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

Order Instituting Rulemaking  
Regarding Building Decarbonization.

Rulemaking 19-01-011

**PHASE II AMENDED SCOPING MEMO  
AND RULING OF ASSIGNED COMMISSIONER**

This Amended Scoping Memo and Ruling (Phase II Scoping Memo) amends the previous Scoping Memo and Ruling to clarify issues for Phase II and set forth the Phase II schedule. Except as expressly set forth in this Phase II Scoping Memo, the terms of the previously issued Scoping Memo and Ruling remain unchanged.

**1. Scope of Issues for Phase II**

**1.1. Background; Preparation for Phase II**

This Phase II Scoping Memo sets out the specific issues to be addressed in Phase II of this proceeding and how these issues fit within the scope set in the May 17, 2019 Scoping Memo and Ruling. As described in that original scoping memo, the remaining issues to resolve in this proceeding are:

- Should the Commission implement any programs dedicated specifically to support the construction of decarbonized buildings in communities affected by wildfires?
- Should the Commission make any changes to existing policies, rules, or procedures in order to facilitate better coordination with the development of Title 24 and Title 20

standards at the Energy Commission that facilitate building decarbonization?

- What policies, rules, and procedures should the Commission adopt to facilitate the decarbonization of buildings?

Following issuance of the Phase I decision<sup>1</sup> Energy Division staff held two separate workshops and prepared the August 20, 2020 Draft Phase II Staff Proposal (attached to this Phase II Scoping Memo as Appendix A). These activities are described in more detail in subsections 1.2-1.5 and section 4 below. The issues to be resolved in Phase II (set forth below) are linked to the Phase II Staff Proposal.

#### A. Incentive Layering

1. How should incentives from different programs to advance building decarbonization be layered?
2. Should the Commission adopt specific guidelines for incentive layering for certain building decarbonization technologies such as heat pump appliances?
3. To what extent should the Commission apply incentive layering guidelines for building decarbonization to other programs under Commission jurisdiction?
4. Should the incentive layering guidelines address incentives provided under programs outside of the Commission's jurisdiction?

#### B. WNDRR Proposal

1. Should the Commission implement any programs dedicated specifically to support the construction of decarbonized buildings in communities affected by wildfires and other natural disasters? If yes, should the

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<sup>1</sup> Decision (D.) 20-03-027.

Commission adopt the Wildfire and Natural Disaster Resiliency Rebuild (WNDRR) program proposed in the Phase II Staff Proposal? What, if any, modifications should be made?

C. Special Baseline Allowance for Electric Water Heating Equipment

1. Should the Commission require electric Investor-Owned Utilities (IOUs) to provide a special baseline allowance for residential customers who install electric water heating equipment in order to facilitate the decarbonization of buildings?

**1.2. Incentive Layering**

The Commission has numerous demand side programs that provide incentives for heat pump water heater (HPWH) and heat pump heating, ventilation, and air conditioning (HP HVAC) measures, which may have differing rules regarding evaluating cost effectiveness and differing measures of success. In addition, program offerings may overlap and result in multiple incentives funding the same measure. These programs include, but are not limited to, the following: Energy Efficiency, Self-Generation Incentive Program, Energy Storage, Building Decarbonization, and programs targeting low-income customers and disadvantaged communities.<sup>2</sup>

D.20-03-027 directed Energy Division staff to do the following:

conduct a workshop, after the adoption of this decision, to focus on stakeholder concern for 'fund-stacking.' From this workshop, Energy Division staff will produce a staff proposal with a framework for how to address funding when combining incentives from separate program budgets.<sup>3</sup>

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<sup>2</sup> For a full list of programs see:  
<https://www.cpuc.ca.gov/WorkArea/DownloadAsset.aspx?id=6442465700>

<sup>3</sup> D.20-03-027 at 86.

Energy Division staff held a public workshop on June 30, 2020, to discuss possible approaches to the issue of incentive layering for California's building decarbonization programs. Specifically, the workshop discussed the interactions of the various incentive programs and when it is appropriate for customers to combine incentives, as well as program evaluation, shared resources between programs, and how to attribute savings to multiple programs.

### **1.3. Post-Wildfire Reconstruction**

The original scoping memorandum included the question of whether the Commission should adopt "programs dedicated specifically to support the construction of decarbonized buildings in communities affected by wildfire." The attached Staff Proposal includes a proposal for a program called the Wildfire and Natural Disaster Resiliency Rebuild (WNDRR) program. This program proposal will be further addressed in an upcoming workshop scheduled for Tuesday, September 15, 2020, from 9:00 a.m. to 3:00 p.m. During this workshop panelists will review the lessons learned from the 2017, 2018, and 2019 wildfire rebuild efforts, examine the incentive programs provided by the IOUs to help impacted communities recover, and seek input on the proposed WNDRR program. The workshop will also explore the topic of mobilehome park (MHP) electrification and manufactured home coach electrification topics as directed in Ordering Paragraph (OP) 15 of D.20-04-004. These topics will be explored in the context of ongoing rebuild efforts of MHPs impacted by the 2018 Camp Fire in Butte County and help inform the scope of Phase II of the Mobilehome Park Safety proceeding, Rulemaking (R.) 18-04-018.

