



## PUBLIC UTILITIES COMMISSION

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TO PARTIES OF RECORD IN APPLICATION 24-12-009:

This is the proposed decision of Administrative Law Judge Julie A. Fitch. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's October 30, 2025, Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ MICHELLE COOKE

Michelle Cooke

Chief Administrative Law Judge

MLC: asf

Attachment

Decision **PROPOSED DECISION OF ALJ JULIE FITCH** (Mailed 9/23/2025)

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

Application of Pacific Gas and Electric Company (U 39 M) on Behalf of the California Market Transformation Administrator (U-1399-E) for the Approval of the Initial Tranche of Statewide Energy Efficiency Market Transformation Initiatives.

Application 24-12-009

**DECISION APPROVING INITIAL TRANCHE OF ENERGY EFFICIENCY  
MARKET TRANSFORMATION INITIATIVES**

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## **DECISION APPROVING INITIAL TRANCHE OF ENERGY EFFICIENCY MARKET TRANSFORMATION INITIATIVES**

### **Summary**

This decision approves two energy efficiency market transformation initiatives (MTIs) proposed by the California Market Transformation Administrator (CalMTA) in its application. One MTI is for room heat pumps and the second is for induction cooking. Both MTIs will be prioritized for introduction in environmental and social justice and/or disadvantaged communities, to the extent possible, and will prioritize minimizing rate and bill impacts to participating consumers.

The MTIs, along with the CalMTA's administrative, operations, and evaluation costs, are approved for a \$102.4 million budget over a six-year period (2026-2031), to coincide with the end of the next four-year cycle of the other energy efficiency portfolio administrators. If CalMTA wishes to propose additional MTIs, it may do so in another application similar to this one or at the same time that the energy efficiency portfolio administrators file their portfolio applications, either in early 2026 or early 2030. CalMTA is required to file annual reports on the same schedule as the energy efficiency portfolio administrators. If CalMTA proposes to lower funding for or discontinue an MTI, it must file a Tier 2 advice letter.

CalMTA is also required to submit a Tier 2 advice letter by the end of 2028, proposing a Non-Profit Transition Plan.

This proceeding is closed.

## **1. Background**

### **1.1. Procedural Background**

This proceeding was initiated by the December 20, 2024 filing of an application by Pacific Gas and Electric Company (PG&E) on behalf of the California Market Transformation Administrator (CalMTA) for the approval of a first tranche of statewide energy efficiency market transformation initiatives (MTIs) (Application).

Decision (D.) 19-12-021 determined the framework for consideration of this application. CalMTA undertook a multi-year set of startup activities and vetting of proposed initiatives that ultimately led to the initial tranche of MTIs proposed in the Application.

The Application was protested on January 23, 2025 by the Public Advocates Office (Cal Advocates), as well as Southern California Edison Company (SCE) and San Diego Gas & Electric Company (SDG&E), jointly. The Utility Reform Network (TURN), the California Efficiency + Demand Management Council (CEDMC), and the Northwest Energy Efficiency Alliance (NEEA) also filed responses to the Application. On February 3, 2025, CalMTA filed a reply to the responses and protests to the Application.

On March 17, 2025, a prehearing conference was held and attended by all parties. The Scoping Memo was then issued March 25, 2025, including all of the issues that will be addressed in this decision.

Testimony was submitted by Cal Advocates, TURN, the California Environmental Justice Alliance (CEJA), NEEA, and Southern California Gas Company (SoCalGas) on June 4, 2025. Rebuttal Testimony was submitted by CalMTA, Cal Advocates, NEEA, and SoCalGas on June 20, 2025.

No party requested evidentiary hearings as part of the consideration of this Application. On July 10, 2025, CalMTA filed a joint motion for the admission of prepared testimony into the evidentiary record. That motion was granted by ALJ ruling on August 19, 2025.

On July 25, 2025 opening briefs were filed by CalMTA, Cal Advocates, CEDMC, CEJA, PG&E, SoCalGas, and TURN. On August 8, 2025, reply briefs were filed by the Bay Area Regional Energy Network (BayREN) and Tri-County Regional Energy Network (3C-REN), jointly; Cal MTA; Cal Advocates; CEDMC; CEJA; NEEA; SoCalGas, and TURN.

## **1.2. Factual Background**

The Commission adopted D.19-12-021 governing the process for selecting CalMTA and launching the market transformation initiatives (MTIs) proposed by CalMTA in this application. Market transformation in the energy efficiency context is a market intervention designed to transform how customers and markets operate. These interventions seek to increase market penetration of selected efficiency and low-carbon solutions, resulting in lasting benefits. Market transformation approaches often result in the establishment of a code or standard, or changes to industry standard practices, which help lock in efficiency and reductions in greenhouse gas (GHG) emissions. In D.19-12-021, the Commission opted to select a single, independent, statewide market transformation administrator (MTA) to focus solely on market transformation and facilitate coordination with similar, independent organizations in other states. The Commission stated that its preference is “to have the market transformation entity be accountable to and connected with the Commission

directly, to ensure alignment with all aspects of our energy efficiency policy.”<sup>1</sup> Rather than contract directly with CalMTA, the Commission outlined an approach to use PG&E’s existing contracting infrastructure to hire and pay for the CalMTA contract.

PG&E solicited, contracted for, and serves as the fiscal agent for the MTA contract. PG&E was assigned this role because it has worked in a similar capacity, leveraging its staff and contracting infrastructure, for statewide marketing and outreach activities, using a similar process as that required in D.19-12-021 for the MTA framework. PG&E hired CalMTA with the assistance of its energy efficiency procurement review group and independent evaluators, as well as with input from Commission staff. After conducting this solicitation process, Resource Innovations was selected to become CalMTA. PG&E and CalMTA signed a contract to initiate implementation of the market transformation framework. This contract was submitted via a Tier 2 Advice Letter (4674-G6747-E), which was approved by Energy Division staff on November 29, 2022, after it was not protested.

The Commission allocated a \$60 million startup administrative budget to CalMTA over three years, in order to develop the first tranche of proposed MTIs. After a two-year development process, in coordination with and under the guidance of Energy Division staff, the Market Transformation Advisory Board (MTAB),<sup>2</sup> and industry stakeholders, CalMTA proposed in its application two

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<sup>1</sup> D.19-12-021 at 56.

<sup>2</sup> The MTAB has no more than nine members, and is made up of the following backgrounds, plus two Commission staff positions: ratepayer advocacy/protection, workforce and/or labor, environmental advocacy, evaluation professional, national/regional energy efficiency policy professional, investor-owned utility (IOU) energy efficiency representative, community choice aggregator energy efficiency professional (*See* D.19-12-021 at 121-122).

MTIs designed to deliver over \$1 billion in total system benefits (TSB)<sup>3</sup> in support of California's goal of economy-wide carbon neutrality by 2045.<sup>4</sup>

D.19-12-021 allocated up to \$250 million over a five-year period, if the Commission approves the proposed MTIs. This application includes the first tranche of CalMTA's recommended MTIs. As the utility holding the CalMTA contract, PG&E filed the application on behalf of CalMTA.

### **1.3. Submission Date**

This matter was submitted on August 8, 2025 upon the filing of reply briefs.

## **2. Summary of the CalMTA Application**

In its application filed December 20, 2024, CalMTA proposes two MTIs as part of its first tranche of MTIs that CalMTA describes as both high-value and cost-effective.<sup>5</sup> The two initial MTIs proposed are for Room Heat Pumps and Induction Cooking, leveraging an investment of approximately \$92.6 million to deliver an estimated \$1 billion in incremental TSB over their market deployment years from 2026 through 2045. Both initiatives include strategies to bring the benefits of room heat pumps and induction cooking to Environmental and Social Justice (ESJ) communities, in accordance with the definitions and goals established in the Commission's ESJ Action Plan.<sup>6</sup>

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<sup>3</sup> TSB represents the total benefits, or "avoided costs," that an energy efficiency measure provides to the electric and natural gas systems.

<sup>4</sup> See the California Air Resources Board (CARB) 2022 Scoping Plan, located at the following link: <https://ww2.arb.ca.gov/our-work/programs/ab-32-climate-change-scoping-plan/2022-scoping-plan-documents>

<sup>5</sup> PG&E/CalMTA Application at 10.

<sup>6</sup> See the Commission's ESJ Action Plan available at the following link: <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/news-and-outreach/documents/news-office/key-issues/esj/esj-action-plan-v2jw.pdf>

CalMTA used the market transformation “stage gate” process described in D.19-12-021<sup>7</sup> to ensure that MTIs are advanced with appropriate research, outreach, MTAB feedback, and Commission staff input before proposing funding of the MTIs for market deployment.

CalMTA represents that both proposed MTIs offer efficiency gains and decarbonization solutions for existing homes and rental units that may not be designed for electrification. The MTIs are also designed to take on barriers to large-scale residential decarbonization that are not as easily addressed in the regular energy efficiency portfolio.

CalMTA explains that the Room Heat Pump MTI provides a more efficient option that can be self-installed and plugged into a standard 120 volt (V) wall outlet without a panel or service upgrade.<sup>8</sup> The program is intended to accelerate market adoption of this technology, which provides both heating and cooling for small single-family and multi-family households, manufactured homes, and older structures, so the measure are particularly useful for tenants in apartments. Room heat pumps provide efficient heating and cooling, performing the same functions as room heaters or window/room air conditioners, and can be installed in standard outlets without a panel or service upgrade (which can be much more expensive). CalMTA represents that in supporting the needs of ESJ communities, room heat pumps also fill a critical technology gap: making heat pumps more accessible to low-income households unable to afford the

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<sup>7</sup> D.19-12-021 at 103-114. The “stage-gate” model is commonly used in product development, and applied to MTI strategy and program creation. The three-phase process and end-phase stage gates help manage program risk, maximize the use of resources, and increase transparency. The process supports MTI creation from concept to program development to market deployment, as well as the eventual exiting of the market.

<sup>8</sup> A.24-12-009 Appendix ! – Market Transformation Initiative Plan for Room Heat Pumps at 9.

expensive, skilled labor required for installation of conventional heat pump systems. The goal of the Room Heat Pump MTI is to help California meet the statewide goal of installing 6 million heat pumps by 2030.<sup>9</sup>

As its second MTI, CalMTA proposes installation of Induction Cooktops, using induction and ENERGY STAR certified radiant cooktops and ranges that are permanently installed, whether they are 120 V, 240 V, or 120 V battery-equipped products. According to CalMTA, the objective of the Induction Cooking MTI is to accelerate the adoption of induction cooktops and ranges to provide a high-quality cooking experience and a more efficient technology than traditional electric resistance and natural gas stoves. The initiative also aims to reduce GHG emissions and provide enhanced health, safety, and other non-energy benefits afforded by the induction technology. CalMTA also intends to work with the induction market to make new, affordable products more available to all communities by reducing the cost of the product and encouraging the market to introduce battery-equipped products. Battery-equipped products do not require electric panel upgrades, and the batteries can be charged when rates are low to reduce household bills and help reduce peak demand.

CalMTA represents that because room heat pumps are a relatively nascent technology, few incentive opportunities currently exist. CalMTA's upstream interventions in the induction cooking market are intended to supplement existing incentive and loaner programs focused on end-use consumer adoption. CalMTA's intention is to increase the number of product offerings from manufacturers, increase retail stocking, and increase consumer demand.

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<sup>9</sup> For more detail, see the following link: <https://www.energy.ca.gov/news/2023-10/top-global-building-appliance-manufacturers-and-distributors-commit-help>

Through these interventions, CalMTA plans to help reduce the costs of both the room heat pumps and the induction cooking cooktops, making them a more attractive, cost-effective option for the energy efficiency portfolio and for Californians in general.

