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R2409012

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Establish Policies, Processes, and Rules to Ensure Safe and Reliable Gas Systems in California and Perform Long-Term Gas System Planning.

Rulemaking 24-09-012

ASSIGNED COMMISSIONER'S SCOPING MEMO AND RULING

This scoping memo and ruling sets forth the issues, need for an evidentiary hearing, schedule, category, and other matters necessary to scope this proceeding under Public Utilities Code Section 1701.1 and Article 7 of the Commission's Rules of Practice and Procedure (Rules).

1. Procedural Background

On September 26, 2024, the Commission opened this Order Instituting Rulemaking (OIR) to advance long-term gas transition planning work and act on opportunities to advance decarbonization and mitigate risks in the near term. On November 12, 2024, I issued an Assigned Commissioner Ruling (ACR) seeking comments concerning incorporation of the statutory mandates in the new Senate Bill (SB) 1221 into the scope of this proceeding and categorization of the proceeding as quasi-legislative. On November 13, 2024, the Administrative Law Judges (ALJs) sought comments on interim actions. On November 14, 2024, the Commission hosted a gas transition scenario planning workshop with the California Energy Commission (CEC) and California Air Resources Board (CARB).

A prehearing conference was held on January 9, 2025, to address the issues of law and fact, determine the need for hearings, set the schedule for resolving the matter, and address other matters as necessary.

After considering the record of this proceeding, including the comments on the OIR and ACR and the discussion at the prehearing conference, I have determined the issues and initial schedule of the proceeding as outlined in this scoping memo.

2. Issues

The preliminary scope of issues are 1) Phase 1, Interim Actions; 2) Phase 2, Long-Term Gas Transition Planning; and 3) Phase 3, SB 1221 Implementation. The three Phases include eleven issues with some issues having sub-issues, as noted below.

These Phases will be examined concurrently. Phases 2 and 3 also are divided into Tracks, which may be examined sequentially or concurrently, as necessary.

As an overview, Phase 1, Interim Actions, will consider specific actions that may be undertaken in the short and medium term to respond to anticipated risks and challenges of the gas transition. Interim actions may include, but are not limited to, policy actions, programs, pilots, or projects not currently in a proceeding before the Commission (*see, e.g.*, Issue 1). They may also include regulatory best practices, mechanisms, or measures that may inform future Commission decisions in current or anticipated proceedings, such as guidance to general rate case proceedings (*see, e.g.*, Issue 2). Depending on the type of action under consideration, there may need to be a subsequent ratesetting review, either by way of a new application, a ratesetting track in this proceeding, or in some other way.

The initial stage of Phase 1 began with the November 13, 2024 ruling seeking parties' responses to questions regarding interim actions. Party responses are due in March 2025.¹ Thereafter, I anticipate consideration and adoption of an initial set of interim actions.

As the analytical work that will be undertaken in Phase 1 advances, the potential scope and scale of appropriate interim actions are likely to expand. As such, I further anticipate consideration and adoption of additional interim actions, beyond those adopted as initial set of interim actions, on an ongoing basis.

In Phase 2, Long-Term Gas Transition Planning, the focus will be to develop a robust record to inform decision-making about the gas system, and, in particular, to develop pertinent information related to the gas transition for consideration in subsequent stage(s) of this proceeding or for reference in other proceedings. The work in Phase 2 will encompass data, forecasts, metrics, relevant analytical tools, and approaches, including but not limited to long-term gas system scenarios. The use of long-term planning scenarios will require sequenced work addressing the analytical foundation, metrics, and the development of scenarios. This includes but is not limited to actions and metrics related to decarbonization goals, rates and affordability, safety and reliability, workforce, and equity.

Lastly, in Phase 3, this proceeding will examine SB 1221 implementation issues in two tracks: Track 1: SB 1221 Mapping Requirements; and Track 2: SB 1221 Priority Neighborhood Decarbonization Zones.

¹ *Administrative Law Judges Ruling Seeking Comments Regarding Interim Actions* (Nov. 13, 2024); *Email Ruling Granting TURN's Motion for Extension of Time for "Interim Actions" Comments, with Modifications* (Nov. 22, 2024).

