mandatory stay-at-home order. Advancing the distribution schedule of the California Climate Credit for SCE and PG&E does not affect the underlying rates charged to electric customers and therefore no rate and bill impact analysis is required. For these reasons, this decision modifies D.13-12-003 and orders SCE and PG&E to advance their

October 2020 Climate Credit distribution for their residential electric customers to May and June 2020, and to split the amount of the October 2020 California Climate Credit evenly between May and June 2020 on a per customer basis. This necessarily means that there will be no October 2020 California Climate Credit distribution to residential electric customers of SCE and PG&E. Therefore, PG&E and SCE shall consult with Energy Division staff on an appropriate customer messaging strategy to convey these changes to ratepayers.

No changes are made to the California Climate Credit disbursement schedule for SDG&E electric customers at this time.

Cal Advocates asks that the Commission also modify the Climate Credit disbursement schedule for 2021. We decline to do so at this time because the amount of the 2021 Climate Credits is uncertain. The Climate Credit must be recalculated each year, and is dependent on many variables including the amount of proceeds from future allowance auctions. Given the recent changes to energy use and to the economy as a whole, the amount of the Climate Credit could change substantially in 2021. Therefore, it is not reasonable to advance the 2021 Climate Credit disbursement schedules at this time.

For the sake of clarity, this decision only modifies the orders of D.13-12-003 as they relate to the timing of the distribution of the California Climate Credit. There is no intent to modify any of the other orders in D.13-12-003 and D.19-12-002. However, to the extent that this decision's modification of the orders of D.13-12-003 related to the timing of the distribution of the Climate Credit conflict with other orders in D.13-12-003 and D.19-12-002 or other Commission decisions or orders, this decision grants the director of the Commission's Energy Division the authority to resolve such conflicts so that the orders of this decision are carried out. The IOUs shall seek the advice of the director of the Commission's Energy Division in the event such conflict arises, and an authorizing letter from the director of the Commission's Energy Division shall be sufficient to absolve the IOUs from the responsibility to comply with any orders that conflict with the orders of this decision.

5. Reduction of Comment Period

Concurrent with issuance of the proposed decision, the assigned ALJ issued a ruling shortening the comment period to three days. The shortened comment period is necessary because the decision is intended to address the immediate impacts of the Governor's declaration of a state of emergency on March 4, 2020, and the Governor's stay-at-home directive issued on March 19, 2020. Comments were filed on ______________.

6. Assignment of Proceeding

Liane M. Randolph is the assigned Commissioner and Patrick Doherty, Jeanne McKinney and Brian Stevens are the assigned Administrative Law Judges in this proceeding.

Findings of Fact

1. The annual residential California Climate Credit is calculated and adopted in each large electric IOU's individual Energy Resource Recovery Account forecast proceeding. The calculation includes many variables, such as the actual and forecast proceed amounts from the quarterly CARB auctions.

2. On March 4, 2020, Governor Newsom proclaimed a state of emergency to exist in California as a result of the threat of COVID-19.

3. Since March 4, 2020, COVID-19 has continued to spread throughout California leading Governor Newsom to issue Executive Order N-33-20 on March 19, 2020, directing Californians follow state health directives to stay home. Californians must not leave their homes except for essential purposes.

4. Utility data show increased home electricity use during March 2020 compared to 2019.

5. It is reasonable to expect that customers will use more electricity at home when complying with the Governor's stay-at-home order.

6. Average residential electricity use, and therefore average residential electric bills, are increasing as a result of the stay-at-home order.

7. It is not reasonable to expect residential electrical customers to not use more electricity at home than they normally do in order to assist the state in addressing a public health emergency.

8. Advancing the distribution of the SCE and PG&E October 2020 California Climate Credits to May and June will help mitigate the higher electric bills expected in those months as a result of the stay-at-home order.

9. Advancing the distribution schedule of the Climate Credit for SCE and PG&E does not affect the underlying rates charged to electric customers and therefore no rate and bill impact analysis is required.

10. Californians are experiencing substantial losses of income as a result of business closures, the loss of hours or wages, or layoffs related to COVID-19, hindering their ability to keep up with their rents, mortgages, and utility bills.

11. Cal Advocates supports changing the Climate Credit disbursement schedule as a means to provide relief to customers who may be facing economic hardship due to the impact of COVID-19.

12. In addition to mitigating the impact of potential utility bill increases, advancing the Climate Credit disbursement schedule will provide some relief to customers who are experiencing losses of income related to COVID-19.

13. The amount of the 2020 Climate Credits were determined by decision in the individual utility ERRA forecast proceedings for 2020.

14. The amount of the 2021 Climate Credits cannot be calculated at this time.

Conclusions of Law

1. It is equitable to blunt some of the impact of the higher electric bills that can be expected to result from higher residential electricity usage given that most residential customers are required to stay at home.

2. It is reasonable to attempt to mitigate higher electric bills that can be expected as a result of the stay-at-home order in May and June 2020.

3. This decision only modifies the orders of D.13-12-003 as they relate to the timing of the distribution of the Climate Credit. There is no intent to modify any of the other orders in D.13-12-003 and D.19-12-002.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company shall advance its October 2020 Climate Credit distribution for its residential electric customers to May and June 2020, and split the amount of the October 2020 Climate Credit evenly between May and June 2020 on a per customer basis.

2. Pacific Gas and Electric Company shall advance its October 2020 Climate Credit distribution for its residential electric customers to May and June 2020, and split the amount of the October 2020 Climate Credit evenly between May and June 2020 on a per customer basis.

3. Pacific Gas and Electric Company and Southern California Edison Company shall consult with Energy Division staff on an appropriate customer messaging strategy to convey these changes to ratepayers.

4. Southern California Edison Company (SCE) shall seek the advice of the director of the Commission's Energy Division in the event a conflict arises between the orders of this decision and Decisions 13-12-003 and 19-12-002. An

authorizing letter from the director of the Commission's Energy Division shall be sufficient to absolve SCE from the responsibility to comply with any orders that conflict with the orders of this decision.

5. Pacific Gas and Electric Company (PG&E) shall seek the advice of the director of the Commission's Energy Division in the event a conflict arises between the orders of this decision and Decisions 13-12-003 and 19-12-002. An authorizing letter from the director of the Commission's Energy Division shall be sufficient to absolve PG&E from the responsibility to comply with any orders that conflict with the orders of this decision.

6. The director of the Commission's Energy Division is authorized to resolve any conflicts between today's decision and prior Commission decision or orders that may arise.

7. Rulemaking 11-03-012 remains open.

This order is effective today.

Dated ____________________________, at San Francisco, California.