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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to
Establish a Framework and Processes
for Assessing the Affordability of
Utility Service.

Rulemaking 18-07-006

**ASSIGNED COMMISSIONER'S
FOURTH AMENDED SCOPING MEMO AND RULING**

This Amended Scoping Memo and Ruling (Amended Scoping Memo) sets forth the category, issues to be addressed, and schedules for the second and third phases of this proceeding pursuant to Public Utilities (Pub. Util) Code Section 1701.1 and Article 7 of the Commission's Rules of Practice and Procedure (Rules). The third phase of this proceeding will consider strategies to mitigate future energy rate increases, including strategies proposed at the February 24, 2021 "En Banc Meeting on Cost and Rate Trends." This fourth Amended Scoping Memo also makes two minor changes to the scope of the second phase of this proceeding and extends the statutory deadline for this proceeding to December 31, 2023.

1. Background

On July 12, 2018, the California Public Utilities Commission (Commission) instituted this rulemaking to develop a common understanding and methods and processes to assess, consistent with Commission jurisdiction, the impacts on affordability of individual Commission proceedings and utility rate requests.

The recent history of this proceeding is reviewed in the third Amended Assigned Commissioner's Scoping Memo and Ruling (third Amended Scoping

Memo) and is incorporated here by reference. The third Amended Scoping Memo was issued on October 21, 2020.

On February 24, 2021, the Commission held an “En Banc Meeting on Cost and Rate Trends” (En Banc) to discuss the Commission’s draft report addressing electric and gas cost and rate trends pursuant to Pub. Util Code section 913.1, termed the 2021 Senate Bill (SB) 695 Report. The 2021 SB 695 Report cautioned of long-term increases in electric costs, rates with implications for equity and affordability if not directly addressed. The report also warned that rising rates, if left unchecked or handled incorrectly, could make transportation and building electrification policy goals more difficult to achieve.

At the En Banc, key decision-makers across California government heard from experts on utility rates, clean energy programs, and wildfire mitigation about ways to ensure California can modernize its energy system while maintaining affordable rates. In addition to the ideas and observations discussed at the En Banc, written comments were submitted by stakeholders following the En Banc.¹ This exchange of ideas is documented in Addendum 2 of the final 2021 SB 695 Report² submitted to the legislature in May 2021.

The 2021 SB 695 Report provides an important foundation for future work on controlling the growth of electric rates while ensuring that the state’s policy priorities are adequately funded. Proposed strategies to contain costs and

¹ Individual comment filings can be found on the CPUC’s En Banc website at: <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/en-banc-rates-and-costs>

² https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/en-banc/senate-bill-695-report-2021_en-banc-white-paper.pdf

mitigate rate increases recommended by En Banc panelists and commenters and documented in the 2021 SB 695 Report include the following:³

- Reducing residential volumetric rates and increasing residential fixed charges
- Adopting income-based fixed charges
- Shifting funding for programs that provide societal benefits from ratepayers to taxpayers
- Disincentivizing the purchase of gasoline vehicles, perhaps through a carbon fee
- Coordinating non-ratepayer funded program interventions with the legislature and other agencies
- Replacing ratepayer subsidies with regulatory mandates
- Anchoring general rate case revenue requests to inflation adjustment scenarios
- Using Risk Spend Efficiency data to transparently prioritize the most cost-effective safety spending
- Prioritizing vulnerable communities for baseline and rate adjustments
- Adopting wildfire mitigation surcharges for customers in Tier 3 fire threat areas
- Approving utility self-insurance for wildfire-related liabilities
- Implementing controls on increasing transmission costs
- Reducing Investor-Owned Utilities' (IOU) authorized Return on Equity
- Eliminating the fixed energy price option for must-take contracts with qualifying facilities

³ This list represents a subset of strategies proposed by stakeholders and is intended to be illustrative only. It is not intended to rank or prioritize strategies for Commission consideration in Phase 3.

- Extending operational flow order reduced penalty structures during summer months to stabilize gas and (by extension) electricity prices
- Allowing IOUs more flexibility in selling renewable energy credits
- Evaluating natural gas rates and affordability in coordination with the Gas Transition Rulemaking
- State financing of transmission assets

On April 29, 2021, the Commission produced the first annual Affordability Report required by Decision (D.) 20-07-032 in this proceeding. The Commission's foundational work on electricity costs, which includes both the 2021 SB 695 Report and this initial Affordability Report, leads to my decision to open a third phase of this proceeding to examine strategies to contain electric cost, rate and bill increases. Additionally, a few changes to the scope and schedule of the second phase of this proceeding are warranted. The issues and schedule of the second phase of this proceeding and a preliminary schedule and scope for the third phase of this proceeding are set forth herein. The third phase issues and schedule will be finalized after comment and a prehearing conference (PHC) as indicated in Section 3.3.