CalMTA's analysis forecasts that both of the initial proposed MTIs will be cost-effective under the Total Resource Cost (TRC), Program Administrator Cost (PAC), and Societal Cost Test (SCT).<sup>10</sup> These are the required metrics under D.19-12-021, though CalMTA also includes estimates of TSB, which was adopted as the goal metric by the Commission more recently in D.21-05-031.

Table 1 presents CalMTA's summary of benefits and cost-effectiveness of the proposed room heat pump and induction cooking MTIs.

Table 1. CalMTA Summary of Benefits and Costs of Proposed MTIs

<b>Element</b>	<b>Room Heat Pumps</b>	<b>Induction Cooking</b>	<b>Combined</b>
TSB	\$521 million	\$537 million	\$1.1 billion
SCT TSB	\$1.4 billion	\$2.3 billion	\$3.7 billion
<b>Estimated Costs</b>			
Initiative/Concept Development Costs (2024/2025)	\$3.7 million	\$4.0 million	\$7.7 million
Market Deployment Costs (2026-2045)	\$59.1 million	\$33.5 million	\$92.6 million

<sup>10</sup> TRC and its variation, the SCT, measures the net costs of the program as a resource option based on the total costs of the program, including both the participant and utility costs. The SCT differs from the TRC test in that it includes the effects of externalities (e.g., environmental concerns, national security), excludes tax credit benefits, and uses a different (societal) discount rate. PAC measures the net costs of a program as a resource option based on the costs incurred by the PA (including incentive costs) and excluding any net costs incurred by the participant. The benefits are similar to the TRC test, but costs are defined more narrowly.

<b>Element</b>	<b>Room Heat Pumps</b>	<b>Induction Cooking</b>	<b>Combined</b>
Initial 5-Year MTI Costs	\$36.5 million	\$28.9 million	\$65.4 million
<b>Cost-Effectiveness Ratios</b>			
TRC	5.03 <sup>11</sup>	1.12	2.11
PAC	8.29	14.36	10.56
Base SCT	11.20	3.04	5.21

CalMTA also proposes that the Commission release, along with the approval of the two initial MTIs, the total five-year implementation budget reserved in D.19-12-021 of \$250 million, to allow CalMTA to launch not only the first two MTIs, but also others that will be developed and launched in the future. In addition, CalMTA proposes that the total funds be used also for evaluation costs for the first two MTIs, to verify electric system benefits, ratepayer costs, and opportunities for process improvements. The budget would also fund continued MTI concept development for additional MTIs to build out CalMTA's future portfolio, reserving funds for up to six additional MTI plans during the five-year funding period. This budget would also cover the five years of operational and administrative costs for CalMTA.

Table 2 presents the proposed deployment of the total \$250 million five-year budget cap set in D.19-21-021.

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<sup>11</sup> This calculation of the TRC set the negative incremental measure costs (IMCs) to zero. If the negative IMCs were included in the calculation, the TRC calculation would be 330.15.

Table 2. Five-Year Cost Estimate in Yearly Increments as Proposed by CalMTA

Cost Category	Estimated Expenditures by Year (\$000)					Totals
	Year 1 - 2026	Year 2 - 2027	Year 3 - 2028	Year 4 - 2029	Year 5 - 2030	
MTA Administration	1,271	1,271	1,414	1,343	1,413	6,698
MTA Operations	4,237	4,361	4,434	4,606	4,755	22,393
Initiative/Concept Development (total)	5,785	1,744	1,409	1,281	1,247	11,466
Phase I Activities	634	618	633	653	673	3,211
Phase II Activities	2,917	-	-	-	-	2,917
Future MTI Development	2,234	1,126	776	628	574	5,338
MTI Market Deployment (Phase III) (total)	17,894	37,649	45,432	48,303	47,127	196,405
Induction Cooking	4,952	6,183	6,445	5,263	4,778	27,621
Room Heat Pumps	5,437	7,347	7,556	7,692	6,954	34,986
Future MTI Deployment	7,505	24,119	31,431	35,348	35,395	133,798
Evaluation	512	1,492	1,800	1,974	1,993	7,771
PG&E Costs	1,000	1,000	1,000	1,000	1,000	5,000
Grand Totals	30,699	47,503	55,489	58,507	57,535	249,733

In addition, CalMTA requests that the Commission eliminate the requirement for CalMTA to file an Annual Budget Advice Letter (ABAL) for approval of future fiscal year funding or to forecast future spending for CalMTA. Instead, CalMTA proposes a trigger-based budget advice letter (TBBAL) that would be filed if CalMTA's annual budget forecast exceeds the budget amount approved in the Application for an individual year by 25 percent or more,

excluding unspent/uncommitted funds from previous years that had carried over to the future year.

CalMTA also requests that the Commission allow it to use Tier 2 advice letters to approve future MTIs or discontinue MTIs, as needed. CalMTA notes that it would continue to seek input from the public and the MTAB to develop and propose new MTIs and/or discontinue existing MTIs.

### **3. Issues Before the Commission**

The scoping memorandum in this proceeding included a list of thirteen questions, as follows:

#### Policy Landscape for Energy Efficiency Market Transformation Overall

1. Has anything changed since the adoption of Decision (D.) 19-12-021 to merit reconsideration of funding for market transformation initiatives (MTIs) overall, including, for example: in light of changes in federal energy policy or in relation to the Governor's Executive Order N-5-24 issued on October 30, 2024?

#### Design of the MTIs

2. Are the two proposed MTIs appropriate initial technology targets?
3. Are the strategic interventions and the targeted units for each MTI reasonable and likely to be successful in achieving market transformation impacts?
4. Is it appropriate or advisable to target Environmental and Social Justice (ESJ) communities with the initial MTIs?
5. How should overall (electric and natural gas) bill impacts to customers, particularly in ESJ communities, be calculated and addressed with the MTI proposals?
6. Are the initial proposed MTIs cost-effective and are the Total System Benefits projected to be delivered reasonable?

Coordination with Other Programs

7. Are the proposed MTIs duplicative or overlapping with other ratepayer-funded programs or other programs whose funding comes from a source other than ratepayers?

Budget

8. Is the budget for the initial tranche of MTIs reasonable and should it be approved?
9. Should the entire \$250 million budget be released if the initial tranche of MTIs is approved, recognizing that D.19-12-021 contemplated authorizing the full budget?

Process Issues

10. Does the Application comply with all of the requirements of D.19-12-021?
11. Should the requirement for CalMTA to file an Annual Budget Advice Letter (ABAL) for approval of fiscal year funding (from D.19-12-021) be eliminated?
12. Should the ABAL be replaced with a trigger-based budget advice letter that would only be filed if the CalMTA annual budget forecast exceeds the budget amount approved in this application for each year by 25 percent or more, as proposed in the Application?
13. Should the CalMTA be allowed to use Tier 2 advice letters to approve future MTIs or to discontinue approved MTIs? If not, how should new MTIs be approved and approved MTIs be cancelled?

**4. Policy Landscape**

The scoping memo in this case asked parties to consider what has changed since the adoption of D.19-12-021 setting the framework for considering MTIs, giving two examples of changes in federal energy policy and the Governor's Executive Order N-5-24 addressing electricity affordability. This section discusses parties' input and the Commission's considerations.

#### **4.1. Positions of Parties**

NEEA's testimony emphasizes that the importance of market transformation activities has only increased since the adoption of D.19-12-021, because of the rising costs of energy and the need to reduce bills immediately.<sup>12</sup> NEEA also points out that market transformation programs have an extensive and well-documented record of providing benefits to ratepayers in other regions of the country, based on independently evaluated energy savings. NEEA also suggests that market transformation activities are not inherently riskier than any other energy efficiency programs if managed at the portfolio level and using a variety of interventions to diversify risk. In addition, NEEA also argues that market transformation best practices may actually reduce performance risks compared to traditional energy efficiency portfolios, because of the shorter evaluation loop allowing for faster course corrections, when necessary.<sup>13</sup>

TURN argues that funding cost-effective market transformation activities according to the framework in D.19-12-021 aligns with the current policy landscape in California.<sup>14</sup> In particular, TURN points out that the Commission has placed greater emphasis on rate affordability, and the risks to public welfare and the achievement of state energy policy associated with the unaffordability of energy bills. While TURN generally concurs with discouraging ratepayer funding of energy efficiency programs that are not cost-effective or that are underperforming, TURN does not believe that these conditions apply to CalMTA's proposed MTIs or its plans for continued development of a market

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<sup>12</sup> Direct Testimony of Jeff Harris on behalf of NEEA, June 4, 2025, at 2.

<sup>13</sup> Direct Testimony of Jeff Harris on behalf of NEEA, June 4, 2025, at 2-3.

<sup>14</sup> Prepared Testimony of Hayley Goodson on behalf of TURN, June 4, 2025, at 3-6.

transformation portfolio. Rather, TURN argues that these MTIs are just the kind of activities that align with the objectives outlined by the Governor, the State Auditor, and the Commission.

TURN believes that a cost-effective market transformation portfolio supports the state's clean energy goals and current policy landscape. TURN points out that the two initial MTIs presented by CalMTA are individually cost-effective under the TRC, PAC, and SCT.<sup>15</sup> TURN also notes that D.19-12-021 requires ongoing evaluation to reduce program performance risk, consistent with best practices and CalMTA's Evaluation Framework includes ongoing evaluation by a third-party evaluator to assess market progress, review impacts, and assess cost-effectiveness so that MTIs can be adjusted or discontinued at the appropriate time.

TURN also recommends that the D.19-12-021 cost-effectiveness requirements be modified to require all future MTIs to be cost effective, either on a standalone basis or as part of a larger portfolio that is cost-effective in aggregate.<sup>16</sup> TURN further recommends that the Commission pursue statutory changes to extend cost responsibility for CalMTA's market transformation portfolio to all electric customers in California, beyond just those under the Commission's jurisdiction, since the benefits of the portfolio will accrue to all California electricity customers.<sup>17</sup> TURN argues this is consistent with Executive Order N-5-24, which asks about programs that should be paid through other sources of funds beyond Commission-jurisdictional utility ratepayers.

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<sup>15</sup> Prepared Testimony of Hayley Goodson on behalf of TURN, June 4, 2025, at 12-14.

<sup>16</sup> Prepared Testimony of Hayley Goodson on behalf of TURN, June 4, 2025, at 10-11

<sup>17</sup> Prepared Testimony of Hayley Goodson on behalf of TURN, June 4, 2025, at 11-12.

Meanwhile, TURN supports ratepayer funding of cost-effective market transformation developed and implemented under the framework in D.19-12-021.<sup>18</sup>

CEJA argues that CalMTA's initiatives to support market transformation in an equitable way are critical right now, especially given recent federal government withdrawal of support for energy efficiency.<sup>19</sup> CEJA points out that the elimination of federal environmental justice and equity programs will have direct impacts on Californians, particularly ESJ communities that are disproportionately burdened with pollution and environmental health risks. CEJA specifically refers to withdrawal of support for many key federal programs, including the Low Income Home Energy Assistance Program (LIHEAP), EnergySTAR, energy efficiency tax credits, and appliance standards.<sup>20</sup>

CEDMC argues that nothing has changed since the adoption of D.19-12-021 that supports reconsideration of funding for MTIs. Rather, CEDMC argues that funding at the level requested by CalMTA is more important than ever, especially given the movement for energy efficiency deregulation at the federal level. CEDMC suggests that California should act independently to preserve and increase energy efficiency programs, such as the MTIs.<sup>21</sup>

Cal Advocates requests that the Commission deny the relief requested in A.24-12-009 because the market transformation initiatives, as designed by CalMTA, are not a just and reasonable use of ratepayer funds.<sup>22</sup> Cal Advocates

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<sup>18</sup> Prepared Testimony of Hayley Goodson on behalf of TURN, June 4, 2025, at 3.

