Decision **PROPOSED DECISION OF COMMISSIONER DARCIE L. HOUCK(Mailed 10/14/2026)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

DECISION ADOPTING GUIDING PRINCIPLES FOR THE AVOIDED COST CALCULATOR AND ESTABLISHING A DISTRIBUTIONAL EQUITY ANALYSIS PROCESS

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DECISION ADOPTING GUIDING PRINCIPLES FOR THE AVOIDED COST CALCULATOR AND ESTABLISHING A DISTRIBUTIONAL EQUITY ANALYSIS PROCESS

Summary

This decision establishes the guiding principles of accuracy, consistency and transparency for the Avoided Cost Calculator used in cost effectiveness analysis for distributed energy resources policies and programs. The decision also establishes a Distributional Equity Analysis as a companion to existing cost-effectiveness evaluations for distributed energy resources.

1. Background

Party interest in adopting guiding principles for the avoided cost calculator (ACC) process first emerged in the California Public Utilities Commission's (Commission's) prior ACC Rulemaking 14-10-003. In comments to Decision (D.) 22-05-002, the Solar Energy Industries Association stated that "the Commission has adopted many iterations of the Avoided Cost Calculator without the use of guiding principles."[1]

Many party comments to D.24-08-007 in the current Rulemaking supported adopting principles to ensure that the ACC process aligned with the integrated resource planning (IRP) process. The Public Advocates Office at the California Public Utilities Commission stated that due to the lack of guiding principles, the Commission had adopted piecemeal directives for the ACC process across multiple decisions.[2]

[1] D.22-05-002 at 26.

[2] D.24-08-007, Decision Adopting Changes to the Avoided Cost Calculator, at 46 – 47.

D.22-05-002 identified that "while the lack of guiding principles has not deterred adoption of the ACC, a well-designed and defined set of guiding principles will lead to a proper assessment of the valuable characteristics needed in the Avoided Cost Calculator."[3] D.22-05-002 also mentions the principles of accuracy and consistency but determines that more information is needed to determine which principles should be established.[4] Similarly, D.24-08-007 discusses party interest in establishing guiding principles but states that more time is needed to consider the specifics and at least one workshop would be held to develop the record on guiding principles.[5] The Commission held a workshop and has further developed the record to support adoption of guiding principles for the ACC.

1.1. Procedural Background

On April 10, 2025, the Commission held a workshop to discuss party proposals for guiding principles and other process improvements.

On April 29, 2025, the assigned Administrative Law Judge (ALJ) issued a ruling that included parties' views about guiding principles for the ACC process. Attached to the ruling was a summary of parties' proposals at an April 10, 2025, workshop (April 29, 2025 Ruling Attachment A). The April 10, 2025 workshop was also digitally transcribed (2025 ACC Workshop Transcript).[6] Parties were

[3] D.22-05-002 at 26.

[4] *Id.*, at 101, FOF 4.

[5] D.24-08-007, at 48.

[6] CPUC Website on DER Cost Effectiveness, DER Cost-Effectiveness, https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/energy-efficiency/ider-cost-effectiveness/april-2025-acc_workshop_transcript.docx.

asked to review, update and comment on the summary document by May 12, 2025. On May 12, 2025, the following parties filed comments in response to the April 29, 2025 ruling: Clean Coalition, Southern California Edison Company (SCE), Vote Solar, Marin Clean Energy (MCE), The Public Advocates Office at the California Public Utilities Commission (Cal Advocates), Western Riverside Council of Governments (WRCOG), Protect Our Communities Foundation (PCF) and Center for Biological Diversity, California Large Energy Consumers Association (CLECA), Southern California Gas Company (SoCalGas), Association of Bay Area Governments (ABAG) and County of Ventura, Solar Energy Industries Association (SEIA), Northern California Rural Regional Energy Network (N-REN), and Pacific Gas and Electric Company (PG&E).

The following parties filed reply comments to the April 29, 2025, ruling on May 19, 2025: SoCalGas, Vote Solar, Coalition of California Utility Employees (CUE), MCE, ABAG and County of Ventura, CLECA, PG&E, Small Business Utility Advocates (SBUA), SEIA, SCE, Central California Rural Regional Energy Network (C-REN).