2. Second Phase of R.18-07-006

2.1. Issues

Two minor changes are made to the scope of issues as described in the third Amended Scoping Memo. First, the specific inclusion in Phase 2 of "potential consideration of other nondiscretionary expenses" is removed. In D.20-07-032, it was determined that other nondiscretionary expenses should be excluded from the affordability calculation. I do not see a reason to disturb that holding. Second, specific reference to coordination with Rulemaking (R.) 18-07-005 is removed. Removing this item from the scope does not preclude

the Commission from coordinating this proceeding with R.18-07-005, but the item is removed from this fourth amended scoping memo for the sake of clarity.

The issues to be determined in the second phase of this proceeding are:

1. How to implement the affordability metrics and methodologies adopted by the Commission in this proceeding;
2. How to forecast variables used to calculate the affordability metrics;
3. How to set proxy values for essential utility service cost data that are unavailable;
4. Determining the appropriate procedural pathways for implementation of the affordability metrics generally (*i.e.*, how broadly and in which proceedings to incorporate the metrics as well as the process used to publish information);
5. How to design and publish an annual Affordability Report;
6. How to refine methodologies for calculating the affordability metrics;
7. Developing and implementing a rate and bill impact tracking tool for Class A Water Utilities for ongoing support of the Commission's work;
8. Developing and implementing an energy rate and bill impact tracking tool for ongoing support of the Commission's work;
9. Determining interactions between the affordability metrics and the rate and bill tracker tool under development by the Commission's Energy Division;
10. How to coordinate ongoing data requests for information related to the affordability metrics;
11. How to develop and maintain tools for calculating the affordability metrics;
12. How to make the measurements of the affordability metrics publicly available and accessible; and

13. How to incorporate any approved essential usage study from Application (A.) 19-11-019.

2.2. Need for Evidentiary Hearing

This fourth Amended Scoping Memo confirms the previous determination that evidentiary hearings are not needed in Phase 2. This does not preclude a party from requesting an evidentiary hearing in the future if material disputed facts are discovered during the pendency of Phase 2.

2.3. Phase 2 Schedule

The Phase 2 procedural schedule is revised as follows:

Event	Date
Comments on fourth Amended Assigned Commissioner’s Scoping Memo and Ruling, Filed and Served	October 15, 2021
Staff Proposal on Implementation Issues, Issued	October 2021
Workshop on Staff Proposal on Implementation Issues	TBD October/November 2021
Opening Comments on Staff Proposal, Filed and Served	November 7, 2021
Reply Comments on Staff Proposal, Filed and Served	November 22, 2021
Phase 2 Proposed Decision, Issued	March 2022

Revisions to this schedule may be adopted in a future ruling issued by the assigned Commissioner or Administrative Law Judge (ALJ). A Commission decision resolving the issues in Phase 2 of this proceeding is expected by April 2022.

Furthermore, the Commission’s industry divisions may schedule additional workshops in this proceeding, and the service list will be noticed as to any such workshops that are scheduled at least 10 days in advance.

3. Third Phase of R.18-07-006 to Consider Strategies to Mitigate Energy Rate Increases

In meeting its requirement to ensure that energy rates remain affordable and able to support clean energy goals, a third phase of this proceeding is opening. This new phase is dedicated to further consideration of strategies to mitigate future energy rate increases, including strategies first proposed by stakeholders during the En Banc and in comments on the En Banc. The Commission will examine whether changes to Commission rules and practices, the rules and practices of other entities, and/or current statutes, should be recommended to mitigate future rate increases.

In Phase 3 of R.18-07-006 we will seek involvement from a variety of participants, including energy utilities, academics, ratepayer advocates, representatives for low-income, disadvantaged, and vulnerable communities, environmental advocates, industry representatives, the California Independent System Operator (CAISO), the California Energy Commission (CEC), and other parties impacted by these policies.

To begin this examination, we will hold a workshop in the first quarter of 2022 in which parties will share preliminary proposals for strategies to mitigate rate increases and debate the strengths and weaknesses of these strategies. Following the workshop, parties will be asked to file comments proposing refined strategies, followed by a round of opening and reply party comments on the proposals. Staff will then develop and issue a report proposing actions the Commission could take or recommend other entities (such as the legislature or other agencies) take, to mitigate future rate increases.