<sup>19</sup> Prepared Testimony of Kjellen Belcher on behalf of CEJA, June 4, 2025, at 33.

<sup>20</sup> Prepared Testimony of Kjellen Belcher on behalf of CEJA, June 4, 2025, at 34.

<sup>21</sup> CEDMC Opening Brief, July 25, 2025, at 5-7.

<sup>22</sup> Cal Advocates Opening Brief, July 25, 2025, at 10.

argues that the proposed market transformation portfolio inappropriately burdens ratepayers during an affordability crisis and does not comply with the direction of Executive Order N-5-24.<sup>23</sup> Cal Advocates argues that the high cost of electricity deters electrification and ratepayer funding is disproportionately burdensome to low-income customers. In addition, Cal Advocates argues that the MTIs are inherently risky, unlikely to provide value for ratepayers, and lacking in pay-for-performance or cost-effectiveness requirements as assurances for performance.<sup>24</sup> Cal Advocates points out that the Commission paused \$1 billion in transportation electrification spending previously authorized by decision and suggests that the market transformation funding should meet a similar fate.<sup>25</sup>

On the question of the overall environment for MTIs, SoCalGas states that CalMTA has not addressed what other sources of funding have been pursued for the MTIs and if the initiatives proposed to be funded will reduce customers' monthly energy bills and energy usage.<sup>26</sup>

PG&E asks the Commission to reassess the funding allocated to the MTIs in D.19-12-021, due to upward pressure on rates that warrants pausing future MTI spending and implementing approval safeguards.<sup>27</sup> PG&E asks the

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<sup>23</sup> Prepared Testimony of the Public Advocates Office, June 4, 2025, at 1-2, 1-3.

<sup>24</sup> Prepared Testimony of the Public Advocates Office, June 4, 2025, at 1-3.

<sup>25</sup> Prepared Testimony of the Public Advocates Office, June 4, 2025, at 1-5.

<sup>26</sup> Prepared Direct Testimony of Roy Christian and Anders Danryd on behalf of SoCalGas, June 4, 2025, at RC-AD-1.

<sup>27</sup> PG&E Opening Brief, July 25, 2025, at 2.

Commission to reject the CalMTA budget and require alternative financing mechanisms that do not involve ratepayer funding.<sup>28</sup>

In part in response to Cal Advocates and SoCalGas comments, CalMTA points out that the Commission is required to establish a ratepayer-funded market transformation program according to Public Utilities Code Section (Section) 399.4(d)(1),<sup>29</sup> which states that the Commission shall “authorize market transformation programs with appropriate levels of funding to achieve deeper energy efficiency savings.” CalMTA also argues that failure to fund these MTIs now would leave ratepayers on the hook for the startup costs of the market transformation portfolio without the anticipated benefits from full implementation.<sup>30</sup> CalMTA also that Cal Advocates’ reliance on the Commission’s pause in transportation electrification funding is irrelevant to the funding request here.<sup>31</sup>

#### **4.2. Discussion**

In terms of the overall environment for energy efficiency market transformation, our starting point is with the Section 399.4(d)(1) requirement that the Commission must authorize market transformation programs in order to achieve deeper energy efficiency savings. That statute became operative on January 1, 2018. The framework decision for market transformation (D.19-12-021) was adopted in December 2019. Thus, this effort has been underway for nearly eight years, startup funds up to \$60 million have been invested, and the

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<sup>28</sup> PG&E Opening Brief, July 25, 2025, at 3-4.

<sup>29</sup> All other references to Code sections in this decision are to the Public Utilities Code, unless otherwise noted.

<sup>30</sup> Rebuttal Testimony of CalMTA, June 20, 2025, at 40.

<sup>31</sup> Rebuttal Testimony of CalMTA, June 20, 2025, at 45-46.

deployment phase is now ready to be launched, if the Commission approves the MTIs proposed by CalMTA.

If the Commission does not approve CalMTA's proposed MTIs, the Commission is still required by statute to invest in some form of energy efficiency market transformation. We would then need to consider other alternatives, if we do not approve this Application in some form. Later in this decision, we will address the merits of the individual MTIs proposed. But in general, this application represents the best available proposal to initiate our energy efficiency market transformation effort with as much consistency and reach as is possible under our jurisdiction.

Markets for energy efficiency technologies and strategies often evolve rapidly, and if we were not to approve some proposed MTIs at this time, a great deal of investment and momentum that has been developed, in particular over the last three years, could be lost.

As a threshold matter, market transformation strategies in general offer the opportunity to provide customers with more cost-effective energy efficiency actions to help them reduce the cost burden of their energy bills over the long term. An emphasis on emphasizing market transformation initiatives is even more important at a time when customers are facing rising energy costs, because these initiatives have a long-term focus on reducing upfront costs and developing mature markets for the delivery of energy efficiency options to consumers. While failure to fund market transformation would create negligible savings on ratepayers' monthly bills today, it would eliminate the opportunity to provide customers with additional options for mitigating costs in the future, especially as the state moves towards decarbonization of energy delivery over the next two decades, as required by Senate Bill 100 (Stats. 2018, Ch. 312), which

sets a goal of providing 100 percent of retail electricity sales from eligible renewable and zero-carbon resources by 2045.

The MTIs proposed in the Application represent two important technologies that the state will need to rely on if we are to electrify existing natural gas measures and work in earnest to achieve the 2045 goals. Heating, Ventilation, and Air Conditioning (HVAC) and water heating end-uses represent the two largest portions of the natural gas use in homes. Cooking end-uses usually make up the rest of the natural gas use in most homes. Taken together, the two MTIs proposed in this application represent a significant portion of the natural gas use in most homes.

While it would have been preferable to be able to access some federal or other funds to support or co-fund the MTIs proposed in this application, no funding sources have been identified for this program. We do encourage CalMTA to pursue any such opportunities that may arise in the future. Right now, we do not want the absence of federal or other outside support to impede our efforts in California to bring about cost-effective long-term solutions for our consumers as soon as possible. Similarly, we agree with TURN that it would be preferable to have these MTIs funded from all electricity consumers in California, but the Commission's actions are limited by its regulatory purview. The distribution customers of our investor-owned utilities represent the only stable funding source we can access for these important initiatives in the short term, to help us work toward our longer-term emissions reduction and decarbonization goals for the delivery of electricity and natural gas to buildings in California.

In addition, we note that Section 454.5(b)(9)(C)(i) requires that an "electrical corporation shall first meet its unmet resource needs through all available energy efficiency and demand reduction resources that are cost

effective, reliable, and feasible.” The MTIs proposed by CalMTA are cost-effective, reliable, and feasible, and thus should contribute to the resource needs of all of the electric utilities.

While we also understand TURN’s motivation for advocating that we require all MTIs to be cost-effective when proposed, we decline to make this change to the requirements of D.19-12-021. We believe that D.19-12-021 achieved the right balance in requiring MTIs to balance short-term investment with long-term cost-effectiveness. This will allow flexibility for CalMTA to pursue promising technologies that may be expensive now, but show promise for future cost declines. This would be similar in concept to utility-scale solar investments on the supply side that we have made in the past, leading to steep cost declines and affordable investment options for customers today.

## **5. Design of MTIs**

This section discusses the merits and the design of the two initiatives proposed by CalMTA as the initial tranche of MTIs, namely the proposals for MTIs for room heat pumps and induction cooking. We also discuss the proposal to target ESJ communities and underserved customers with these MTIs, as well as their cost-effectiveness and energy savings projections.

### **5.1. Positions of Parties**

CalMTA argues that the two proposed MTIs are appropriate for initial deployment because they meet all of the high-level principles for MTIs established by the Commission in D.19-12-021. CalMTA also notes that both MTIs received high scores based on screening criteria established by CalMTA in consultation with the MTAB and Energy Division staff. MTI scores were based on the criteria of product readiness and alignment with market transformation,

high TSB, cost-effectiveness, containing non-energy benefits, and providing opportunities to support ESJ communities.<sup>32</sup>

CalMTA presented forecasts on TSB and cost-effectiveness for the room heat pump and induction cooking MTIs, including the TRC, PAC, and two SCT test results, the approximate break-even year for the TRC, and adoption rates.

TURN, CEDMC, NEEA, BayREN/3C-REN and CEJA recommend that the Commission approve the two proposed MTIs. NEEA suggests the two MTIs have attributes that make them well-suited to demonstrate the implementation of market transformation in California.<sup>33</sup> CEJA argues these technologies are critically necessary for California's ESJ communities and represent options that are more likely to be adopted by ESJ communities than their more market-mature counterpart technologies. CEJA argues this is chiefly because of the flexibility to be deployed in a wider variety of housing types, including multi-family dwellings, manufactured homes, as well as older structures, without triggering code requirements, extensive engineering, or other costly upgrades.<sup>34</sup>

CEDMC argues that the proposed MTIs are appropriate initial technology targets for two reasons: 1) they support innovation and development of new products in California that will be applied across energy efficiency portfolios and other demand-side program activities, and 2) the MTIs were fully evaluated and will drive incremental savings.<sup>35</sup> CEDMC therefore argues that these MTIs are

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<sup>32</sup> CalMTA Opening Brief, July 25, 2025, at 13-15.

<sup>33</sup> Direct Testimony of Jeff Harris on behalf of NEEA, June 4, 2025, at 3.

<sup>34</sup> Prepared Testimony of Brianda Castro on behalf of CEJA, June 4, 2025, at 6-8 and Prepared Testimony of Kjellen Belcher on behalf of CEJA, June 4, 2025, at 3-16.

<sup>35</sup> CEDMC Opening Brief, July 25, 2025, at 7-8.

likely to be successful in achieving the substantial targeted market transformation impacts.

With respect to the proposal to target ESJ communities and disadvantaged communities more heavily, CalMTA argues that this is not only appropriate but also essential, to fulfill the state's climate and equity mandates. CalMTA argues that D.19-12-021 directed that the MTIs must drive incremental savings that achieve the equity and GHG reduction goals. With this in mind, CalMTA included potential benefits to ESJ communities in their scoring criteria for selecting MTIs, as well as considering non-energy benefits.

CalMTA argues that the MTIs will impact market-wide changes that will benefit customers in all communities, including the underserved. Since the MTIs are explicitly designed to create lasting structural market changes, this will bring down the price of products and increase the availability of information about these products, making them more accessible to customers, particularly in disadvantaged communities. The MTIs, according to CalMTA, are targeting upstream market actors for permanent change, as opposed to only intervening at the individual customer level like many utility programs.<sup>36</sup>

CalMTA believes that the MTIs will create a pathway to affordable electrification for ESJ communities and will proactively counter the risk of rising costs for ESJ households by offering affordable, right-sized technology and accessible information.<sup>37</sup>

NEEA, TURN, CEDMC, and CEJA are all in support of this approach. These parties also agree that consideration of the energy bill impacts to

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<sup>36</sup> CalMTA Opening Brief, July 25, 2025, at 20.

<sup>37</sup> CalMTA Opening Brief, July 25, 2025, at 21.

customers should be a priority in these MTIs, and TURN notes that CalMTA has designed the initial proposed MTIs to mitigate the bill impacts to participating customers.<sup>38</sup> NEEA recommends calculating the energy bill impacts as the sum of changes in fuel consumption and prices for both electricity and natural gas.<sup>39</sup> These parties note that electrification-focused MTIs run the risk of an overall increase in energy costs rather than a decrease.

TURN points out, however, that customers who do not electrify will eventually face much higher gas rates when gas demand declines due to the state's decarbonization policy and fixed costs cannot be reduced. TURN argues that CalMTA's MTIs are designed with this tension in mind. TURN also argues that CalMTA's proposed MTIs are cost effective and offer a range of benefits for ratepayers and participating customers, including mitigating bill impacts.