The eleven scoped issues (some with sub-issues) are detailed below in the three Phases, to be determined or otherwise considered as follows:

Phase 1: Interim Actions

1. What interim actions should the Commission consider to support the gas transition, including actions related to affordability, safety, reliability worker transition, public health, customer needs, and ratepayer impacts?
2. What best practices, mechanisms, and/or measures should the Commission incorporate into its decision-making to support the gas transition that addresses issues such as affordability, safety, reliability, worker transition, public health, customer system needs, and ratepayer costs?
3. Should the Commission adopt a new process to facilitate non-pipeline alternatives for some or all distribution pipeline or regulator station repair or replacement projects? If so, what should that process entail and what direction should the Commission give to utilities to enact that process, including how should costs be addressed?

Phase 2: Long-Term Gas Transition Planning

Track 1: Foundational Data and Analytics

4. What foundational analyses shall the Commission utilize or establish to inform decision-making on gas transition issues, including developing scenarios and further long-term planning?²
5. What data sharing and confidentiality best practices should the Commission adopt?
 - a. How should the Commission support greater transparency and/or access to the data regarding gas

² Foundational analyses include, but are not limited to, gas demand forecasts, gas demand metrics, metrics for decarbonization milestones, tools and approaches for estimating gas and electric rate and infrastructure impacts, and already existing analyses to serve as a starting point for long-term planning.

- and dual-fuel utilities' energy infrastructure and practices?
- b. How should data sharing between utilities, stakeholders, entities, and/or the Commission be facilitated?
- c. How should confidentiality concerns be addressed?
- 6. How should the Commission facilitate energy system coordination, including coordination between gas and electric systems and between Commission-jurisdictional utilities and non-jurisdictional utilities?

Track 2: Long-term Planning and Scenario Development

- 7. How should the Commission approach long-term gas planning?
 - a. What are the long-term gas planning analyses, tools, approaches, methodologies, and/or objectives that the Commission should consider to inform and operationalize the gas transition?
 - b. How and to what extent should gas and electric planning be coordinated to facilitate decarbonization activities and mitigate potential risks (*e.g.*, electric and gas reliability issues, commodity price spikes) during the gas transition? What current regulatory, procedural, or legal barriers prevent gas and electric utilities from working to support a strategic long-term transition, and how can they be mitigated?
 - c. How should scenarios inform long-term gas planning?
- 8. How should the Commission direct utilities to develop gas transition scenarios? Should this direction differ for gas and dual-fuel utilities? If so, how?
 - a. What scenarios, in addition to one based on the CARB 2022 Scoping Plan, should gas and dual-fuel utilities be required to develop?
 - b. What data and/or other parameters shall gas and dual-fuel utilities input into their scenarios?

- c. What sensitivities, if any, should gas and dual-fuel utilities consider?
 - d. What data, metrics, and/or other information should the Commission require as outputs from gas and dual-fuel utilities' scenarios, including projections related to system costs and rates?
9. How frequently should gas and dual-fuel utilities be required to repeat the scenario planning process?
- a. How should these scenarios inform strategies for addressing affordability, equity, public health, safety, energy reliability, workforce transition, cost recovery, greenhouse gas emissions, and/or other aspects of the gas transition?
 - b. What key metrics and/or criteria should be used to evaluate and true-up forecasting and scenarios over time?

Phase 3: SB 1221 Implementation

Track 1: SB 1221 Mapping Requirements

10. How should California's gas corporations comply with Public Utilities Code Section 661, which requires gas corporations to submit maps containing certain information to the Commission?
- a. How should the Commission interpret the undefined terms in Section 661, including "submit," "potential," and "foreseeable"?
 - b. What additional information, if any, should the Commission require in the maps per Section 661(a)(4) beyond what is required by Section 661(a)(1)-(3)?
 - c. How should the Commission ensure that the activities required by Section 661 best support other current and future Commission-directed activities?
 - d. How should the Commission treat any information utilities may claim as confidential, including customer gas consumption data, customer counts, and infrastructure data?

