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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 4 Scoping Memo) opens and sets forth the scope for Phase 4 of this proceeding to further fulfill the goals set out in Rulemaking (R.) 19-01-011. In particular, Phase 4 will consider: (1) whether further modifications to electric line extension rules to assist under-resourced customers should be adopted, and ways to prevent unnecessary service line upsizing (i.e., upsizing in cases where a viable alternative to upsizing exists); (2) electric baseline allowance modifications that will help encourage building decarbonization; and (3) new programmatic approaches to building decarbonization, including voluntary zonal building decarbonization pilots and opportunities, and setting an action plan to scale building decarbonization consistent with California's climate and equity goals. Finally, this amended Scoping Memo and Ruling directs the parties to serve and file comments on the questions set forth in Attachment A.

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

[1] SB 1477 was codified as Public Utilities Code Section 748.6, Section 910.4, and Sections 921-922.

this rulemaking to support the decarbonization of buildings in California. The initial Scoping Memo and Ruling was issued on May 17, 2019, setting forth the original set of 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), which established the two pilot programs called for in SB 1477: the Building Initiative for Low Emissions Development (BUILD) Program, and the Technology and Equipment for Clean Heating (TECH) Initiative.[2]

On August 25, 2020, the Assigned Commissioner issued the first Amended Scoping Memo and Ruling 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), which (1) adopted guiding principles for the layering of incentives when multiple programs fund the same equipment, (2) established a new Wildfire and Natural Disaster Resiliency Rebuild Program to help victims of wildfires and natural disasters rebuild all-electric properties, (3) provided guidance on data sharing, and (4) directed California's three large electric Investor-Owned Utilities (IOUs) to each study energy bill impacts that result from switching from gas water heaters 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 the second Amended Scoping Memo and Ruling setting forth the issues to be considered in

[2] *See* D.20-03-027 at 7.

Phase 3 of this proceeding and included an associated Staff Proposal. Phase 3A was resolved in D.22-09-026, issued on September 15, 2022 (Phase 3A Decision), which adopted rules to eliminate gas line extension subsidies – including (1) allowances, (2) the 10-year refundable payment option, and (3) the 50 percent discount option in utility gas rules – for all customer classes, effective July 1, 2023. The Phase 3A Decision also authorized certain exemptions from the elimination of gas line extension subsidies for non-residential building projects.

On July 26, 2023, the Assigned Commissioner issued the third Amended Scoping Memo and Ruling, along with a Staff Proposal, for Phase 3B of the proceeding to further fulfill the goals set out in R.19-01-011. Phase 3B was settled with D.23-12-037, issued on December 14, 2023 (Phase 3B Decision), which ended 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) effective July 1, 2024. The Phase 3B Decision also required mixed-fuel new construction projects to use actual cost billing of an electric line extension rather than estimated cost billing effective January 1, 2025, established an annual reporting requirement for California's three large electric IOUs beginning May 1, 2024, and adopted the same exemption criteria set by the Commission to grant subsidies for non-residential gas line extension projects as established in the Phase 3A Decision. As such, if a non-residential building project's gas line extension is granted an exemption from subsidy elimination per D.22-09-026, then that building project's electric line extension will also be exempt from the removal of subsidies after July 1, 2024.

2. Phase 4 Scope of Issues

As articulated in the May 17, 2019 Scoping Memo and Ruling that established the initial schedule for R.19-01-011, Phase 4 of the proceeding will

"consider all policy framework issues, including programs, rules, and rates, that will help accomplish building decarbonization, as part of the state's GHG reduction goals."[3]

Therefore, in Phase 4 of the this proceeding, the Commission will consider: (1) further modifications to electric service line extension rules to assist under-resourced customers and ways to prevent unnecessary service line upsizing and whether to revisit the line extension subsidy deadline set out in D.23-12-037; (2) electric baseline allowance modifications that will help encourage building decarbonization; and (3) additional programmatic approaches to building decarbonization, including voluntary zonal building decarbonization opportunities, refinements to the TECH program, and development of an action plan to cost effectively layer, leverage and scale Commission building decarbonization initiatives in support of California's climate and equity goals. More specifically, the issues to be resolved in the Phase 4 of this proceeding include:

Track A.