On March 4, 2026, the Commission issued an Amended Scoping Memo creating a new Track 3 of this proceeding to further examine guiding principles and how equity issues should be considered in evaluating cost effectiveness for distributed energy resources (DERs). The scoping ruling set a quasi-legislative categorization for Track 3.

2. Issues Before the Commission

In the March 4, 2026, Amended Scoping Memo the Commission determined the issues for Track Three as follows:

1. Whether the Commission should adopt guiding principles that ensure alignment with other Commission proceedings as well as the manner in which equity issues should be considered when evaluating DER cost effectiveness;
2. How should the Commission identify and define guiding principles for the ACC? Should accuracy, transparency and consistency be included as guiding principles? If so, how should these terms be defined and applied? If not, what should the principles be? If so, is this sufficient or should there be other principles included?
3. How equity issues should be considered in evaluating DER cost effectiveness?[7]

This decision addresses all issues in Track 3 of this proceeding. This proceeding remains open to address Track 2's data access issues related to distributed energy resources.

3. Guiding Principles for the Avoided Cost Calculator

3.1. Guiding Principles Workshop Proposals

The following sections capture a summary of comments from the April 10, 2025, workshop included in the April 29, 2025 ruling, party opening comments filed on May 12, 2025, and reply comments filed on May 19, 2025.

CUE proposed that the Commission consider three guiding principles: (i) align the ACC with the IRP, (ii) ensure procedural transparency, and (iii) evaluate and address cost effectiveness issues separately from equitable access issues with respect to DERs.[8] CUE's proposal also asserted that ACC updates should be a product of a transparent public process with robust stakeholder

[7] Assigned Commissioner's Scoping Memo and Ruling, May 31, 2023 at 4.

[8] Administrative Law Judge's Ruling, April 29, 2025, Attachment A at 5.

engagement.[9] SEIA's proposal regarding guiding principles supported accuracy, transparency, and consistency with the IRP and basing the ACC on long run avoided costs.[10] SBUA's proposal for ACC guiding principles centered on affordability and ability to pay; DER technology neutrality; and a distributional equity analysis.[11] SBUA proposed that a Distributional Equity Analysis (DEA)[12] could focus on priority populations and identify equity metrics such as service reliability.[13] Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company (Joint IOUs) like CUE introduced three guiding principles, avoided costs in the ACC should be directly tied to IOU revenue requirements and customer bills, rather than broader societal or non-energy benefits; the ACC should reflect costs that are universally applicable to all DERs; and the ACC should primarily be used for planning purposes, not for evaluating utility procurement, solicitations, or compensation for DER programs.[14]

SoCalGas's proposal supported guiding principles such as enhancing neutrality, flexibility and transparency/clarity. In addition, SoCalGas's proposal asserted that DER's evaluated with both the gas and electric ACCs should receive

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[9] *Ibid*.

[10] *Id*. at 6.

[11] *Id*. at 7.

[12] DEA is 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] April 10, 2025, Guiding Principles Workshop, Transcript at 14. DER Cost-Effectiveness "2025 ACC Workshop Transcript"

[14] *Id*. at 7 – 8.

consistent treatment enabling fair and consistent cost comparison of gas and electric DERs.[15] CLECA proposed two goals for ACC guiding principles: encouraging broad resources inclusion in the valuation of ACC revenue streams and transparent, simple and understandable ACC update process.[16] Vote Solar also proposed two themes for ACC guiding principles, transparency and consistency, and expressed the need for the consideration of distribution level local resiliency.[17]

The proposal for ACC guiding principles filed by Cal Advocates emphasized that the ACC should only include cost categories that utilities avoid.[18] Moreover, Cal Advocates proposed that the ACC should be transparent in its inputs, methodologies, assumptions, and modifications.[19] The WRCOG, on Behalf of the Inland Regional Energy Network (I-REN), provided a proposal that included an overarching guiding principle that the ACC process should recognize that avoided costs are not experienced equally and value should be place-based and people-centered.[20] WRCOG and I-REN suggested that the ACC incorporate climate responsive valuations, locational and environmental justice considerations, as well as health and resilience.[21] I-REN urged consideration of

[15] *Id*. at 8 – 9.

[16] *Id*. at 10.

[17] April 2025 Workshop Summary at 39.

