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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 SIXTH AMENDED SCOPING MEMO AND RULING

This scoping memo and ruling sets forth the issues, need for hearing, schedule, category, and other matters necessary to scope this proceeding pursuant to Public Utilities Code Section 1701.1 and Article 7 of the Commission's Rules of Practice and Procedure. Phase 3 will conclude with a 2023 Electric Rates and Costs En Banc Meeting, the third in a series.

1. Procedural Background

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

The history of this proceeding is reviewed in the Second and Fifth Amended Scoping Memos and Rulings, issued June 9, 2020, and January 18, 2022, respectively, and is incorporated here by reference. Through this rulemaking, the Commission developed and implemented a set of tools to measure affordability uniformly, across different utility industries, geographies, and time. The Phase 2 Decision (D.) 22-08-023 was issued in August 2022, directing implementation of the affordability framework in certain proceedings

as well as quarterly water and energy utility reporting of revenues, rates and bills. As established in D.22-08-023, once a year the Commission refreshes the affordability data and tools with the most recent available utility and census data. Throughout the year, the Commission utilizes these tools when evaluating utility requests for rate increases and making decisions about investments and subsidies. The Commission published the 2019 Annual Affordability Report (Report) and associated affordability tools in April 2021, the 2020 Report in August 2022, and the 2021/2022 Report is anticipated for release in spring 2023.

2. Assigned Commissioner Rulings on Strategies to Contain Energy Costs and Rates

Phase 3 of this proceeding was opened to examine strategies to contain energy costs, and rate and bill increases. On February 28 and March 1, 2022, the Commission held the 2022 En Banc *Evaluating Innovative Proposals for Cost Containment and Customer Protection* and solicited party feedback on a selection of the proposals presented and discussed at the 2022 En Banc. On May 20, 2022, the assigned Commissioner issued a *Ruling Updating Proceeding Schedule and Inviting Comments on Public Outreach Strategies and Proposals to Mitigate Electric and Gas Rate Increases*, which was amended by assigned Commissioner ruling on June 9, 2022 (together, Rulings Inviting Comments). Nineteen parties filed comments on July 31, 2022, in response to the Rulings Inviting Comments.¹

¹ Pacific Gas and Electric Company (PG&E); Southern California Edison Company (SCE); Southern California Gas Company/San Diego Gas & Electric Company (SoCalGas)/(SDG&E); The Utility Reform Network (TURN); the Center for Accessible Technology (CforAT); the Public Advocates Office at the California Public Utilities Commission (Cal Advocates); the Environmental Defense Fund (EDF); Energy Producers and Users Coalition (EPUC)/Indicated Shippers (IS)/California Large Energy Consumers Association (CLECA)/Agricultural Energy Consumers Association (AECA)/California Farm Bureau Federation (CFBF); Sierra Club, National Resources Defense Council (NRDC)/California Environmental Justice Alliance (CEJA); Association of Bay Area Governments (ABAG)/County of Ventura (Ventura Co.); and Rural County Representatives of California (RCRC).

2.1. Cost and Rate Containment Strategies

The Rulings Inviting Comments noted proposals were under consideration in the following proceedings:

Cost/Revenue Reducing Proposals

1. Cost of Capital for PG&E, SDG&E, SCE, and SoCalGas.²
2. General Rate Cases.

Cost Allocation and Rate Design-Related Proposals

3. Percent of Income Payment Plan (PIPP) pilot programs.³
4. Authorizing Investor Owned Utilities to deploy customer loan programs to install building decarbonization upgrades via tariffed on-bill structures that enable participation regardless of income, credit score, or renter status. Tariffed on-bill structures for decarbonization upgrades are currently under evaluation, among other financing proposals, in the Clean Energy Financing Proceeding.⁴
5. Rate reform proposals such as expansion of critical peak pricing, time of use, fixed charges, or other rate mechanisms that may reduce rates to something that better reflects the marginal costs of electricity.⁵
6. Investigate rate or infrastructure planning mechanisms to avoid excessive gas infrastructure costs falling disproportionately on residential customers who cannot electrify.⁶

Multiple parties cited certain proceedings in which identified proposals should be considered or evaluated, or recommended work in other proceedings

² A.22-04-008.