(1) Whether the Commission should allocate a portion of the ratepayer savings from elimination of the gas and electric line extension allowances for mixed fuel developments to provide necessary electrical service line upsizing to under-resourced customers, and define what is necessary electrical service line upsizing;

(2) Whether the Commission should adopt measures to prevent unnecessary service line upsizing; and if so what those measures should be; and

(3) Whether the Commission should revisit the line extension subsidy July 1, 2024, energization

[3] May 17, 2019 Scoping Memo, at 3-4.

deadline, established in D.23-12-037 Ordering Paragraph 5? And if so under what circumstances?

Track B.

Whether the Commission should re-examine the method currently used to calculate all-electric baseline allowances?

Track C.

(1) Whether the Commission should develop a voluntary zonal decarbonization pilot program, to be implemented on one or more sites;

(2) Whether IOUs and Community Choice Aggregators (CCAs) can sustainably fund the voluntary zonal decarbonization pilot with a focus on layering existing programs, and third-party non-ratepayer funds;[4]

(3) Whether the Commission should expand TECH Initiative's current scope beyond residential space conditioning and water heating; and

(4) Whether the Commission should identify barriers and set long-term strategic goals by adopting a building decarbonization action plan consistent with California's climate and equity goals?

All Tracks.

(1) Are there potential impacts to environmental and social justice (ESJ) communities and if so how best to incorporate the goals of the ESJ Action Plan 2.0 in developing the building decarbonization action plan; and

(2) For each specific track, are there any other additional actions that may help achieve California's climate and equity goals?

[4] *See* Silicon Valley Clean Energy Inclusive Utility Investment pilot project in R.20-08-022. https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M486/K752/486752275.PDF.

3. Discussion

3.1. Track A: Common Facility Cost Treatment for Electric Service Line Upsizing for Under-Resourced Customers, and Alternative Pathways to Avoid Electric Service Line Upsizing

In response to the Phase 3B Staff Proposal, one recommendation from Pacific Gas & Electric Company (PG&E) was to "(r)eplace residential allowances for existing services with special targeted decarbonization cost treatment, where the electric utility covers the refundable costs of service upgrades that are subject to allowance (Electric Rule 16) for existing residential buildings where the customer adds permanent electric load associated with decarbonization projects (e.g., switching from gas to electric appliances)."[5] PG&E was joined in support by the Joint Parties,[6] which stated that the Commission should "increase the electric line extension allowance to cover the full cost of service line upgrades for building electrification retrofits so that all households have access to the electric service needed to upgrade buildings in alignment with the state's climate goals."[7]

The Commission ultimately opted to not replace residential allowances for existing services with special targeted decarbonization common facility cost treatment in the Phase 3B Decision. However, the Commission stated that a subsequent phase or sub-phase of R.19-01-011 may consider "ways to fund electric upgrade costs, especially for the affordable housing sector and low-

[5] PG&E Opening Comments to Phase 3B Staff Proposal, at 3.

[6] Sierra Club, California Environmental Justice Alliance, and Natural Resources Defense Council.

[7] Joint Parties Opening Comments to Phase 3B Staff Proposal, at 3.

income customers who, as the Joint Parties note, are least able to afford potential service upgrade costs."[8]

In considering the potential extension of common facility cost treatment for purposes beyond the installation and use of electric vehicle charging equipment, the Commission first acknowledges that electrical service line upgrades must be treated as a last resort, and only after other available strategies and technologies that prevent the need for a service line upgrade have been explored at site and enabled through policies. These include, but may not be limited to, strategies that limit the peak amperage of the metered premise (e.g., energy efficiency, demand response, and load shifting, among others), as well as technologies such as meter socket adapters[9] that allow powering electrical appliances in front of the meter, thus potentially negating the need for an electrical service line upgrade or panel upgrade.[10]

Previously in this proceeding, the Commission considered the need for alignment of equity criteria with other existing programs by directing the TECH Initiative Implementer to use the same definition of "equity customer" as the programs it is supporting.[11] Existing programs with built-in equity considerations, and that have the potential to trigger an electrical service line upsizing due to the nature of the measures that they cover, include: the BUILD

[8] D.23-12-037, at 21.

[9] A meter socket adapter (MSA) is a generic term for a device that installs between the utility meter and the electrical service entrance equipment.

[10] D.21-01-018 – adopted in R.19-09-009 (the Microgrids and Resiliency Strategies proceeding) – directed the large electric IOUs to assess the safety and reliability of these technologies for situations where electrical isolation from the grid for backup power applications is required. However, it did not direct them to assess these technologies for non-isolating uses such as added electrification loads from building electrification.

