STATE OF CALIFORNIA GAVIN NEWSOM, Governor

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

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January 20, 2023

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Ratesetting

TO PARTIES OF RECORD IN RULEMAKING 11-03-012 AND RULEMAKING 14-03-003:

This is the proposed decision of Administrative Law Judge Patrick Doherty. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's February 2, 2023 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties to the proceeding may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure (Rules). Pursuant to Rule 14.6(b), all parties stipulated to reduce the 30-day public review and comment period required by Public Utilities Code Section 311 to five days for opening comments and two days for reply comments.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s MICHELLE COOKE
Michelle Cooke
Acting Chief Administrative Law Judge

MLC:nd3
Attachment

Decision **PROPOSED DECISION OF ALJ DOHERTY (Mailed 1/20/2023)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Address Utility Cost and Revenue Issues Associated with Greenhouse Gas Emissions.	Rulemaking 11-03-012
(NOT CONSOLIDATED)	
Order Instituting Rulemaking to Address Natural Gas Distribution Utility Cost and Revenue Issues Associated with Greenhouse Gas Emissions.	Rulemaking 14-03-003

DECISION MODIFYING SCHEDULE OF CLIMATE CREDIT DISBURSEMENTS FOR RESIDENTIAL ELECTRIC AND GAS CUSTOMERS

Summary

This decision modifies the schedules for disbursement of the 2023 California Climate Credit to residential electric and gas customers of Southern California Edison Company, Pacific Gas and Electric Company, San Diego Gas & Electric Company, Bear Valley Electric Service, Inc., Liberty Utilities (CalPeco Electric) LLC, PacifiCorp d.b.a. Pacific Power, Southwest Gas Corporation, and Southern California Gas Company so that these customers will receive the climate credits they would have otherwise received in April 2023 as soon as is practicable.

Rulemaking (R.) 11-03-012 remains open. R.14-03-003 is closed.

1. Background

On January 11, 2023, the Public Advocates Office of the California Public Utilities Commission (Cal Advocates) filed an "emergency motion"[1] in three separate proceedings[2] seeking: (1) the acceleration of the disbursement of the gas climate credit to February 2023 from its current planned disbursement date of April 2023; and (2) the automatic enrollment of all gas customers onto levelized payment plans in order to provide winter bill relief to gas customers (Winter Bill Relief motion). In response to a ruling by the Administrative Law Judge (ALJ) assigned to Rulemaking (R.) 14-03-003, the Winter Bill Relief motion was also filed by Cal Advocates in R.14-03-003 on January 13, 2023.

In response to various rulings issued by the ALJs assigned to R.11-03-012 and R.14-03-003, party responses to the Winter Bill Relief motion were due to be filed in those three proceedings no later than January 17, 2023.

The following parties submitted responses to the Winter Bill Relief motion: San Diego Gas & Electric Company (SDG&E) jointly with Southern California Gas Company (SoCalGas); Pacific Gas and Electric Company (PG&E); Southwest Gas Corporation (Southwest Gas); Southern California Edison Company (SCE); and Bear Valley Electric Service, Inc. (Bear Valley), Liberty Utilities (CalPeco Electric) LLC (Liberty), and PacifiCorp d.b.a. Pacific Power (PacifiCorp) jointly as the California Association of Small and Multi-Jurisdictional Utilities (CASMU).

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[1] This decision notes that the California Public Utilities Commission's (Commission) Rules of Practice and Procedure (Rules) make no reference to "emergency motions," and this decision considers and disposes of Cal Advocates' motion sua sponte under the rules applying to all motions. Practitioners should not assume that this decision in any way endorses the use of the term "emergency motion" to distinguish any motion for relief from another.

[2] R.11-03-012, R.18-07-005, and R.18-07-006.

2. Issues Before the Commission

This decision considers whether to modify the timing of the electric and gas climate credits that would otherwise be disbursed to eligible customers in April 2023. This issue is within the scope of R.11-03-012 (electric climate credit timing) and R.14-03-003 (gas climate credit timing).

3. Climate Credit Timing

The first issue raised in the Winter Bill Relief motion is whether to accelerate disbursement of the gas climate credit to gas customers that would otherwise have occurred in April 2023. Responses to the Winter Bill Relief motion also considered whether to accelerate the disbursement of the electric climate credit. Responses to the climate credit issue were received in the dockets of R.11-03-012 and R.14-03-003.