[18] Administrative Law Judge's Ruling, April 29, 2025, Attachment A at 11 – 12.

[19] *Id*. at 11 – 12.

[20] *Id*., at 18.

[21] *Ibid.*

reliability concerns and a more precise accounting of localized resiliency needs.[22] The Local Government Sustainability Energy Coalition (LGSEC) discussed promoting transparency by better understanding the different costs associated with serving different geographies as well as the differences in reliability and resiliency in the context of the distribution planning.[23] N-REN additionally raised equity considerations, including reliability and resiliency particularly for N-REN's rural areas.[24]

3.2. Party Opening Comments

Parties were invited to file and serve opening and reply comments to the April 29, 2025, ruling that included party proposals about guiding principles and respond to three additional questions about modifications to the ACC process.

CLECA's comments to the ALJ's April 29, 2025, ruling advocated for the Commission adopting guiding principles that promote a technology-neutral ACC based on all IRP[25] and preferred system plan (PSP) resources. SEIA identified a core set of principles that emerged from party proposals at the April 10, 2025, workshop presentations,[26] which include: alignment of the ACC with California's Integrated Resource Plan; transparency of Process and Inputs; technology neutrality; and, accuracy and completeness of costs included.[27]

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[22] April 2025 Workshop Summary at 57.

[23] April 2025 Workshop Summary at 48.

[24] April 2025 Workshop Summary at 60.

[25] California Large Energy Consumers Association Opening Comments on Administrative Law Judge's Ruling, May 12, 2025 at 2.

[26] Comments of Solar Energy Industries Association on Administrative Law Judge's Ruling, May 12, 2025 at 3.

[27] *Ibid*.

In their comments on ACC guiding principles the ABAG and County of Ventura recommended the following core guiding principles: cost-effectiveness must be viewed from the perspective of the ratepayer, not the utility; cost-effectiveness should reflect actual costs and benefits to the greatest extent possible; objective values in the ACC should reflect the costs of adequate utility service from a ratepayer perspective; subjective values in the ACC should reflect the "safety, health, comfort, and convenience of its patrons, employees, and the public" in its calculation, specifically to address utility-caused externalities and promote equity; subjective values in the ACC should reflect the obligation for utilities to have fair rules and treatment of customers and non-utility actors; and, the costs of the cost-effectiveness should reflect utility outlays paid on behalf of a customer.[28] Moreover, the ABAG and County of Ventura's comments mentioned that for broader guiding principles the ACC should be accurate and transparent.[29] PG&E's comments acknowledged that "parties seem to agree about the importance of transparency, simplicity, consistency, and accuracy in the ACC planning process."[30]

3.3. Party Reply Comments

The ABAG and County of Ventura's reply comments supported arguments from SoCalREN and I-REN that equity costs and benefits must be

[28] Comments of the Association of Bay Area Governments and County of Ventura on Administrative Law Judge's Ruling, May 12, 2025 at 24 – 31.

[29] *Id*. at 31.

[30] Pacific Gas and Electric Company's Opening Comments on Administrative Law Judge's Ruling, May 12, 2025, at 1.

incorporated within the ACC, including distributional equity and locational impacts.[31] In their reply comments PG&E stated that "the ACC should be simple and transparent about its methodology… guiding principles should be rooted in avoided utility costs, with other benefits considered in addition to the ACC."[32] C-REN's reply comments state that the current ACC has not been designed to support equitable distribution of program benefits.[33] SBUA's reply comments agreed with other parties that that cost-effectiveness alone does not adequately reflect how benefits and burdens are distributed across customer classes.[34] SBUA's comments further state that the reason the DEA should be applied separately from cost effectiveness tests is that benefit cost analysis compares costs and benefits to all customers on average, while a DEA compares impacts on priority populations relative to other customers.[35]

3.4. Adopted Guiding Principles for the Avoided Cost Calculator

Many of the party comments to the April 10, 2025, workshop and the April 29, 2025, ruling supported accuracy, transparency and consistency as principles for the ACC process. To fulfill its charge of ensuring reliable electricity and other services at affordable rates the Commission adopts these three guiding principles for the ACC.

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[31] Reply Comments of Association of Bay Area Governments and County of Ventura on Administrative Law Judge's Ruling, May 19, 2025 at 8-9.

