

CPUC Adopts CBIA-Supported Clarifications on Electric Line-Extension Refunds

The California Public Utility Commission (CPUC) has unanimously adopted CBIA-Proposed Clarifications on how Investor-Owned Utilities (IOUs) will refund electric line extension deposits to builders of all-electric homes.

Background: For the past forty years, builders have been required to advance deposits to Investor-Owned Utilities (IOUs) to cover the costs of gas and electric utility line construction. This ensures that the ratepayer will not be held liable for “stranded assets” if the builder does not complete the project. Once the project is completed and the homebuyers/renters move into the dwelling and begin using the utilities (creating a revenue stream back to the utility), the builder would eventually get their deposit refunded by the utility.



At the direction of Governor Newsom, numerous agencies (including the CPUC) were directed to step up efforts promoting the construction of all-electric buildings (residential and non-residential). While the Energy Commission has been taking a slower approach by adopting successive rules that favor electric heat pumps (for water and space heating) that have become progressively more stringent over the past 9 years, the CPUC has taken a more aggressive approach. In July 2023, the CPUC eliminated the refund of builder deposits required for gas line extensions. In July 2024, the CPUC eliminated the refund of electric line-extension deposits associated with mixed-fuel projects.

There was significant confusion among the utilities when implementing the rules for mixed-fuel buildings. Edison was taking a very conservative approach and suggested a development with any gas line infrastructure, no matter how small, would classify the project as mixed fuel, allowing the utility to keep all deposits associated with the project. This led to the unreasonable case where a builder who constructs 100 all-electric homes but has a clubhouse with a gas-heated pool would not receive any of their deposits for the all-electric homes. The electric line extension refunds approximately \$7,000 in Edison's territory per home. The example above would represent the elimination of \$700,000 in refunds to California builders. On a statewide basis, if left unchallenged, this interpretation could eliminate billions of dollars in refunds to builders of all-electric homes.

CBIA Protest: CBIA filed a formal protest with the CPUC challenging this and other unreasonable interpretations. The CPUC staff agreed with all of the suggestions proposed by CBIA and issued a draft decision last Fall incorporating CBIA's suggested resolutions. The four parties to this proceeding (Edison, PG&E, SDG&E, and CBIA) filed responding comments to the CPUC. Surprisingly, Edison changed their earlier position and embraced the CPUC Staff proposal. Edison also suggested further amendments that clarified the application of mixed-use

buildings, such as a three-story building with commercial occupancies on the bottom floor and all-electric units on the floors above. CBIA supported this Edison clarification.

CPUC Approves the CBIA-supported Clarifications: At their December 19th Business Meeting, the CPUC unanimously approved the CBIA requested clarifications to the Decision related to mixed-fuel projects.

The Important Clarifications:

- **Building-by-Building Application:** As opposed to the “development-wide” application suggested earlier by Edison, the CPUC chose CBIA’s suggested “building-by-building” application, which is consistent with the CEC’s application of their energy standards. *This means the builder in the example above who builds 100 all-electric homes but has a clubhouse with a gas-heated pool will receive their electric line-extension refund for all 100 homes, but not for the mixed-fuel clubhouse, resulting in the return of \$700,000 to the builder.*
- **Mixed-Occupancy Buildings:** Once again, the CPUC ruled that an all-electric apartment unit above (for example) a restaurant or store is considered a separate building from the non-residential occupancies below. *This means the line-extension deposits for the all-electric units will be returned to the builder.*
- **Proximity to Gas Line Extensions:** Resolving a key issue raised by CBIA, the CPUC has ruled that electric and gas line extensions may share the same trench, providing the all-electric buildings are not stubbed for later gas service. Given the space constraints of high-density residential development and the need for construction efficiency, this was a vital ruling for the builders.
- **Phased Projects:** Most major developments in California and most of the utility infrastructure are performed in phases. The CPUC has provided necessary clarification that if the builder attests that specific units in the future will be all-electric, the builder will once again be refunded their line extension deposits for those all-electric buildings. The CPUC has determined that “phase” means the sequence in which electric lines are extended to new construction projects. The sequencing **is irrelevant** to eligibility for electric line extension subsidies. Once again, if an application for an electric line extension contains a combination of mixed-fuel new construction projects and all-electric new construction projects, the electric IOU shall grant electric line extension subsidies to any all-electric new construction projects included in the application that do not stub for gas service.