CALIFORNIA
Efficiency + Demand Management
COUNCIL

STATE POLICY WORKING GROUP MEETING 8/4/2023

Agenda

1. Updates/Context
2. R.19-01-011 Building Decarb Amended Scoping Memo & Ruling
3. R. 22-07-005 IGFC Implementation Pathways Comments

Notes

1. **Updates/Context**
    - **Aug. 14** Legislature reconvenes from Summer Recess
    - **Sept. 1** Last day for fiscal committees to meet and report bills to Floor
    - **Sept. 5-14** Floor session only. No committees, other than conference or Rules
    - **Sept. 8** Last day to amend on the floor
    - **Sept. 14** Last day for each house to pass bills

2. **R.19-01-011 Building Decarb Amended Scoping Memo & Ruling**
    - R.19-01-011 (Building Decarbonization)
    - Amended scoping memo & ruling opens and sets forth the scope and schedule for Phase 3B of this proceeding
        - re: the reasonableness of modifying or ending electric line extension allowances, refunds, and discounts for “mixed-fuel” new construction (i.e., building projects that use gas and/or propane in addition to electricity).

        - Released July 26
        - Opening comments due: August 15
        - Reply comments due: August 25
    - Under current electric line extension rules, utilities are directed to provide electric line extension subsidies in the form of allowances, refunds, and discounts to mixed-fuel new construction projects.
    - “Revising rules for subsidies provided for electric line extensions is within the Scope of Issues for Phase 3 listed in the prior Assigned Commissioner’s Amended Scoping Memo and Ruling issued on November 16, 2021…”
    - Built off of a ED Staff Proposal:
        - In order to encourage more all-electric new construction and achieve greater GHG emissions reductions in the building sector, CPUC Energy Division Staff (Staff) recommend adopting the following recommendations:
            1. Eliminate electric line extension subsidies for all mixed-fuel new construction.
            2. Require all mixed-fuel new construction to pay for final actual costs of an electric line extension rather than initial estimated costs only, and require

each electric investor-owned utility (IOU) to report annually on electric line extension expenditures.
    3. Exempt from the recommended elimination of electric line extension subsidies all nonresidential building projects that receive an exemption from the prohibition on gas line extension subsidies through the process established in Ordering Paragraph (OP) 3 of D.22-09-026.
  - Result in "modest" cost increases for mixed use, but not all electric.

- Specific Questions (Appendix B):
  - 1. Should CPUC modify or eliminate line extension subsidies for mixed use in new construction for all or some electric customer classes?
    - a. If modify, how and for whom?
    - b. Implications for low-income?
  - 2. Should applicant builders of mixed fuel be required to pay actual costs re: extension rather than estimated?
  - 3. Should IOUs be required to report out data broken down by customer class for mixed fuel and all electric?
  - 4. Should applicant builders be exempt from elimination of line extension subsidies?
  - 5. What benefits are there for continuing line extension subsidies?
  - 6. What impacts would this elimination have? How can impacts be mitigated?
    - Lists a whole series of customer classes.
  - 7. How would elimination of electric line extension subsidies impact all electric building customers vs mixed fuel
  - …
  - 14. What additional tariff changes may be needed if the Commission were to adopt recommendations as reflected in the staff proposal.

3. R. 22-07-005 IGFC Implementation Pathways Comments

- R.22-07-005 (Demand Flexibility)
- On June 19, the ALJ in R.22-07-005 (Demand Flexibility) submitted a Ruling seeking party input on implementation pathways for the income graduated fixed charge ("IGFC").
- The Ruling focused on specific questions about various IGFC implementation mechanisms as well as general input on previous stakeholder proposals.
- On July 31, the Council submitted Opening Comments, targeting high-level, principle-focused perspectives to protect and continue advancing the industry, workforce, energy affordability, reliability, decarbonization, and energy equity.
  - Statute puts forward an apparent willingness (or acceptance) to impair incentives for conservation, EE, and beneficial electrification and GHG emissions reduction so long as they are not "unreasonable"
  - The IGFC could put at risk major investments just outlined by the Commission in D.23-06-055: $4.3 billion and $4.6 billion between 2023 and 2031 + other energy policies and opportunities that depend upon cost-effectiveness considerations or price signals
  - General support for balancing the need to rethink rates with price signal incentives. Broad spectrum of policy goals and requirements cannot be overshadowed by the IGFC
- Stakeholder comments of concern:
  - Consistent theme that low volumetric rates and high fixed charges are only/critical path towards beneficial electrification, GHG emissions reduction, rate relief, etc.
  - Frequent and general disconnect behind demand side resources and the greater decarbonization / clean energy goals.

- Joint IOUs:
- "In short, the CPUC should give greater weight to beneficial electrification and GHG reduction goals [than EE and conservation]."
- "…state decarbonization goals are critical to address the climate crisis, whereas the previously listed goals of conservation and energy efficiency are continuing to diminish in importance as California's generation mix is already dominated by non-GHG emitting sources, and State policy requires it to be 100% GHG-free in about 20 years (by 2045)."
- "In prior rate designs, the reduction of electricity use through conservation and energy efficiency was prioritized regardless of whether that was environmentally responsible."

- Reply comments due August 21.

Next Meeting

Our next State Policy WG meeting is scheduled for **Friday August 18 at 10:00 a.m.** Call-in coordinates are below.

Zoom link
Call-in: +13092053325,,82500501190#
Passcode: cedmc