BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Order Instituting Rulemaking to Consider Distributed Energy Resource Program Cost-Effectiveness Issues, Data Access and Use, and Equipment Performance Standards.	Rulemaking 22-11-013 (Filed November 17, 2022)

OPENING COMMENTS OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) ON THE PROPOSED DECISION ADOPTING GUIDING PRINCIPLES FOR THE AVOIDED COST CALCULATOR AND ESTABLISHING A DISTRIBUTIONAL EQUITY ANALYSIS PROCESS

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SUBJECT MATTER INDEX

Southern California Gas Company (SoCalGas) respectfully submits the following recommendations on the Proposed Decision (PD) Adopting Guiding Principles for the Avoided Cost Calculator and Establishing a Distributional Equity Analysis Process:

- SoCalGas generally supports the PD's guiding principles of accuracy, consistency, and transparency.
- SoCalGas does not support the Distribution Equity Analysis framework as defined by Ordering Paragraph (OP) 2 of the PD because it is a separate and distinct analysis from the Distributional Equity Analysis recommended by parties in the proceeding and defined in the relevant section of the PD.
- SoCalGas requests the PD be updated to find that the question of how equity should be considered in evaluating DER cost-effectiveness remains open.

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I. INTRODUCTION

Pursuant to Rule 14.3 of the California Public Utilities Commission's (CPUC or Commission) Rules of Practice and Procedure, Southern California Gas Company (SoCalGas) hereby submits the following Opening Comments on the Proposed Decision (PD) Adopting Guiding Principles for the Avoided Cost Calculator and Establishing a Distributional Equity Analysis Process dated October 14, 2026. Recommended changes to the PD are provided in Appendix A.

II. DISCUSSION

SoCalGas generally supports the PD's adoption of guiding principles for the Avoided Cost Calculator (ACC) and its recognition that equity analysis should complement cost-effectiveness tests. SoCalGas recommends the following modifications to the PD's Distributional Equity Analysis framework, as discussed herein:

1. Remove or rename the DEA label from the framework adopted in OP 2 and COL 2, and direct that such report be considered in a more appropriate proceeding such as the high DER Proceeding (R.21-06-017) or its successor.

2. Find that the question of how equity should be considered in evaluating DER cost-effectiveness remains open.

3. Direct Energy Division to issue a staff proposal and hold a workshop on a *Distributional* Equity Analysis for DER programs. The Distributional Equity Analysis should apply to gas and electric programs (including those not specifically targeted at equity populations) and all program administrators, and address at a minimum rate, bill, and participation impacts across target populations, participants, and non-participants.

A. Guiding Principles

SoCalGas supports the PD's adoption of accuracy, consistency, and transparency as guiding principles for the ACC. These principles appear consistent with SoCalGas's proposal for guiding principles of neutrality, flexibility, and transparency.[1] A goal in Track 1 of the current rulemaking was to make "the use and application of cost-effectiveness tests more accurate and consistent across DERs."[2] The first two guiding principles thus explicitly align with this goal. Additionally, transparency in how values are calculated allows for robust stakeholder input and validation so that values and methodologies adopted in the model are as accurate as possible.

Further, SoCalGas submits that its proposed principle of neutrality is integrated in the PD's adoption of consistency as a guiding principle. Inputs to the ACC models should be consistent over time in addition to the application and treatment of values between the electric and gas ACC models. Many distributed energy resources (DERs), including fuel substitution measures, are evaluated using values from both the gas and electric ACCs, and only consistent treatment allows users to determine when fuel substitution is cost-effective. This is not to say that the values between the models must be identical, but rather the treatment of values and rigor

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1 SoCalGas Customer DER ACC Guiding Principles Proposal, April 10, 2025, Workshop, at 45–47.

2 Assigned Commissioner's Scoping Memo and Ruling at 3. *Available at:* https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M510/K287/510287758.PDF.

of calculations should be consistent between the models. Cal Advocates, SBUA, and CLECA also proposed technology neutrality.[3]

However, because the guiding principles are proposed as single words, how they are defined, developed, and applied will largely determine how they guide future updates. The PD's discussion of consistency focuses on alignment with Integrated Resource Planning (IRP). SoCalGas recommends that the final decision clarify that consistency also includes technology and fuel neutrality and consistent treatment of the electric and gas ACC models.