[32] Pacific Gas and Electric Company's Reply Comments on Administrative Law Judge's Ruling, May 19, 2025, at 3.

[33] Reply Comments of Central California Rural Regional Energy Network, May 19, 2025 at 2.

[34] Reply Comments of Small Business Utility Advocates, May 19, 2025 at 2.

[35] *Ibid*.

The Commission adopts accuracy as a guiding principle for the biennial updates to the ACC. Data inputs should reflect the best available information and methods at the time of each update and should be supported by reliable and relevant information. The ACC data inputs should include cost categories which utilities avoid through deployment of behind-the-meter resources as well as clearly identifiable and quantifiable costs supported by reliable, relevant and sufficiently documented information. The Commission recognizes that the data inputs to the ACC involve some level of uncertainty and assumptions. Accordingly, the ACC update process should provide parties with a meaningful opportunity to identify concerns regarding the accuracy, relevance and completeness of proposed data inputs; to identify and provide alternative data sources or evidence; and to explain why a proposed input may not appropriately represent the avoided cost it is intended to measure. The Commission will consider the evidence presented by parties in evaluating whether data inputs should be retained, modified or replaced as part of the biennial update process.

The Commission adopts transparency as a guiding principle for the ACC process, which includes the methodologies, data inputs, assumptions and processes used to develop avoided cost values. As such, the methods and values used should be understandable and communicated as directly as possible. The ACC process should provide parties with sufficient information to understand how avoided cost values are developed, including the sources of data inputs, the assumptions and methods used to derive and apply those inputs, and how changes to inputs or methodologies affect the resulting avoided cost values.

Information regarding the ACC update process, including proposed changes to inputs and methodologies, should be communicated clearly to provide parties with a meaningful opportunity to review and comment. The Commission recognizes that some ACC inputs may rely on confidential or otherwise non-public information. Where confidential information is used, the Commission should provide as much information as reasonably possible regarding the nature, relevance, and use of that information while protecting confidential information. Any departure from transparent or publicly available data should be clearly identified and explained.

The Commission adopts consistency as a guiding principle to refer to the methodology and inputs provided to the ACC process being as consistent as possible over time, given available information. The methodologies, inputs, assumptions, and approaches used to develop avoided cost values should remain as consistent as reasonably possible over time, while allowing for changes when warranted by new information, changes in system conditions, or improvements in methods. Consistency promotes predictability in the ACC process and allows parties to understand and evaluate changes in avoided cost values from one update to the next. The ACC should continue to reflect avoided costs for the electric and gas systems and should not incorporate costs or benefits that are outside the scope of the ACC or that are not reasonably attributable to avoided costs from DERs. Nothing in this consistency principle is intended to

preclude consideration of societal costs, such as those in the Societal Cost Test,[36] or equity-related considerations that are within the scope of the ACC.

The Commission also finds that consistency with the IRP proceeding is an important component of the consistency principle. To the extent the ACC and IRP evaluate the same underlying resource values or system conditions, the processes should use consistent, technology-agnostic assumptions and methodologies where applicable. If the ACC methodology or inputs differ from those used in the IRP proceeding, the basis for those differences should be clearly identified and explained.

Party comments generally did not support adopting equity as a guiding principle for the ACC, whose purpose is to calculate demand-side resources' avoided costs. Also, in D.24-07-015, the Commission considered whether to make the Societal Cost Test a mandatory part of cost-effectiveness calculations or adopt it as a separate informational test to complement the Total Resource Cost test. The Commission decided to adopt the Societal Cost Test as a separate informational test to allow the Commission the flexibility to balance societal costs and benefits of DER programs against any potential affordability impacts that could result from funding such programs through electricity rates. The same logic applies to consideration of whether to adopt equity as a guiding principle for the ACC or to consider a separate equity analysis to complement other cost-effectiveness tests. For these reasons, we do not adopt equity as a guiding

[36] D.24-07-015, Decision Adopting the Societal Cost Test, July 2024.

principle for the ACC and instead address equity as part of a DEA as set forth below.

