STATE OF CALIFORNIA GAVIN NEWSOM, Governor

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

FILED
09/23/25
03:04 PM
A2412009

September 23, 2025

Agenda ID #23766
Alternate to Agenda ID #23765
Ratesetting

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

Enclosed are the proposed decision of Administrative Law Judge Julie Fitch and the alternate proposed decision of Commissioner Matthew Baker. The proposed decision and the alternate proposed decision will not appear on the Commission's agenda sooner than 30 days from the date they are mailed.

Public Utilities (Pub. Util.) Code Section 311(e) requires that the alternate item be accompanied by a digest that clearly explains the substantive revisions to the proposed decision. The digest of the alternate proposed decision is attached.

When the Commission acts on these agenda items, it may adopt all or part of the decision as written, amend or modify them, or set them aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Parties to the proceeding may file comments on the proposed decision and alternate decision as provided in Pub. Util. Code Sections 311(d)-(e) and in Article 14 of the Commission's Rules of Practice and Procedure (Rules), accessible on the Commission's website at www.cpuc.ca.gov. Pursuant to Rule 14.3, opening comments shall not exceed 15 pages.

Comments must be filed pursuant to Rule 1.13 and served in accordance with Rule 1.9 and Rule 1.10. Electronic copies of comments should be sent to Commissioner Matthew Baker's advisor Manisha Lakhanpal at Manisha.Lakhanpal@cpuc.ca.gov. The current service list for this proceeding is available on the Commission's website at www.cpuc.ca.gov.

/s/ MICHELLE COOKE
Michelle Cooke
Chief Administrative Law Judge

MLC:sgu

ATTACHMENT

Agenda ID #23766
and
Alternate to Agenda ID #23765
Ratesetting

DIGEST OF DIFFERENCES BETWEEN
THE PROPOSED DECISION OF ADMINISTRATIVE LAW JUDGE FITCH
AND THE ALTERNATE PROPOSED DECISION OF
COMMISSIONER MATTHEW BAKER

Pursuant to Public Utilities Code Section 311(e), this is the digest of the substantive differences between the Proposed Decision of Administrative Law Judge (ALJ) Fitch (mailed on September 23, 2025) and the Alternate Proposed Decision of Commissioner Matthew Baker (also mailed on September 23, 2025).

This alternate proposed decision (APD) of Commissioner Baker differs from the proposed decision (PD) of the administrative law judge in the following respects:

- While the PD approves two market transformation initiatives (MTIs) as proposed by the California Market Transformation Administrator (CalMTA), for Room Heat Pumps and Induction Cooking, the APD approves only the MTI for Room Heat Pumps.
- The PD and APD approve an MTI program budget for six years (2026-2031). However, the PD approves a total budget of $102.4 million while the APD approves a total budget of $ 54.87 million.
- Both the PD and APD require CalMTA to file a new application if it wishes to propose future MTIs. The APD would require, along with that application, Sensitivity Analyses to support forecasts for Total Market Adoption and Baseline Market Adoption models. For applications filed after 2028, CalMTA would also be required to demonstrate how non-ratepayer funds have been sought for an MTI project.
- Both the PD and APD require CalMTA to file a Tier 2 advice letter by December 31, 2028 with a plan for

transitioning CalMTA to a nonprofit entity, as referenced in the existing contract between CalMTA and Pacific Gas and Electric Company (PG&E). The APD would also require, along with that Nonprofit Transition Plan: an amended contract between PG&E and CalMTA granting the Commission a perpetual, no-cost license to use CalMTA's internal cost-effectiveness tool developed for the MTIs; details on how CalMTA will pursue both ratepayer and non-ratepayer funding arrangements for future MTI applications; and results of an annual audit report from the Commission's Audit Branch.

- Both the PD and APD require CalMTA to file annual reports and to file a Tier 2 advice letter to discontinue any approved MTIs.
- The PD finds that the MTIs adopted shall take primacy over any other energy efficiency program administrator programs in the Market Support category; the APD defers this question to the energy efficiency rulemaking (R.25-04-010).

Agenda ID#23766
Alternate to Agenda ID#23765
Ratesetting

Decision **ALTERNATE PROPOSED DECISION OF COMMISSIONER BAKER**
(Mailed 9/23/25)

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

TABLE OF CONTENTS

DECISION APPROVING INITIAL TRANCHE OF ENERGY EFFICIENCY MARKET TRANSFORMATION INITIATIVES

Summary

Pursuant to Public Utilities Code Sections 399.4(d)(1) and 451, the decision authorizes ratepayer funding for the California Market Transformation Administrator's (CalMTA's) Phase III- Market Deployment of Room Heat Pumps, but not for Induction Cooktops currently.

The Market Transformation Initiative (MTI) should prioritize introducing Room Heat Pump deployments in environmental and social justice and/or disadvantaged communities, to the extent possible, and minimize rate and bill impacts on participating consumers.

A $54.870 million budget cap is authorized for the MTI program for a six-year period (2026-2031). This period coincides 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, filed either in early 2026 or early 2030.

CalMTA shall provide Sensitivity Analyses to support its forecasts for Total Market Adoption and Baseline Market Adoption models for its future MTI proposals. This analysis must clarify which factors most influence model outcomes, supporting more informed, transparent, and risk-aware policy decisions.

CalMTA's contract with Pacific Gas and Electric Company (PG&E) ends in December 2030. CalMTA shall submit a Tier 2 Advice Letter by December 31, 2028 with the following requirements: (a) A plan for transitioning CalMTA to a nonprofit entity as referenced in the current contract between PG&E and

CalMTA, (b) An amended contract between PG&E and CalMTA that grants the Commission a perpetual, non-cost license to use CalMTA's internal cost-effective tool developed for the MTI program, effective upon the contract's expiration in 2030, (c) Details on how CalMTA will pursue both ratepayer and non-ratepayer funding arrangements in future MTI funding applications, and (d) Results of its annual audit report from the Commission's Audit Branch.