B. Distributional Equity Analysis

R.22-11-013 seeks to consistently and accurately value benefits across DER programs. However, traditional cost effectiveness tests do not measure how DER programs costs and benefits are distributed among disadvantaged, equity, or other priority communities.[4] To address this gap, several parties recommended a Distributional Equity Analysis in their opening briefs including Cal Advocates, the Joint IOUs (PG&E, SCE, and SDG&E), the Natural Resources Defense Council (NRDC), in addition to SoCalGas.[5] These parties described Distributional Equity Analysis as an evaluation of how DER program costs and benefits are distributed across customer groups, including rate, bill, and participation impacts on participants and non-

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[3] CPUC DER Cost-Effectiveness Workshop, April 10, 2025. SBUA guiding principles in ACC at 25, CLECA guiding principles at 57, and Cal Advocates guiding principles at 77. *Available at:* https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/energy-efficiency/ider-cost-effectiveness/april-2025-acc-workshop_ver2.pdf.

[4] CPUC Environmental & Social Justice (ESJ) Action Plan (Version 2.0), April 7, 2022, at 21. *Available at:* https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/news-and-outreach/documents/news-office/key-issues/esj/esj-action-plan-v2jw.pdf.

[5] Cal Advocates Opening Brief (February 21, 2024) at 47–49, 51; NRDC Opening Brief at 12–13; SoCalGas Opening Brief at 8–10; Joint IOUs Opening Brief at 50 & fn. 197 (citing IOU-01 at 56 and recommending "distributional equity pilot testing"); see also id. at 50, fns. 195–196 (citing IOU-01 at 51–56). See also Cal Advocates Opening Brief at 48 (NRDC, the Joint IOUs, and SoCalGas "each recommend that the Commission adopt some form of 'Distributional Equity Analysis' (DEA) to help understand the impact of DER programs on different segments of participating and non-participating ratepayers") (footnotes omitted).

participants.[6] No party proposed that such analysis examine operational electric distribution system reliability or circuit-level performance.[7] Parties reiterated these recommendations in the April 10, 2025 workshop on guiding principles and equity, where SoCalGas joined PG&E, SCE, and SDGE in a joint IOU presentation on Distributional Equity Analysis.[8]

SoCalGas continues to support the development of a Distributional Equity Analysis[9] to complement traditional cost effectiveness tests adopted in prior decisions such as Total Resource Cost (TRC)[10], Program Administrator Cost (PAC)[11], and Societal Cost Test (SCT)[12]. The PD correctly defines a Distributional Equity Analysis as "an analytical framework that evaluates how the impacts, benefits, and burdens of a policy, investment, or program are distributed across different demographic groups and communities".[13] Additionally, this definition is consistent with the analysis understood and recommended by parties in this proceeding—an evaluation of how DER program costs and benefits are distributed across customer groups.

The directives in OP2 are labeled a Distribution Equity Analysis but address an Integrated Equity and Reliability Analysis (IERA). Calling the IERA a *Distribution* Equity Analysis may lead stakeholders to believe the IERA is analogous to *Distributional* Equity analysis. This use of similar terminology to describe activities that encompass vastly different

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6 Cal Advocates Opening Brief at 49 (recommending that a Distributional Equity Analysis "include, at minimum, a review of changes in rates, bill impact, and participation by income"); SoCalGas Opening Brief at 8–9.

7 See generally Opening Briefs (February 21, 2024). Where opening briefs addressed the electric distribution system, they did so in the context of avoided distribution costs in the ACC.

8 April 10, 2025, Workshop presentations of PG&E, SCE, SDG&E, and SoCalGas at 33–37, SBUA at 26, and Cal Advocates at 78.

9 SoCalGas Customer DER Proceeding 2024 ACC Update Opening Brief (February 21, 2024) at 8.

10 D.19-05-019 at OP 1.

11 *Id.* at OP 2.

