

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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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
(Filed September 26, 2024)

**JOINT RECOMMENDATIONS OF SOUTHERN CALIFORNIA GAS COMPANY
(U 904 G) AND SAN DIEGO GAS & ELECTRIC COMPANY (U 902 G) ON
ADMINISTRATIVE LAW JUDGES' RULING ON DESIGNATING PRIORITY
NEIGHBORHOOD DECARBONIZATION ZONES**

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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to
Establish Policies, Processes, and
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Systems in California and Perform
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Rulemaking 24-09-012
(Filed January 16, 2020)

**JOINT RECOMMENDATION OF SOUTHERN CALIFORNIA GAS COMPANY
(U 904 G) AND SAN DIEGO GAS & ELECTRIC COMPANY (U 902 G) ON
ADMINISTRATIVE LAW JUDGES' RULING ON DESIGNATING PRIORITY
NEIGHBORHOOD DECARBONIZATION ZONES**

Pursuant to the June 5, 2025, Administrative Law Judges' Ruling on Designating Priority Neighborhood Decarbonization Zones, Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) (together the Joint Utilities) hereby submit these joint recommendations.¹

I. DISCUSSION

A. SB 1221 Maps Provide Information on the Factors Required Pursuant to Section 662 For the Commission to Designate Priority Neighborhood Decarbonization Zones

Public Utilities Code (PUC) Section 662 requires that the Commission designate priority neighborhood decarbonization zones on or before January 1, 2026 and that:

In designating the zones, the commission shall consider factors that include, but are not limited to, all of the following:

(1) Presence of disadvantaged or low-income communities in high-temperature climate zones or low-temperature climate zones that disproportionately lack cooling or heating.

¹ Pursuant to Rule 1.8(d) of the California Public Utilities Commission's (CPUC or Commission) Rules of Practice and Procedures, counsel for SoCalGas was authorized to submit these Joint Recommendations on behalf of SDG&E.

(2) Presence of environmental and social justice communities as defined in the commission's Environmental and Social Justice Action Plan.

(3) Availability of supportive local government or community partners.

(4) Concentration of gas distribution line replacement projects identified in the map submitted pursuant to Section 661.

The Joint Utilities submit that of the factors listed in PUC Sections 662(a)(1) (in part), (a)(2), and (a)(4) have been made available for the Commission and other parties' review pursuant to the maps published on July 1, 2025, by the Joint Utilities. The lacking components of section 662(a)(1)—high-temperature climate zones or low-temperature climate zones that disproportionately lack cooling or heating—may possibly be inferred, at least to some degree, by reviewing data published by the California Energy Commission, including its building climate zone designations and the Residential Appliance Saturation Survey (RASS) database.²

In order to address section 662(a)(3), availability of supportive local government or community partners, the Joint Utilities recommend an initial starting point of considering which local governments have enacted reach codes. The California Energy Codes and Standards program webpage provides a summary of these local governments.³ We believe further guidance in this area can be incorporated by the Commission based upon party comments to these recommendations, input received from Public Participation Hearings scheduled for August 7, and potentially other feedback. If the Commission deems these or other regional boundaries as useful for the purposes of advancing SB 1221, the Joint Utilities can work to make these boundaries available on our SB 1221 maps as needed and given reasonable time for development.

² <https://rass.dnv.com/sign/in>.

³ An interactive map is available here: <https://localenergycodes.com/content/map>.

B. The Commission’s Designation of Priority Neighborhood Decarbonization Zones Should be Broad and Flexible at this Early Stage to Avoid Excluding Potential Pilots and be Informed by Foreseeable Gas Distribution Projects

In reviewing the language of PUC Sections 451.9 and 660-667 (enacted by SB 1221), we find that the designation of priority neighborhood decarbonization zones serves only to limit the potential geographic availability of neighborhood decarbonization zone pilot projects. For instance, PUC 663 states that, “the commission, in consultation with the state’s gas corporations, shall establish a voluntary program to facilitate the cost-effective decarbonization *of priority neighborhood decarbonization zones*” (emphasis added). Our recommendations for the initial designation of priority neighborhood decarbonization zones are informed by this consideration, as well as the provision afforded in PUC Section 662 (d), which states that “[t]he commission may, after providing an opportunity for public comment, update the priority neighborhood decarbonization zones as necessary.”

While at some point in the course of implementing SB 1221 and advancing neighborhood decarbonization zone pilot projects it may be necessary and appropriate to limit or prioritize candidate projects geographically, the Joint Utilities advise that this prioritization should not occur prior to establishing the program itself. There is currently an absence of direction related to how the program will be implemented and how projects will be tested for viability, including but not limited to cost-effectiveness methodology, financial treatment of costs and their allocation, customer engagement, obtaining consent and other participant agreements, addressing the consequences of failing to obtain full consent from customers, program restrictions, and other associated requirements that may materially influence the identification of pilot zones. Geographical restrictions on potential pilot projects without having the benefit of these

underlying data and considerations may act to prematurely limit the potential impacts and findings of SB 1221 efforts.

The Joint Utilities support the overall objectives of SB 1221 and anticipate an opportunity to leverage learnings from the program in developing future policies around long-term gas planning and alternative investments. Accordingly, the program should remain broad and flexible to maximize the opportunity for these learnings. Should the Commission seek to designate a limited set of priority neighborhood decarbonization zones by January 1, 2026, the Joint Utilities recommend the broadest approach available be employed to avoid excluding potential pilot opportunities before they are able to sufficiently assessed for viability.

That said, it is our understanding that the most critical component of a successful cost-effective candidate project would be the occurrence of a foreseeable gas system replacement project. For example, the Commission could designate census tracts with a potential or foreseeable replacement project identified in the July 1 maps as a priority zone as a start for compliance with the Jan 1, 2026 requirements of SB 1221. This approach can be further refined after the program has been established and more of the material and relevant considerations for what a successful pilot project will entail have been defined.

In the event the Commission requires even further geographic targeting for pilot projects at this early stage, the Joint Utilities are ready and willing to collaborate with the Commission, given additional strategic guidance on what outcomes and parameters the targeting is intended to accomplish and how to manage the risk of placing early restrictions on the scope of SB 1221 pilots.

II. CONCLUSION

The Joint Utilities appreciate the opportunity to provide these recommendations and look forward to continuing to collaborate with the Commission and other stakeholders to successfully advance the requirements of SB 1221.

Respectfully submitted,

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