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 the Room Heat Pump MTI, it must file a Tier 2 advice letter.

The decision establishes an annual audit undertaken by the Commission's Audit Branch of CalMTA's annual expenditures for the years 2026, 2027, and 2028. The results of each annual audit shall be submitted no later than October 1 of the following year (i.e., October 1, 2027, for the 2026 audit period) to the Commission's Executive Director and the service list of the Energy Efficiency Order Instituting Rulemaking 25-04-010.

The decision declines authorization for $27.621 million requested for Induction Cooktop MTI, as well as funds reserved for unknown MTI activities under the following cost categories, $133.798 million for Phase III – Future MTI Deployment in 2026-2030, and $5.681 million reserved for Initiative and Concept Development in 2027-2030.

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 on 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 Administrative Law Judge 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 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 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."[1] 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

[1] D.19-12-021 at 56.

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 (RI) 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),[2] and industry stakeholders, CalMTA proposed in its application two MTIs it asserted would deliver over $1 billion in total system benefits (TSB)[3] in support of California's goal of economy-wide carbon neutrality by 2045.[4]

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

---

[2] 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, IOU energy efficiency representative, community choice aggregator energy efficiency professional (*See* D.19-12-021 at 121-122).

[3] TSB represents the total benefits, or "avoided costs," that a measure provides to the electric and natural gas systems.

[4] *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

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.[5] The two initial MTIs proposed are for Room Heat Pumps and Induction Cooking, costing approximately $92.6 million. CalMTA forecasts an estimated $1 billion in incremental TSB for the two MTIs 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.[6]

CalMTA used the market transformation "stage gate" process described in D.19-12-021[7] 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.

---

[5] PG&E/CalMTA Application at 10.

[6] *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

[7] D.19-12-021 at 103-114. Stage model is commonly used in product development, 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 in our work. The process supports MTI creation from concept to program development to market deployment, as well as the eventual exiting of the market.

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 120V outlet without a panel or service upgrade.[8] The program is intended to accelerate market adoption of Room Heat Pump technology. Room heat pumps provide both heating and cooling for small single-family and multi-family households, manufactured homes, and older structures, so the measures are particularly useful for tenants in apartments and other lower-income occupants. 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 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.[9]

As its second MTI, CalMTA proposes installation of Induction Cooktops, using induction and ENERGY STAR certified radiant cooktops and ranges that

---

[8] A.24-12-009 Appendix 1- Market Transformation Initiative Plan for Room Heat Pumps at 9.

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

are permanently installed, whether they are 120V, 240V, or 120V 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 greenhouse gas (GHG) emissions and provide enhanced health, safety, and other non-energy benefits afforded by the induction technology. CalMTA 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. 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),[10] Program Administrator Cost (PAC), and Societal Cost Test (SCT).[11] 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

Element	**Room Heat Pumps**	**Induction Cooking**	**Combined**
TSB	$521 million	$537 million	$1.1 billion
SCT TSB	$1.4 billion	$2.3 billion	$3.7 billion
Estimated Costs			
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
Initial 5-Year MTI Costs	$36.5 million	$28.9 million	$65.4 million
Cost-Effectiveness Ratios			

[10] TRC and its variation, the Societal Test) measures the net costs of the program as a resource option based on the total costs of the program, including both the participants and the utility's costs. The Societal Test 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.

[11] 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.

Element	**Room Heat Pumps**	**Induction Cooking**	**Combined**
TRC	5.03[12]	1.12	2.11
PAC	8.29	14.36	10.56
Base SCT	11.20	3.04	5.21
Approximate break-even year for TRC[13]:			
	2034-2035[14]	2042	

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.

---

[12] 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.

[13] The break-even point in market transformation is when TRC= 1, i.e. benefits equal expenditures. The investments made to date are offset by the benefits.

[14] Approximate break-even year for TRC (negative IMCs included): 2034; Approximate break-even year for TRC (IMCs set to zero): 2035.

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	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)	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
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.[15] 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.[16]

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.[17] 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 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.

---

[15] Direct Testimony of Jeff Harris on behalf of NEEA, June 4, 2025, at 2.

[16] Direct Testimony of Jeff Harris on behalf of NEEA, June 4, 2025, at 2-3.

[17] Prepared Testimony of Hayley Goodson on behalf of TURN, June 4, 2025, at 3-6.

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.[18] 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.[19] 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.[20] 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. Meanwhile, TURN supports ratepayer funding of cost-effective market transformation developed and implemented under the framework in D.19-12-021.[21]

---

[18] Prepared Testimony of Hayley Goodson on behalf of TURN, June 4, 2025, at 12-14.

[19] Prepared Testimony of Hayley Goodson on behalf of TURN, June 4, 2025, at 10-11

[20] Prepared Testimony of Hayley Goodson on behalf of TURN, June 4, 2025, at 11-12.

[21] Prepared Testimony of Hayley Goodson on behalf of TURN, June 4, 2025, at 3.

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.[22] 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.[23]

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.[24]

Cal Advocates requests that the Commission deny the relief requested in A.24-12-009 because the market transformation initiative, as designed by CalMTA, is not a just and reasonable use of ratepayer funds.[25] Cal Advocates 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.[26] Cal Advocates argues that the high cost of

---

[22] Prepared Testimony of Kjellen Belcher on behalf of CEJA, June 4, 2025, at 33.

[23] Prepared Testimony of Kjellen Belcher on behalf of CEJA, June 4, 2025, at 34.