With particular respect to induction cooktops, TURN notes that by CalMTA specifically targeting market adoption of battery-equipped 120 Volt (V) induction stoves, the MTI aims to mitigate the bill impacts associated with cooking electrification. The Induction Cooking MTI is specifically designed to reduce the ongoing utility bills associated with cooking with electricity instead of natural gas. TURN argues there are indirect bill impacts from promoting battery-equipped 120 V stoves instead of 240 V products, by slowing the growth in electrical demand from building electrification, helping to avoid the need for costly utility electrical system capacity upgrades.<sup>40</sup>

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<sup>38</sup> Prepared Testimony of Hayley Goodson on behalf of TURN, June 4, 2025, at 14.

<sup>39</sup> Direct Testimony of Jeff Harris on behalf of NEEA, June 4, 2025, at 4.

<sup>40</sup> Prepared Testimony of Hayley Goodson on behalf of TURN, June 4, 2025, at 15.

On the Room Heat Pump MTI, TURN argues that replacing existing window AC units with highly-efficient room heat pumps can lower electric bills. According to TURN, these room heat pumps can also displace inefficient electric supplemental heating devices like electric resistance heaters, which customers use to reduce reliance on central heating systems.<sup>41</sup> CalMTA plans initially to target multifamily homes that still use electric resistance heating with this MTI.

CEJA argues that 120 V room heat pumps and 120 V induction ranges and cooktops present unique, substantial, and critically necessary advantages for California' ESJ communities. They argue these technologies present key opportunities to address persistent barriers to clean and efficient energy solutions for ESJ communities. CEJA would like to see large multifamily buildings prioritized with these electrification MTIs, because they represent a large portion of low- to moderate-income households which are disproportionately impacted by emissions and pollutants, and these homes are more complicated to decarbonize than single-family and smaller multifamily buildings.<sup>42</sup>

In addition, CEJA argues that the proposed MTIs will spur the development of new models of room heat pumps and induction cooking equipment that will work for California's homes located in ESJ communities, including being usable in smaller homes, avoiding the need for panel upgrades, and allowing renters the opportunity to own and control access to cooling and cooking technologies. CEJA points out that the physical characteristics of homes in many ESJ, low-income, and disadvantaged communities can present

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<sup>41</sup> Prepared Testimony of Hayley Goodson on behalf of TURN, June 4, 2025, at 16.

<sup>42</sup> Prepared Testimony of Kjellen Belcher on behalf of CEJA, June 4, 2025, at 8-14.

challenges for deploying standard-sized or centrally-installed electric technologies. The proposed MTIs in this application are “right-sized” for these conditions.<sup>43</sup> In addition, CEJA cites to the many non-energy benefits, particularly of induction cooking, including improved indoor air quality and lower health impacts from avoiding burning of natural gas inside home. Finally, CEJA argues that without MTIs targeted at making room heat pumps and induction cooking equipment available and accessible, ESJ communities may be left behind and experience increases in energy costs in the longer-term as California transitions away from natural gas.<sup>44</sup>

CEDMC, echoing CEJA, emphasizes the importance of protecting people from extreme weather events like heat waves and also addressing the specific characteristics in which vulnerable populations are more likely to reside.<sup>45</sup>

SoCalGas argues that the two MTIs in this application have the potential to increase the total monthly energy bills of customers, and this may be more burdensome on ESJ communities.<sup>46</sup> SoCalGas suggests that before targeting specific customers, the bill impacts of the two proposed MTIs should be analyzed. SoCalGas presents its own analysis demonstrating the potential net increases to customer bills that will result from installation of the two proposed MTIs, stating that the induction cooking technologies could increase the average customer bill between \$37 and \$145 per year, and up to \$284 annually if the customer is on a time-of-use (TOU) rate. SoCalGas claims that using baseline

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<sup>43</sup> Prepared Testimony of Kjellen Belcher on behalf of CEJA, June 4, 2025, at 14-16.

<sup>44</sup> Prepared Testimony of Kjellen Belcher on behalf of CEJA, June 4, 2025, at 16-20.

<sup>45</sup> CEDMC Opening Brief, July 25, 2025, at 9.

<sup>46</sup> Prepared Direct Testimony of Roy Christian and Anders Danryd on behalf of SoCalGas, June 4, 2025, at RC-AD-4.

utility rates, the increase in bills for room heat pumps could be as much as \$452 per year.<sup>47</sup>

In its rebuttal testimony, CalMTA states that it accounted for bill impacts in the development of the proposed MTIs. In particular, the scoring criteria for selection of MTIs included bill impacts and those impacts were assessed in detail for both proposed MTIs.<sup>48</sup> CalMTA also represents that strategy development incorporated bill impacts, leading to inclusion of promoting electrification-friendly rates in planned activities. In addition, CalMTA states that the MTIs are designed to mitigate upfront costs and bill impacts, by working with manufacturers to offer lower cost and higher efficiency products, as well as promoting electrification rates. Ultimately, CalMTA agrees, however, that with current rates and product offerings, bill impacts could be negative, but that is part of what the MTIs are designed to overcome.<sup>49</sup>

On the topic of overall cost-effectiveness of the proposed MTIs, TURN projects that these MTIs are individually cost-effective under both the TRC and the PAC tests, as well as the SCT.<sup>50</sup> In addition, TURN agrees with CalMTA that the cost-effectiveness methodology required by the Commission in D.19-12-021 was used correctly.

NEEA concurs with the cost-effectiveness analysis of CalMTA and notes that the TSB benefits are reasonable and significant. NEEA also argues that the cost-effectiveness analysis approach used by CalMTA is consistent with both

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<sup>47</sup> Prepared Direct Testimony of Roy Christian and Anders Danryd on behalf of SoCalGas, June 4, 2025, at RC-AD-5-8.

<sup>48</sup> Rebuttal Testimony of CalMTA, June 20, 2025, at 36-37.

<sup>49</sup> Rebuttal Testimony of CalMTA, June 20, 2025, at 38.

<sup>50</sup> Prepared Testimony of Hayley Goodson on behalf of TURN, June 4, 2025, at 12-14.

California requirements and market transformation principles. NEEA notes that if non-energy benefits were included, the TSB would be even higher.<sup>51</sup>

BayREN and 3C-REN argue that even with the emphasis on affordability in the Governor's Executive Order N-5-24, the Commission is required to consider not only costs, but also "value and benefits" to ratepayers and not just cost-effectiveness. BayREN and 3C-REN point out that the low-income Energy Savings Assistance Program is not cost-effective, but is still funded because of its many other benefits.<sup>52</sup>

SoCalGas, on the other hand, takes issue with the discussion of the non-energy benefits of indoor air quality claimed by CEJA, citing to a study from the World Health Organization that SoCalGas argues shows that there was no significant increase in risk of asthma in children or adults for gas stove use compared to electric stoves.<sup>53</sup> SoCalGas also cites to another study sponsored by the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Energy (DOE)<sup>54</sup> which found that gas cooking emissions levels do not exceed health-based standards, even though they do have higher emissions than induction stoves. SoCalGas argues therefore that the CEJA points about health costs and impacts are irrelevant, and that because claims of harm to health by gas appliances are unsupported, they should not be used to claim benefits of the CalMTA Application.<sup>55</sup>

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<sup>51</sup> Direct Testimony of Jeff Harris on behalf of NEEA, June 4, 2025, at 4.

<sup>52</sup> Reply Brief of BayREN and 3C-REN, August 8, 2025, at 2-4.

<sup>53</sup> Prepared Rebuttal Testimony of Roy Christian on Behalf of SoCalGas, June 20, 2025, at RC-1-2.

<sup>54</sup> Prepared Rebuttal Testimony of Roy Christian on Behalf of SoCalGas, June 20, 2025, at RC-3.

<sup>55</sup> Prepared Rebuttal Testimony of Roy Christian on Behalf of SoCalGas, June 20, 2025, at RC-2.

In their reply brief, BayREN and 3C-REN take issue with the studies cited by SoCalGas, arguing, among other shortcomings, that they were funded by the American Gas Association. BayREN and 3C-REN also cite to numerous other studies showing the health impacts of natural gas use in homes.<sup>56</sup>

SoCalGas also takes issue with the TSB calculations presented by CalMTA, arguing that CalMTA developed their own cost-effectiveness tool, rather than use the official Commission Cost Effectiveness Tool (CET). SoCalGas states that there are not enough reports from the CalMTA tool to determine if its outputs are reasonable. SoCalGas argues that because CalMTA includes avoided cost assumptions that increase over time, leading to the majority of savings coming in later years, CalMTA demonstrates a lack of understanding of the outputs of the Avoided Cost Calculator (ACC) that the Commission uses for avoided cost assumptions.<sup>57</sup>

In rebuttal testimony, CalMTA defends its use of avoided costs that are consistent with Commission guidance and explains that CalMTA developed its own tool because the CET does not use hourly annual (8,760 hours per year) load shapes. CalMTA states that they provided documentation of their assumptions and calculations and made their tool available to all stakeholders who requested it.<sup>58</sup>

SoCalGas also pointed out that the models used in the Application did not consider refrigerant impact, but instead contained gas counterfactual scenarios with no cooling. SoCalGas points out that the impacts of high global warming

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<sup>56</sup> Reply Brief of BayREN and 3C-REN, August 8, 2025, at 4-6.

<sup>57</sup> Prepared Direct Testimony of Roy Christian and Anders Danryd on behalf of SoCalGas, June 4, 2025, at RC-AD-9-11.

<sup>58</sup> Rebuttal Testimony of CalMTA, June 20, 2025, at 20-23.

potential (GWP) refrigerants would lower the benefits of the room heat pumps.<sup>59</sup> In rebuttal testimony, CalMTA agrees and corrects the error, along with another error uncovered in correcting the first error, related to scaling of savings to home square footage. CalMTA states that these corrections reduce the savings forecasts, but do not have a substantial impact on the estimates overall.<sup>60</sup>

Cal Advocates comments that the TSB forecasts from CalMTA are based on Delphi panel input that established a forecast baseline market adoption curve. Cal Advocates argues that the Delphi panel was insufficiently populated, because it consisted of 5-7 members, while 30-50 are recommended in order to ensure replicability and validity.<sup>61</sup> Cal Advocates also says that the methodology used to forecast adoption is based on outdated or inferior data sources, when better sources were available, including 2023 electricity sales data (instead of 2020), and 2024 (instead of 2022) appliance data for induction stoves.<sup>62</sup> Cal Advocates also would prefer that CalMTA use the Residential Appliance Saturation Survey (RASS) data rather than Residential Energy Consumption Survey (RECS) data. Cal Advocates argues that RASS includes a more robust and better reflection of cooking equipment in California homes. In addition, Cal Advocates argues that CalMTA applied the same electric/gas cooking equipment shares across the state, overlooking regional variability. Thus, Cal Advocates recommends that the shares should be applied by utility service territory. Cal Advocates acknowledges that these differences do not have a

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<sup>59</sup> Prepared Direct Testimony of Roy Christian and Anders Danryd on behalf of SoCalGas, June 4, 2025, at RC-AD-10.

<sup>60</sup> Rebuttal Testimony of CalMTA, June 20, 2025, at 22-23.

<sup>61</sup> Prepared Testimony of the Public Advocates Office, June 4, 2025, at 3-1 through 3-2.

