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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking
Regarding Building Decarbonization.

Rulemaking 19-01-011

ASSIGNED COMMISSIONER'S AMENDED SCOPING MEMO AND RULING

This Amended Scoping Memo and Ruling (Phase 3B Scoping Memo) opens and sets forth the scope and schedule for Phase 3B of this proceeding to further fulfill the goals set out in Rulemaking 19-01-011. In particular, Phase 3B will consider building decarbonization efforts regarding the reasonableness of modifying or ending electric line extension allowances, refunds, and discounts for "mixed-fuel" new construction (*i.e.*, building projects that use gas and/or propane in addition to electricity).

The attached Appendix A comprises a staff proposal regarding subsidies for electric line extensions in mixed-fuel new construction (Staff Proposal). The attached Appendix B comprises a set of questions relating to the Staff Proposal. Parties to the proceeding shall file and serve comments on the Staff Proposal and their responses to the questions set forth in Appendix B within 20 days of the issuance date of the ruling. Reply comments shall be filed and served within 10 days of the last day for filing comments.

The Phase 3B Scoping Memo requests the assistance of several state agencies and departments to comply with Public Utilities (Pub. Util.) Code Section 783(c). Their assistance is requested by, but not limited to, their filing in this proceeding and serving comments and reply comments on the service list of this proceeding by the above dates.

Except as expressly set forth in the Phase 3B Scoping Memo, the terms of the previously issued Scoping Memos are incorporated by this reference and shall remain unchanged and in full force and effect.

1. Procedural Background

On January 31, 2019, in response to the passage of Senate Bill (SB) 1477 (Stern, 2018),¹ the California Public Utilities Commission (Commission) initiated this rulemaking to support the decarbonization of buildings in California. A Scoping Memo was issued on May 17, 2019, setting forth the issues to be considered in this proceeding and specifically identifying the issues for Phase 1. Phase 1 was resolved in Decision (D.) 20-03-027 issued on April 6, 2020 (Phase 1 decision). The Phase 1 decision established the two pilot programs called for in SB 1477: the Building Initiative for Low Emissions Development Program and the Technology and Equipment for Clean Heating Initiative.²

On August 25, 2020, the assigned Commissioner issued an Amended Scoping Memo setting forth the issues to be considered in Phase 2 of this proceeding and included an associated Staff Proposal. Phase 2 was resolved in D.21-11-002 issued on November 9, 2021 (Phase 2 decision). The Phase 2 decision (a) adopted guiding principles for the layering of incentives when multiple programs fund the same equipment, (b) established a new Wildfire and Natural Disaster Resiliency Rebuild program to help victims of wildfires and natural disasters rebuild all-electric properties, (c) provided guidance on data sharing, and (d) directed California's three large electric investor-owned utilities (IOU) to each study energy bill impacts that result from switching from gas water heaters

¹ SB 1477 was codified as Pub. Util. Code Section 748.6, Section 910.4, and Sections 921-922.

² See D.20-03-027 at 7.

to electric heat pump water heaters, and to propose a new rate adjustment in a new Rate Design Window application if their study reflects a net energy bill increase. The Phase 2 decision also directed the collection of data on fuels used to power various appliances, including propane.

On November 16, 2021, the assigned Commissioner issued an Amended Scoping Memo setting forth the issues to be considered in Phase 3 of this proceeding and included an associated Staff Proposal. Phase 3 was resolved in D.22-09-026, issued on September 15, 2022 (Phase 3 decision). The Phase 3 decision adopted rules to eliminate gas line extension allowances, the 10-year refundable payment option, and the 50 percent discount option in utility gas rules, for all customer classes, effective July 1, 2023. Phase 3 decision also authorized the gas utilities to request approval for applications for gas line extension allowances, a 10-year refundable payment option, or a 50 percent discount payment option for non-residential building projects that meet certain criteria: (a) the project shows a demonstrable reduction in greenhouse gas emissions, (b) the project's gas line extension is consistent with California's climate goals, including those articulated in SB 32 (Pavley, 2016), and (c) the project demonstrates that it has no feasible alternatives to the use of natural gas, including electrification.

2. Background Information on Electric Line Extension Rules

In furtherance of the state's greenhouse gas reduction goals, Phase 3B will consider changes to electric line extension rules³ for mixed-fuel new construction. Under current electric line extension rules, utilities are directed to provide electric line extension subsidies in the form of allowances, refunds, and

³ [Electric Tariff Rules 15/16 - Distribution-Line-and-Service-Extensions](#) (ca.gov).

discounts to mixed-fuel new construction projects. These subsidies help to cover the cost of extending electric service to a new building, even if the building will ultimately receive gas service. An “electric line extension” refers to all the components that bring electrical service from an IOU’s electrical distribution system to a building’s electric meter and comprises both service and distribution line extensions. Electric Rule 15 governs distribution line extensions, and Electric Rule 16 governs service line extensions.