[11] D.23-02-005, at 9.

Program (for repurposed projects and major alterations), the TECH Initiative, the CEC's Equitable Building Decarbonization (EBD) Program, the Energy Savings Assistance (ESA) Program, the Self-Generation Incentive Program (SGIP), programs under the Energy Efficiency portfolio funded by California ratepayers, the Disadvantaged Communities – Single-Family Solar Homes (DAC-SASH) Program, and the Solar On Multifamily Affordable Housing (SOMAH) Program. Further, ratepayer and customer investments for electric vehicle charging infrastructure and grid-readiness also address equity considerations and have the potential to trigger electric service upsizing.[12] Priority populations also get defined by the statutes approving the funding sources behind certain programs, such as the Greenhouse Gas Reduction Fund.

3.2. Track B: Modifications to the All-Electric Baseline Allowance

In Phase 2 of this proceeding, parties were asked to comment on a Staff Proposal covering three topics, one of which was the creation of a new baseline allowance for residential customers who install electric heat pump water heaters (HPWHs). Consistent with a desire to encourage incremental electrification, the intent of the baseline portion of the Phase 2 Staff Proposal was to provide residential customers who have a HPWH to be afforded incremental rate relief even if they did not have electric space heating. Ultimately, however, the Phase 2 Decision, D.21-11-002, directed the three large electric IOUs to each study net energy (electric and gas) bill impacts that result when a residential customer switches from a gas water heater to an electric HPWH, and if the study reflected

[12] *See* Commission's Transportation Electrification Near-Term Priority Investments. https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/infrastructure/transportation-electrification/charging-infrastructure-deployment-and-incentives/near-term-priority-investments.

a net increase in energy bills, to propose a rate adjustment in a new RDW application. As a result, only Southern California Edison (SCE) adopted a new baseline allowance specifically for HPWHs.

New developments in ratemaking since 2022 merit a revisit of the issue of baseline allowance modifications that could help incentivize fuel substitution and building decarbonization more generally. In addition to recently approved rate changes, the Commission implemented legislatively-mandated income-graduated fixed charges (IGFCs) on May 9, 2024, via D.24-05-028 that are scheduled to take effect between Q4 2025 for SCE and San Diego Gas & Electric (SDG&E) and Q1 2026 for PG&E. These changes fundamentally alter the modeled assumptions underpinning the adoption of Resolution E-5233. While D.24-05-028 is intended to help customers who will be using additional electricity to power the homes and vehicles of the future, the Commission must ensure that it is doing everything possible to smooth that transition to the greatest extent possible while still keeping rates affordable.

This track will consider adjustments to the all-electric baseline methodology with which the all-electric baseline is calculated in order to encourage further electrification and reduction of GHG emissions while minimizing bill impacts for residential customers. The Commission will further consider other means by which to provide rate relief for genuinely all-electric customers, such as the possible introduction of a new baseline allowance. Ideally, any adopted change could be implemented simultaneous with the new IGFCs and would ensure rate relief for default tariff customers without necessitating consumer savviness to find a rate that best matches their electricity usage habits.

3.3. Track C: Zonal Decarbonization Pilot Program and Action Plan

Zonal Decarbonization Pilot Programs

The TECH Initiative and BUILD Program authorized in the first phase of this proceeding were envisioned by the Legislature as market transformation programs. The program designs are geared toward customer education, building existing workforce capacity, and bringing cost parity for technologies that promote building decarbonization. Their focus is not necessarily locationally strategic decarbonization.

As these pilot programs mature and show progress toward the objectives that were set for them, the Commission must think about *strategic scalability* of building decarbonization in a manner that not only is the least cost transition for the state, but also ensures that under-resourced customers are not left behind in this transition. These principles were established in the very first Scoping Ruling of this rulemaking, and also comport with the Commission's priority of ensuring equitable transition across other proceedings, including the Long-Term Gas Planning Rulemaking (R.20-01-007).

This rulemaking will consider the adoption of voluntary zonal decarbonization pilot programs, so that lessons learned from them can provide insight for the Commission's Building Decarbonization Action Plan (discussed below in more detail).