[24] CEDMC Opening Brief, July 25, 2025, at 5-7.

[25] Cal Advocates Opening Brief, July 25, 2025, at 10.

[26] Prepared Testimony of the Public Advocates Office, June 4, 2025, at 1-2, 1-3.

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.[27] 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.[28]

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.[29]

PG&E asks the Commission to reassess the funding allocated to the MTIs in D.19-12-021 due to upward pressure on rates, causing an affordability crisis that warrants pausing future MTI spending and implementing approval safeguards.[30] PG&E asks the Commission to reject the CalMTA budget and require alternative financing mechanisms that do not involve ratepayer funding.[31]

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

[27] Prepared Testimony of the Public Advocates Office, June 4, 2025, at 1-3.

[28] Prepared Testimony of the Public Advocates Office, June 4, 2025, at 1-5.

[29] Prepared Direct Testimony of Roy Christian and Anders Danryd on behalf of SoCalGas, June 4, 2025, at RC-AD-1.

[30] PG&E Opening Brief, July 25, 2025, at 2.

[31] PG&E Opening Brief, July 25, 2025, at 3-4.

(Section) 399.4(d)(1),[32] 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.[33] CalMTA also argues that Cal Advocates' reliance on the Commission's pause in transportation electrification funding is irrelevant to the funding request here.[34]

4.2. Discussion

Decision 19-12-021 established MTI application process, but left open for a later decision action on such applications and the requirements the Commission should impose if it approved the applications: "The MTA's initial five-year implementation period, along with its $250 million budget, will begin after the Commission approves or modifies the application for the initial set of MTIs and gives further direction for the process for the proposals for additional MTIs."[35] The decision also discussed in numerous places the work that would need to be done in the future to shape the programs. *See, e.g., id.*, Sections 3.2.2, 3.3.2, 3.4.2, and 3.5.2. This decision implements the direction of D.19-12-021.

One necessary consideration in such implementation is the extent to which the policy and economic landscape have shifted significantly since 2019. We review this application with this fact in mind. Federal funding is now a complex

---

[32] All other references to Code Sections in this decision are to the Public Utilities Code, unless otherwise noted.

[33] Rebuttal Testimony of CalMTA, June 20, 2025, at 40.

[34] Rebuttal Testimony of CalMTA, June 20, 2025, at 45-46.

[35] D.19-12-021, ordering paragraph 9

and uncertain option, which has prompted market actors to seek funding from states and utilities. The Executive Order N-5-24 directed the Commission to review ratepayer-funded programs with a perspective that, if necessary, it modifies or sunsets programs with unjust and unreasonable increases in electricity rates or does not provide sufficient value to ratepayers.[36]

The decision reviews CalMTA's request to release a full five-year, $250 million implementation budget, considering the evolving policy and fiscal environment and the appropriate level of ratepayer funding consistent with Section 451 and Section 399.4(d)(1).

The Commission retains discretion to determine whether CalMTA's proposed MTI budgets are well supported and just and reasonable for approval, while fulfilling its obligation under the statute to review and authorize energy efficiency market transformation programs with an appropriate level of ratepayer funding to achieve deeper energy efficiency savings.[37]

We find merit in TURN's, PG&E's, and Cal Advocates' recommendations on exploring non-ratepayer-funded sources. We agree with TURN that it would be preferable to have these MTIs funded from all electricity consumers in California, and not just those Investor-owned utilities (IOUs) under our regulatory purview. We can advocate for this outcome, but alternative funding is thus not an immediate solution for this application cycle. Similarly, while it would have been preferable to access some federal funds to support or co-fund the MTIs proposed in this application, such funds may not be available under the current circumstances.

---

[36] Executive Order N-5-24, Ordering Paragraphs 2 and 3.

[37] D.19-12-021 Ordering Paragraph 9.

CalMTA states that alternative funding is not a requirement under D.19-12-021.[38] We agree that D.19-12-021 did not set an alternative funding requirement; as a result, this decision authorizes the use of ratepayer funds approved in this decision to ensure California's market transformation efforts are not delayed. However, since federal policy may change, and market transformation programs are long-term, the decision still encourages CalMTA to actively seek federal funding opportunities and other alternative funding sources, including taxpayer funding, in the future. The overarching goal under Section 399.4(d)(1) is to bring cost-effective, long-term market transformation solutions to consumers with an appropriate level of ratepayer funding. Further, Section 451 requires that "All charges demanded or received by any public utility, or by any two or more public utilities, for any product or commodity furnished or to be furnished or any service rendered or to be rendered shall be just and reasonable."

Later in this decision, we discuss CalMTA's transition to a non-profit status at the conclusion of its contract with PG&E in December 2030. As part of the transition plan, CalMTA should plan funding in program cycles to allow the Commission to review its evaluation reports and modify future funding based on the performance and success of its deployment.[39] [40] As CalMTA transitions to a non-profit entity, it should also pursue federal or state clean energy grants and

---

[38] CalMTA Rebuttal Testimony, Exhibit MAT-11 at 40.

[39] See Energy Division Disposition Letter approving PG&E and CalMTA contract in ALs 4674-G/6747-E. In contract negotiations, CPUC, PG&E and the bidder engaged in detailed discussions of how and when the new organization would transition to an independent non-profit and the structure of the future non-profit organization.

[40] The contract and Energy Division's disposition letter are attached as Attachment 2 to this decision.

leverage cost-sharing arrangements with private sector companies benefitting from market transformation (such as manufacturers, retailers, or financiers) that can provide matching funds, in-kind support, or co-funding for high-impact initiatives.

Although D.19-12-021 did not require alternative funding, it did set an expectation that the Commission might offer further guidance on the future process after reviewing CalMTA's initial application.[41] We understand that pursuing grants and co-funding takes time, so we are establishing a new requirement for application cycles after 2028.

