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

Order Instituting Rulemaking  
Regarding Building  
Decarbonization.

Rulemaking 19-01-011

**ADMINISTRATIVE LAW JUDGE'S RULING SETTING PREHEARING  
CONFERENCE AND DIRECTING COMMENT ON  
ENERGY DIVISION PHASE II STAFF PROPOSAL**

On August 25, 2020, the assigned Commissioner issued an Amended Scoping Memo and Ruling (Phase II Scoping Memo) to address Phase II of this proceeding. The Phase II Scoping Memo included the August 20, 2020 Draft Phase II Staff Proposal. Following the Phase II Staff Proposal, on September 15, 2020, Energy Division staff held a stakeholder workshop (the Phase II Workshop) that included separate panels on the proposed Wildfire and Natural Disaster Resiliency Rebuild (WNDRR) program, mobile home park (MHP) electrification, and a possible adjustment to electric rates for customers who switch to high-efficiency heat pump water heaters.

Today's ruling (a) invites parties to comment on the Phase II Proposal, the Phase II Workshop, and the specific questions set forth in Attachment A; (b) attaches an Excel spreadsheet showing calculation of WNDRR Incentive values used for the Phase II Workshop as Attachment B; and (c) attaches the Phase II Workshop slides as Attachment C. The workshop slides are also available on the Commission website at <[www.cpuc.ca.gov/buildingdecarb](http://www.cpuc.ca.gov/buildingdecarb)>. Comments and Reply Comments are each limited to 30 pages.

Today's ruling also sets a prehearing conference (PHC) for Phase II on October 9, 2020. This PHC will be an opportunity to update the service list, discuss concerns or ideas about the upcoming schedule and activities for Phase II. It will also set a new 30-day deadline for parties to file a notice of intent pursuant to Section 1804(a) of the Public Utilities Code.

Parties are reminded that, although this ruling attaches the workshop slides, the presentations made by the panels and discussions during the panels, are not part of the record. Parties wishing to include aspects of the workshop beyond the slides may wish to include ideas, concerns, and context in their formal comments.

The updated procedural schedule is as follows:

<b>Event</b>	<b>Date</b>
Phase II Prehearing Conference	October 9, 2020 10:00 a.m. Telephonic
Opening Comments in response to this ruling (served and filed)	October 9, 2020
Reply Comments in response to this ruling (served and filed)	October 16, 2020

**IT IS SO RULED.**

Dated September 24, 2020, at San Francisco, California.

/s/ JEANNE M. MCKINNEY

Jeanne M. McKinney  
Administrative Law Judge

## Attachment A

### Questions

#### A. Questions Regarding the Incentive Layering Proposal

1. How should incentives from different programs to advance building decarbonization be layered? \*<sup>1</sup>
2. Should the Commission adopt specific guidelines for incentive layering for certain building decarbonization technologies such as heat pump appliances? If yes, what should be included in the incentive layering guidelines (i.e. principles, attribution formula(s), a list of eligible technologies, a list of eligible programs, etc.)?\*
3. To what extent should the Commission apply incentive layering guidelines for building decarbonization adopted in this proceeding to other programs under Commission jurisdiction? If yes, how should the Commission approach or manage this?
4. Should the incentive layering guidelines address incentives provided under programs outside of the Commission's jurisdiction? If yes, how should the Commission approach or manage this?\*
5. Should this proceeding undertake further activities, such as formal testimony or workshops, to further develop and inform the incentive layering proposal? Should this proceeding jointly convene workshop(s) with any proceedings addressing programs that could be affected by incentive layering guidelines developed in this proceeding? Please explain.
6. To establish the most effective market signal and program evaluation structure, should Energy Efficiency programs always serve as the incentive "baseline" from which other adjust incentive amounts to, or should the incentive "baseline" be based on the program that can provide the greatest incentive value?
7. Should any incentive layering attribution formula included in incentive layering guidelines take into consideration incentives provided to support the

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<sup>1</sup> Questions marked with an asterisk (\*) are modified questions from the Phase II Scoping Memo.

installation of a technology as well as for the technology itself? Incentives to support the installation of a technology could include incentives for labor costs and/or workforce training.