12 D.24-07-015 at OP 1.

13 PD Adopting Guiding Principles For The Avoided Cost Calculator and Establishing a Distributional Equity Analysis Process at 13.

purposes and scope of analysis can cause confusion and misalignment. The phrase Distributional Equity Analysis moreover can be viewed as a term of art, as established and defined in the Department of Energy (DOE) report referenced in the PD.[14]

The analysis adopted in OP 2 of the PD presents its Distribution Equity Analysis as a completely disparate technical analysis evaluating the physical *distribution system* of electric utilities rather than the *distributional equity* of DER programs. Under OP 2, the IERA Report would identify circuit-level patterns in reliability and Public Safety Power Shutoff (PSPS) events affecting equity populations. The IERA would not evaluate any DER program or cost-effectiveness result. Moreover, the Scoping Memo defines DER customer programs in this proceeding as behind-the-meter, demand-side activities[15] while the IERA instead examines front-of-the-meter electric utility distribution infrastructure. These considerations thus fall outside the scope of DER customer programs addressed in this proceeding. The analysis in IERA is better suited for the High DER proceeding (R.21-06-017) or the distribution planning processes that produces the underlying data.

Indeed, the IERA framework is also problematic because it is inconsistent with the information relied on in the PD to support the framework. For instance, the PD cites the U.S. Department of Energy Guide prepared by Lawrence Berkeley National Laboratory (DOE Guide) as the basis for its framework.[16] That guide describes Distributional Equity Analysis as a tool to inform decisions on specific DER investments, used alongside benefit-cost analysis, with rate, bill, and participation impacts as its central metrics. Reliability is one example metric. The IERA

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[14] PD at FOF 4.

[15] Assigned Commissioner's Scoping Memo and Ruling at 1, footnote 1. *Available at:* https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M510/K287/510287758.PDF.

[16] PD at FOF 4.

Report adopted in OP 2 is a retrospective, system-wide analysis that is not linked to any DER investment decision or benefit-cost analysis.

Further, the IERA Report adopted in OP 2 does not address equity considerations for gas customers and programs in its analysis. Any DEA of DER programs should apply to all DER programs and Program Administrators (PAs), including Regional Energy Networks (RENs) and Community Choice Aggregators (CCAs), which focus on serving equity customers and gaps in IOU PA offerings. Accordingly, the OP 2 IERA Report does not resolve the scoped issue of how equity should be considered in evaluating DER cost-effectiveness.[17] The PD thus errs to the extent OP 2 intends to establish an operational electric grid distribution system analysis to meet the intent of the Distributional Equity Analysis as discussed within the relevant sections of the PD.

III. CONCLUSION

SoCalGas appreciates the opportunity to submit these opening comments on the Proposed Decision and respectfully requests that the Commission adopt the recommendations contained herein.

Respectfully Submitted,

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[17] Scoping Memo at 4; Amended Scoping Memo, March 4, 2026, at 2.

APPENDIX A

PROPOSED CHANGES TO FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDERING PARAGRAPHS

Added text is shown in brackets and labeled. Conforming changes should be made to the body of the decision.

Findings of Fact

New FOF: The ACC guiding principle of consistency includes technology and fuel neutrality and analogous updates and treatment of the gas and electric ACCs.

New FOF: The Integrated Equity and Reliability Analysis Report evaluates circuit-level distribution planning and reliability outcomes. It does not evaluate how the costs and benefits of DER programs are distributed across customer groups.

New FOF: The DOE Guide identifies rate, bill, and participation impacts across priority populations, participants, and non-participants as central DEA metrics.

Conclusions of Law

Revised COL 2: The Commission should adopt a [Distribution Planning Equity and Reliability reporting] framework to identify circuit-level patterns showing relationships between distribution planning equity, reliability performance, and equity-priority population characteristics.

New COL: This decision does not resolve how equity should be considered in evaluating DER cost-effectiveness. A Distributional Equity Analysis for DER programs should be developed through a staff proposal and stakeholder process.

Ordering Paragraphs

Revised OP 2 (introductory clause): This decision adopts a new [Distribution Planning Equity and Reliability reporting] framework:

New OP: Energy Division shall issue a staff proposal on a Distributional Equity Analysis for DER cost-effectiveness that applies to gas and electric DER programs and addresses, at a minimum, rate, bill, and participation impacts across target populations, participants, and non-participants. Energy Division shall hold a public workshop on the staff proposal.