Beginning with the submission of the Non-Profit Transition Plan Tier 2 Advice Letter in 2028, all applications must include evidence of how non-ratepayer funds have been sought for a project. CalMTA must demonstrate a good-faith effort to secure alternative funding sources, including but not limited to:

- Documentation of applications for grants from federal, state, or private foundations.
- Correspondence with potential institutional or corporate partners.
- A summary of the outcome of all efforts to secure non-ratepayer funding.

As part of the review of the Tier 2 Non-Profit Transition Advice Letter, the Commission will review CalMTA's plan to secure non-ratepayer funds to assess future contracts for financial viability and ensure the organization's long-term sustainability and ability to reduce its dependence on ratepayer support.

---

[41] D.19-12-021 at 62.

Regarding cost-effectiveness, we understand TURN's motivation for advocating that we require all MTIs to be cost-effective when proposed. However, we decline to make this change to the requirements of D.19-12-021 in this decision. We believe that D.19-12-021 achieved the right balance in requiring MTIs to balance short-term investment with long-term cost-effectiveness.

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 Cooktop. 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.[42]

CalMTA presented forecasts on TSB and cost-effectiveness for the Room Heat Pump and Induction Cooktop MTIs, including the TRC, PAC, two SCT results, the Approximate break-even year for TRC, and adoption rates.

[42] CalMTA Opening Brief, July 25, 2025, at 13-15.

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.[43] 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.[44]

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.[45] CEDMC therefore argues that these MTIs are 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

---

[43] Direct Testimony of Jeff Harris on behalf of NEEA, June 4, 2025, at 3.

[44] 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.

[45] CEDMC Opening Brief, July 25, 2025, at 7-8.

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.[46]

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.[47]

NEEA, TURN, CEDMC and CEJA are all in support of this approach. These parties also agree that consideration of the energy bill impacts to 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.[48] NEEA recommends calculating the energy bill impacts as the sum of changes in fuel consumption and prices for both electricity and natural gas.[49]

---

[46] CalMTA Opening Brief, July 25, 2025, at 20.

[47] CalMTA Opening Brief, July 25, 2025, at 21.

[48] Prepared Testimony of Hayley Goodson on behalf of TURN, June 4, 2025, at 14.

[49] Direct Testimony of Jeff Harris on behalf of NEEA, June 4, 2025, at 4.

These parties note that electrification-focused MTIs run the risk of an overall increase in energy costs rather than a decrease.

TURN asserts, 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.[50]

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.[51] CalMTA plans

---

[50] Prepared Testimony of Hayley Goodson on behalf of TURN, June 4, 2025, at 15.

[51] Prepared Testimony of Hayley Goodson on behalf of TURN, June 4, 2025, at 16.

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.[52]

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 challenges for deploying standard-sized or centrally-installed electric technologies. The proposed MTIs in this application are "right-sized" for these conditions.[53] In addition, CEJA cites to the many non-energy benefits, particularly of induction cooking, including improved indoor air quality and

[52] Prepared Testimony of Kjellen Belcher on behalf of CEJA, June 4, 2025, at 8-14.

[53] Prepared Testimony of Kjellen Belcher on behalf of CEJA, June 4, 2025, at 14-16.

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.[54]

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.[55]

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.[56] 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 utility rates, the increase in bills for Room Heat Pumps could be as much as $452 per year.[57]

---

[54] Prepared Testimony of Kjellen Belcher on behalf of CEJA, June 4, 2025, at 16-20.

[55] CEDMC Opening Brief, July 25, 2025, at 9.

[56] Prepared Direct Testimony of Roy Christian and Anders Danryd on behalf of SoCalGas, June 4, 2025, at RC-AD-4.

[57] Prepared Direct Testimony of Roy Christian and Anders Danryd on behalf of SoCalGas, June 4, 2025, at RC-AD-5-8.

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.[58] 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.[59]

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.[60] 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 California requirements and market transformation principles. NEEA notes that if non-energy benefits were included, the TSB would be even higher.[61]

---

[58] Rebuttal Testimony of CalMTA, June 20, 2025, at 36-37.

[59] Rebuttal Testimony of CalMTA, June 20, 2025, at 38.

[60] Prepared Testimony of Hayley Goodson on behalf of TURN, June 4, 2025, at 12-14.

[61] Direct Testimony of Jeff Harris on behalf of NEEA, June 4, 2025, at 4.

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.[62]

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.[63] SoCalGas also cites to another study sponsored by the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Energy (DOE)[64] 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.[65]

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

[62] Reply Brief of BayREN and 3C-REN, August 8, 2025, at 2-4.

[63] Prepared Rebuttal Testimony of Roy Christian on Behalf of SoCalGas, June 20, 2025, at RC-1-2.

[64] Prepared Rebuttal Testimony of Roy Christian on Behalf of SoCalGas, June 20, 2025, at RC-3.

[65] Prepared Rebuttal Testimony of Roy Christian on Behalf of SoCalGas, June 20, 2025, at RC-2.

American Gas Association. BayREN and 3C-REN also cite to numerous other studies showing the health impacts of natural gas use in homes.[66]

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 that the Commission uses for avoided cost assumptions.[67]

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.[68]

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

[66] Reply Brief of BayREN and 3C-REN, August 8, 2025, at 4-6.

[67] Prepared Direct Testimony of Roy Christian and Anders Danryd on behalf of SoCalGas, June 4, 2025, at RC-AD-9-11.

[68] Rebuttal Testimony of CalMTA, June 20, 2025, at 20-23.

potential refrigerants would lower the benefits of the Room Heat Pumps.[69] 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.[70]

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.[71] 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.[72] 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

---

[69] Prepared Direct Testimony of Roy Christian and Anders Danryd on behalf of SoCalGas, June 4, 2025, at RC-AD-10.

