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**FILED**

11/22/22

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

PHAM

A2208003

Application of Pacific Gas and Electric Company for Approval of Zonal Electrification Pilot Project (U39G).

Application 22-08-003

**ASSIGNED COMMISSIONER'S SCOPING MEMO AND RULING  
REQUIRING THE SERVICE AND FILING OF AMENDED APPLICATION**

This Scoping Memo and Ruling (Scoping Memo) sets forth the issues, need for hearing, schedule, category, and other matters necessary to scope 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). It also directs Pacific Gas and Electric Company (PG&E) to serve and file an amended application and serve corresponding amended testimony.

**1. Background**

On August 11, 2022 PG&E filed an instant application requesting authorization for a zonal electrification project at Cal State University Monterey Bay (CSU Monterey Bay). As proposed, the project would be an alternative to capital work on the gas pipeline that PG&E has identified as in need of repair, between 2022 - 2025, in order to mitigate risk. PG&E acquired the gas pipeline in 1997 from the United States military upon the closure of the Fort Ord army base. The gas pipeline is approximately eight miles long and provides gas service to over 1200 housing units in 484 "facilities" on the CSU Monterey Bay campus. With the exception of 66 privately owned housing units, CSU Monterey Bay is the property owner and owns the land on which all 1200 housing units are built.

The planned capital work on the pipeline is to occur in four sections, termed four phases, with a start date estimated for each section of the pipeline. Phase 1 is already underway and is being funded through PG&E's Plastic Replacement Program, a capital expense previously authorized in PG&E's 2020 general rate case (GRC). Phases 2, 3, and 4 are similar to Phase 1 with two exceptions; risk mitigation does not yet require immediate repair but is being accomplished by enhanced leak surveys; and funding is proposed but not yet authorized in P&GE's pending 2023 GRC. For Phase 5, PG&E proposes different types of costs, either operations and maintenance expenses associated with maintaining the repaired gas pipeline, or pipeline deactivation, if Phases 2, 3, and 4 become all-electric.

PG&E makes costs comparisons of two types in the instant application, comparing the Net Present Value (NPV) of cash flows and comparing the NPV of revenue requirements. Phase 1 is excluded from the cost comparisons, and Phase 5 is not clearly associated with Phases 1 - 4. PG&E notes the zonal electrification alternative compares favorably to the planned gas repair and provides "a unique opportunity to address customer safety needs, long-term rate affordability, customer energy preference, and alignment with California's climate goals."<sup>1</sup>

Ten parties filed protests and responses to the application on September 12, 2023: The Utility Reform Network (TURN), the Coalition of California Utility Employees (CUE), National Resources Defense Council (NRDC), the Public Advocates Office at the California Public Utilities Commission, Indicated Shippers (IS), Central Coast Community Energy,

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<sup>1</sup> PG&E Application (A.) 22-08-003 at 2.

East Bay Community Energy, Peninsula Clean Energy Authority, and Sonoma Clean Power Authority, (collectively, the Joint CCAs), Southern California Gas Company (SoCalGas), Southern California Edison (SCE), Sierra Club, and Environmental Defense Fund (EDF).

In response to an Administrative Law Judge (ALJ) Ruling issued on September 12, 2022, PG&E coordinated a meet and confer to clarify aspects of the project and discuss the schedule. Six of the ten parties participated in the meet and confer held on September 27, 2022.<sup>2</sup> At the meet and confer, parties discussed the following questions:

1. What makes this Project a pilot or case study? What would this Project test?
2. If at all, how would determinations on the gas capital repair for the same gas distribution pipeline in the 2023 PG&E GRC affect consideration of the instant application?
3. If at all, how would determinations in the Long-Term Gas Planning Rulemaking (R.) 20-01-007 affect consideration of the instant application?
4. In its application, PG&E excludes Phase 1 of the Project on the basis that safety and reliability concerns necessitate an immediate start (Q3 of 2022). Has the Phase 1 work begun, and what is the status, including timeline for completion?
5. Describe the relationship between Phase 1 of the Project and the Project phases that are the subject of the instant application.
  - a. If at all, how are the Project phases dependent on each other?
  - b. Why is it presented as one project in separate phases rather than two separate projects?

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<sup>2</sup> The parties absent from the meet and confer were SCE, Joint CCSAs, CUE and EDF.

- c. How does the condition of the existing physical gas asset in Project Phases 2 - 4 compare to the condition of the existing physical gas asset in Project Phase 1?
- d. How does the condition of the existing physical gas asset in Project Phases 2 - 4 affect the schedule proposed by PG&E?

A prehearing conference (PHC) was held remotely on September 29, 2022. At the PHC, all the parties in attendance<sup>3</sup> confirmed that they had reviewed the notes from the meet and confer circulated by PG&E and jointly proposed a schedule.