In considering the structure and locations for potential pilots, the Commission will review existing studies, efforts, and recommendations geared towards location-based prioritization, including but not limited to:

1) **San Joaquin Valley Projects:** R.15-03-010 explores ways to expand access to affordable energy for disadvantaged communities in the San Joaquin Valley (SJV DACs) who lack access to natural gas, as defined by AB 2672 (Perea

2013). The rulemaking (1) identified the list of communities that met the criteria for SJV DACs, (2) collected data about baseline energy usage in these communities, and (3) approved $56 million for 12 pilots to increase access to affordable energy in SJV DACs. The pilots comprised 11 full-home electrification pilots, wherein residents received electric water heaters, space heating/cooling, cooking, and clothes drying and any remediation (up to $5,000) needed to accommodate these appliances. The twelfth pilot explored extending gas lines to homes and provided gas appliances for residents. Pilot participants across all 12 pilots did not need to pay for any measures installed in their homes. The proceeding also called for an assessment of the economic feasibility of the pilot measures, and potentially other options, to extend affordable energy access to the remaining SJV DACs. The pilots have been completed; the economic feasibility assessment is forthcoming.

2) **PG&E's Alternative Energy Program:** PG&E started this program in 2017, under its Gas General Rate Case application, with the objective to mitigate the high costs of High-Pressure Regulator (HPR) replacements by offering propane and electric conversions to customers as a choice. Initially, $55,000 per conversion for 16 units per year were allocated from funds that would otherwise have been used for HPR replacements. PG&E has since established a new Gas Investments for the Future department in 2023, which proactively reviews planned risk mitigation work for alternative cost avoidance solutions, such as alternative energy conversions. Additional funding comes from other electrification-focused programs such as energy efficiency portfolio (see also, "PG&E's Zonal Equity Electrification Pilot Program" below). Sites are identified using PG&E's Gas Asset Planning tool. Projects are typically served by HPRs or radial feed lines that serve less than 10 customers.

3) **PG&E's Zonal Equity Electrification Pilot Program (ZEEP):** This program's objective is to fully electrify all

buildings within the targeted electrification zones as a cost-effective alternative to a planned gas system upgrade, maintenance, or capacity project within DACs, and to do so at little-to-no out-of-pocket cost to participants. PG&E selects the zones using its proprietary Gas Asset Planning tool, and provides to the program implementers. If even a single customer opts to retain gas service, the planned gas project for that zone may not be able to be avoided. That is, customer choice is still the primary driver.

4) **CEC's EPIC-Funded Strategic Decommissioning Site Identification Studies:** CEC awarded two EPIC grants resulting in regional studies that were conducted by Energy + Environmental Economics (E3) for Northern California and RAND Corporation for Southern California. Each study underwent a working group process to first develop prioritization criteria and metrics, and then identified eleven potential sites in the San Francisco Bay Area, three in the City of Santa Monica, and two in the City of Long Beach, that were found most appropriate for gas decommissioning under those criteria.

5) **Strategic Growth Council (SGC)-Funded Statewide Analysis of Climate Vulnerability and Resiliency Hub Potential:** Supported through California Climate Investment (Cap-and-Trade) funds, PSE Healthy Energy, in collaboration with Communities for a Better Environment (CBE), and Asian Pacific Environmental Network (APEN) have recently published a study which identifies policy and programmatic measures to accelerate deployment of resilience hubs in vulnerable California communities, and a modelling tool that identifies 1,585 candidate sites across California for these hubs.

6) **Utility- or Community-Driven Proposals:** The Commission could also consider proposals by communities or local and tribal governments that are interested to decommission their gas pipelines and are willing to be early stewards of locational decarbonization in partnership with their local utility.

7) **Santa Nella Utility Conversion Project:** D.22-03-045 directed PG&E to replace outdated gas and electric infrastructure in Santa Nella, a subdivision of 280 homes in Merced County. The Commission also directed PG&E to offer an alternative option, where residents could receive full-home electrification, at no cost, in lieu of receiving new gas infrastructure. The project could offer valuable insight into lessons learned on outreach, community engagement, home assessments for electrification, and customers' reasons for choosing not to adopt electrification measures.

Building upon the incentive layering principles established in Phase 2 of this proceeding, the Commission may consider leveraging funding from upcoming or existing programs, including but not limited to federal tax incentives, and the Inclusive Utility Investment pilots being considered in the Commission's Clean Energy Financing rulemaking, as well as partnering with other state agencies to leverage existing programs that further the State's building decarbonization goals.[13] Insofar as electrification may avoid gas system investments that would otherwise have been made, such as those achieved by PG&E's Alternative Energy Program or contemplated in the EPIC-funded Strategic Decommissioning Site Identification Studies, the Commission may consider directing these savings to support electrification. In so doing, it may be necessary to re-envision or otherwise expand the scope of the existing TECH Initiative.