[70] Rebuttal Testimony of CalMTA, June 20, 2025, at 22-23.

[71] Prepared Testimony of the Public Advocates Office, June 4, 2025, at 3-1 through 3-2.

[72] 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 CalMTA is lacking.[73]

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.[74]

In rebuttal, CalMTA asserts that it used the best available data with its selection of RECS data, from the Energy Information Administration 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

[73] Prepared Testimony of the Public Advocates Office, June 4, 2025, at 4-8.

[74] 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.[75]

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 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.[76]

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.[77]

---

[75] Rebuttal Testimony of CalMTA, June 20, 2025, at 17-19.

[76] Prepared Rebuttal Testimony of Jeff Harris on behalf of NEEA, June 20, 2025, at 6-7.

[77] 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.[78]

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.[79] 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,

[78] Prepared Direct Testimony of Roy Christian and Anders Danryd on behalf of SoCalGas, June 4, 2025, at RC-AD-12 through RC-AD-14.

[79] 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.[80] 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.[81]

5.2. Discussion

5.2.1. Room Heat Pump MTI

Pursuant to Section 399.4(d)(1) and Section 451, we determine that approving ratepayer funding for Room Heat Pumps is reasonable, but not for Induction Cooktop at this time.

[80] Opening Brief of TURN, July 25, 2025, at 15-18.

[81] Opening Brief of TURN, July 25, 2025, at 18-22.

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. Instead, it required that each MTI estimate its costs and benefits, using the TRC and PAC tests.[82]

Shown below is a summary of various cost-effectiveness parameters used by CalMTA for Room Heat Pumps and Induction Cooktops.

Cost-effectiveness schedule for the Room Heat Pump MTI[83]

Forecast metric	**2030**	**2035**	**2045**
TSB	$ 5M	$ 79M	$ 521M
TRC ratio (negative IMCs included)	0.14	1.72	330.15
TRC ratio (negative IMCs set to zero)	0.13	1.21	5.46
PAC ratio	0.12	1.28	8.29
Estimated incremental investment	$40M	$22M	$1M
Approximate break-even year for TRC (negative IMCs included): 2034			
Approximate break-even year for TRC (negative IMC set to zero): 2035			

Cost-effectiveness schedule for the Induction Cooktop MTI[84]

Forecast metric	**2030**	**2035**	**2045**
TSB	$34M	$142M	$537M
TRC ratio	0.29	0.56	1.12

[82] D.19-12-021 at 69.

[83] CalMTA Appendix-1; Appendix B Market Forecasting & Cost-Effectiveness Modeling Approach for Room Heat Pump: Table 26 at 44.

[84] A.24-12-009, Appendix-2; Appendix B: Market Forecasting & Cost-Effectiveness Modeling Approach for Induction Cooking: Table 26 at 51.

PAC ratio	1.04	3.90	14.36
Estimated incremental investment required	$33 M	$3M	$1M
Approximate break-even year for TRC: 2042			

Based on CalMTA's presentation, it is evident that the proposed MTIs do not meet the TRC and PAC thresholds for cost-effectiveness until the years 2034 to 2045. Throughout this period, their performance remains below acceptable limits as deployment continues. The decision reviews this information with attention to whether the investments will be able to achieve sufficient returns before the full costs are expended and whether program adjustments might improve near-term cost-effectiveness and accelerate benefits.

Room Heat Pumps offer 120V plug-in capability that is suitable for deployment in a variety of housing types, including multi-family dwellings, manufactured homes, and older structures, without triggering costly electrical panel upgrades. This accessibility will be important as we build awareness of and interest in investing in Room Heat Pumps by a broad and diverse set of consumers in California. The heat pumps may bring greater comfort from both heating and cooling, as well as greater control by occupants of the homes.

The barriers to Induction Cooktops MTI outweigh the benefits. One of the most prominent barriers to 240V induction adoption is the electrical capacity and required electric panel upgrades.[85] Instead of covering all 120V, 240V, or 120V battery-equipped induction and ENERGY STAR-certified radiant cooktops and ranges that are permanently installed, focusing on a limited set of technologies may provide better value to ratepayers.

[85] A.24-12-009: Appendix 2- Market Characterization Report for Induction Cooking at 73.

The decision to select only one MTI —the Room Heat Pump — relies on our review of different metrics and the value for ratepayers. First, a key indicator of an MTI value is its TRC break-even year, which marks the point when an initiative's cumulative benefits equal its costs. The Room Heat Pump MTI is projected to achieve this break-even in 2035, about seven years earlier than the Induction Cooktop MTI's projected break-even year of 2042. This shorter timeline for the Room Heat Pump MTI compared to the Induction Cooktop MTI demonstrates a faster return on investment and more immediate financial benefits, making it the more prudent choice for deployment at this time.

Second, the 2023 RASS data show higher electric cooking equipment saturation than the 2020 RECS data used by CalMTA for the baseline market forecast, which means that using 2023 RASS data would lower the measured and expected benefits of the Induction Cooktop. Both data sets are useful, as discussed below.

Finally, as noted by CalMTA, there are already other programs, like the CEC's Building Initiative for Low-Emissions Development (BUILD) program, that actively promote all-electric technologies, including Induction Cooktops, especially in new low-income and multi-family housing.[86] In contrast, Room Heat Pump incentives have not been widely promoted by the program administrators, creating a clear opportunity for the MTI.[87]

In summary, the Room Heat Pump MTI is forecast to become cost-effective much earlier than the Induction Cooktop MTI, and it is a technology notably under-represented in other program offerings. In contrast, the Induction

[86] A.24-12-009: Appendix 2: Market Transformation Initiative Plan for Induction Cooking

[87] A.24-12-009: Appendix I: External Program Alignment & Coordination for Room Heat Pumps

Cooktop MTI has a longer lead time before becoming cost-effective and a greater overlap with existing programs. Additionally, induction cooking has some noted uncertainty regarding current technology saturation, indicative of uncertainty in baseline forecasts.