Track 2: SB 1221 Priority Neighborhood Decarbonization Zones

11. How should the Commission comply with the legislative requirement to designate “priority neighborhood decarbonization zones”?
 - a. What additional factors, if any, should the Commission consider in designating the zones, beyond the factors required by Public Utilities Code Section 662(a)(1)-(4)?
 - b. How should the Commission interpret and/or define the requirements of Section 662?
 - c. How should the Commission direct utilities to identify non-ratepayer funding or ratepayer cost savings that may be used to execute pilot projects in priority neighborhood decarbonization zones?
 - d. What guidance should the Commission give in this proceeding regarding the “criteria and methodology for determining the cost-effectiveness of a zero-emission alternative as compared to replacement, repair, or continued operation of the affected asset of the gas system” as required per Public Utilities Code Section 663(b)(2)?
 - e. What guidance should the Commission give in this proceeding regarding whether adequate substitute energy service is reasonably available to support the energy end uses of affected customers per Public Utilities Code Sections 451.9 and 663(b)(3)?
 - f. How should the designation of priority neighborhood decarbonization zones be conducted to best support the implementation of decarbonization projects within those zones?
 - g. How and how often should the Commission update the priority neighborhood decarbonization zones?

Finally, as noted by the parties, the Commission will need to draw from work done by other state agencies and departments and avoid confusion or duplication of work. I recognize that to successfully accomplish the work

outlined in the scoping memo, especially for Phase 2, will require continued and close collaboration with the CEC, CARB, the California Department of Conservation’s Geologic Energy Management Division (CalGEM), and others. For these reasons, I intend to continue the close working relationship that has been established through the production of the Joint Agency Staff White Paper.

3. Need for Evidentiary Hearing

At least some of the issues identified in section 2 above are potentially contested, material issues of fact. Accordingly, we will allow parties to present evidence on those issues.

4. Schedule

This proceeding will address the three proceeding Phases concurrently. The following schedule for the three Phases is adopted here. The schedule may be modified by the ALJs as required to promote the efficient and fair resolution of the proceeding:

Event	Date
Phase 1: Interim Actions	
Opening Comments on Interim Action Ruling	March 14, 2025
Reply Comments on Interim Action Ruling	March 31, 2025
Interim Actions Workshop	Q2-Q3 2025
Proposed Decision(s)	TBD
Final Decision(s)	No earlier than 30 days after the Proposed Decision has been issued
Phase 2: Long-Term Gas Transition Planning	
<u>Track 1</u> : Consideration of Foundational Data and Analytics issues	Beginning in Q1-Q2 2025

<u>Track 2</u> : Consideration of Long-Term Gas Planning and Scenario issues	Beginning in Q1 2026
Proposed Decision(s)	TBD
Final Decision(s)	TBD
Phase 3: SB 1221 Requirements	
<u>Track 1 Mapping</u> : Energy Division Staff Proposal on Proposed SB 1221 Mapping Direction to Utilities	Early February 2025
<u>Track 1</u> : Opening Comments on Staff Proposal	Mid-February
<u>Track 1</u> : Reply Comments on Staff Proposal	Late-February
<u>Track 1</u> : Ruling Directing Utility Mapping	End of February
<u>Track 1</u> : Utility Mapping Status Report Due	End of April
<u>Track 1</u> : Utility Mapping Due	July 1, 2025
<u>Track 1</u> : Comments on Utility Mapping	TBD
<u>Track 2 Designating Priority Neighborhood Decarbonization Zones</u> : Staff Proposal	Q3-Q4 2025
<u>Track 2</u> : Opening and Reply Comments on Staff Proposal	Q4 2025
<u>Track 2</u> : Ruling or Decision designating priority neighborhood decarbonization zones.	January 1, 2026
Proposed Decision(s)	TBD

Final Decision(s)	No earlier than 30 days after the Proposed Decision has been issued.
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5. Alternative Dispute Resolution (ADR) Program and Settlements

The Commission’s Alternative Dispute Resolution (ADR) program offers mediation, early neutral evaluation, and facilitation services, and uses ALJs who have been trained as neutrals. At the parties’ request, the assigned ALJs can refer this proceeding to the Commission’s ADR Coordinator. Additional ADR information is available on the Commission’s website.³

Any settlement between parties, whether regarding all or some of the issues, shall comply with Article 12 of the Rules and shall be served in writing. Such settlements shall include a complete explanation of the settlement and a complete explanation of why it is reasonable in light of the whole record, consistent with the law and in the public interest. The proposing parties bear the burden of proof as to whether the settlement should be adopted by the Commission.