³ R.18-07-005.

⁴ R.20-08-022.

⁵ R.22-07-005.

⁶ R.20-01-007.

to inform consideration of the proposals. SDG&E/SoCalGas⁷ and SCE⁸ identified Rulemaking (R.).18-07-005 as a preferable venue in which to consider expansion of the PIPP. Cal Advocates recommended the pilot evaluation underway in R.18-07-005 inform consideration of PIPP expansion,⁹ and Sierra Club/NRDC/CEJA recommended combining PIPP with community solar, electrification, and weatherization.¹⁰

SCE recommended gas infrastructure costs be addressed in R.20-01-007¹¹ while EDF¹² and CLECA¹³ recommended consideration of costs specifically for gas customers for whom it would be hard to electrify.

Parties cited the Demand Flexibility R.22-07-005 as the forum to reference the results of Real-Time Pricing pilots and reflect actual costs of service,¹⁴ and to consider fixed charges.¹⁵ Cal Advocates introduced its proposal for income-based fixed charges¹⁶ which is an issue within the scope of R.22-07-005.

Certain party recommendations would require statutory changes to implement, such as Cal Advocates' recommendation to remove categories of cost

⁷ SDG&E/SoCalGas Comments at 2.

⁸ SCE Comments at 4.

⁹ Cal Advocates Comments at 31.

¹⁰ Sierra Club/NRDC/CEJA Comments at 7 - 8.

¹¹ SCE Comments at 4.

¹² EDF Comments at 3.

¹³ CLECA at 6.

¹⁴ CLECA Comments at 5 - 6.

¹⁵ SDG&E/SoCalGas Comments at 2; SCE Comments at 4.

¹⁶ Cal Advocates Comments at 2 - 26.

recovery from rates¹⁷ and to find non-ratepayer sources of funding for wildfire mitigation measures.¹⁸

Parties also had guiding recommendations for how to prioritize proposals or principles to apply to consideration. EPUC/IS/CLECA/AECA/CFBF¹⁹ and CforAT²⁰ would have the Commission prioritize cost reduction strategies over cost allocation/rate design strategies, stating cost reduction would have the greatest impact. Amongst the cost reduction strategies, several parties view reduction of capital costs as an important strategy.²¹

Regarding principles to apply to specific proposals, EPUC/IS/CLECA/AECA/CFBF recommended requiring briefings on California statutes reducing risk for rate regulated entities.²² SCE,²³ SDG&E/SoCalGas,²⁴ and Sierra Club/NRDC/CEJA²⁵ supported increasing climate and clean air objectives.

Sierra Club/NRDC/CEJA and RCRC also recommended incorporating into individual proceeding records public comment on proposals and strategies, and potentially consolidating various affordability related proceedings.²⁶

¹⁷ Cal Advocates Comments at 26 - 27.

¹⁸ EPUC/IS/CLECA/AECA/CFBF Comments at 6.

¹⁹ EPUC/IS/CLECA/AECA/CFBF Comments at 4.

²⁰ CforAt Comments at 8.

²¹ EPUC/IS/CLECA/AECA/CFBF Comments at 4 - 5, Sierra Club/NRDC/CEJA Comments at 7 - 8.

²² EPUC/IS/CLECA/AECA/CFBF Comments at 4 - 5.

²³ SCE Comments at 3.

²⁴ SDG&E/SoCalGas Comments at 2.

²⁵ Sierra Club/NRDC/CEJA Comments at 7 - 8.

²⁶ Sierra Club/NRDC/CEJA Comments at 10, 14 - 16.