Thus, we reject the Induction Cooktop MTI at this time. If CalMTA wishes to re-apply for funding for the Induction Cooktop initiative in the future, it shall reduce the TRC break-even period and bring in higher cost-effectiveness value for ratepayers. CalMTA may narrow the focus to specific product types, target technology with higher per-unit savings, and/or include non-ratepayer funding to lessen the financial burden on ratepayers.

5.2.2. Forecasts for Market Adoption

Cal Advocates and SoCalGas raise concerns about CalMTA using RECS data rather than RASS data for estimating the current saturation of electric cooking equipment in California. These data inform the baseline adoption forecast. The benefits of MTIs are calculated as the difference between BMA (per forecast) and Total Market Adoption (TMA). Cal Advocates argues that CalMTA should have used the 2023 RASS data published in October 2024 to inform its Application. They argue that the RASS data is a more recent and purely California-based study, and also that it is based on a larger California-specific sample size than the 2020 RECS data used by CalMTA. According to Cal Advocates, the 2023 RASS data show higher saturation of electric cooking equipment than those in the 2020 RECS data used by CalMTA for the BMA forecast. They correctly point out that using RASS data lowers the measured and expected benefits of the MTI.

CalMTA argues that the 2020 RECS data used in its forecasts offers superior estimates to the RASS data. RECS data separately report the fuel type of the cooktop from the fuel type of the oven in each dwelling surveyed, which better aligns with the focus of the proposed MTI. Further, the RECS data findings were corroborated by a separate data collection effort conducted independently by CalMTA. Last, CalMTA argues that integrating a dataset published in October of 2024 into an application submitted in December 2024 is not a reasonable expectation.

No party testimony offers an estimate quantifying the reduction in TRC or TSB that would result from a change in inputs indicated by the alternate data sources suggested by Cal Advocates (i.e. 2023 RASS). Both parties provide reasonable arguments supporting the use of their preferred data source. Both data sources are highly regarded. There is no superior or authoritative source to determine which is correct, or more correct.

We accept CalMTA's data in this Application. CalMTA should rely on more recent datasets for future research and analysis work to the extent possible.

After reviewing CalMTA's qualitative Risks and Mitigation strategy, we identify a gap in assessing how the Total Market Adoption (TMA) and BMA forecast models respond to changes in key input variables. Assumptions regarding adoption rates, costs, and energy savings can significantly impact outcomes such as cost-effectiveness and TSB. To ensure the robustness and reliability of future market adoption forecasts, CalMTA shall conduct sensitivity analyses in addition to its risk and mitigation strategies analysis. The sensitivity analyses will assess how variations in individual inputs affect model outputs, helping to identify the most influential drivers and support informed decision-making. While risk assessment identifies what could go wrong, sensitivity analysis reveals how much those deviations could impact results—whether negatively or positively.

Therefore, CalMTA should explore and report on how changes in each input variable affect the output. This information will help the stakeholders understand the model's behavior and identify the most critical drivers of the results. CalMTA should highlight which variables have the most significant impact on results and discuss the implications on decision-making and risk. Sensitivity analyses shall be included in future MTI Plans submitted for approval and shall be updated in MTI annual progress reports and whenever forecast BMA or TMA models are adjusted or updated.

On the issue of the population of the Delphi panel, we understand that CalMTA used as many participants as reasonably possible.[88] CalMTA invited 10 individuals to join its Delphi panel, but only five and seven completed it for Induction Cooktop and Room Heat Pump, respectively. Only one manufacturer was involved in each panel.

CalMTA acknowledges that the small sample size means forecasts should be interpreted cautiously, as they reflect a few experts rather than industry consensus. Relying on more experts improves the reliability and credibility of forecasts, aligning with best practices in forecasting and research, especially for new MTIs. A larger sample yields more robust data, reduces the impact of outliers, and enhances the statistical significance and credibility of cost and benefit projections. CalMTA should focus on quality and diversity in addition to the number of participants. Relying on only one manufacturer for each MTI does not provide an expert opinion; rather, the opinion could be skewed in favor of a single view.

---

[88] A.24-12-009, Appendix B: Market Forecasting & Cost-Effectiveness Modeling Approach for Induction Cooking at 62.

It is reasonable that CalMTA developed its own cost-effectiveness tool rather than using the CET, to show additional information related to hourly load shapes for these technologies. The analysis and documentation presented by CalMTA complies with Commission requirements for cost-effectiveness analysis in D.19-12-021. CalMTA shall grant the Commission a non-cost, perpetual, license to use this tool once the contract expires in 2030, ensuring continuity in the program and allowing information to be shared across other energy efficiency and Market Support programs as well. Such a license shall also allow the Commission access to the source code, so that the Commission may modify the tool to suit its government, public purposes. PG&E shall amend its CalMTA contract to reflect this requirement.

5.2.3. Bill Impacts

The Commission will review bill impacts from the Room Heat Pump MTI. CalMTA shall report such impacts as requested by Commission staff. Education and awareness will be key in facilitating consumer acceptance not only of the technologies, but also of the bill impacts. If bill impacts prove to be a hurdle to successful deployment of the program the Commission may consider requiring program changes or termination.

We 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 may 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.