Building Decarbonization Action Plan

The final part of this proceeding, the Commission will develop and adopt an action plan, setting actionable strategies for IOUs, and may include CCAs and

[13] R.20-08-022.

Renewable Energy Networks (RENs) that are necessary to achieve the decarbonization goals of the state.

As the most populous state in the country, California has over 14 million homes and 7.5 million square feet of commercial space. These buildings produce a quarter of the state's greenhouse gas emissions, making these homes and businesses major contributors to climate change.[14] In response to the impact of the building sector on greenhouse gas emissions, California state agencies have set goals and targets to decarbonize the sector and reduce its impact on climate change.

Governor Gavin Newsom set ambitious climate goals for the state, which include a 48 percent reduction in greenhouse gas emissions below 1990 levels by 2030 and achieving carbon neutrality by 2045.[15] To meet this goal, Governor Newsom allocated $54 billion in 2022-23 budget towards climate solutions.[16] Of this allotted funding, almost $1.1 billion would be directed to decarbonize buildings and processes, including an equitable building decarbonization program with rebates, a low-income direct installation retrofit program, and the adoption of low-global warming potential refrigerants.[17] The 2024-2025 Governor's budget maintains the $48.3 billion of the previously allotted budget

[14] Assembly Bill 3232 and the California Building Decarbonization Assessment. https://www.energy.ca.gov/sites/default/files/2021-08/AB3232_Building_Decarbonization_Assessment_Factsheet_ADA.pdf.

[15] California Releases World's First Plan to Achieve Net Zero Carbon Pollution. https://www.gov.ca.gov/2022/11/16/california-releases-worlds-first-plan-to-achieve-net-zero-carbon-pollution/.

[16] Budget Summary 2022-23. https://ebudget.ca.gov/2022-23/pdf/Enacted/BudgetSummary/ClimateChange.pdf.

[17] 2021 Integrated Energy Policy Report. https://www.energy.ca.gov/data-reports/reports/integrated-energy-policy-report/2021-integrated-energy-policy-report.

to address the equity and investment towards population vulnerable to climate change.[18]

CARB approved a Scoping Plan update in 2022 which lays out a sector-by-sector roadmap for California to achieve carbon neutrality by 2045 or earlier. The 2022 Scoping Plan update projects four scenarios for achieving carbon neutrality, out of which CARB recommended the adoption of a single modeled scenario, referred to as Scenario 3.[19] The proposed scenario is set to achieve carbon neutrality by 2045, relying on a portfolio of existing and emerging fossil fuel alternatives and clean technologies while aligning with all relevant statutes and executive orders. In relation to building decarbonization, the 2022 Scoping Plan update proposed that all new residential buildings will have electric appliances beginning 2026 and all commercial buildings will have all electric appliances by 2029. For existing buildings, all residential and commercial appliances sales will have to be electric with 100 percent of residential appliance sales electric by 2035, and 100 percent of commercial appliance sales electric by 2045.[20] The 2022 Scoping Plan update also signals the desired expansion of low-GWP refrigerants in parallel with building electrification efforts.

Prior to the goals set by the Governor, Assembly Bill 3232 (Friedman, 2018) directed the California Energy Commission (CEC) to assess the potential to reduce the greenhouse gas emissions of the residential and commercial building stock by 40 percent below 1990 levels by January 1, 2030. In compliance with

[18] Governor's Budget Summary 2024-2025. https://ebudget.ca.gov/2024-25/pdf/BudgetSummary/FullBudgetSummary.pdf.

[19] 2022 Scoping Plan for Achieving Carbon Neutrality. https://ww2.arb.ca.gov/sites/default/files/2022-12/2022-sp_1.pdf.

[20] *Ibid*.

that directive, the CEC released the California Building Decarbonization Assessment in August of 2021.[21] The assessment identified seven strategies for achieving the ambitious goal outlined by AB 3232 that include: (1) Replacing gas appliances with electric alternatives, (2) continue to decarbonize the electric sector, (3) foster energy efficiency, (4) transition to lower GWP refrigerants, (5) increase distributed energy resource penetration, such as rooftop solar and onsite battery storage, (6) replace fossil gas with renewable gas, and (7) incentivize building load shifting.