6. Category of Proceeding and Ex Parte Restrictions

The Commission preliminary determined that this is a ratesetting proceeding.⁴ Because this proceeding initially will establish policy or rules affecting a class of energy utilities, the category is hereby changed to quasi-legislative. Accordingly, *ex parte* communications are permitted without restriction or reporting requirement pursuant to Article 8 of the Rules.

³ <https://www.cpuc.ca.gov/PUC/adr/>

⁴ OIR at 15.

7. Public Outreach

Pursuant to Public Utilities Code Section 1711(a), where feasible and appropriate, before determining the scope of the proceeding, the Commission sought the participation of those likely to be affected, including those likely to derive benefit from, and those potentially subject to, a decision in this proceeding. This matter was noticed on the Commission's daily calendar. Where feasible and appropriate, this matter was incorporated into engagements conducted by the Commission's External Affairs Division with local governments and other interested parties.

In addition, the Commission served the OIR on the service lists of R.20-01-007, R.13-02-008, and R.19-01-011. The Commission also made the OIR available to the CEC and CARB.

8. Intervenor Compensation

Under Public Utilities Code Section 1804(a)(1), a customer who intends to seek an award of compensation must file and serve a notice of intent to claim compensation by February 10, 2025, 30 days after the prehearing conference.

Pursuant to Decision 24-09-034, Ordering Paragraph 4, intervenors may seek an award of compensation for their substantial contribution in R.20-01-007's Phase 3 issues in the docket of this proceeding, following the applicable Phase(s) of this proceeding. Ordering Paragraph 4 requires parties claiming intervenor compensation in this this proceeding for hours incurred in R.20-01-007's Phase 3 to reference Decision 24-09-034 and R.20-01-007 in their claim.

9. Response to Public Comments

Parties may, but are not required to, respond to written comments received from the public. Parties may do so by posting such response using the

“Add Public Comment” button on the “Public Comment” tab of the online docket card for the proceeding.

10. 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 <https://www.cpuc.ca.gov/about-cpuc/divisions/news-and-public-information-office/public-advisors-office> or contact the Commission’s Public Advisor at 866-849-8390 or 866-836-7825 (TTY), or send an e-mail to public.advisor@cpuc.ca.gov.

11. Filing, Service, and Service List

The official service list has been created and is on the Commission’s website. Parties should confirm that their information on the service list is correct and serve notice of any errors on the Commission’s Process Office, the service list, and the ALJs. Interested stakeholders and individuals may become a party if they follow the process and meet the requirements in Rule 1.4.⁵

When serving any document, each party must use the current official service list on the Commission’s website.

This proceeding will follow the electronic service protocol in Rule 1.10, with one exception, such that all parties are excused from the Rule 1.10 requirement to serve on the ALJs both an electronic and a paper copy of filed or serviced documents. Therefore, when serving documents on Commissioners, their personal advisors, and the ALJs, whether they are on the official service list or not, parties must only provide electronic service, unless otherwise instructed

⁵ The form to request additions and changes to the Service list may be found at <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/administrative-law-judge-division/documents/additiontoservicelisttranscriptordercompliant.pdf>

by the ALJs. Parties must not send hard copies of documents to Commissioners or their personal advisors unless specifically instructed to do so.

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

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

12. Receiving Electronic Service from the Commission

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

13. Assignment of Proceeding

Karen Douglas is the assigned Commissioner and David Van Dyken and Robyn Purchia are the assigned ALJs and presiding officers for the proceeding.

IT IS RULED that:

1. The scope of this proceeding is described above and is adopted.
2. The schedule of this proceeding is set forth above and is adopted.

3. Evidentiary hearing is needed.
4. Administrative Law Judges David Van Dyken and Robyn Purchia are designated as the presiding officers.
5. The category of the proceeding is quasi-legislative.

Dated January 31, 2025, at San Francisco, California.

/s/ KAREN DOUGLAS

Karen Douglas
Assigned Commissioner