### **1.4. Baseline Allowance Modifications**

To facilitate the decarbonization of buildings, it may be necessary to create an adjusted baseline for fuel substitution measures. For example, many

residential customers are on a tiered electric rate where a baseline amount of electricity is charged at a low rate and electric use over the baseline is charged at a higher rate. For these customers, switching from natural gas water heating to an efficient electric HPWH could increase the customer’s electricity bill. The Staff Proposal includes a proposal to modify the baseline amount for these customers. At the September 15, 2020 workshop, Energy Division staff will present and receive input on the proposal.

**2. Schedule**

The following schedule is established for Phase II, subject to modification by the assigned Commissioner or assigned Administrative Law Judges (ALJs).

<b>Event</b>	<b>Date</b>
Phase II Scoping Memo	August 25, 2020
Phase II Staff Proposal addressing Wildfire and Natural Disaster Rebuild Program, Incentive Layering, and Baseline Modifications for Residential Ratepayers	August 20, 2020 (attached to Phase II Scoping Memo)
Workshop on WNDRR proposal, electric baseline adjustment proposal, MHP electrification, and other matters related to building decarbonization	September 15, 2020
Opening Comments (served and filed)	October 09, 2020
Reply Comments (served and filed)	October 16, 2020
Proposed Decision Issued for Comment	December 2020

The assigned Commissioner or assigned ALJs may modify this schedule as necessary to promote the efficient management and fair resolution of this proceeding. Any workshops in this proceeding shall be noticed on the Commission’s Daily Calendar to inform the public that a decision-maker or advisor may be present at those meetings or workshops. Parties shall check the Daily Calendar regularly for such notices.

Phase III will be opened and scoped as necessary to fulfill the goals set out in the underlying Order Instituting Rulemaking.

### **3. Service of this Phase II Scoping Memo**

The original Scoping Memo and Ruling of Rulemaking (R.) 19-01-011 described the scope of the proceeding in broad terms. This Phase II Scoping Memo describes specific proposals that may affect or modify existing programs and rates. These issues were within the original scope of this proceeding. So that those interested in the specific programs and rates have the opportunity to be informed and participate in this proceeding, this Phase II Scoping Memo is being served on the following service lists:

- Building Decarbonization Proceeding: R.19-01-011
- Mobilehome Park Safety Proceeding: R.18-04-018
- Self-Generation Incentive Program Proceeding: R.20-05-012
- Energy Efficiency Proceeding: R.13-11-005
- Microgrids and Resiliency Strategies Proceeding:  
R.19-09-009
- San Joaquin Valley Affordable Energy Proceeding:  
R.15-03-010
- Affordability Proceeding: R.18-07-006
- IOU Energy Savings Assistance and California Alternate Rates for Energy Programs and Budgets for Program Years 2021-2026: Application (A.) 19-11-003
- Southern California Edison Company (SCE) General Rate Case (GRC) Phase 2: A.17-06-030
- San Diego Gas & Electric Company (SDG&E) GRC Phase 2:  
A.19-03-002
- Pacific Gas and Electric Company (PG&E) GRC Phase 2:  
A.19-11-019

### **4. Recent Activities**

In addition to the ongoing activities in R.19-01-011, Energy Division staff has started implementing the programs approved in D.20-03-027 issued in

Phase I of this proceeding. These activities are not part of the Phase II scope of R.19-01-011, but are described below for informational purposes.

**4.1. Implementation of the Building Initiative for Low-Emissions Development (BUILD) Program**

On June 15, 2020, the California Energy Commission (CEC) – the administrator of the BUILD Program – and Energy Division staff held a joint agency workshop to present and solicit feedback on BUILD Program implementation approaches and program requirements. On July 24, 2020, the CEC submitted an implementation plan to the Commission and issued the implementation plan for stakeholder comment on the CEC’s Building Decarbonization docket.<sup>4</sup>

**4.2. Implementation of the Technology and Equipment for Clean Heating (TECH) Initiative**

On June 22, 2020, SCE, at the direction of D.20-03-027, opened a competitive solicitation for an implementer for the TECH Initiative. The deadline for bids was August 18, 2020. As directed in D.20-03-027, qualifying bids will be reviewed by a multi-stakeholder Scoring Committee. The Commission expects the winning bidder to come under contract no later than the first quarter of 2021. The results of the solicitation will be submitted to the Commission as a Tier 2 advice letter by SCE.

**4.3. Building Decarbonization Data Workshop**

D.20-03-027 requires the IOUs to each file data and maps for program planning and assessment annually on September 1. On June 17, 2020, Energy Division staff, at the direction of Ordering Paragraph 25 of D.20-03-027, held a workshop on assessing data needs for building decarbonization. The

workshop's participating panelists included speakers from the Commission's Energy Division (Building Decarbonization and Renewable Gas Section, Gas Policy and Reliability Section) and Safety and Enforcement Division (Gas Safety and Reliability Branch), Gridworks, the Environmental Defense Fund, and the IOUs. The information from the workshop will be used to identify what data and maps are necessary to complete program planning and assessment of the BUILD Program and TECH Initiative. The requirements will be set forth in an Energy Division resolution which will be adopted separately from this proceeding.

**IT IS RULED** that the scope of issues and schedule for Phase II of this proceeding are set forth above. Except as expressly set forth in this Phase II Scoping Memo and Ruling, the terms of the previously issued Scoping Memo and Ruling remain unchanged.

Dated August 25, 2020, at San Francisco, California.

/s/ CLIFFORD RECHTSCHAFFEN  
Clifford Rechtschaffen  
Assigned Commissioner

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<sup>4</sup> See: <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=20-DECARB-01>

Appendix A  
**August 20, 2020 Draft Phase II Staff Proposal**