3.1. Climate Credit Background

The climate credit is meant to protect ratepayers from some of the impact of California's Cap-and-Trade program. As a part of that program, the California Air Resources Board (CARB) allocates greenhouse gas (GHG) allowances to electric and gas utilities, which are required to consign the allowances to CARB's quarterly auctions within the year they are allocated. The utilities must use the auction proceeds for ratepayer benefit. The majority of auction proceeds from the consignment of allocated GHG allowances is returned to ratepayers as the climate credit.

The Commission opened R.11-03-012 to determine how the electric utilities should distribute the auction proceeds generated from the consignment of allocated allowances for the sole benefit of the electric utility's retail ratepayers. Decision (D.) 13-12-003 is one of a series of decisions adopted in R.11-03-012 and Application (A.) 13-08-002 to implement the GHG proceeds allocation methodology adopted in D.12-12-033. D.12-12-033, in compliance with Assembly Bill 32 (Stats. 2006, ch. 488) and Section 748.5, allocated GHG allocated allowance auction proceeds remaining after programmatic uses first to emissions-intensive and trade-exposed entities, then to small businesses as defined therein, and then designated that the remainder of proceeds be distributed to residential customers on an equal per residential account basis delivered as a semi-annual, on-bill credit. This semi-annual credit is known as the California Climate Credit (or, in this decision, simply the "climate credit"). D.21-08-026 reaffirmed and updated the Commission's overall goals for the climate credit.

D.13-12-003 set out a schedule for the electric utilities to use in distributing the climate credit to their residential customers. They were ordered to distribute the climate credit in April and October of each year after 2014. The total annual electric climate credit amount is calculated separately for each of the three large electric utilities (PG&E, SCE, and SDG&E) in their individual Energy Resource Recovery Account forecast proceedings. For 2023, the semi-annual climate credit amounts are as follows: $71.00 per SCE customer, $60.70 per SDG&E customer, and $38.39 per PG&E customer. The smaller electric utilities also distribute climate credits to their customers on a semi-annual basis. Their 2022 amounts are as follows (2023 amounts were not finalized before the issuance of this decision): $132.85 per PacifiCorp customer, $47.08 per Bear Valley customer, and $29.49 per Liberty customer.

The climate credit for the gas utilities (PG&E, SDG&E, SoCalGas, and Southwest Gas) operates in a similar manner. The Commission proceeding that historically dealt with the gas climate credit and has the timing of the gas climate credit within its scope is R.14-03-003. The gas utilities are required to consign to CARB quarterly auctions some, but not all, of their Cap-and-Trade GHG allocated allowances. The auction proceeds are then disbursed to residential customers via an annual climate credit in April of each year. For 2023, the annual climate credit amounts are as follows: $43.40 per SDG&E customer, $50.77 per SoCalGas customer, $56.35 per Southwest Gas customer, and $52.78 per PG&E customer.

While historically the climate credits are paid at certain times of the year (*i.e.*, April for gas, and April and October for the electric climate credit), there have been recent Commission decisions that have modified the disbursement schedule for the climate credits. According to Cal Advocates, the Commission permitted SDG&E to modify the distribution schedule of its climate credit to "explore whether distributing the electric [climate credit] at times of high bill volatility results in increased awareness and understanding of the [climate credit] and other conservation measures on a temporary and experimental basis."[3] Additionally, according to Cal Advocates, "the Commission modified the schedules for disbursement of the 2020 [climate credit] to residential electric customers of SCE and PG&E to provide relief during the early months of the COVID-19 pandemic. The Commission recognized that residential customers may have faced unexpected and unmanageable increases in bills due to the sudden increase in remote work, and found that the relief was appropriate."[4] Therefore, historic examples exist of where the Commission modified the schedule for climate credit disbursements to mitigate high bill volatility, and it can be concluded that adjustments to the timing of the climate credit are not per

[3] Winter Bill Relief motion at 5, citing D.19-12-002 at 19.

[4] Winter Bill Relief motion at 5-6, citing D.20-04-027.

se unreasonable or in conflict with the underlying laws governing the use of the climate credit.

3.2. Cal Advocates' Argument

In its motion, Cal Advocates argued that requiring PG&E, SDG&E, SoCalGas, and Southwest Gas to distribute their gas climate credits in February 2023, applying them to January 2023 bills, instead of April 2023 would "help to mitigate severe impacts to customers resulting from the near doubling of gas utility bills, such as increases in arrearages and disconnections."[5] As a factual matter, Cal Advocates asserted that "SoCalGas and SDG&E have alerted their customers that their January 2023 natural gas utility bills may increase dramatically above January 2022 levels. They cite increases in commodity prices of more that 100 percent above 2022 levels as one of the primary drivers of the expected higher bills. Customers of the other natural gas utilities are also expected to see higher natural gas bills."[6]

While Cal Advocates' factual assertion is hearsay, their contention is supported by responses to the Winter Bill Relief motion filed by the gas utilities, and as detailed below. This decision therefore assumes that the January 2023 gas bills of residential customers throughout California will be higher than in December 2022 or compared to the previous year's gas bills from January 2022, and that these increases will likely lead to negative customer impacts such as increases in arrearages and disconnections.