4. Distributional Equity Analysis

The Commission considers equity issues alongside and in concert with other priority issues like cost effectiveness. In recent years, the Commission has begun taking steps to utilize analytical tools that focus specifically on equity outcomes, such as the Distributional Equity Analysis (DEA) analysis described below. In D.25-11-005 the Commission affirmed that the ACC calculates the benefits to the system provided by DER avoided costs.[37] However, reliability and equity are also important elements for the Commission to consider related to distribution planning and the integration of DERs on the grid. One area where Commission staff have begun to focus equity analysis on is grid constraints as indicators of distribution planning equity. In sum, staff found that separate equity analysis was needed to complement existing reliability metrics in order to consider the effects of the proliferation of DERs comprehensively.

As mentioned above in Section 3.1, DEA is 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.[38] In opening comments to the April 29, 2025, ruling, ABAG and

[38] U.S. Department of Energy, "Distributional Equity Analysis for Energy Efficiency and Other Distributed Energy Resources. A Practical Guide," published in May 2024.

the County of Ventura stated that a DEA should be used to supplement and not replace cost effectiveness analysis.[39]

In its reply comments to the April 29, 2025 Ruling PG&E stated that "the ACC is one input to overall cost-effectiveness considerations, but there are several other layers to evaluating cost-effectiveness. One possible additional layer, proposed by the Joint Investor-Owned Utilities (Joint IOUs), is a DEA that is considered along with cost effectiveness tests."[40] SBUA's reply comments also supported using a DEA to complement existing cost-effectiveness tests.[41] SBUA further recommended that the Commission assess DEA as the optimal means for assessing impacts on priority populations relative to other utility customers.[42]

During the April 2025 workshop on ACC Guiding Principles, SBUA referenced a U.S. Department of Energy (DOE) report titled "Distributional Equity Analysis for Energy Efficiency and Other Distributed Energy Resources. A Practical Guide," published in May 2024.[43] The report includes a seven-step approach for conducting a DEA analysis:

1. Establish community and stakeholder process;
2. Articulate the DEA context;
3. Identify priority populations;
4. Develop DEA metrics;

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[39] Opening Comments of the Association of Bay Area Governments and County of Ventura, May 12, 2025, at 29.

[40] Pacific Gas and Electric Company Reply Comments, May 19, 2025 at 2.

[41] Small Business Utility Advocates Reply Comments, May 19, 2025 at 2.

[42] *Id*., at 3-4.

[43] DOE Practical Guide; April 2025 Workshop Summary at 14.

5. Apply DEA metrics to priority populations;
6. Present and interpret DEA results; and
7. Make decisions using DEA and Benefit Cost Analysis (BCA) results.

The final stage in the decision-making process is to use the DEA results alongside the BCA results to choose between different investment options.[44]

Comparable to the standards set in the U.S. DOE's report, the Commission established a framework for evaluating equity in the distribution planning process as part of the High DER Proceeding (R.21-06-017), through the implementation of Decision (D.) 24-10-030. In that decision, the IOUs were directed to present their proposals to measure, track and evaluate equity in the Distribution Planning and Execution Process (DPEP), and to explore proposed equity metrics in a public workshop. These metrics include variables related to the identified equity-priority populations identified in D.24-10-030 (i.e., California Alternate Rates for Energy (CARE), Family Electric Rate Assistance (FERA), and Medical Baseline program customers; Tribal communities; the Priority Populations Map on the California Environment Protection Agency website and CalEnviroScreen; and disadvantaged communities).[45]

[44] DOE Practical Guide at xii.
[45] D.24-10-030 at 119.

In January 2025, Energy Division held a workshop where the IOUs presented proposals to examine equity in the DPEP.[46] The workshop aimed to establish a common vision of what an equitable DPEP should achieve and gather stakeholder input on proposed metrics.

After the workshop, the IOUs filed a Tier 3 Advice Letter[47] where they formally proposed a set of metrics and econometric models to support equitable planning outcomes within DPEP. Subsequently, in Resolution E-5480[48], the Commission adopted an equity metrics framework for evaluating equity in each utility's annual DPEP using an econometric modeling approach. The results of these econometric models will ultimately be part of the "Equity Metrics in the Distribution Planning and Execution Process Report" (Equity Metrics in DPEP Report), which Energy Division will prepare using data that the IOUs will submit in the "Equity Metrics Statistics" appendix to their annual Grid Needs Assessment (GNA) and Distribution Upgrade Project Report (DUPR) filings.