2.2. Senate Bill (SB) 695 Report

The Rulings Inviting Comments also indicated that the SB 695 report would continue to address electric cost issues. In response, parties made the following recommendations:

- Simplify/ make report more accessible;²⁷
- Distinguish between proposed and approved-but-not-yet-effective revenues;²⁸
- Clarify if forecasts include all pending revenue requests;²⁹
- Forecast should account for forecast decreases in gas demand; see CEC 22-OIIP-02 “gas decarbonization docket;”³⁰
- Account for forecast energy use decreases due to energy efficiency and fuel substitution scenarios, see 2021 Integrated Energy Policy Report;³¹
- Forecast should identify known risks and cost drivers such as stranded gas assets³²
- Include more nonresidential customer class analysis;³³
- Include regional comparisons;³⁴
- Include cost savings programs, such as California Alternate Rates for Energy, Family Electric Rate Assistance, Medical Baseline, Energy Efficiency, opportunities for customers in High Fire Threat Districts or areas of regular Public Safety

²⁷ EDF Comments at 2; ABAG/Ventura Co. Comments at 6.

²⁸ EDF Comments at 2.

²⁹ EDF Comments at 2.

³⁰ EDF Comments at 3.

³¹ EDF Comments at 3.

³² EDF Comments at 4 – 5.

³³ EPUC/IS/CLECA/AECA/CFBF Comments at 7.

³⁴ EPUC/IS/CLECA/AECA/CFBF Comments at 7.

Power Shutoffs/resiliency adder in Self-Generation Incentive Program;³⁵ and

- Incorporate comments on SB 695 report into relevant individual proceeding records.³⁶

3. Issues

After consideration of party comments, I determine that this proceeding has provided a forum to discuss most of the proposed strategies to contain energy costs. This proceeding has led to many of these proposals being considered in other active proceedings. Last year, when Phase 3 was initiated, it was not clear how many proposals would be pursued in other forums. Today, based on this progress, it is appropriate to modify the Phase 3 scope. Phase 3 of the proceeding will provide an opportunity for presentation and discussion of the status of energy costs, rates and bills to be included in the 2023 SB 695 Report. Discussion will take place at a concluding 2023 Electric Rates and Costs En Banc.

Therefore, the issues to be determined or otherwise considered in Phase 3 are:

1. Are the quarterly revenue reports, as revised, providing insight into the cumulative impact of electric and gas costs, rates and bills?
2. Are the affordability tools, including the affordability metrics, maps, Affordability Ratio Calculator, and quarterly revenue reports, proving useful during the consideration of individual programs and applications?
3. What are the impacts on environmental and social justice communities?

³⁵ ABAG/Ventura Co. Comments at 9.

³⁶ RCRC Comments at 5.

4. Need for Evidentiary Hearing

We determine that hearings will not be necessary in Phase 3 as most of the issues are policy, not factual issues.

5. Schedule

We modify the proposed schedule of Phase 3 as noted below:

EVENT	DATE
Amended Scoping Memo and Ruling, Issued	May 2023
2023 SB 695 Report and 2021/2022 Affordability Report	May-July 2023
Party Comments on Affordability Report and Quarterly Revenue Reports	August 2023
2023 Electric and Gas Rates En Banc, Hold	TBD
Phase 3 Proposed Decision, Issue	Fall 2023

The statutory deadline for this proceeding remains December 31, 2023 as established in the Fifth Amended Scoping Memo and Ruling.

**6. 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 of Practice and Procedure (Rule).

7. Public Outreach

Pursuant to Public Utilities 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 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.

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 1-866-849-8390 or 1-415-703-2074 or 1-866-836-7825 (TYT), or send an e-mail to public.advisor@cpuc.ca.gov.

9. Service of Documents on Commissioners, Their Personal Advisors, and the ALJ

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 should 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 Administrative Law Judge 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.

Dated May 19, 2023, at San Francisco, California.

/s/ DARCIE L. HOUCK

Darcie L. Houck
Assigned Commissioner