3.3. Party Positions

PG&E supported the proposal to accelerate disbursement of the April 2023 gas and electric climate credits. Southwest Gas supported the proposal to

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[5] Winter Bill Relief motion at 3.

[6] Winter Bill Relief motion at 2.

accelerate the gas climate credit, noting that it requires lead time to implement the proposal and would need a Commission decision as quickly as possible.[7] SDG&E and SoCalGas also supported the acceleration of the gas climate credit.

CASMU specifically argued against accelerating the electric climate credit, stating that the CASMU utilities do not "face the same sensitivity to commodity price increases that natural gas utilities face."[8] SCE also opposed accelerating the electric climate credit. SDG&E did not support the acceleration of the electric climate credit, instead arguing that it should be applied to the bills of their customers for peak summer electricity usage — August and September.[9]

PG&E supported accelerating the disbursement of the April 2023 climate credit for natural gas and residential and small business electric customers "as a short-term bill relief option" while noting that the acceleration of disbursement to Emission-Intensive and Trade Exposed customers "should not be adopted as acceleration is technically infeasible at this time."[10] PG&E noted that it would not be able to apply the gas and electric climate credit to all bills sent to customers in February, as requested by Cal Advocates, for technical and procedural reasons; but that it would do so "as soon as technically feasible for eligible customers" after a Commission decision ordering PG&E to do so.[11]

PG&E noted that even if the gas climate credit were to be accelerated only in time for March 2023 bills, this would still provide assistance as "PG&E's gas procurement rates are updated on a monthly basis, and true-ups of account

[7] Southwest Gas response to climate credit issue at 2.

[8] CASMU response to the climate credit issue at 2.

[9] SDG&E and SoCalGas response to climate credit issue at 3.

[10] PG&E response to climate credit issue at 1.

[11] PG&E response to climate credit issue at 2.

balances occur on a two-month lag. This means that any under-collection of purchased gas in the winter months will not flow into gas procurement rates until March. As such, PG&E expects that a March bill credit will effectively mitigate the high natural gas prices that occurred in earlier months."[12]

Supporting Cal Advocates' assertions regarding the impact of increased natural gas prices on the gas *and* electric bills of customers, PG&E stated that acceleration of gas and electric climate credits was "appropriate to support affordability at a time of high wholesale natural gas prices and recognizes that accelerating the April [climate credit] for eligible residential and small business customers can also offset high winter bills, also supporting customer affordability."[13] However, CASMU claimed that "[e]lectric prices are not spiking due to higher commodity costs."[14]

With respect to climate credit messaging and outreach, PG&E asked that "the Commission recognize technical limitations that may exist to modify PG&E's bill inserts, and bill messaging may not be aligned with a final Commission order impactful to the 2023 [climate credit] distribution for natural gas and/or electric customers. Even so, PG&E believes the drawbacks of misalignment in customer messaging outweigh the benefit that accelerated bill relief will provide to customers during a period of high natural gas and electric prices."[15] Southwest Gas also noted that even while it supported the acceleration of the gas climate credit, it would need time to "update its applicable outreach, including revision and distribution of bill inserts, implementation of updated bill

[12] PG&E response to climate credit issue at 4.

[13] PG&E response to climate credit issue at 3.

[14] CASMU response to climate credit issue at 3.

[15] PG&E response to climate credit issue at 6-7.

messaging, updated online information, and revision of on-hold messaging scripts."[16] SDG&E and SoCalGas also noted the operational difficulty of accelerating the gas climate credit, claiming that if Commission approval was not given by January 23, 2023, then SDG&E would not be able to accelerate distribution of the gas climate credit until March 2023. With respect to the electric climate credit, SDG&E stated that "[g]iven the required duration to accurately calculate and test changing the distribution date for the electric climate credit, SDG&E does not have the ability to enable the electric Climate Credit to begin on February 1, 2023, even if it were mandated."[17]