<sup>62</sup> Prepared Testimony of the Public Advocates Office, June 4, 2025, at 4-2 through 4-7.

meaningful impact on results, but emphasizes that this supports Cal Advocates' overall contention that the methodology used by Cal MTA is lacking.<sup>63</sup>

SoCalGas also disputes the Baseline Market Assumption (BMA) analysis by CalMTA, arguing that the BMA for both proposed technologies does not align with the data in the Modeling Approach reports and that there is no justification for deviation. SoCalGas points out that ENERGY STAR adopted a new residential electric cooking product specification, and DOE released new code minimum efficiencies for conventional cooking tops, which go into effect in January 2028. SoCalGas also argues that CalMTA is underestimating the natural adoption of room heat pumps, which would decrease the net impacts of the initiatives.<sup>64</sup>

In rebuttal, CalMTA asserts that it used the best available data with its selection of RECS data, from the Energy Information Administration (EIA) within DOE. CalMTA explains that the RASS data lacks granularity and does not distinguish between fuel used for cooktop purposes and for oven purposes. CalMTA also states that the RECS data were corroborated by its own customer survey conducted in 2024. In terms of data vintage, CalMTA states that newer data was only published one month before submission of the Application, so there was not sufficient time to incorporate it prior to filing, especially since ongoing updates are normal and the MTI plans call for updating inputs annually. Finally, CalMTA responds that its market adoption forecast calculation methods are reasonable and incorporate non-ratepayer programs, contrary to assertions by Cal Advocates. CalMTA points out that adoption estimates are done at the

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<sup>63</sup> Prepared Testimony of the Public Advocates Office, June 4, 2025, at 4-8.

<sup>64</sup> Prepared Direct Testimony of Roy Christian and Anders Danryd on behalf of SoCalGas, June 4, 2025, at RC-AD-10 through RC-AD-11.

statewide level, consistent with program objectives and the target market, and that NEEA also forecasts its benefits at a regional level, similar to CalMTA's work in the Application.<sup>65</sup>

NEEA also comments that the CalMTA Delphi panel approach was appropriate, because the MTIs involve innovative technologies that are new to the market and there are few experts. Thus, it was likely not possible to include 30-50 experts because that many do not exist. NEEA also argues that CalMTA took an alternative approach which is more like a "range of expert opinions" that in turn informed the development of the Baseline Market Adoption (BMA) forecast. NEEA argues that this approach recognizes the inherent uncertainty of the task and provides a number of alternate views of a forecasted future event. NEEA further argues that CalMTA developed the BMA at the appropriate time, which is early in the MTI development process, prior to market introduction, in order to avoid rear-view mirror effects that may alter expert opinions.<sup>66</sup>

CalMTA also represents that the BMA forecast adheres to market transformation best practices, and was subject to scrutiny by the MTAB. In addition, CalMTA defends the Delphi panel as consistent with California Energy Efficiency Protocols, and notes that it did not rely on the Delphi panel results as the definitive source for the BMA forecasts, instead using a multifaceted approach. CalMTA also states that it incorporated the ENERGY STAR and DOE standards into its forecast of market trends.<sup>67</sup>

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<sup>65</sup> Rebuttal Testimony of CalMTA, June 20, 2025, at 17-19.

<sup>66</sup> Prepared Rebuttal Testimony of Jeff Harris on behalf of NEEA, June 20, 2025, at 6-7.

<sup>67</sup> Rebuttal Testimony of CalMTA, June 20, 2025, at 11-13.

SoCalGas also takes issue with the CalMTA energy savings forecasts for both technologies recommended in the MTIs. For induction cooking, SoCalGas argues that the baseline consumption of both gas and standard electric cooktops are too high, inflating the benefit of conversion to induction. For the room heat pumps, SoCalGas argues that CalMTA estimates assume a large amount of heating load will be displaced by the use of the room heat pump, which SoCalGas finds to be unrealistic. SoCalGas also argues that the CalMTA analysis does not appear to incorporate the impacts of adding cooling load to the buildings adequately or correctly for room heat pumps, especially in scenarios where homes already had cooling. In sum, SoCalGas finds that the MTIs present too high of a risk to ratepayers. They argue that the MTIs are based on future adoption models and assumptions, without any meaningful way to true up the MTI estimates with actual adoption figures. SoCalGas argues that if the program were to underperform, there would not be a realistic way for funds to be returned to ratepayers, making these MTIs a potentially inefficient investment with a high risk to ratepayers.<sup>68</sup>

In response to SoCalGas, CalMTA points out that the heat pump savings assumptions include two room heat pumps per home, not just one. In addition, CalMTA explains that differences in savings assumptions between homes with no existing cooling and those with it are a result of isolation to specific climate zones, where heating loads are distinct from cooling loads.<sup>69</sup> Overall, CalMTA argues that its proposed MTIs are consistent with the framework the Commission adopted in D.19-12-021, which has built-in safeguards for risk,

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<sup>68</sup> Prepared Direct Testimony of Roy Christian and Anders Danryd on behalf of SoCalGas, June 4, 2025, at RC-AD-12 through RC-AD-14.

<sup>69</sup> Rebuttal Testimony of CalMTA, June 20, 2025, at 23-24.

including Commission staff oversight, MTAB input, risk mitigation plans for each MTI, an Evaluation Advisory Group, and public review.

TURN recommends that the Commission find that CalMTA has reasonably addressed Cal Advocates' concerns about the cost-effectiveness and TSB calculations, and the Cal Advocates position that the application must be rejected should be dismissed. TURN argues that the forecast methodologies of CalMTA are sound and should be accepted.<sup>70</sup> In addition, TURN argues that CalMTA has appropriately addressed performance risk generally and that the Commission should adopt CalMTA's proposed evaluation plans for the MTIs to mitigate performance risk and protect ratepayers. TURN argues that the evaluation framework and related processes guard against chronically underperforming or otherwise underutilized programs that are not achieving anticipated benefits. TURN also states that it is important to remember that all energy efficiency programs carry performance risk simply because the program implementers and portfolio administrators cannot control all factors that influence performance. Nonetheless, the Commission is required to fund cost-effective energy efficiency.<sup>71</sup>

## **5.2. Discussion**

We begin by addressing the analysis done by CalMTA on the cost-effectiveness of the proposed MTIs. We note that D.19-12-021 does not require the MTIs to be cost-effective immediately upon their being proposed. However, based on CalMTA's representation, the proposed MTIs pass the TRC, PAC, and SCT thresholds for cost-effectiveness as proposed and analyzed.

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<sup>70</sup> Opening Brief of TURN, July 25, 2025, at 15-18.

<sup>71</sup> Opening Brief of TURN, July 25, 2025, at 18-22.

With respect to the specific criticisms of the analysis from Cal Advocates and SoCalGas, we find it reasonable that CalMTA used RECS data rather than RASS data as the source of its BMA analysis, because of the superior granularity of the RECS. On the issue of the population of the Delphi panel, we understand that CalMTA used as many participants as reasonable, given these are new technologies being proposed and there may not be an ideal number of experts to call upon. Commission rules do not require a particular number of experts on the Delphi panel approach. Contrary to the representations from Cal Advocates that CalMTA's proposal is somehow deficient, we find that CalMTA used best efforts to comply with best practices, as much as possible, in identifying costs and benefits of the proposed MTIs. We therefore agree with TURN and find the approach of CalMTA, and its responses to Cal Advocates' and SoCalGas' criticisms, reasonable. We also find it reasonable and likely preferable that CalMTA developed its own cost-effectiveness tool rather than using the CET, to show additional information related to hourly load shapes for these end uses. The analysis and documentation presented by CalMTA complies with Commission requirements for cost-effectiveness analysis in D.19-12-021.

We also find that CalMTA undertook a rigorous analysis of the appropriate MTIs to propose in the initial tranche, by involving the MTAB, Commission staff, and public input, as well as developing risk mitigation plans and evaluation plans for each MTI. The development of these MTIs took several years and they have been thoughtfully designed and targeted.

As far as the selection of the particular technologies for the first two MTIs, we agree with CalMTA's proposal. As pointed out by CEJA, the room heat pumps and plug-in induction cooktops are technologies that are more suitable for deployment in a wider variety of housing types, including multi-family

dwellings, manufactured homes, and older structures, without triggering more costly upgrade requirements, such as for electrical panels. This will be important as we build awareness of and interest in investing in these technologies by a broad and diverse set of consumers in California. We also agree with CEDMC that the MTIs are appropriately selected and targeted to deliver incremental savings, beyond that currently being achieved in the larger energy efficiency resource acquisition portfolio.

We also support the proposal of CalMTA to target deployment of the MTIs in ESJ and disadvantaged communities more heavily. CEJA, NEEA, and TURN all support this approach and note that CalMTA has designed the MTIs to mitigate the potential electricity bill impacts as much as possible. While targeting MTIs to ESJ and disadvantaged communities can be highly beneficial, it is often not always possible due to several systemic and practical barriers. CalMTA states that room heat pumps and induction cooktops address the needs of ESJ communities by filling a product gap for certain housing types, especially multifamily and small single-family homes, as well as manufactured housing, where residents cannot afford or do not have the opportunity to install other product alternatives.

We support CalMTA's proposal to prioritize these communities for this specific initiative. This approach is valuable because it enables a more manageable and controllable energy load for residents. Cooling a room for limited hours helps residents manage bills and test new technology with lower risk. Room heat pumps offer better living conditions in warm climates. Unlikely central heating or air conditioning, room heat pumps can be self-installed, plug into standard outlets, and offer targeted energy-efficiency heat and cooling for specific rooms. This makes them an affordable, accessible option for renters,

multifamily households, and those in disadvantaged communities – delivering immediate comfort and indoor air quality improvements without costly electrical upgrades. Room heat pumps offset the use of inefficient devices and can lower operating costs (especially when replacing electric resistance heating), making them a practical solution that balances near-term affordability with long-term savings for ESJ communities.

Similar benefits will accrue to ESJ and disadvantaged community residents from the induction cooking MTI. CalMTA plans to test various models and configurations, including plug-in models and battery-operated models, in order to determine what works best in different, diverse housing arrangements. These options generally also provide safe cooking options that are flexible and meet the needs of many types of homes and residents. Many of the populations that will be targeted, as well as all customers who may be interested in the technologies involved in the proposed MTIs, may also be more interested in the non-energy benefits that are possible with induction cooktops and room heat pumps. We also do not need to choose sides in the indoor air quality debate, because the other benefits of the induction cooktop MTI are sufficient for us to find it reasonable to pursue the MTI.

Individual bill impacts are an issue we will be watching closely with the deployment of these MTIs. Education and awareness will be key in facilitating consumer acceptance not only of the technologies, but also of the bill impacts. We expect that CalMTA will maintain its focus in this area and adjust its strategy should the bill impacts prove to be a hurdle to successful deployment.

We also agree with TURN that we must balance the short-term and the long-term bill impacts. Customers who do not move toward electrifying their home energy consumption will ultimately face much higher natural gas prices

when gas demand continues to decline due to decarbonization policy and fixed costs must be paid by a smaller number of customers. Rather than leave disadvantaged communities behind as this transition occurs, we prefer the proposed CalMTA approach of putting these communities first, to discover what works best for them to help ease the transition to electrification as much as possible.

In sum, we agree with the design and the target populations proposed by CalMTA and approve of the Induction Cooking and Room Heat Pump MTIs as proposed.

We also approve the evaluation plans of CalMTA, because, as also pointed out by TURN, these include proven strategies to monitor program performance and mitigate performance risk. As NEEA points out, the fast evaluation and feedback loop is at least as good as, and perhaps better, than the feedback loop we see in the large energy efficiency portfolio. Thus, we are comfortable that these MTIs are worthwhile investments of ratepayer funds to pursue the benefits projected by CalMTA.

## **6. Coordination with Other Programs**

In this section, we discuss the relationship of the MTIs proposed by CalMTA with other existing energy efficiency programs overseen by other portfolio administrators.