On October 6, 2022, PG&E filed proof that notice of A.22-08-003 was given to elected officials, newspapers, and to its customers, in accordance with Rule 3.2 of the Commission's Rules of Practice and Procedure (Rules).

### **1.1. Related Proceedings**

The issues for consideration in A.22-08-003 are related to several active proceedings.

- Long-Term Gas Planning (Rulemaking (R.) 20-01-007)
- Affordability (R.18-07-006)
- Building Decarbonization (R.19-01-011)
- PG&E 2023 GRC (A.21-06-021)

PG&E filed notice of availability of its application and testimony on these related proceedings on September 16, 2022.

Authorization for the planned gas pipeline repair for Phases 2, 3, 4, and 5 is pending in PG&E current GRC. Should the Commission make changes to the subject pipeline in the GRC, PG&E indicated its intent to update A.22-08-003 as

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<sup>3</sup> Joint CCAs did not participate in the PHC held September 29, 2022.

necessary. Once the final decision in the GRC docket is issued, PG&E shall notify the instant service list of any changes within 10 days.

With regard to R.20-01-007, parties generally expect issues to be resolved in the instant application *before* the Commission considers similar policy matters in R.20-01-007. PG&E made the following recommendations in R.20-01-007, that are also proposed here: (1) utilizing NPV to determine cost-effectiveness; (2) gas ratepayer funding for electrification when the NPV of the electrification is less than the NPV of the gas pipeline repair capital cost and when the electrification option also satisfies safety, reliability, and customer satisfaction criteria; and (3) authorizing capitalization of electric infrastructure, (regulatory asset) without ownership of the asset.<sup>4</sup> Intervening parties request the inclusion of whether to establish workforce standards for zonal electrification.

While consideration of certain issues may be related, determinations made in the instant proceeding will be specific to the Project at CSU Monterey Bay. Policy matters beyond this proposal should be considered in R.21-01-007.

## **2. PG&E Shall Amend the Application and Testimony**

PG&E filed the instant application inclusive of Phase 1, even though Phase 1 work is already underway and not subject to Commission authorization in the instant application. Phases 2 – 5 of the Project are at issue in the instant proceeding, and are identified in PG&E’s current GRC.

In reviewing the filings and after discussion at the PHC, this Scoping Memo determines to exclude issues relating to Phase 1 of the Project from PG&E’s application and testimony, as inclusion of Phase 1 issues would

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<sup>4</sup> See PG&E Comments in R.21-01-007, dated June 15, 2022.

confuse the factual foundation and associated safety, cost, and climate impacts presented in the initial application.

Accordingly, by December 19, 2022, PG&E shall serve on the service list of this proceeding and file an amended application and also amend and serve corresponding testimony to exclude Phase 1 issues. Safety, cost and climate impacts shall be estimated and presented only on Phases 2 – 5 of the Project which are subject in the instant proceeding. Because the amended application and supporting testimony shall not introduce new facts or proposals and shall only exclude Phase 1 issues, the amended filing will not trigger a need for additional party protest or response to the amended filing.

PG&E shall refile its Rule 3.2 notices subsequent to serving and filing its amended application. Pursuant to Rule 3.2(b), on August 26, 2022, PG&E noticed State, County and City officials in its service area of the application. Pursuant to Rule 3.2(b), PG&E shall re-notice consistent with its amended application and testimony.

Pursuant to Rule 3.2(c), on or before August 26, 2022, PG&E published notice of its application in newspapers, including electronic publications. Pursuant to Rule 3.2(c), PG&E shall publish notice of its amended application ordered in this Scoping Memo, in newspapers, including electronic publications.

Pursuant to Rule 3.2(d), on or before September 23, 2022, PG&E had notified its customers its application. Pursuant to Rule 3.2(d), PG&E shall re-notice its customers of its amended application and testimony ordered in this Scoping Memo.

### **3. Issues**

The scope of this proceeding considers the issues related to Phases 2 - 5 of the Project, independent of the related proceedings identified in Section 1.1.