CASMU did not support the acceleration of the April 2023 electric climate credit, arguing that winter months were peak energy usage months for their customers, and as a result accelerating the April 2023 electric climate credit to winter months would "run[] counter to the Commission's justification for current timing for [climate credit] disbursement, which seeks to avoid providing [climate credits] during peak periods."[18] CASMU cites several other reasons for not accelerating the April 2023 electric climate credit, at least to their customers, including: (1) smaller CASMU staff levels make acceleration difficult; (2) the time needed to develop notice materials with the input of Commission staff; and (3) the upcoming Commission decision in A.22-08-001 that would potentially increase the April 2023 climate credit beyond the 2022 level, which if adopted would mean that PacifiCorp customers would be better off financially waiting until their April 2023 electric climate credit is disbursed as normal.[19]

[16] Southwest Gas response to climate credit issue at 2.

[17] SDG&E and SoCalGas response to climate credit issue at 7.

[18] CASMU response to climate credit issue at 3.

[19] CASMU response to climate credit issue at 3.

SCE also resisted the acceleration of the electric climate credit, stating that "such acceleration is less beneficial for electric customers during the winter, as opposed to the summer when electric customers will experience the bill impact of rising gas prices and is not operationally feasible at this time."[20] However, SCE appeared to understand the logic of accelerating both gas and electric climate credits, stating that "SCE's electric customers are likely also experiencing the effect of increasing gas price this winter. Thus, returning both gas and electric [climate credits] this winter will help customers generally defray the impact of rising gas bills."[21]

SCE made detailed arguments regarding the lack of operational feasibility, claiming that "[c]hanges such as that suggested by Cal Advocates' motion require at least four to six weeks to implement and test, to mitigate against potential errors that could cause confusion over bill amounts and ensure accuracy. Additionally, to mitigate the risk of errors with historical billing and rebilling customers, SCE would have to change the billing system design to accommodate new dates to issue such billing credits."[22]

3.4. Discussion

As revealed by party responses to the Winter Bill Relief motion, rapid increases in the price of natural gas may be expected to increase the bills of gas customers throughout California in February and March 2023, leading to potential adverse customer impacts such as increases in arrearages and disconnections. The gas climate credit, if applied to those higher bills, would mitigate those bill increases and therefore mitigate the negative customer

[20] SCE response to climate credit issue at 2.

[21] SCE response to climate credit issue at 2.

[22] SCE response to climate credit issue at 3.

impacts associated with those bill impacts. As adjustments to the timing of the gas climate credit are not per se unreasonable or in conflict with the underlying laws governing the use of the climate credit, it is reasonable to accelerate the payment of the April 2023 gas climate credit to a date as soon as can be implemented by each of PG&E, SDG&E, SoCalGas, and Southwest Gas.

With respect to the electric climate credit, this issue is more complex. The record is mixed on whether higher gas prices are currently being passed through to customers as higher retail electricity prices. Not all of the electric utilities favor acceleration of the disbursement of the April 2023 electric climate credit for this reason. However, as noted by SCE, the acceleration of the electric climate credit will help to reduce the total energy bill of any given consumer using both gas and electricity. For this reason, and because adjustments to the timing of the electric climate credit are not per se unreasonable or in conflict with the underlying laws governing the use of the climate credit, it is reasonable to accelerate the payment of the April 2023 electric climate credits to a date as soon as can be implemented by each of PG&E, SCE, SDG&E, Bear Valley, Liberty, and PacifiCorp.

For both the gas and electric climate credit acceleration, the Commission recognizes that not all utilities will be able to accelerate disbursement to the same date, and that for some CASMU entities the 2022 electric climate credit amount may need to be used if the Commission has not authorized a 2023 electric climate credit by the time the acceleration occurs. That is why the Commission is ordering each of the utilities to accelerate disbursement of the April 2023 gas and electric climate credits to a date as soon as can be implemented *for that utility*. The Commission does not expect the utilities to synchronize the date of the accelerated disbursement. However, based on party comments regarding realistic time frames to implement disbursements, the Commission expects the climate credit disbursement to begin no later than March 1, 2023 for all utilities.

The Commission also recognizes that the existing process of working with the Commission's Energy Division on outreach and bill inserts related to the gas and electric climate credits may impede the acceleration of the April 2023 climate credit. Because it is imperative to secure bill relief for utility customers as soon as possible given the rapid increases in natural gas prices, it is reasonable to waive climate credit messaging and outreach requirements for the accelerated April 2023 gas and electric climate credit disbursement. Utilities may, of course, continue to execute climate credit outreach so long as it does not delay disbursement of the April 2023 climate credit as soon as is practicable.