5.2.4. ESJ Communities

While targeting MTIs at ESJ and disadvantaged communities can be highly beneficial, it is often not always possible due to several systemic and practical barriers.[89] CalMTA states that Room Heat Pumps address the needs of ESJ communities by filling a product gap for multi-family and small single-family homes that cannot afford or do not have the opportunity to install other heat pump product alternatives.[90]

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 without risk. Room heat pumps offer better living conditions in warm climates. Unlike central HVAC, Room Heat Pumps can be self-installed, plugged into standard outlets, and offer targeted, energy-efficient heating 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. Many of the populations that will be targeted, as well as all customers who may be interested in the technology involved in the proposed Room Heat Pump MTI, may also be more interested in the non-energy benefits.

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

---

[89] A.24-12-021 Appendix 1 - Market Transformation Initiative Plan for Room Heat Pumps at 14.

[90] A.24-12-021 Appendix 1 - Market Transformation Initiative Plan for Room Heat Pumps at 16.

5.2.5. Evaluation Plans

We also approve the evaluation plan 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 a reasonable approach. Thus, we are comfortable that the Room Heat Pump MTI is a worthwhile investment of ratepayer funds to pursue the benefits projected by CalMTA.

6. Coordination with Other Programs

In this section, we discuss the relationship of the MTI we approve in this decision 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.[91]

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.[92]

---

[91] Application, December 20, 2024, at 14-16.

[92] *See* Appendix E, Table 1 and Table 2, of each MTI Plan (Appendix 1 and Appendix 2 of CalMTA's Application), December 20, 2024.

CalMTA states that it will not duplicate the work of the IOU Codes and Standard (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.[93]

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.[94] Cal Advocates also calls for a "clear analysis" of how the Induction Cooking MTI complements but does not overlap with existing efforts. PG&E agrees with Cal Advocates and states that the Commission should give preference to other non-ratepayer-funded programs that may overlap.[95]

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.[96] 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.

---

[93] Rebuttal Testimony of CalMTA at 64.

[94] Prepared Testimony of the Public Advocates Office, June 4, 2025, at 5-2.

[95] PG&E Opening Brief, July 25, 2025, at 2.

[96] Prepared Direct Testimony of Roy Christian and Anders Danryd on behalf of SoCalGas, June 4, 2025, at RC-AD-14-15.

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.[97]

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.[98] PG&E agrees with this, and argues that the MTIs may only be approved if they are complementary to Market Support program offerings, as well as programs of the Regional Energy Networks (RENs).[99]

CEDMC states that the proposed MTIs are not duplicative and do not overlap with other programs.[100] 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

[97] Prepared Direct Testimony of Roy Christian and Anders Danryd on behalf of SoCalGas, June 4, 2025, at RC-AD-14-15.

[98] Joint Protest of SCE and SDG&E, January 23, 2025, at 5-6.

[99] PG&E Opening Brief, July 25, 2025, at 4-5.

[100] Opening Brief of CEDMC, July 25, 2025, at 10.

downstream. Ultimately, BayREN and 3C-REN suggest that the Commission should find the Cal Advocates and SoCalGas complaints about potential overlap unpersuasive.[101]

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 administrators and expects that effort to continue through the deployment of the MTIs.[102]

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.[103]

6.2. Discussion

Our starting point for consideration of coordination and potential duplication with other programs is an understanding that California is a complex

---

[101] Reply Brief of BayREN and 3C-REN, August 8, 2025, at 7-8.

[102] Direct Testimony of Jeff Harris on behalf of NEEA, June 4, 2025, at 5-6.

[103] Prepared Testimony of Kjellen Belcher on behalf of CEJA, June 4, 2025, at 25-29.

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 focused on market transformation, and thus MTIs have an important role in the portfolio that is not filled by any other program segment.

PG&E suggests that the MTIs should defer to the Market Support category of the portfolios, or even REN programs.

The overlap between general energy efficiency programs, including Market Support and CalMTA's market transformation work, cannot be fully resolved in this proceeding. Deferring to existing programs first and using CalMTA as a collaborative partner or a gap-filler, is acceptable for the MTI approved in this decision. The most appropriate place to decide on the definitive roles and guidelines for this overlap is within the Energy Efficiency Order Instituting Rulemaking (OIR) 25-04-010 or when the applications for the portfolios are submitted. The OIR is the official forum for the CPUC to make policy decisions and may determine whether CalMTA's role is one of primacy or collaboration.

CalMTA should continue to coordinate with the other administrators and programs as it develops MTIs.

Regarding the Room Heat Pump MTI before us in this Application, 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 window 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 Room Heat Pump MTI, with the 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 is federally funded, and no funds have been allocated for it yet. The Equitable Building Decarbonization program appears to have a focus on income-qualified low-income customers. 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 no situations where customers are receiving rebates or financial incentives from more than one program for only one action, it is not a problem. It may even be preferable for customers to receive information and build 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.[104] 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.[105]

[104] Application, December 20, 2024, at 11.

[105] Application, December 20, 2024, at 11-12.

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.[106]

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.[107] CalMTA also states that its third-party cost estimates are estimates because the third-party services have not yet been procured.[108] Finally, CalMTA explains that the incentive costs are described in the Room Heat Pump logic model and are also subject to refinement.[109]

---

[106] Prepared Testimony of the Public Advocates Office, June 4, 2025, at 6-1 through 6-4.

[107] Rebuttal Testimony of CalMTA, June 20, 2025, at 45-46.

[108] Rebuttal Testimony of CalMTA, June 20, 2025, at 47.

[109] Rebuttal Testimony of CalMTA, June 20, 2025, at 47-48.

Both Cal Advocates and SoCalGas argue that the Commission should deny any costs related to deploying and evaluating future unknown MTIs.[110] 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.[111]

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 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.[112]

---

[110] 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.