The CEC assesses a variety of energy sector issues in California and provides actions required in its Integrated Energy Policy Report (IEPR). In the 2021 IEPR, the CEC recommended setting a target of installing 6 million heat pumps by 2030. Heat pumps are a critical technology for achieving building decarbonization, as they serve both space and water heating functions, which together account for 80% of residential building greenhouse gas emissions.

The Building Decarbonization volume of the 2021 IEPR contains several recommendations which the Commission may wish to take further action to better support. These include, (1) support decarbonization efforts in disadvantaged communities, (2) statutory changes to develop and establish building performance standards, (3) developing campaigns to promote high-efficiency electric appliances and all-electric buildings, and (4) explore regulatory and programmatic approaches to adopt low-GWP refrigerant technologies and minimize refrigerant leakage.[22]

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[21] Building Decarbonization Assessment. https://www.energy.ca.gov/data-reports/reports/building-decarbonization-assessment.

[22] Final 2021 Integrated Energy Policy Report Volume I Building Decarbonization. https://efiling.energy.ca.gov/GetDocument.aspx?tn=241599.

The Commission regulates investor-owned utility services, expenditures, and rates, with the goal of protecting consumers, safeguarding the environment, and assuring Californians' access to safe, reliable, and affordable energy. Relevant authorities include approving utility rate structures and cost allocations, establishing safety and reliability standards, and overseeing utility programs and pilots to incentivize and enable agas transition.[23] This work is spread across various proceedings, including general rate cases, the Long-Term Gas Planning Rulemaking, and the Building Decarbonization Rulemaking.

A formal action plan will enable the Commission to align its proceedings and programs and identify approaches and opportunities to enhance opportunities to layer programs where appropriate, leverage external funding sources, maximize the potential of existing infrastructure and alignment of grid infrastructure investments, and otherwise develop policies and approaches that will help cost effectively scale building decarbonization in accordance with the priorities outlined by the Governor and sister agencies. Some of the goals and targets are currently being pursued in various proceedings throughout the Commission. An action plan would provide a reference for the Commission and stakeholders to use across the various proceedings, and provide guidance to IOUs as California continues to pursue its building decarbonization goals.

4. Proceeding Schedule and Ruling Questions

The following schedule for resolving the Phase 4 issues for this proceeding is adopted here and may be modified by the assigned Commissioner or ALJs, as necessary, to promote the efficient and fair resolution of this proceeding:

[23] Relevant programs include Energy Efficiency, Family Electric Rate Assistance Program (FERA), Self-Generation Incentive Program (SGIP), etc.

Proceeding Milestone	Date
Phase 4 Track A comments due	20 days after Scoping Ruling issuance
Phase 4 Track A reply comments due	25 days after Scoping Ruling issuance
Prehearing Conference	TBD
Proposed Decision on Phase 4 Track A Considerations	3rd Quarter 2024
Phase 4 Track B Staff Proposal	4th Quarter 2024
Workshop on Track B Proposal	TBD
Proposed Decision on Phase 4 Track B Considerations	2nd Quarter 2025
Phase 4 Track C Staff Proposal	4th Quarter 2024
Workshop on Track C Staff Proposal	TBD
Proposed Decision on Phase 4 Track C Considerations	2nd Quarter 2025

Phase 4 questions for parties are detailed in Attachment A. Party responses to these questions will inform the record and enable the Commission to set the appropriate direction for Phase 4 considerations. The responses shall be included as part of party comments and may include discussion and recommendations that are not captured in the questions. For purposes of organization, the parties shall organize their responses and answers in the order in which topics appear in Attachment A; in particular, parties shall use the specific headings and numberings provided in Attachment A.

The Commission may pursue the remaining tracks either in parallel or sequentially. The proceeding continues to be categorized as quasi-legislative and no hearings are required.

IT IS RULED that:

1. The scope of the issues for Phase 4 of this proceeding is described above in Section 2 and adopted.

2. The initial schedule for Phase 4 of this proceeding is described above in Section 4 and adopted.

3. The parties to the proceeding shall file and serve comments in response to the scope of the issues for Phase 4 and the questions posed in Attachment A to this Scoping Memo. The parties' comments shall set forth and follow the specific headings and numberings provided in Attachment A. These comments are due within 20 days of the issuance of this ruling.

4. Reply comments are due within 10 days of the last day for filing comments.

Dated July 1, 2024, at San Francisco, California.