Electric line extension subsidies include allowances, refunds, and discounts. Electric line extension allowances are ratepayer funds provided by an electric IOU to a builder that applies for such subsidies to help cover the cost of an electric line extension. Unlike gas line extension allowances, electric line extension allowances consist of a single lump sum payment for each new meter associated with a building project. In addition to allowances, builders also receive electric line extension refunds and discounts, which are analogous to the rules for gas line extension refunds and discounts. If the cost of extending electrical service and distribution lines exceeds the provided allowance, then the builder may choose a “10-year refundable payment option,” where the builder is refunded for a new electrical load added to the extended portion of the new distribution line. The builder may also choose to select a “50 percent discount payment option” in which the builder pays only half of the project costs that would otherwise be considered refundable.

Revising rules for subsidies provided for electric line extensions is within the Scope of Issues for Phase 3 listed in the prior Assigned Commissioner’s Amended Scoping Memo and Ruling issued on November 16, 2021, which noted that “successor proceedings or future phases and/or tracks of this proceeding may consider further issues, as needed. In particular, the Commission may

consider modifications to current electric line extension rules and/or treatment of costs associated with electric distribution system upgrades triggered by residential and/or non-residential building decarbonization projects, consistent with existing tariff rules, Pub. Util. Code § 783, and any other relevant regulations or state statutes.”⁴

3. Phase 3B Scope of Issues

In Phase 3B, the Commission will consider modifying or eliminating electric line extension subsidies (*i.e.*, allowances, refunds, and discounts) provided under current electric line extension rules for mixed-fuel new construction to encourage and advance building decarbonization. The issues to be resolved include:

- (a) Whether the Commission should modify or eliminate electric line extension subsidies for mixed-fuel new construction for some or all customer classes (residential and non-residential);
- (b) Whether applicant builders of mixed-fuel new construction projects should be required to pay actual costs encumbered by the electric IOU to facilitate electric line extension rather than only estimated costs, as well as whether the electric IOUs should be required to report annually on electric line extension expenditures; and
- (c) Whether applicant builders of mixed-fuel new construction projects should be exempt from any potential elimination of electric line extension subsidies if the building project is granted an exemption by the Commission from the elimination of gas line extension subsidies.

⁴ See Assigned Commissioner’s Amended Scoping Memo (November 16, 2021) at 5.

4. Proceeding Schedule (Staff Proposal, Ruling Questions, and Party Comments)

The Staff Proposal – the attached Appendix A – recommends the elimination of electric line extension subsidies for new mixed-fuel residential and non-residential customers, with all mixed-fuel new construction required to pay for the final actual cost of an electric line extension. No other provisions are being proposed to be modified for both new and existing customers (*e.g.*, safety standards, construction and design specifications, applicant design option, *etc.*).⁵

Parties to the proceeding shall review Appendix A and file and serve their responses to the questions listed in Appendix B. The responses shall be included as part of party comments and may include discussion and recommendations on the Staff Proposal that are not captured in the questions. When doing so, comments, responses, and recommendations must be organized in the order in which the topics appear in the Staff Proposal, followed by the questions in Appendix B, identified by question number. Parties are strongly encouraged to meet and confer and file joint comments to assist the Commission and other parties in focusing on the issues and reducing duplicative pleadings. Parties need not agree on all matters to file joint comments, but may file joint comments limited to the matters on which they agree. Parties may address the matters on which they did not reach agreement in a separate section of the joint comments or in a separate pleading.

Additionally, state law requires the Commission to consult with several other state agencies before making any changes to the rules regarding gas line extensions. Specifically, Pub. Util. Code Section 783(c) states:

⁵ Moreover, existing customers on the 10-year refundable payment option will continue with that option.

The commission shall request the assistance of appropriate state agencies and departments in conducting any investigation or proceeding pursuant to subdivision (b), **[to consider changes in line extension rules]** including, but not limited to, the Transportation Agency, the Department of Food and Agriculture, the Department of Consumer Affairs, the Bureau of Real Estate, and the Department of Housing and Community Development.

Therefore, in compliance with state law and to facilitate the creation of a robust and complete record, this Phase 3B Scoping Memo requests the assistance of all interested state agencies and departments in this proceeding. These agencies and departments include, but are not limited to, the California State Transportation Agency, California Department of Food and Agriculture, California Department of Consumer Affairs, California Department of Real Estate, and the California Department of Housing and Community Development. We invite their assistance to be in the form of, but not limited to, filing in this docket and serving on the service list of this proceeding comments on the Staff Proposal, responses to questions in Appendix B, and reply comments to opening comments. To create a complete record, their comments and replies must be filed and served on the service list of this proceeding.

IT IS RULED that:

1. The scope of the issues for Phase 3B of this proceeding is described above in Section 3 and adopted.
2. The initial schedule for Phase 3B of this proceeding is described above in Section 4 and adopted.
3. Except as expressly set forth in the Assigned Commissioner's Amended Scoping Memo and Ruling for Phase 3B, the terms of the previously issued

APPENDIX A

APPENDIX B