### **6.1. Positions of Parties**

CalMTA represents that the proposed MTIs address market barriers and fill gaps to catalyze large-scale changes, in coordination with actions of other programs. CalMTA states that the focus of the MTIs is intended to be on barriers

to adoption that are not well addressed by financial incentives alone, including, but not limited to, basic awareness of the technologies.<sup>72</sup>

CalMTA also presented in the Application a detailed explanation of the work it had done to coordinate with existing efforts and design a set of strategies to complement other programs. The Application lists at least 18 programs for potential alignment and mentions a total of 30 programs that are potentially relevant.<sup>73</sup>

CalMTA states that it will not duplicate the work of the investor-owned utility (IOU) Codes and Standards (C&S) Working Group, which is already focused on advocacy. CalMTA contends that instead, it will support this effort by providing unique technical information, market data, and research that is not available elsewhere. CalMTA notes that it meets with the IOU C&S Working Group monthly to coordinate efforts and maximize opportunities during MTI implementation.<sup>74</sup>

Cal Advocates suggests that the MTIs are duplicative of existing efforts not funded by ratepayers, including the California Energy Commission's (CEC's) Home Electrification and Appliance Rebates (HEEHRA) program and the Equitable Building Decarbonization program to accelerate residential electrification.<sup>75</sup> Cal Advocates also calls for a "clear analysis" of how the Induction Cooking MTI complements but does not overlap with existing efforts.

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<sup>72</sup> Application, December 20, 2024, at 14-16.

<sup>73</sup> See Appendix E, Table 1 and Table 2, of each MTI Plan (Appendix 1 and Appendix 2 of CalMTA's Application), December 20, 2024.

<sup>74</sup> CalMTA Rebuttal Testimony at 64.

<sup>75</sup> Prepared Testimony of the Public Advocates Office, June 4, 2025, at 5-2.

PG&E agrees with Cal Advocates and states that the Commission should give preference to other non-ratepayer-funded programs that may overlap.<sup>76</sup>

SoCalGas also asserts that the MTIs overlap with existing energy efficiency programs, pointing out that there are currently-approved deemed measures for efficient electric cooking appliances covering both electric and gas baselines.<sup>77</sup> SoCalGas claims that CalMTA has not considered the TSB that will be created by the other relevant programs that could result in double-counting of the TSB from the MTIs. In the case of induction cooking, SoCalGas points to existing efforts to transform the market through ENERGY STAR certification and DOE standards. In the case of room heat pumps, SoCalGas states that the proposal fails to consider alternative heat pump cooling and heating technologies available to customers which may be adopted absent the MTI. SoCalGas also states that one of the strategic interventions includes deployment midstream rebates for appliances, which appears to overlap with the existing statewide Midstream HVAC Energy Efficiency program.<sup>78</sup>

SCE and SDG&E also state that since the establishment of CalMTA, the Commission has allowed the portfolio administrators to implement longer-term market transformation strategies through the Market Support segment of their portfolios, which now creates duplication with the proposed MTIs.<sup>79</sup> PG&E agrees with this, and argues that the MTIs may only be approved if they are

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<sup>76</sup> PG&E Opening Brief, July 25, 2025, at 2.

<sup>77</sup> Prepared Direct Testimony of Roy Christian and Anders Danryd on behalf of SoCalGas, June 4, 2025, at RC-AD-14-15.

<sup>78</sup> Prepared Direct Testimony of Roy Christian and Anders Danryd on behalf of SoCalGas, June 4, 2025, at RC-AD-14-15.

<sup>79</sup> Joint Protest of SCE and SDG&E, January 23, 2025, at 5-6.

complementary to Market Support program offerings, as well as programs of the Regional Energy Networks (RENs).<sup>80</sup>

CEDMC states that the proposed MTIs are not duplicative and do not overlap with other programs.<sup>81</sup> They agree with CEJA that the MTIs are not duplicative and are instead large-scale market development programs aimed at systematically transforming the market.

BayREN and 3C-REN argue that SoCalGas and Cal Advocates conflate the definition of programs vs. measures, in arguing that there is overlap with the proposed MTIs. BayREN and 3C-REN suggest that it is fine for a particular measure to have various delivery methods, including upstream, mid-stream, and downstream. Ultimately, BayREN and 3C-REN suggest that the Commission should find the Cal Advocates and SoCalGas complaints about potential overlap unpersuasive.<sup>82</sup>

NEEA sees very little overlap for the two proposed MTIs with other ratepayer-funded programs. NEEA suggests trusting in the coordination between CalMTA and the other portfolio administrators to ensure complementary work and avoid duplication of effort. Further, NEEA states that their experience in the Northwest has shown that market transformation in coordination with resource acquisition energy efficiency programs can increase energy savings reported through both program types, as well as accelerate adoption of codes and standards. NEEA also points out that CalMTA has already conducted significant outreach to attempt to coordinate with existing portfolio

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<sup>80</sup> PG&E Opening Brief, July 25, 2025, at 4-5.

<sup>81</sup> Opening Brief of CEDMC, July 25, 2025, at 10.

<sup>82</sup> Reply Brief of BayREN and 3C-REN, August 8, 2025, at 7-8.

administrators and expects that effort to continue through the deployment of the MTIs.<sup>83</sup>

CEJA also disputes that the MTIs are duplicative. CEJA argues that the MTIs are informed by pilot results but serve a distinct purpose in both catalyzing the development of new room heat pumps and induction cooking equipment appropriate for multifamily housing and scaling the markets for room heat pump and induction cooking appliances.<sup>84</sup>

## **6.2. Discussion**

Our starting point for consideration of coordination and potential duplication with other programs is an understanding that California is a complex market with a long history of intervention by multiple actors. There is always some potential for overlap, as well as opportunity for coordination, because we have been covering a large market for energy efficient technologies and strategies in California with energy efficiency programs for at least four decades.

Our thinking is most aligned with the comments of NEEA, where they point out that MTIs and resource acquisition programs that are coordinated can achieve synergies and deeper savings than either approach may be able to accomplish on its own. We also note that while the Market Support category of the regular energy efficiency portfolios is permitted to utilize market transformation strategies by its definition, it is not entirely focused on market transformation. Market transformation is one of many aspects that may be included in Market Support, which can also include other approaches such as marketing, education, outreach, and workforce training. CalMTA's role is solely

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<sup>83</sup> Direct Testimony of Jeff Harris on behalf of NEEA, June 4, 2025, at 5-6.

<sup>84</sup> Prepared Testimony of Kjellen Belcher on behalf of CEJA, June 4, 2025, at 25-29.

focused on market transformation, and thus MTIs have an important role in the portfolio that is not filled by any other program segment. Thus, contrary to PG&E's suggestion that the MTIs should defer to the Market Support category of the portfolios, or even REN programs, we find that CalMTA's efforts on market transformation should take primacy, because they are intended by the Commission to design the coordinated market transformation strategy on behalf of the state as a whole. Other interventions in individual portfolios should be coordinated with CalMTA's MTIs, as much as CalMTA should also coordinate with the other administrators and programs.

In the case of the Statewide Midstream HVAC Energy Efficiency program mentioned by SoCalGas, that is a program that is intended to work with distributors of numerous HVAC technologies. While room heat pumps may be among the technologies covered, that program is a broad spectrum program that is not uniquely focused on room heat pumps, and in fact likely gives them relatively small emphasis compared to many other technologies that are more common. The proposed MTI by CalMTA would have that singular focus only on room heat pumps and may be able to accomplish progress for room heat pump technologies that would not be possible in a program that includes many HVAC technologies. In that case, our expectation is that CalMTA and the utility portfolio administrator for the statewide program (SDG&E through the end of 2025 and then PG&E thereafter) will remain in close coordination to determine the best approach to further the objective of market transformation for room heat pumps.

We also agree with CEJA that the CalMTA proposed MTIs, with their focus on multifamily dwellings, may be able to achieve unique value in that

specific housing type and market compared to a general focus on room heat pumps for other types of dwellings or other communities.

With respect to the other CEC programs mentioned by Cal Advocates, we note that the HEEHRA program rebates for single-family homes are already fully reserved and no longer available to new customers. The Equitable Building Decarbonization program appears to have a focus on income-qualified low-income customers, which is not the portion of the market that CalMTA would target. In general, there is a great deal of overlap between low-income, disadvantaged communities, ESJ communities, and underserved and hard-to-reach customers. As long as there are not situations where customers are receiving rebates or financial incentives from more than one program for only one action, it is not a problem, and may even be preferable, to have customers receiving information and building awareness through more than one program or intervention strategy. We are satisfied that CalMTA's lesser emphasis on downstream financial incentives to individual customers, coupled with coordination with other portfolio administrators, will avoid the potential for double-payment to individual customers and will result in a strengthening of the approaches to the technologies targeted by the MTIs overall.

## **7. Budget**

This section discusses the budget we should authorize for the initial tranche of MTIs, and whether to release the entire budget cap authorized in D.12-12-021 of \$250 million at this time, as proposed by CalMTA.

### **7.1. Positions of Parties**

CalMTA proposes that the Commission release the budget for the initial tranche of MTIs, and the rest of the total \$250 million budget allocated for the

first five years of deployment in D.19-12-021.<sup>85</sup> CalMTA points out that the MTAB will provide oversight of the development of new MTIs, and under CalMTA's proposal, the new MTIs will be approved by the Commission through Tier 2 advice letters.<sup>86</sup>

Cal Advocates, in its opening testimony, argues that the CalMTA budget is not supported by facts, calculations, and assumptions and does not sufficiently justify the non-labor costs. In addition, Cal Advocates argues that the labor costs are inappropriately budgeted, because employees are generally grouped by major activity, with no explanation regarding how the positions or costs were established for each activity. Cal Advocates also states that the application does not explain the types of employees or the number of unique positions needed for a given activity, or how the labor costs for a given activity were determined. Finally, Cal Advocates argues that the estimated third-party costs and incentive costs are not appropriately justified.<sup>87</sup>

In rebuttal testimony, CalMTA argues that its application includes sufficient detail to justify costs, and more detail is required to be and will be provided in the implementation plan for each MTI, which will be submitted after the application is approved. CalMTA states that the budget guidance from the Commission does not require the level of detail requested by Cal Advocates, nor should labor costs be detailed by individual employee.<sup>88</sup> CalMTA also states that its third-party cost estimates are estimates because the third-party services have

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<sup>85</sup> Application, December 20, 2024, at 11.

<sup>86</sup> Application, December 20, 2024, at 11-12.

<sup>87</sup> Prepared Testimony of the Public Advocates Office, June 4, 2025, at 6-1 through 6-4.

<sup>88</sup> Rebuttal Testimony of CalMTA, June 20, 2025, at 45-46.

not yet been procured.<sup>89</sup> Finally, CalMTA explains that the incentive costs are described in the room heat pump logic model and are also subject to refinement.<sup>90</sup>

Both Cal Advocates and SoCalGas argue that the Commission should deny any costs related to deploying and evaluating future unknown MTIs.<sup>91</sup> They argue that CalMTA has not sufficiently justified the reasonableness of its reserving of future funding, which Cal Advocates estimates is \$158 million. Thus, they argue it would be unreasonable for the Commission to release funds for unknown and undefined MTIs.

PG&E agrees that the full \$250 million budget should not be released, and the Commission should immediately explore non-ratepayer sources of funds, to address affordability concerns. Should the Commission not explore or deem that non-ratepayer funds are not practical for future MTIs, PG&E recommends the \$250 million not be released at this time. Instead, PG&E suggests the Commission adopt specific criteria for approval of MTIs and demonstrate how they will fill market gaps.<sup>92</sup>

PG&E recommends that the Commission defer approval of the proposed MTI funding pending exploration of alternative financing mechanisms. In the alternative, if the Commission decides to approve the initial tranche of MTIs, the Commission should pause further MTI development and limit CalMTA's

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<sup>89</sup> Rebuttal Testimony of CalMTA, June 20, 2025, at 47.

<sup>90</sup> Rebuttal Testimony of CalMTA, June 20, 2025, at 47-48.