The instant proceeding provides an appropriate forum and opportunity for the Commission to formally address an assessment methodology for evaluation of equity concerns related to system investments to accommodate the proliferation of DERs. Applying the existing Commission--developed framework

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[46] Equity Metrics Workshop Presentation, January 21, 2025. https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/infrastructure/distribution-planning/d2410030-equity-metrics_workshop_20250121.pdf

[47] Joint Advice Letter (AL) SCE AL 5498-E, PG&E AL 7530-E, SDG&E AL 4617-E. Resolution E-5480.

[48] Resolution E-5480, Southern California Edison Company, Pacific Gas and Electric Company and San Diego Gas & Electric Company implementation of Equity Metrics in the Distribution Planning and Execution Process. September 18, 2026.

to distribution system planning may provide a consistent basis for evaluating how the benefits, burdens, and impacts of distribution investments are distributed across equity-priority populations[49] and geographic areas. It is reasonable for the Commission to conduct analysis on grid constraints and reliability as indicators of distributional equity. Accordingly, we encourage Commission staff to continue to develop and implement this work in conjunction with the equity metrics and reporting framework previously established by the Commission.

Building on this foundation, reliability is a natural extension of the equity metrics under development and an important consideration related to promoting equitable distribution planning. The U.S. DOE report's framework and illustrative set of DEA metrics for DERs also includes reliability, since priority populations can experience longer or more frequent service interruptions than the system average[50], and it identifies standard indices to measure it (SAIDI, SAIFI, CAIDI and MAIFI).[51] An integrated analysis of equity and reliability could serve as another tool to complement cost-effectiveness tests.

[49] The Commission established equity-priority populations in Resolution E-5480 (p 11), including CARE, FERA, and Medical Baseline program customers; Tribal population customers, and Disadvantaged Community customers.

[50] Distributional Equity Analysis for Energy Efficiency and Other Distributed Energy Resources. A Practical Guide (May 2024), p. 121.

[51] System Average Interruption Duration Index (SAIDI), System Average Interruption Frequency Index (SAIFI), Customer Average Interruption Duration Index (CAIDI), and Momentary Average Interruption Frequency Index (MAIFI).

D.26-08-007 adopted a process for IOUs to report reliability data, including these same indices mentioned in the DOE report for DEA, along with CEMI[52] and CELID,[53] with data that can be linked to several of the same equity-priority populations. The data collected will be compiled in each IOU's Customer Reliability Report. Together, the data from the Equity Metrics in DPEP Report adopted in Resolution E-5480 and the Customer Reliability Report adopted in D.26-08-007 provide the foundation for a new Integrated Equity and Reliability Analysis Report (discussed in Section 4.2 below).

In D.18-02-004, the Commission directed the IOUs to develop Grid Needs Assessment (GNA), stating:

> The information each IOU presents in its general rate case applications (GRC) shall be consistent with that which the IOU presents in that year's GNA and DDOR reports, while affirming the IOUs' ability to update any aspect of its GRC testimony due to emergent needs or changing forecasts that arise following that year's GNA and DDOR filings. The IOUs must explain any discrepancies between GNA and DDOR reports and GRC testimony within the GRC testimony.[54]

The GNAs identify and evaluate grid needs such as capacity constraints, reliability issues, load growth, and other distribution-system deficiencies and helps inform what investments or alternatives may be needed to address those needs. These assessments then feed into the utilities' general rate case (GRC) applications. Consistent with D.18-02-004, the GNA provides an appropriate

[52] Customers Experiencing Multiple Interruptions (CEMI).

[53] Customers Experiencing Long Interruption Duration (CELID).

[54] Decision (D.) 18-02-004 at 4.

avenue for presenting and interpreting the DEA results alongside the IOUs' identified grid needs and proposed investments.

4.1. Integrated Circuit-Level Framework

Considering circuit-level reliability in distribution planning can help ensure system reliability as well. To support the DEA analysis, data from the Equity Metrics in DPEP Report and the Customer Reliability Report[55] should be integrated at the circuit level. Specifically, the circuit-level equity priority population data, required in the E-5480 Equity Metrics Statistics Appendix (e.g. CARE, FERA, Medical Baseline Customers, Disadvantaged Communities and Tribal Communities), should be cross referenced with the circuit-level reliability metrics (SAIDI, SAIFI, CAIDI, MAIFI) and load growth forecasts to identify patterns in distribution planning outcomes, reliability performance and the results across equity-priority populations.