3.1. Preliminary Issues

The preliminary scope of Phase 3 is as follows:

1. What actions, if any, should the Commission take to mitigate future increases in energy costs, rates and bills?
2. What actions, if any, should the Commission recommend other entities take to mitigate future increases in energy costs, rates and bills?

While the scope of Phase 3 is particular to the energy industry, we may revisit affordability specific to the water and communications industries in a subsequent phase of this proceeding. Additionally, we intend to monitor related strategies developing in the Low-Income Water Affordability proceeding (R.17-06-024).

3.1.1. Whether to Include Natural Gas in Scope of Third Phase

While the 2021 SB 695 Report is focused on rising *electric* costs and rates, the need to mitigate rising *natural gas* costs and rates was also briefly raised by stakeholders. Addendum 1 of the 2021 SB 695 Report documents recent trends in natural gas utility revenue requirements and rates and describes a number of activities underway at the Commission to limit cost and rate increases, including the *OIR to Establish Policies, Processes, and Rules to Ensure Safe and Reliable Gas Systems in California and Perform Long-Term Gas System Planning* (Gas Transition R.20-01-007). One of the focuses of this rulemaking is to identify regulatory solutions and planning strategies that the CPUC should implement to ensure that, as the demand for natural gas resources declines, gas utilities maintain safe and reliable gas systems at just and reasonable rates, with minimal or no stranded costs.

As noted in the 2021 SB 695 Report, customers focus on their total energy bill which, for many customers, includes both electric and gas components. Additionally, there may be direct and indirect links between the affordability of electric and gas service that may be most appropriately addressed in this

proceeding. Thus, we invite parties to respond to the following question regarding the scope of Phase 3 in their comments on the fourth Amended Scoping Memo.

- To what extent should Phase 3 consider strategies to mitigate future increases in natural gas costs and bills? Please consider the scope of the Gas Transition Rulemaking and other relevant proceedings in your response.

3.2. Need for Evidentiary Hearing

We preliminarily determine that hearings will not be necessary in Phase 3 as most of the issues are policy, not factual issues. This does not preclude a party from requesting an evidentiary hearing in the future if material disputed facts are discovered during the pendency of Phase 3.

3.3. Phase 3 Schedule

A general schedule of expected Phase 3 events is outlined below.

Event	Date
Comments on fourth Amended Assigned Commissioner’s Scoping Memo, Filed and Served	October 15, 2021
PHC, Held	October 22, 2021 2:30 p.m.
Amended Scoping Memo Soliciting Party Presentations to be considered at Rates Workshop, Issued	December 2021
Electric [or Energy] Rates Workshop, Held	February 2022
Ruling Soliciting Proposals on Recommended Strategies to Mitigate Electric [or Energy] Rate Increases, Issued	May 2022
Party Proposals, Served	August 2022
Party opening and Reply Comments on Proposals, Filed and Served	September 2022
Staff Proposal on Recommended Strategies to Mitigate Electric Rate Increases, Issued	Q1 2023
Comments on Staff Proposal, Issued	Q1 2023
Phase 3 Proposed Decision, Issued	Q2 2023

Revisions to this schedule may be adopted in a future ruling issued by the assigned Commissioner or ALJ. A Commission decision resolving the issues in the third phase of this proceeding is expected in the second quarter of the year 2023.

Furthermore, the Commission's Energy Division may schedule workshops in this proceeding, and the service list will be noticed as to any such workshops that are scheduled at least 10 days in advance.

Based on this schedule, the proceeding will not be resolved within 18 months as required by Pub. Util. Code § 1701.5. Additional time is needed to further consider how to implement the affordability methodologies and metrics, and address projections of electric rate increases within the affordability framework adopted by the Commission. The statutory deadline for this proceeding is therefore extended through the calendar year 2023.

3.4. PHC Access Information

The purpose of the PHC is to review and receive party input on the scope and schedule of Phase 3.

The PHC will be held remotely on the WebEx platform and is open to all interested stakeholders. Parties should designate a speaking representative prepared with video and audio access and notify Marianne Divina (Marianne.Divina@cpuc.ca.gov) by October 18, 2021, of their party's speaking representative, title, phone number, and email address. All other participants may utilize the access information below for the status conference.