Specifically, this proceeding will consider:

1. How will the Project Phases 2 - 5 impact California's climate goals?
  - a. How do Project Phases 2 - 5 impact carbon emissions?
  - b. How do Project Phases 2 - 5 align with the goals expressed in the California Building Decarbonization Assessment performed by the California Energy Commission pursuant to Assembly Bill 3232?
  - c. Other impacts on climate goals?
2. What are the affordability, equity, and safety impacts of the project on the following groups:
  - a. CSU Monterey Bay;
  - b. PG&E electric ratepayers;
  - c. PG&E gas ratepayers;
  - d. Environmental and Social Justice Communities; and
  - e. Utility workforce.
3. Are PG&E's cost estimates, assumptions, funding source(s) and forecast factors for Project Phases 2 - 5 reasonable and appropriate?
  - a. Should PG&E's different, separate project to upgrade the electrical distribution systems at CSU Monterey Bay be considered for purposes of estimating costs?
  - b. Should the PG&E's Alternate Energy Program within the Gas Asset Strategy in its 2023 GRC be considered as a funding source for Project Phases 2 - 5?
    - i. Should PG&E apply the funding for gas capital repair pending authorization in its 2023 GRC to the Alternate Energy Program?
  - c. Is it appropriate to apply capitalization and accounting methods used for gas capital projects to Project Phases 2 - 5?
  - d. If capitalization is appropriate, what is the appropriate

- i. Amortization period; and
  - ii. Rate-of-return?
- e. Is the proposed cost recovery mechanism, a balancing account, appropriate?
4. Are any of the following community or other third-party funding sources available for Project Phases 2 – 5? And, if so, how would the following funding sources impact the Project:
  - a. Energy efficiency incentives such as Self Generation Incentive Program Heat Pump Water Heater incentives;
  - b. Decarbonization incentives such as TECH initiatives; or
  - c. Customer contribution?
5. How should cost-effectiveness of Project Phases 2 – 5 be determined?
  - a. Is PG&E’s proposal to compare the value of the alternatives based on NPV of cash flow appropriate?
  - b. Is PG&E’s proposal to compare the value of the alternatives based on NPV of revenue requirements appropriate?
6. How do the non-pipeline alternatives to repairing the gas pipeline impact climate, affordability, equity and safety?
7. What evaluation criteria and process should be used to evaluate this Project as a pilot?

#### **4. Need for Evidentiary Hearing**

This Scoping Memo confirms the Commission’s preliminary determination in Resolution ALJ 176-3514 issued on September 15, 2022, that hearings are needed.

#### **5. Request for Expedited Schedule**

PG&E requests expedited treatment of the instant application pursuant to Rule 2.9. Rule 2.9 specifies the assigned Commissioner has discretion to grant a request for expedited schedule if the facts warrant a threat to public safety or



need to resolve a financial matter expeditiously to avoid ratepayer harm. PG&E explains a delay in approving the instant Project could result in the need to replace the existing pipeline system for safety and reliability reasons.<sup>5</sup>

While the proposed Project provides a unique opportunity for the Commission to evaluate zonal electrification, the instant proposal does not trigger a need for expedited schedule. The schedule set in this Scoping Memo targets a Commission decision in approximately fifteen months, rather than the twelve months requested by PG&E. At the PHC, PG&E expanded upon the timeline for the Project, stating that an expedited decision within twelve months would provide regulatory certainty but no threat to safety or ratepayers financially.<sup>6</sup> The fifteen-month schedule is necessary to allow for thorough consideration of the issues proposed in the application.

## 6. Schedule

The following schedule is adopted here and may be modified by the ALJ as required to promote the efficient and fair resolution of the application:

Event	Date
Amended Application, filed and served Amended Testimony, served	December 19, 2022
Initial Settlement Conference	January 18, 2023
Intervenors' prepared direct testimony served	February 17, 2023
Rule 3.2 Compliance Filing	65 days after Amended Application filed
Concurrent rebuttal testimony, served	March 17, 2023

<sup>5</sup> See Attachment A to A.22-08-003.

<sup>6</sup> Reporter's Transcript (RT) of PHC at 42:14-28, 43:1-14.

Rule 13.9 Meet and Confer	March 24, 2023
Settlement Conference	March 30, 2023
Status Update	April 4, 2023
Evidentiary hearing (if necessary)	May, 2023
Opening briefs	June, 2023
Reply briefs <i>[matter submitted]</i>	July, 2023
Proposed decision	<i>[no later than 90 days after submission]</i>

The proceeding will stand submitted upon the filing of reply briefs, unless the ALJ requires further evidence or argument. Based on this schedule, the proceeding will be resolved within 18 months as required by Pub. Util. Code Section 1701.5.

## **7. Alternative Dispute Resolution (ADR) Program and Settlements**

The Commission's ADR program offers mediation, early neutral evaluation, and facilitation services, and uses ALJs who have been trained as neutrals. At the parties' request, the assigned ALJ can refer this proceeding to the Commission's ADR Coordinator. As of the prehearing conference, parties had not discussed use of the ADR program.<sup>7</sup>

The schedule set forth in this Scoping Memo directs parties to file a Status Update on or before April 4, 2023, and indicate the status of settlement talks, identifying settlements or stipulations reached and outstanding unresolved issues requiring hearing and briefing. Any settlement between parties, whether regarding all or some of the issues, shall comply with Article 12 of the Rules and shall be served in writing. Such settlements shall include a complete explanation of the settlement and a complete explanation of why it is reasonable in light of

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<sup>7</sup> RT of PHC at 47:21-22.

the whole record, consistent with the law and in the public interest. The proposing parties bear the burden of proof as to whether the settlement should be adopted by the Commission.