<sup>91</sup> Prepared Testimony of the Public Advocates Office, June 4, 2025, at 6-1 through 6-2, and Prepared Direct Testimony of Roy Christian and Anders Danryd on behalf of SoCalGas, June 4, 2025, at RC-AD-16.

<sup>92</sup> Opening Brief of PG&E, July 25, 2025, at 2-3.

budget. In addition, PG&E recommends the Commission adopt specific program gap-filling criteria as a basis for screening MTIs for approval (similar to the threshold of review established for RENS) and adopt procedural modifications to enhance oversight while reducing administrative burden.<sup>93</sup>

SoCalGas also argues that there is a need to modify the funding allocations for the MTIs, based on the fuel of the initiatives selected, especially since the first two MTIs are proposed to be electrification measures that should not be paid for by natural gas customers, but rather should be split among the electric ratepayers.<sup>94</sup>

CEJA simply states that the Commission should approve the application in full.<sup>95</sup> CEDMC supports approval of the full budget for the initial tranche of MTIs as reasonable.<sup>96</sup> NEEA also states that the proposed budgets for the initial tranche of MTIs are reasonable and should be approved. NEEA does not take a position on whether the entire \$250 million budget cap should be released at this time, but notes that the program will be more successful with operational stability, given the current state of rapidly changing federal policies and overall program funding.<sup>97</sup>

## **7.2. Discussion**

First, we find the budgets proposed by CalMTA for deployment of the first two MTIs (Induction Cooking and Room Heat Pumps) to be reasonable and well

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<sup>93</sup> Opening Brief of PG&E, July 25, 2025, at 4-10.

<sup>94</sup> Prepared Direct Testimony of Roy Christian and Anders Danryd on behalf of SoCalGas, June 4, 2025, at RC-AD-16.

<sup>95</sup> Prepared Testimony of Kjellen Belcher on behalf of CEJA, June 4, 2025, at 36.

<sup>96</sup> Opening Brief of CEDMC, July 25, 2025, at 10.

<sup>97</sup> Direct Testimony of Jeff Harris on behalf of NEEA, June 4, 2025, at 5.

justified. We expect CalMTA to provide a more detailed breakdown of costs as part of the submission of its implementation plan for each MTI. In this decision, we approve the deployment funding proposed for the first Tranche of MTIs for activities beginning immediately following the adoption of this decision.

We will not, however, approve the release of the entire \$250 million budget that was reserved by the Commission in D.19-12-021. That budget cap assumed that CalMTA would come to the Commission with a proposal to deploy the full budget on a larger/full set of proposed MTIs, rather than only two, as CalMTA proposes. Given that the budget for the first tranche does not total the full \$250 million reserved by the Commission, CalMTA has not justified the release of additional funding for undefined MTIs. Because CalMTA does not yet have a track record of MTI deployment, it would be premature for the Commission to release the entire budget at this time.

As detailed further below, we will expect CalMTA to come to the Commission with an application proposal for each tranche of MTIs, similar to the energy efficiency portfolio administrators. CalMTA may seek funding for more tranches of MTIs through the filing of an application at any time, up to and including the timing for energy efficiency portfolio administrators to file portfolio applications for the years 2032-2035, with those applications to be filed in 2030. It would be preferable to the Commission to consider such applications either in 2030 or in early 2026, alongside the applications for four-year portfolios from the energy efficiency portfolio administrators. To better align the timing of the market transformation portfolio with the energy efficiency portfolios of other administrators, we will also extend the CalMTA-requested funding through 2031, at the same levels as proposed for 2030, to ensure continuity. The six-year budget will cover the entire period and be available once this decision is

adopted, with funds fungible and available to be spent at any point during the period prior to the end of 2031.

In addition to the deployment budget for the two MTIs approved in this decision, we will also approve smaller administration and operations budgets for CalMTA, as well as a smaller administrative budget for PG&E, commensurate with the MTI deployment. In addition, we will approve budget for evaluation commensurate with the first tranche MTI budget. These amounts will be 30 percent of what was requested by CalMTA, because the deployment budget for the MTIs proposed in the application is approximately 30 percent of the total deployment budget anticipated by CalMTA as part of the \$250 million original reserved budget cap. We will also fully fund the requested amounts for future initiative and concept development, to ensure there is budget to continue planning for additional tranches of MTIs.

The total budget approved in this application is provided in Table 3 below.

Table 3. Approved Budget for CalMTA for First Tranche of MTIs

Cost Category	Total Approved Budget by Year (\$000)						Totals
	2026	2027	2028	2029	2030	2031	
MTA Administration	381	381	424	403	424	424	2,438
MTA Operations	1,271	1,308	1,330	1,382	1,427	1,427	8,144
<b>Initiative/Concept Development</b>							
Phase I Activities	634	618	633	653	673	673	3,884
Phase II Activities	2,917	0	0	0	0	0	2,917
Future MTI Development	2,234	1,126	776	628	574	574	5,912
<b>MTI Market Deployment (Phase III)</b>							
Induction Cooking	4,952	6,183	6,445	5,263	4,778	4,778	32,399
Room Heat Pumps	5,437	7,347	7,556	7,692	6,954	6,954	41,940
<b>Other Administrative Costs</b>							
Evaluation	154	448	540	592	598	598	2,930
PG&E Costs	300	300	300	300	300	300	1,800

Cost Category	Total Approved Budget by Year (\$000)						Totals
	2026	2027	2028	2029	2030	2031	
Totals	18,280	17,711	18,004	16,913	15,727	15,727	102,364

In addition, the current contract between PG&E and CalMTA includes provisions that require CalMTA to be converted into a non-profit organization. The contract requires CalMTA to present a Non-Profit Transition Plan to the Commission in a Tier 2 advice letter. By the terms of this decision, we make this a Commission requirement. CalMTA shall present to the Commission the Non-Profit Transition Plan for consideration in a Tier 2 advice letter, no later than the end of 2028. This will allow enough time for Commission consideration, as well as time for the transition to a non-profit status to actually occur if approved by the Commission, prior to the expiration of the funding authorized in this decision. Conversion to non-profit status will be a prerequisite for CalMTA to continue to be eligible for continued funding after 2031.

We also agree with SoCalGas about the appropriate cost allocation for deployment of the two MTIs that we approve in this decision, which are both fuel substitution measures. D.19-08-009 states that “fuel substitution measures and associated program costs shall be funded by the ratepayers of the new fuel, not ratepayers of the fuel being substituted.” This policy is still in effect, and therefore the deployment funding for the two approved MTIs shall be redistributed to be collected only from electricity rates and not natural gas rates.

We do not yet know what additional MTIs will be proposed or adopted for deployment, and therefore we prefer to continue to split the Initiative/Concept Development category of funding between both natural gas and electricity ratepayers, as originally approved in D.19-12-021. The assumptions from D.19-

12-021 already assume a split of 80 percent electric costs and 20 percent natural gas.

All of the other categories in the budget in Table 3 above, except PG&E's costs and the MTI development costs, shall be allocated only to electricity customers, with the distribution being as described in D.19-08-009. Table 4 below shows the allocation percentages for the various categories of expenses.

Table 4. Cost Allocation for Budget Categories to Utility Customers by Fuel Type

Utility/Fuel	Cost Allocation Percentage	
	Electrification MTI Deployment, Administrative and Operational Costs, Evaluation Costs approved in this decision	MTI Development Costs, PG&E Costs
PG&E Electric	44.44%	36%
PG&E Gas		10%
SDG&E Electric	15.46%	12%
SDG&E Gas		2%
SCE Electric	40.10%	32%
SoCalGas Gas		8%
Total	100%	100%

As the fiscal agent for the CalMTA contract, PG&E should file a Tier 1 advice letter within 30 days of the adoption of this decision, modifying the funding collection and allocation consistent with the above table and discussion.

## 8. Process Issues

This section discusses the processes required for updating or modifying CalMTA's MTI budget, proposing new MTIs, and discontinuing MTIs. CalMTA, in this application, proposed a trigger-based advice letter process, for an advice letter to be filed if CalMTA spending turns out to be more than 25 percent higher

or lower than forecast, rather than filing an annual budget advice letter (ABAL), a process which has been discontinued for other portfolio administrators.

CalMTA also proposed submitting proposals for new MTIs to the Commission via a Tier 2 advice letter. Similarly, CalMTA proposed to discontinue MTIs after the approval of a Tier 2 advice letter.

### **8.1. Positions of Parties**

CEDMC supports CalMTA's request to approve future new MTIs through Tier 2 advice letters, to discontinue filing ABALs, and to use a "trigger based" budget advice letter. CEDMC argues these mechanisms will help CalMTA launch future MTIs quickly to accelerate their benefits and help meet the state's clean energy goals.<sup>98</sup>

Cal Advocates opposes the CalMTA proposal for a trigger-based advice letter for budget updates, as well as the proposal to submit new MTIs via a Tier 2 advice letter. Cal Advocates prefers an application process for each new MTI proposal to be adequately reviewed. Cal Advocates suggests requiring an ABAL every year, along with a trigger-based performance review, to determine if MTIs are underperforming relative to the CalMTA forecast for the year, both in terms of TSB and adoption metrics, or if an MTI has exceeded its budget for the year.<sup>99</sup>

NEEA suggests that an ABAL filing would be redundant, since it is the job of CalMTA, along with the MTAB, to provide the necessary oversight and coordination, while allowing for real-time adjustments to market opportunities. NEEA supports Tier 2 advice letters, or even Tier 1, for new MTIs, stating that by the time an application is considered and approved, the MTI information will

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<sup>98</sup> Opening Brief of CEDMC, July 25, 2025, at 11.

<sup>99</sup> Prepared Testimony of the Public Advocates Office, June 4, 2025, at 7-1 through 7-4.

need to be adjusted to account for market changes during the pendency of the application. NEEA argues this will result in additional costs to ratepayers and potentially lost opportunities. NEEA further argues that the cost of the application process itself will reduce the cost-effectiveness of the MTIs. NEEA points out that the advice letter process is similar to the approach used in the Northwest, and provides details about the similarities in its testimony.<sup>100</sup>

CalMTA, in its rebuttal testimony, points out that ABALs were discontinued in favor of mid-cycle advice letters, whose purpose is chiefly to update plans related to the outcome of the potential and goals study, and not to adjust approved budgets.<sup>101</sup>

PG&E states that while it does not fully support eliminating an ABAL process, the other administrators of energy efficiency no longer have an ABAL process and thus an ABAL is no longer a similar process and touchpoint for the portfolio as a whole. PG&E also believes that an ABAL requirement would be a burden on CalMTA and other parties. PG&E argues that the process included in D.19-12-021 should be aligned with the process for other administrators revised in D.21-05-031.<sup>102</sup>

No party appears to oppose the proposal for a Tier 2 advice letter in the event of an underperforming MTI that needs to be cancelled. Cal Advocates advocates for returning the unused funds to ratepayers,<sup>103</sup> while CalMTA states that D.19-12-021 requires the MTA to manage its portfolio with an eye toward cost-effectiveness, and allows for redirection of funds to develop new MTIs or

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<sup>100</sup> Direct Testimony of Jeff Harris on behalf of NEEA, June 4, 2025, at 5-6.

<sup>101</sup> Rebuttal Testimony of CalMTA, June 20, 2025, at 48.

<sup>102</sup> Opening Brief of PG&E, July 25, 2025, at 11-12.

<sup>103</sup> Prepared Testimony of the Public Advocates Office, June 4, 2025, at 7-5.

improve outcomes of other MTIs, but does not require immediate refund of budget.<sup>104</sup>

## **8.2. Discussion**

As already discussed in Section 7.2 above, we will not allow CalMTA to submit new MTI proposals via advice letters at this time. CalMTA's track record with market transformation is not yet proven. We are open to considering moving to an advice letter process in the future, no sooner than after the next successful MTI application. We are open to a Tier 2 advice letter process, which is similar to the process used in the Northwest, where there is proven success at such initiatives. But we will not approve this process at this time. For now, in California, we will continue to require applications for new tranches of MTIs. CalMTA should plan accordingly and group the MTIs for proposed deployment with a longer approval timetable in mind.