8. Should any incentive layering attribution formula take into consideration measures necessary to install a technology, such as an electrical panel or 220v electrical circuit for heat pump water heaters? Should any incentive layering attribution formula take into consideration measures that enable additional performance, functionalities, such as a CTA-2045 universal communication module, which can enable load shifting and load shed for heat pump water heaters?

### **B. Questions Regarding the Proposed WNDRR Program**

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 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?\*
2. Should ratepayers be eligible for WNDRR incentives regardless of where they rebuild as long as it is in the same natural gas investor-owned utility service territory? Should manufactured homes be eligible for the WNDRR program? If yes, how should greenhouse gas reductions for manufactured homes be modeled and calculated?
3. Should the WNDRR program value the avoided natural gas service extension allowances established under each of the natural gas investor-owned utilities tariff rules? If yes, how should the value be incorporated into the program? San Diego Gas and Electric and Pacific Gas and Electric Company allowances are established under Tariff Rule 15. Southern California Gas Company's allowances are established under Tariff Rule 20.
4. Is the proposed equity incentive an effective way to help low income and disadvantaged community members rebuild post natural disaster? Should it be adjusted in any way to enhance its effectiveness?
5. Are there any other ways in which the Commission can ensure that the WNDRR program benefits low income and disadvantaged community members?

6. Is the kicker incentive for passive house certification reasonable, or should the Commission consider other kicker incentives that can provide both near- and long-term benefits?
7. Should the Commission consider a statewide third-party program implementer for the WNDRR program? If yes, should the contract be for the entire 10 years of the program?
8. Is the Tier 2 Advice Letter process described in the proposal an appropriate and efficient manner of implementing the WNDRR program?
9. Is \$5 million in annual funding an appropriate level of funding for the WNDRR program? Should the Commission explore how additional emergency funds could be administered through WNDRR?
10. Should this proceeding undertake further activities, such as formal testimony or workshops, to further develop and inform the WNDRR program?

**C. Questions Regarding the Proposed Rate Adjustment for Electric Water Heating Customers**

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?\*
2. The Phase II Staff Proposal recommends disallowing propane users from receiving the all-electric baseline allowance on a prospective basis unless they otherwise qualify by having electric space heating equipment installed. Before adopting this recommendation, should the Commission consider additional information such as: whether new procedures would need to be implemented by the utilities; the administrative cost of the proposed change; and the estimated monetary impact this proposed change would have on (i) monthly bills of customers who are currently or would otherwise have enrolled in the all-electric rate; (ii) the change in the amount of the all-electric baseline taking into account the changes to the electric baseline pool of customers used to calculate the all-electric baseline; and (iii) total revenue collected from residential customers?
3. The Phase II Staff Proposal recommends implementing an interim baseline adjustment through an Advice Letter process. Is the proposed interim

baseline adjustment and implementation process consistent with the Commission's obligations to set just and reasonable rates? What information (such as potential cost shifts) should be considered when evaluating the interim proposal? What are the operational challenges with implementing the interim proposal? Should a different interim rate adjustment mechanism be considered? Could the potential impacts of an interim proposal be mitigated by an enrollment cap? If the Commission were to adopt the interim proposal as a pilot, what questions should the Commission study?

4. The Phase II Staff Proposal recommends that each IOU file a proposal for an incremental rate adjustment for all customers who install electric water heating equipment in the IOU's next GRC or RDW. What information should be contained in the proposal? What data are necessary to evaluate the proposals?
5. Should this proceeding undertake additional activities, such as formal testimony or workshops, to further develop and inform the rate adjustment proposal?
6. Are there existing rate designs or other mechanisms for mitigating the bill impacts of switching to an electric heat pump water heater?

**(END OF ATTACHMENT A)**