PHC - R.18-07-006

Date/Time: Friday, October 22, 2021, 2:30 PM

WebEx Link for Public Internet Access:

<https://cpuc.webex.com/cpuc/onstage/g.php?MTID=e7aaeac727d918ef389ad6e0bbe503778>

WebEx Passcode: 2021

Listen-only Audio Toll-Free Access: 1-855-282-6330

Passcode for Listen-only Audio Toll-Free Access: 2482 373 3611

4. Category of Proceeding/ Ex Parte Restrictions

This ruling confirms the Commission's existing determination that this is a quasi-legislative proceeding. Accordingly, *ex parte* communications are permitted without restriction or reporting requirement pursuant to Article 8 of the Commission's Rules.

5. Oral Argument

Unless comment is waived pursuant to Rule 14.6(c)(2) for granting the uncontested relief requested, motion for oral argument shall be by no later than the time for filing comment on a proposed decision.

6. Public Outreach

Pursuant to Pub. Util. Code § 1711(a), I hereby report that the Commission sought the participation of those likely to be affected by this matter by noticing it in the September 2021 edition of the Commission's monthly "Working for California" newsletter that is served on communities and businesses that subscribe to it and posted on the Commission's website. The Commission's Business and Community Outreach Office also sent an information release and link to the proceeding to approximately 2,500 contacts statewide, including local government (*e.g.*, county supervisors, city managers, mayors, and public works directors in the state), community-based organizations, and media.

In addition to the service list for this proceeding, the Commission will serve this fourth Amended Scoping Memo on the official service lists of the proceedings listed below.

	Topic	Proceeding Number
1	SCE Test Year 2021 General Rate Case	A.19-08-013
2	PG&E Test Year 2023 General Rate Case	A.21-06-021
3	SDG&E Test Year 2019 General Rate Case	A.17-10-007 et al.
4	SCE General Rate Case Phase II	A.20-10-012
5	PG&E General Rate Case Phase II	A.19-11-019
6	SDG&E General Rate Case Phase II	A.10-07-009 et al.
7	SoCalGas Test Year 2019 General Rate Case	A.17-10-007 et al.
8	Southwest Gas Test Year 2021 General Rate Case	A.19-08-015
9	West Coast Gas Test Year 2021 General Rate Case	A.20-09-002
10	Cost of Capital (SCE, SDG&E, PG&E)	A.21-08-013
11	AB 970 Interconnection/Transmission Project Reports	I.00-11-001
12	Net Energy Metering Revisit	R.20-08-020
13	Small and Multi-Jurisdictional Energy Savings Assistance and California Alternate Rates for Energy Programs and Budgets	A.20-03-014 et al.
14	IOU Energy Savings Assistance and California Alternate Rates for Energy Programs and Budgets	A.19-11-003 et al.
15	San Joaquin Valley	R.15-03-010
16	Gas Transition Rulemaking	R.20-01-007
17	Energy COVID Relief Rulemaking	R.21-02-014
18	Water Affordability Rulemaking	R.17-06-024
19	Rate Reform Rulemaking	R.12-06-013

7. Intervenor Compensation

As the list of issues has changed in this fourth Amended Scoping Memo, a customer who intends to seek an award of compensation shall, pursuant to Pub. Util. Code Section 1804(a)(1), file and serve a notice of intent to claim compensation no later than 30 days after this fourth Amended Scoping Memo is filed.

8. Public Advisor

Any person interested in participating in this proceeding who is unfamiliar with the Commission's procedures or has questions about the electronic filing procedures is encouraged to obtain more information at

<http://consumers.cpuc.ca.gov/pao/> or contact the Commission's

Public Advisor at 866-849-8390 or 415-703-2074 or 866-836-7825 (TYT), or send an e-mail to public.advisor@cpuc.ca.gov.

9. Service of Documents on Commissioners, Their Personal Advisors, and the Administrative Law Judge

Rule 1.10 requires only electronic service on any person on the official service list, other than the ALJ.

When serving documents on Commissioners or their personal advisors, whether or not they are on the official service list, parties must only provide electronic service. Parties must NOT send hard copies of documents to Commissioners or their personal advisors unless specifically instructed to do so.

10. Assignment of Proceeding

Darcie L. Houck is the assigned Commissioner and Camille Watts-Zagha is the assigned ALJ for the proceeding.

IT IS RULED that:

1. The scope of this proceeding is described above.
2. The schedule of this proceeding is as set forth above.
3. Evidentiary hearings are not needed at this time.
4. The category of the proceeding is quasi-legislative.
5. The Executive Director will cause this fourth amended Scoping Memo and Ruling to be served on the service lists for the Commission proceedings listed in Section 6 above.

Dated September 15, 2021, at San Francisco, California.

/s/ DARCIE L. HOUCK

Darcie L. Houck
Assigned Commissioner