#### **8. Category of Proceeding and *Ex Parte* Restrictions**

This ruling confirms the Commission's preliminary determination<sup>8</sup> that this is a ratesetting proceeding. Accordingly, *ex parte* communications are restricted and must be reported pursuant to Article 8 of the Rules.

#### **9. Public Outreach**

Pursuant to Pub. Util. Code Section 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 Commission's monthly newsletter that is served on communities and business that subscribe to it and posted on the Commission's website.

#### **10. Intervenor Compensation**

Pursuant to Pub. Util. Code Section 1804(a)(1), a customer who intends to seek an award of compensation must file and serve a notice of intent to claim compensation by October 29, 2022, 30 days after the PHC.

#### **11. Response to Public Comments**

Parties may, but are not required to, respond to written comments received from the public. Parties may do so by posting such response using the "Add Public Comment" button on the "Public Comment" tab of the online docket card for the proceeding.

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<sup>8</sup> Attachment to Resolution ALJ-176-3514 issued September 15, 2022 at 1.

## **12. 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 1-866-849-8390 or 1-866-836-7825 (TTY), or send an e-mail to [public.advisor@cpuc.ca.gov](mailto:public.advisor@cpuc.ca.gov).

## **13. Filing, Service, and Service List**

The official service list has been created and is on the Commission's website. Parties should confirm that their information on the service list is correct and serve notice of any errors on the Commission's Process Office, the service list, and the ALJ. Persons may become a party pursuant to Rule 1.4.<sup>9</sup>

When serving any document, each party must ensure that it is using the current official service list on the Commission's website.

This proceeding will follow the electronic service protocol set forth in Rule 1.10. All parties to this proceeding shall serve documents and pleadings using electronic mail, whenever possible, transmitted no later than 5:00 p.m., on the date scheduled for service to occur. Rule 1.10 requires service on the ALJ of both an electronic and a paper copy of filed or served documents.

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.

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<sup>9</sup> The form to request additions and changes to the Service list may be found at <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/administrative-law-judge-division/documents/additiontoservicelisttranscriptordercompliant.pdf>

Persons who are not parties but wish to receive electronic service of documents filed in the proceeding may contact the Process Office at [process\\_office@cpuc.ca.gov](mailto:process_office@cpuc.ca.gov) to request addition to the “Information Only” category of the official service list pursuant to Rule 1.9(f).

The Commission encourages those who seek information-only status on the service list to consider the Commission’s subscription service as an alternative. The subscription service sends individual notifications to each subscriber of formal e-filings tendered and accepted by the Commission. Notices sent through subscription service are less likely to be flagged by spam or other filters. Notifications can be for a specific proceeding, a range of documents and daily or weekly digests.

#### **14. Receiving Electronic Service from the Commission**

Parties and other persons on the service list are advised that it is the responsibility of each person or entity on the service list for Commission proceedings to ensure their ability to receive e-mails from the Commission. Please add “@cpuc.ca.gov” to your e-mail safe sender list and update your e-mail screening practices, settings and filters to ensure receipt of e-mails from the Commission.

#### **15. Assignment of Proceeding**

Commissioner John Reynolds is the assigned Commissioner and Camille Watts-Zagha is the assigned ALJ and Presiding Officer for the proceeding.

**IT IS RULED** that:

1. The scope of this proceeding is described above and is adopted.
2. The request for expedited schedule under Rule 2.9 is denied.

3. The schedule of this proceeding is set forth above and is adopted.
4. Evidentiary hearings are needed.
5. The Presiding Officer is ALJ Camille Watts-Zagha.
6. The category of the proceeding is ratesetting.
7. No later than December 19, 2022, Pacific Gas and Electric Company shall serve on the service list of this proceeding and file an amended application and serve the corresponding amended testimony that excludes issues related to Project Phase 1 from all estimates in the instant proceeding.
8. Upon filing of the amended application, Pacific Gas and Electric Company shall re-publish and re-notice the amended application, ordered in this Scoping Memo and Ruling, in accordance with Rule 3.2.
9. Within ten days of the issuance of a final Commission decision in Application 21-06-021, Pacific Gas and Electric Company shall file changed facts and assumptions affecting the instant proceeding A.22-08-003, as a compliance filing.

This order is effective today.

Dated November 22, 2022, at San Francisco, California.

          /s/ JOHN REYNOLDS          

John Reynolds  
Assigned Commissioner