We will not, however, require ABALs or trigger-based budget advice letters. Instead, we will treat the CalMTA portfolio similar to the portfolios of the other energy efficiency portfolio administrators. CalMTA's budget approved in this decision is for the period 2026 through 2031, inclusive. CalMTA will be required to file annual reports on the same timetable as the other energy efficiency portfolio administrators. In those annual reports, CalMTA should detail its spending, results, bill impacts, and progress toward metrics, goals, and timelines of the MTI Plan. The six-year budget will be a total spending cap for the MTIs approved herein, and funds are transferrable across the portfolio period, until the end of 2031. Unused funds can roll over from one year to the next between 2026 and 2031. Any unspent funds at the end of the deployment

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<sup>104</sup> Rebuttal Testimony of CalMTA, June 20, 2025, at 50-52.

period approved herein will be addressed in subsequent portfolio application decisions and may be returned to ratepayers at that time.

CalMTA is also correct that the purpose of the mid-cycle advice letters is not to modify budgets but rather to adjust for results of the potential and goals study. Therefore, because the CalMTA portfolio is less impacted by those study results than the other administrators' portfolios, we will not require a true-up advice letter from CalMTA every two years. CalMTA's budget shall not exceed the funds approved in this decision through the end of 2031, and if CalMTA wishes to reduce the budget or spending on any particular MTIs, CalMTA may file a Tier 2 advice letter at any time.

Similarly, if CalMTA wishes to discontinue any MTIs, it will also be required to file a Tier 2 advice letter advising the Commission and stakeholders and providing its rationale. This is the same requirement that other energy efficiency portfolio administrators must follow and we find it appropriate to use for CalMTA as well, because the circumstances would be similar for all administrators.

## **9. 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(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding. No public comments were received in response to the PG&E/CalMTA Application.

**10. 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.

**11. Comments on Proposed Decision**

The proposed decision of Administrative Law Judge Julie A. Fitch 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. Comments were filed on \_\_\_\_\_, and reply comments were filed on \_\_\_\_\_ by \_\_\_\_\_.

**12. Assignment of Proceeding**

Matthew Baker is the assigned Commissioner and Julie A. Fitch and Valerie U. Kao are the assigned Administrative Law Judges in this proceeding.

**Findings of Fact**

1. The Commission and ratepayers under its jurisdiction have already invested eight years of time and up to \$60 million in startup funds to be ready to launch MTIs at full scale.

2. Rejecting CalMTA's proposed MTIs would have a negligible impact on customers' energy bills.

3. HVAC and cooking represent two of the three biggest natural gas end uses in the average California home.

4. Market transformation is a strategic approach focused on achieving widespread and lasting change in a market by influencing its structure, dynamics, and behavior to promote increased energy efficiency. It goes beyond traditional energy efficiency programs by aiming to reshape "business as usual" for all market actors. This involves removing market barriers, fostering

innovation, bringing costs down, and creating a more sustainable and efficient market environment.

5. Federal support for energy efficiency, in the form of ENERGY STAR and U.S. DOE standards, has been recently declining and there is no near-term prospect for federal funding to support California energy efficiency MTIs.

6. CalMTA's proposed MTIs are cost-effective, using any of the Commission's approved cost-effectiveness tests.

7. CalMTA's analysis of the appropriate MTIs to recommend for the first tranche of deployment included involvement of the MTAB, Commission staff, and public input, as well as developing risk mitigation plans and evaluation plans for each MTI.

8. The two MTIs proposed in the application by CalMTA involve technologies that are more suitable for deployment in a wide variety of housing types, including multi-family dwellings, manufactured homes, and older structures, without triggering costly upgrade requirements, such as for electrical panels.

9. The two MTIs proposed by CalMTA have the potential to increase bills of participating customers in the short term because of the switch from natural gas to electricity use.

10. CalMTA has designed the proposed MTIs to mitigate the potential electricity bill impacts to customers as much as possible.

11. CalMTA's proposal includes an evaluation plan to monitor program performance and mitigate performance risk.

12. Energy efficiency MTIs and resource acquisition programs that are coordinated can achieve synergies and deeper savings than either approach on its own.

13. While the Market Support segment of the energy efficiency portfolios may include some market transformation elements, CalMTA's mission is entirely focused on market transformation. Thus, the Market Support segment of the portfolio is not a substitute for the MTIs and the MTIs approved on this decision should take primacy over any other programs that involve the same technologies.

14. The HEEHRA and Equitable Building Decarbonization programs have different target customer populations than the MTIs proposed by CalMTA.

15. All energy efficiency portfolio administrators other than CalMTA have currently approved energy efficiency program portfolios through the end of 2027 and will file applications in early 2026 for portfolios to be deployed beginning in 2028. Another portfolio cycle will begin in 2032, with those applications filed in 2030.

16. The current contract between PG&E and CalMTA requires CalMTA to present to the Commission, in the form of a Tier 2 advice letter, a Non-Profit Transition Plan.

17. Commission policy, as stated in D.19-08-009, is that fuel substitution measures should be funded by the ratepayers of the new fuel and not ratepayers of the fuel being substituted.

18. D.21-05-031 eliminated the requirement for energy efficiency portfolio administrators to file ABALs, in favor of the filing of Mid-Cycle True-Up advice letters that are meant primarily to adjust portfolios once the Commission adopts the Potential and Goals study every two years. This step is less relevant for CalMTA than for other portfolio administrators.

19. All energy efficiency portfolio administrators are required to file Tier 2 advice letters if they propose to cancel an unperforming program.

**Conclusions of Law**

1. Public Utilities Code Section 399.4(d)(1) requires the Commission to “authorize market transformation programs with appropriate levels of funding to achieve deeper energy efficiency savings.”
2. If the Commission did not approve the MTIs proposed in this Application, the Commission would still need to identify other market transformation programs to fund.
3. The MTIs proposed by CalMTA in this application represent the best-available market transformation programs to fund at this time.
4. The Commission and CalMTA should continue to pursue other sources of funds to support energy efficiency market transformation wherever possible.
5. Section 454.5(b)(9)(C)(i) requires that an “electrical corporation shall first meet its unmet resource needs through all available energy efficiency and demand reduction resources that are cost effective, reliable, and feasible.” The proposed MTIs are cost-effective, reliable, and feasible, and therefore should contribute to the resource needs of the electric utilities.
6. The Commission should retain the cost-effectiveness requirements for MTIs in D.19-12-021.
7. CalMTA has complied with Commission requirements for calculating TSB and cost-effectiveness.
8. CalMTA used reasonable methods for its baseline market analysis, based on RECS data, as well as in populating its Delphi panel and conducting its cost-effectiveness analysis using its own spreadsheet tool.
9. The two MTIs proposed by CalMTA are likely to drive incremental energy savings beyond that currently being achieved in the broader energy efficiency portfolio.

10. The Commission should approve the two MTIs proposed by CalMTA in this application.

11. The two MTIs proposed by CalMTA in this application have the potential to help ease the transition to electrification among environmental and social justice communities and disadvantaged communities, in order to help California meet its long-term (2045) environmental goals.

12. CalMTA should maintain focus on the bill impacts to participating customers, educate customers appropriately, and adjust strategies if the bill impacts prove to be a hurdle to successful deployment of the MTIs.

13. The Commission should approve CalMTA's evaluation plan included in the application.

14. CalMTA should coordinate closely with the other energy efficiency portfolio administrators running programs that are related to the approved MTIs. Other portfolio administrators should also closely coordinate their portfolios with CalMTA.

15. The MTIs approved in this decision should be able to have a unique impact on multi-family dwellings, in particular.

16. The deployment budgets for the first tranche of MTIs proposed by CalMTA are reasonable and should be adopted.

17. The full \$250 million budget cap included in D.19-12-021 should not be released at this time.

18. CalMTA should be required to bring another Application to the Commission with a second tranche of proposed MTIs, and may do so any time. Coinciding with the applications of the other portfolio administrators, either in early 2026 or early 2030, is preferred.

19. The Commission should align the portfolio periods of CalMTA's MTIs as much as possible with the general energy efficiency portfolios of other administrators. Therefore, CalMTA's budget for the initial tranche of MTIs should extend from the adoption of this decision through the end of 2031, to align timing with the rest of the energy efficiency portfolio.

20. The Commission should approve the full budget request of CalMTA for future MTI development, but should adopt budgets for CalMTA administration, operations, and evaluation, along with PG&E costs, commensurate with the smaller total budget for the first tranche of MTIs approved in this decision.

21. The Budget included in Table 3 of this decision should be approved.

22. CalMTA should be required to bring a Non-Profit Transition Plan to the Commission in a Tier 2 advice letter by the end of 2028.

23. Deployment costs, as well as associated administrative, operations, and evaluation costs, as well as PG&E costs, for MTIs that involve fuel substitution from natural gas to electricity should be paid for from electricity rates and not natural gas rates.

24. Future MTI development costs should continue to be paid for by both electricity and natural gas ratepayers, at 80 percent and 20 percent cost sharing, respectively.

25. As the fiscal agent for CalMTA, PG&E should file a Tier 1 advice letter within 30 days of the adoption of this decision, modifying the funding collection and allocation terms consistent with this decision and the percentages in Table 4.

26. CalMTA should not be required to file ABALs.

27. CalMTA should be required to file Annual Reports on the same timetable as other energy efficiency portfolio administrators.

28. Consistent with other energy efficiency portfolio administrators, CalMTA should be required to file a Tier 2 advice letter if it proposes to cancel an underperforming MTI.

29. CalMTA should be permitted to file a Tier 2 advice letter at any time if it wishes to reduce funding for a particular MTI.

## **O R D E R**

### **IT IS ORDERED** that:

1. The Market Transformation Initiatives (MTIs) for Room Heat Pumps and Induction Cooktops proposed by the California Market Transformation Administrator are approved. The Commission also approves of placing emphasis for these MTIs on environmental and social justice communities and/or disadvantaged communities as defined in the Commission's Environmental and Social Justice Action Plan.

2. The evaluation plans included in Application 24-12-009 by the California Market Transformation Administrator are approved.

3. The California Market Transformation Administrator shall pay special attention to providing education and awareness to customers about the potential electricity bill impacts of the Market Transformation Initiatives approved in this decision.

4. The budget contained in Table 3 of this decision shall be available for the California Market Transformation Administrator beginning with the adoption of this decision and continuing through the end of 2031, with funding fungibility across the entire time period.

5. The California Market Transformation Administrator (CalMTA) shall file a Tier 2 advice letter, by no later than the end of 2028, with a Non-Profit Transition Plan proposing to convert the CalMTA organization to non-profit status.

6. Pacific Gas and Electric Company, as the fiscal agent for the California Market Transformation Administrator, shall, within 30 days of the adoption of this decision file a Tier 1 advice letter adjusting the funding collections and allocations consistent with Table 4 of this decision.

7. The California Market Transformation Administrator shall file Annual Reports on the same schedule as other energy efficiency portfolio administrators.

8. Pacific Gas and Electric Company, on behalf of the California Market Transformation Administrator, may file a new application with a second tranche of proposed Market Transformation Initiatives at any time, similar to this Application, but a filing coinciding with the portfolio applications of the energy efficiency portfolio administrators, in early 2026 or early 2030, is preferred by the Commission.

9. The California Market Transformation Administrator may file a Tier 2 advice letter at any time, to propose either to lower the budget for a particular Market Transformation Initiative (MTI) or to cancel an underperforming MTI.

10. Application 24-12-009 is closed.

This order is effective today.

Dated \_\_\_\_\_, at Sacramento, California