/s/ DARCIE L. HOUCK
Darcie L. Houck
Assigned Commissioner

ATTACHMENT A

Phase 4 Scoped Issues:

Provide general comments, responses, and/or recommendations on the Phase 4 scoped issues listed in Section 2 of the above Scoping Memo and Ruling.

Phase 4 Track A Questions:

1. **In D.23-12-037, the Commission eliminated electric line subsidies for mixed fuel buildings. Should the Commission allocate a portion of those ratepayer savings to provide service line upsizing for under-resourced customers through common facility cost treatment? Why or why not?**

    a) Should the Commission limit any potential extension of common facility cost treatment to just residential under-resourced customers? If not, what other customer segments should be considered?

    b) Should the Commission limit any potential extension of common facility cost treatment solely to cases involving the installation of electric appliances or should service line upsizing be agnostic as to end use? If not, should IOUs be required to verify if only approved end uses were pursued? How should this be implemented?

    c) Should the Commission limit any potential extension of common facility cost treatment in cases where a service line upsizing is estimated to cross a certain cost threshold? If so, what should that cost threshold be?

    d) Should the Commission place limits on the amount of ratepayer funds that can be expended for any potential extension of common facility cost treatment policy (e.g., extension cost, extension length, need for undergrounding, etc.)? If so, what should those limits be and how should they be imposed?

    e) How should any potential extension of common facility cost treatment be evaluated to determine future need for termination or modification? Should any such evaluation be done in concert with an evaluation of the same policy that is already in place for electric vehicle charging?

2. **If the Commission limits any potential extended common facility cost treatment to solely "under-resourced" customers, how should the Commission define who is considered an "under-resourced" customer?**

    a) Should "under-resourced" be defined as broadly as possible, and be inclusive of existing definitions established by the California Legislature and by various Commission decisions? Or should narrower limits be put in place?

    b) Should the income of the applicant requiring the service line upsizing be verified? If so, how, and by whom, should it be verified?

3. **Should the Commission limit any potential extended common facility cost treatment solely to customers who participate in an incentive or assistance program?**

    a) Is participation in an incentive or assistance program essential or should participation in an incentive or assistance program not be necessary?

4. **What measures should the Commission adopt to prevent unnecessary service line upsizing?**

    a) Should the Commission require IOUs to test, certify, and evaluate different isolation technologies, approved in Resolution E-5194, including meter socket adapter technologies for non-isolating functionality in building electrification applications, such as heat pumps?

    b) Should the Commission require IOUs to report peak annual and monthly electric demand of the premise on customer bills to help contractors determine whether service upsizing is necessary, and thus ensure that service upsizing is pursued as a last resort?

    c) Should the Commission require IOUs to collect proof that a service line upsizing application was the last resort for the project, and that alternate strategies (load optimization, electrical panel optimization, etc.) were considered before submitting the

application? If so, how should these safeguards be implemented and enforced?

d) If the Commission mandates IOU collection of service line capacity data, what is the best way for IOUs to begin collecting this data? Which of the existing mandates/processes that require IOU staff to be on site (e.g., meter inspections) can the IOUs leverage to collect service line capacity for each premise? How can this be optimized for cost and procedural efficiency?

e) How should the IOUs determine whether a service upsizing request is necessary or unnecessary? What guidance, if any, should the Commission provide to define necessary and unnecessary service upsizing?

5. **What other issues, determining criteria, and/or parameters should the Commission consider when thinking about potentially extending common facility cost treatment for purposes beyond just electric vehicle charging?**

6. **What other issues and ideas should the Commission consider when thinking about alternative pathways to minimize customer requests for electric service line upsizing?**

7. **Parties are directed to respond to the following questions relating to D.23-12-037 and D.22-09-026/Resolution G-3598:**

a) Ordering Paragraph 5 of D.23-12-037 requires that mixed-fuel building projects that submitted applications and paid estimated electric line extension costs prior to July 1, 2024 must energize those projects prior to July 1, 2025 to receive subsidies. **Should the Commission revisit the energization July 1, 2024 deadline in cases in which delays occur that are outside of the control of the developer? Why or why not? If so, what should the new deadline be?**

b) Unlike the other IOUs, SDG&E did not make conforming changes to line extension subsidies for temporary facilities governed by Rule 13 as a response to either D.22-09-026/Resolution G-3598 or D.23-12-037. **Should SDG&E be compelled to change their Rule 13**

gas and electric rules in conformance with the other gas and electric IOUs?

