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R1807006

**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 RULING UPDATING PROCEEDING SCHEDULE AND INVITING COMMENTS ON PUBLIC OUTREACH STRATEGIES AND PROPOSALS TO MITIGATE ELECTRIC AND GAS RATE INCREASES**

This ruling revises the proceeding schedule and invites recommendations and comments from the parties on possible public outreach strategies and proposals that could mitigate electric and gas rate increases and therefore the Commission should pursue. These proposals to mitigate electric and gas rate increases are among those presented at the 2022 Affordability Rulemaking En Banc *Evaluating Innovative Proposals for Cost Containment and Customer Protection*.

The party recommendations and comments we receive will inform the agenda and format of Listening Sessions to be held throughout the state beginning July 2022, as we further explore the most viable proposals.

**1. Third Phase of Rulemaking 18-07-006**

**1.1. Promising Proposals Presented at the 2022 Affordability En Banc**

On February 28 and March 1, 2022, the California Public Utilities Commission (Commission) held an En Banc to consider proposals to limit or

mitigate future electricity and natural gas rate increases (2022 Affordability En Banc).

From the proposals and discussion at the 2022 Affordability En Banc, Commission staff have identified the following proposals in the areas of cost (revenue) versus cost allocation (revenue allocation and design) impacts, and in order of potential magnitude of ratepayer impact, to elicit parties' input for examination in greater depth:

**Cost/Revenue Reducing Proposals**

1. Move some or a subset of some categories of wildfire mitigation costs (*e.g.*, undergrounding, enhanced vegetation management, distribution system hardening) to non-ratepayer sources of funding.
2. Reduce Investor-Owned Utilities' (IOUs) authorized Return on Equity.
3. In the first phase of General Rate Cases, require IOUs to file an alternative revenue request constrained by Consumer Price Index.

**Cost Allocation and Rate Design-Related Proposals**

4. Implement an income-based fixed charge in which the amount charged progressively increases for higher income households.
5. Expand implementation of Percent of Income Payment Plan (PIPP) pilot programs.
6. Authorize IOUs to deploy capital and recover costs for building decarbonization upgrades via tariffed on-bill structures that enable participation regardless of income, credit score, or renter status.
7. Institute fixed charge or surcharge for customers living in high fire threat districts.
8. Pursue rate reform that could include one or more of the above proposals and/or additional proposals such as expansion of critical peak pricing, time of use, or other rate

mechanisms that focus on reducing rates to something that better reflects the marginal costs of electricity.

We note that some of the proposals lie within the Commission's current authority to enact while others would require statutory changes. In particular, the Commission could enact Proposals 3, 4, and 6 with its current authority on a shorter timeline. The Commission could also enact Proposal 5 up to a \$10 fixed charge cap, pursuant to Assembly Bill 327 (Padilla, 2013), without requiring statutory changes. Proposals 1, 2, and 6 as well as a variation of Proposal 5 that includes a fixed charge greater than \$10 would require specific statutory changes.

## **1.2. Questions**

Parties are invited to respond to specific questions below and reference the presentations and discussion at the 2022 Affordability En Banc on the above enumerated proposals and/or others identified.

1. How would/could we account for costs of wildfire mitigation investments and hardening of IOU owned assets with non-ratepayer dollars? How would/could use of non-ratepayer dollars covering wildfire mitigation measures and improvement impact the IOU earnings?
2. Should wildfire mitigation funding come from an issuance of a state bond or the General Fund, if funding moved out of rate base? Would/could there be benefits to having a state transmission authority?
3. Should IOU Return on Equity (ROE) be reduced to the national average or lower, in light of the common operating risks faced by California IOUs as well as the potential for ROE to substantively impact rates?
4. Should other non-ratepayer options for funding be explored to cover some or all of the costs for public interest-oriented programs?

### **1.3. Public Outreach and Engagement**

In the course of gathering input on the most compelling proposals addressed at the 2022 Affordability En Banc, the Commission will host a series of public town hall-style “Listening Sessions” around the state over the summer and fall of 2022 to hear from the public on regional affordability issues. These sessions are intended to engage, educate, and elicit comprehensive feedback from ratepayers on the unique electric and gas essential service affordability challenges facing their communities and potential solutions for mitigating them. We will invite select local and regional elected officials and community-based organizations to participate in these public sessions at a time when ratepayers are facing unprecedented economic pressures. These Listening Sessions will take place in locations that represent the diverse geography and demographics of California, including the San Joaquin Valley, eastern San Diego County, and other places near or in designated Areas of Affordability Concern, according to the annual Affordability Report.<sup>1</sup> The ideas and perspectives received during the Listening Sessions will be considered in this third phase of the proceeding. Specific Listening Session dates and locations will be issued in a separate ruling.

In comments in response to this ruling, parties are invited to share any feedback on strategies for maximizing these listening sessions to ensure that robust public input helps to fully inform the proposals we prioritize in this proceeding. We solicit feedback on topics such as specific regions where the listening sessions should be held, communities that have experienced particularly difficult electric and gas affordability challenges, strategies for ensuring community input is meaningfully incorporated into commission work,

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<sup>1</sup> At least one Listening Session will offer an option for virtual participation.

staff presentations and engagement, and possible discussion facilitators, among other topics.

**1.4. Schedule Update**

The procedural schedule needs revision to incorporate public input. Accordingly, the instant ruling updates the procedural schedule to the following:

Event	Date
Ruling Updating Proceeding Schedule and Inviting Comments on Outreach Strategies and Proposals to Mitigate Energy Rate Increases, Issued	May 2022
Party Opening Comments on May 2022 Ruling, File and Serve	June 24, 2022
Party Reply Comments on May 2022 Ruling, File and Serve	July 8, 2022
Listening Sessions Statewide and Virtual, Hold	July - November 2022
Party Opening and Reply Comments on Recommendations and Information presented in Listening Sessions, File and Serve	November/December 2022
Staff Proposal on Recommended Strategies to Mitigate Energy Rate Increases	Q1 2023
Workshop on Staff Proposal, Hold	Q1 2023
Comments on Staff Proposal, File and Serve	Q2 2023
Reply Comments on Staff Proposal, File and Serve	Q2 2023
Phase 3 Proposed Decision, Issue	Q2-Q3 2023

**IT IS RULED** that:

1. Parties may file and serve comments on the strategies, proposals, and questions in this ruling by June 24, 2022.
2. Parties may file and serve reply comments on the strategies, proposals, and questions in this ruling by July 8, 2022.

Dated May 20, 2022, at Sacramento, California.

/s/ DARCIE L. HOUCK

Darcie L. Houck  
Assigned Commissioner