PG&E's response to the Winter Bill Relief motion noted that some categories of customers other than residential customers are eligible for the climate credits. This decision specifically concerns itself with mitigating the expected negative customer impacts of increased gas prices on residential customers, and therefore orders accelerated climate credit disbursement for residential customers only.

Finally, this decision clarifies that its acceleration of the April 2023 climate credits apply to those credits only, and that as of May 2023 the normal schedule for climate credit disbursements for residential customers shall resume.

4. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding.

No public comment appeared on the Docket Card for R.11-03-012 or R.14-03-003 related to the Winter Bill Relief motion.

5. Comments on Proposed Decision

The ALJs assigned to R.11-03-012 and R.14-03-003 sought a waiver of the comment period for the proposed decision via procedural e-mails sent to the parties in each proceeding on January 17, 2023. The procedural e-mails sought party objections to a waived comment period by January 19, 2023. Only SCE and PG&E objected to a waived comment period. SCE and PG&E proposed instead that opening comments on the proposed decision be allowed within five calendar days of the issuance of the proposed decision, and that reply comments be allowed within two business days of the deadline for opening comments.

Pursuant to Rule 14.6(b), the proposed decision adopted a comment period as proposed by SCE and PG&E. Opening comments were due within five calendar days of the issuance of the proposed decision, and reply comments were due within two business days of the deadline for opening comments. This decision presumes party stipulation to this comment period structure given that all parties other than SCE and PG&E previously stipulated to no comment period whatsoever.

6. Assignment of Proceeding

Darcie L. Houck is the assigned Commissioner in R.11-03-012 and R.14-03-003. Brian Stevens is the assigned ALJ in R.11-03-012 and Patrick Doherty is the assigned ALJ in R.14-03-003.

Findings of Fact

1. Historic examples exist of where the Commission modified the schedule for climate credit disbursements to mitigate high bill volatility.

2. January 2023 gas bills of residential customers throughout California will be higher than in December 2022 or January 2022.

3. Increases in the gas bills of residential customers will likely lead to negative customer impacts such as increases in arrearages and disconnections.

4. Accelerating the disbursement of the April 2023 climate credit for natural gas and residential and small business electric customers would help alleviate bill increases expected from higher natural gas prices.

5. The gas climate credit, if applied to higher gas bills expected in February and March 2023, would mitigate those bill increases and therefore mitigate the negative customer impacts associated with those bill impacts.

6. The acceleration of the electric climate credit will help to reduce the total energy bill of any given consumer using both gas and electricity.

7. It is imperative to secure bill relief for utility customers as soon as possible given the rapid increases in natural gas prices.

Conclusions of Law

1. Adjustments to the timing of the climate credit are not per se unreasonable or in conflict with the underlying laws governing the use of the climate credit.

2. It is reasonable to accelerate the payment of the April 2023 gas and electric climate credits to a date as soon as can be implemented.

3. Each of the electric and gas utilities regulated by the Commission that are due to issue a climate credit in April 2023 should be ordered to accelerate the payment of those credits to a date as soon as can be implemented.

4. It is reasonable to waive climate credit messaging and outreach requirements for the accelerated April 2023 gas and electric climate credit disbursement.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company shall accelerate the payment of the gas and electric climate credits due to its residential customers in April 2023 to a date as soon as can be practicably implemented.

2. Pacific Gas and Electric Company shall accelerate the payment of the gas and electric climate credits due to its residential customers in April 2023 to a date as soon as can be practicably implemented.

3. Southern California Edison Company shall accelerate the payment of the electric climate credit due to its residential customers in April 2023 to a date as soon as can be practicably implemented.

4. Southern California Gas Company shall accelerate the payment of the gas climate credit due to its residential customers in April 2023 to a date as soon as can be practicably implemented.

5. Southwest Gas Corporation shall accelerate the payment of the gas climate credit due to its residential customers in April 2023 to a date as soon as can be practicably implemented.

6. Bear Valley Electric Service, Inc. shall accelerate the payment of the electric climate credit due to its residential customers in April 2023 to a date as soon as can be practicably implemented.

7. Liberty Utilities (CalPeco Electric) LLC shall accelerate the payment of the electric climate credit due to its residential customers in April 2023 to a date as soon as can be practicably implemented.

8. PacifiCorp d.b.a. Pacific Power shall accelerate the payment of the electric climate credit due to its residential customers in April 2023 to a date as soon as can be practicably implemented.

9. Rulemaking 14-03-003 is closed.

This order is effective today.

Dated ___________________________, at San Francisco, California.