4.2. Integrated Equity and Reliability Analysis Report

Beginning in 2028, the Commission's Energy Division should publish an Integrated Equity and Reliability Analysis (IERA) Report that will synthesize the data from the Equity Metrics in DPEP and Customer Reliability reports. The report should identify circuit-level patterns showing relationships between distribution planning equity, reliability performance, and equity-priority population characteristics. The Commission's Energy Division will conduct this analysis in consultation with the IOUs and identified equity-priority

[55] D.26-08-007, first data available in July 2027.

communities that are located along the IOUs' worst-performing circuits,[56] including circuits that have experienced more than four public service power shutoff (PSPS) events within a 12-month period.[57]

The Commission's Energy Division will host a workshop to present the report's methodology and findings. The workshop will include the following panels and opportunity for written comments regarding the report's methodology and findings: IOU panel; consumer advocate panel; at least one panel for local and Tribal governments; and a community-based organizations panel. The workshop should also provide an opportunity for the public to provide comments. Subsequently, the Commission's Energy Division should publish a revised version of the report incorporating information gained during the workshop.

The Commission's Energy Division should publish updated versions of the IERA Report as updated data from the Equity Metrics in DPEP and Customer Reliability reports becomes available in subsequent reporting cycles. For any updated version of the report, Energy Division staff will consult with the IOUs and convene a public workshop to present and receive feedback on the updated report's methodology and findings.

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[56] As required in D.16-01-008, the IOUs must identify and address the top 1% of worst performing circuits based on electric reliability metrics (SAIDI and SAIFI).

[57] See the IOU Electric System Reliability Annual Reports: https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/infrastructure/electric-reliability/electric-system-reliability-annual-reports The IOUs must identify the top 1% of worst performing circuits, explain the causes behind recurring outages, and the steps being taken to improve reliability.

Following publication of the IERA Report, the IOUs should consider how the report's findings may inform proposed investments, including opportunities to address identified disparities in reliability and distribution system performance. The Commission may modify this process and further refine the Distributional Equity Analysis framework in future proceedings as additional stakeholder input is received and the analytical framework continues to be refined.

5. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(a) requires that all written public comment submitted prior to the submission of the proceeding are part of the administrative record of the proceeding. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding. No relevant public comments regarding guiding principles were submitted to the electronic record of this proceeding.

6. Procedural Matters

This decision affirms all rulings made by the Administrative Law Judge and assigned Commissioner in this proceeding. All motions not ruled on are deemed denied.

7. Comments on Proposed Decision

The proposed decision of Commissioner Darcie L. Houck in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of

Practice and Procedure. Opening Comments were filed on November 3, 2026 by CforAT; SCE; PG&E; SoCalGas; SDG&E; Bay Area Regional Energy Network (BayREN), Tri-County Regional Energy Network (3C-REN), and I-REN (Joint RENs); PCF; and Cal Advocates and reply comments were filed on November 9, 2026 by SoCalGas; PCF; and Clean Coalition.

We have made minor language updates in the sections on guiding principles, consistent with some party recommendations. We have also modified the section on distributional equity analysis to address party comments concerning the appropriate processes for incorporating distributional equity analysis into other Commission proceedings. The Commission should consider these issues as they are brought forward in future proceedings to update the General Rate Case Plan.

Party comments to the proposed decision focused on both the proposed guiding principles and distributional equity analysis. Some parties support the proposed guiding principles of consistency, accuracy and transparency. Other parties urged the Commission to provide more clarity and suggested that Energy Division staff develop a proposal and host workshops about how to implement guiding principles into the ACC update process. The record of this proceeding supports adopting consistency, accuracy and transparency as overarching principles for the ACC update process.

Future ACC update proceedings will include multiple opportunities for parties to introduce and request further clarifications about how the principles are being applied in a specific program cycle.

The Commission has made adjustments to the distributional equity analysis introduced in Section 4 of the proposed decision. These changes are in response to party comments.