8. **To identify ways to simplify reporting requirement procedures previously adopted in this proceeding, Parties are directed to respond to the following questions:**

    a) Resolution E-5105 established a reporting deadline of September 1st of every year for various decarbonization-related data; D.21-11-002 established a reporting deadline of February 1st of every year for new customer data relating to appliance usage; D.23-12-037 established a reporting deadline of May 1st of every year for data relating to line extension requests and subsidies. **Should the Commission align the reporting requirement deadlines to be delivered on a single date? Alternatively, should the Commission consider new dates for any particular reporting requirement?**

    b) Unlike in Resolution E-5105 and D.23-12-037, D.21-11-002 did not require new customer data relating to appliance usage to be posted to each IOU's respective website. Should such data be required to be posted to each IOU's public website?

Phase 4 Track B Questions:

1. **Should the Commission reevaluate the methodology with which the all-electric baseline is currently calculated?**

    a) Should all-electric baseline quantities reflect the electricity demand of customers with all-electric buildings rather than customers who qualify for the all-electric baseline?

    b) Should the all-electric baseline quantities be calculated at a different percentage of usage than the standard baseline quantities in summer? Should summer all-electric baseline quantities be prohibited from being set lower than the standard baseline quantities?

    c) Should the all-electric baseline quantities reflect hidden energy poverty regions and metrics to

capture the baseline needs of customers who self-curtail energy use due to affordability concerns?

2. **SCE recently introduced a Heat Pump Water Heater baseline adjustment. Should PG&E and SDG&E be required to do the same to encourage electrification and provide customers an incentive to electrify? Alternatively, should the Commission consider a new baseline adjustment for customers with all-electric buildings to help eliminate any disadvantage they experience vis-à-vis customers who qualify for the all-electric baseline that are not genuinely all-electric?**
3. **Should SCE, PG&E, and SDG&E be required to better educate residential customers about the availability of the all-electric and HPWH baseline allowances available to them? What should such a marketing, education, and outreach (ME&O) program look like?**

Phase 4 Track C Questions:

1. **Zonal Decarbonization Pilot Projects**
    a) Should the Commission develop a voluntary zonal decarbonization pilot program? If so, should these pilots be implemented on one or more sites?
    b) Should these pilot projects be implemented by IOUs and Community Choice Aggregators (CCAs), Renewable Energy Networks (RENs), contractors, local and tribal governments, or other program implementers?
    c) Which regions should the Commission prioritize for a voluntary neighborhood scale decarbonization pilot program? Include considerations such as short- and long-term equitable cost distribution, planned gas line replacement, and minimizing distribution and transmission infrastructure needs.
    d) What combination of layered federal and state incentives, Inclusive Utility Investment, and other existing or third-party funding approaches can sustainably fund the zonal decarbonization pilot and action plan? How should the use of these funds be coordinated?
2. **Expansion of the TECH Initiative**

a) Should the Commission expand the TECH Initiative's current focus beyond residential space conditioning and water heating? What additional or expanded initiatives should be included within the program?

3. Building Decarbonization Action Plan

a) Should the Commission identify barriers and set long-term strategic goals through a building decarbonization action plan consistent with California's climate and equity goals?

b) How should such a plan align with the six million heat pump target proposed in the CEC's IEPR?

c) What solutions or program design elements should the Commission consider immediately actionable and implementable versus longer term in the development of-a building decarbonization action plan?

d) In developing the building decarbonization action plan, what solutions or program design elements would advance the goals of the ESJ Action Plan 2.0?

e) What are the existing barriers to realizing the goals of the ESJ Action Plan 2.0 in regard to a building decarbonization action plan?

f) How should immediate and longer-term actions build on existing building decarbonization efforts, including but not limited to the programs and reports discussed in this Ruling?

g) How can we cost-effectively use zonal pilots as models in building decarbonization to inform High Distributed Energy Resources and Long-Term Gas Planning proceedings with respect to electric and gas transmission and distribution?

h) Aiming for a 2045 carbon-neutral grid, what is the projected difference in (1) utility staffing needs and (2) trade professional workforce for a zonal decarbonization scenario optimized for grid-responsive distributed energy resources (energy-efficiency, demand response, and on-site storage) versus a non-optimized zonal electrification scenario

i) How might the utility work with its programs, RENs, CCAs, and state, tribal, and federal agencies to modify customer incentive programs to encourage power efficient electrification?

END OF ATTACHMENT A TO AMENDED SCOPING RULING