8. Assignment of Proceeding

Darcie L. Houck is the assigned Commissioner and Hazlyn Fortune is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. The purpose of the Avoided Cost Calculator is to calculate the avoided costs of demand-side distributed energy resources.
2. D.22-02-005 and D.24-08-007 identified interest from parties in developing and adopting guiding principles for the Avoided Cost Calculator process.
3. On April 10, 2025, the Commission held a workshop to discuss party proposals for guiding principles and improvements to the Avoided Cost Calculator process.
4. Distributional Equity Analysis (DEA) is 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.
5. The U.S. Department of Energy (U.S. DOE) report titled "Distributional Equity Analysis for Energy Efficiency and Other Distributed Energy Resources" established a framework for conducting a Distributional Equity Analysis.
6. The Commission established a framework for evaluating equity in the distribution planning process as part of the High DER Proceeding (Rulemaking 21-06-017), through the implementation of D.24-10-030.

7. The U.S. DOE report's framework and illustrative set of DEA metrics for distributed energy resources includes reliability, since priority populations can experience longer or more frequent service interruptions than the system average, and it identifies standard indices to measure it (SAIDI, SAIFI, CAIDI and MAIFI).

8. Reliability is a natural extension of the equity metrics and an important consideration related to promoting equitable distribution planning.

9. The Commission directed the IOUs to conduct a Grid Needs Assessment and develop Distribution Deferral Opportunity Reports in D.18-02-004.

10. The Commission adopted Resolution E-5480 which establishes equity reporting requirements for PG&E, SCE and SDG&E in the distribution planning process.

11. In D.26-08-007, the Commission adopted a process for IOUs to report circuit level reliability data, known as the Customer Reliability Report.

12. A separate equity analysis is needed to complement existing reliability metrics in order to consider the effects of the proliferation of DERs comprehensively.

13. Applying the existing Commission-developed framework to distribution system planning may provide a consistent basis for evaluating how the benefits, burdens, and impacts of distribution investments are distributed across equity-priority populations and geographic areas.

14. Identifying circuit-level patterns showing relationships between distribution planning equity and equity-priority population characteristics is necessary to plan for system reliability.

15. Greater analysis is needed to identify equity-priority communities that are located along the IOUs' worst-performing circuits, including circuits that have experienced more than four public service power shutoff (PSPS) events within a 12-month period.

16. The Commission may further refine the Distributional Equity Analysis framework in future proceedings.

Conclusions of Law

1. The Commission should adopt the following principles to guide the ACC process: accuracy, consistency and transparency.

2. It is reasonable for the Commission to conduct analysis on grid constraints and reliability as indicators of distributional equity.

3. The Commission should adopt a Distributional Equity Analysis framework to identify circuit-level patterns showing relationships between distribution planning equity, reliability performance, and equity-priority population characteristics.

4. Beginning in 2028, the Commission should publish an Integrated Equity and Reliability Analysis Report that integrates data from the Equity Metrics in DPEP Report and the Reliability Report at the circuit level.

5. The Commission should convene a public workshop with California IOUs to present the Integrated Equity and Reliability Analysis Report's methodology and findings.

6. The Commission's Energy Division should publish updated Integrated Equity and Reliability Analysis Reports as updated information becomes available.

O R D E R

IT IS ORDERED that:

1. This decision adopts the following guiding principles for the avoided cost calculator process: accuracy, consistency, and transparency.
2. This decision adopts a new Distributional Equity Analysis framework:
    a. Beginning in 2028, the Commission should publish an Integrated Equity and Reliability Analysis Report to identify circuit-level patterns showing relationships between distribution planning equity, reliability performance, and equity-priority population characteristics.
    b. The Commission's Energy Division staff should convene a public workshop on the Integrated Equity and Reliability Analysis Report. The workshop will call for both presentation of the report and feedback from impacted entities consistent with this decision.
    c. The Commission's Energy Division staff should publish updated versions of the Integrated Equity and Reliability Analysis Report as updated data from the "Equity Metrics in DPEP" and "Reliability" reports becomes available in subsequent reporting cycles.
3. Rulemaking 22-11-013 remains open.

This order is effective today.

Dated _____, 2026, at Sacramento, California