[111] Opening Brief of PG&E, July 25, 2025, at 2-3.

[112] Opening Brief of PG&E, July 25, 2025, at 4-10.

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.[113]

CEJA simply states that the Commission should approve the Application in full.[114] CEDMC supports approval of the full budget for the initial tranche of MTIs as reasonable.[115] 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.[116]

7.2. Discussion

The budget proposed by CalMTA for deployment of the Room Heat Pumps MTI to be reasonable. We expect CalMTA to provide a more detailed breakdown of costs as part of the submission of its implementation plan for each MTI. We approve the deployment funding proposed for the Room Heat Pump MTI for activities beginning immediately following the adoption of this decision.

We decline to approve the release of the entire $250 million budget that the Commission reserved in D.19-12-021. Instead, we approve $41.94 million in

---

[113] Prepared Direct Testimony of Roy Christian and Anders Danryd on behalf of SoCalGas, June 4, 2025, at RC-AD-16.

[114] Prepared Testimony of Kjellen Belcher on behalf of CEJA, June 4, 2025, at 36.

[115] Opening Brief of CEDMC, July 25, 2025, at 10.

[116] Direct Testimony of Jeff Harris on behalf of NEEA, June 4, 2025, at 5.

funding for the Room Heat Pump MTI. The $250 million budget cap assumed a full suite of proposed MTIs, rather than only two, as CalMTA proposes. 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.

CalMTA may seek funding for more tranches of MTI funding consistent with the schedule for energy efficiency portfolio administrators to file portfolio applications in 2030 for the years 2032-2035. 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 Phase III Deployment budget for the Room Heat Pump MTI 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 a budget for evaluation commensurate with the first tranche MTI budget. These amounts will be 14 percent of what was requested by CalMTA, because the deployment budget for the Room Heat Pump MTI proposed in the Application is approximately 14 percent of the total deployment budget anticipated by CalMTA as part of the $250 million original reserved budget cap.

Regarding the $11.466 million Initiative/Concept Development budget, we partially grant these funds to ensure that funding is available to continue planning for additional tranches for concepts in development. As explained below, this decision grants $5.785 million and denies $5.681 million reserved for Phase I and II and future MTI development under the Initiative/ Concept Development Phase for 2027-2030 because of a lack of supporting evidence.

CalMTA requests $11.466 million for Initiative and Concept Development from 2026 to 2030. However, after reviewing CalMTA's Appendix 3 – Five-Year Cost Estimate and Assumptions, there is no justification for $5.681 million of the requested funds reserved for 2027-2030. CalMTA states that the 2026 cost estimate includes four key concepts in Phase II development: Commercial Replacement and Attachment Window Solutions, Residential Heat Pump Water Heating, Food Service Water Heating (expected to advance in 2025), and Efficient Rooftop Units (planned for 2025). It further states that if any do not progress through the stage gate process, their funds will be reallocated to new initiatives, making funds available for other projects. If not, CalMTA still has approved funds for 2026 to proceed with the MTI towards Phase III. CalMTA may reallocate funds from the reserved funds in 2026 for concept development to other concepts/ initiatives in development.

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	Estimated Expenditures by Year ($000)						Totals
	Year 1 2026	Year 2 2027	Year 3 2028	Year 4 2029	Year 5 2030	Year 6 2031	
MTA Administration	178	178	198	188	198	198	1,138
MTA Operations	593	611	621	645	666	666	3,801

Initiative/Concept Development							
Phase I Activities	634	-	-	-	-	-	634
Phase II Activities	2,917	-	-	-	-	-	2,917
Future MTI Development	2,234	-	-	-	-	-	2,234
MTI Market Deployment (Phase III)							
Induction Cooking	-	-	-	-	-	-	-
Room Heat Pumps	5,437	7,347	7,556	7,692	6,954	6,954	41,940
Future MTI Deployment	-	-	-	-	-	-	-
Other Administrative Costs							
Evaluation	72	209	252	276	279	279	1,367
PG&E Costs	140	140	140	140	140	140	840
Totals	**12,205**	**8,484**	**8,767**	**8,941**	**8,237**	**8,237**	**54,870**

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 Room Heat Pump MTI 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%

Utility/Fuel	Cost Allocation Percentage	
	Electrification MTI Deployment, Administrative and Operational Costs, Evaluation Costs approved in this decision	**MTI Development Costs, PG&E Costs**
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. Audit and Accountability

Authorization of funds is a ceiling, not a mandate.

D.19-12-021 allocated funding for CalMTA's operations, including a startup budget of $20 million annually for the initial three years and a subsequent five-year implementation budget of $250 million. While D.19-12-021 did not require a minimum number of MTIs in a tranche, it did set the stage to review the first tranche of MTIs. The review serves as a checkpoint to evaluate how well the adopted structure is initially functioning. The decision also established that the Commission might offer further guidance on the process if needed at that time.[117]

CalMTA's initial tranche includes only two MTIs. The low number of MTIs suggests that $60 million was spent on supporting administrative operations and concepts that have not yet progressed, raising concerns about the

[117] D.19-12-021 at 62.

overall productivity and return on investment for ratepayers. Given the significant time and resources invested over the past three years, there may be an opportunity to streamline the process to present a greater number of viable MTIs.

The small number of MTIs does not justify the time, funding, and effort. Further, CalMTA's request for an additional $40.557 million for Administration, Operations, and Initiative/Concept Development, suggests a process that is overly procedural and less focused on tangible results that benefit ratepayers and advance program goals.

To ensure the program delivers results and does not simply result in administrative costs, the Commission requires additional safeguards in the existing contract between PG&E and the market transformation administrator. The contract grants the Commission the right to audit any and all activities, records and costs related to the program.[118] Further, Section 314.6 (a) gives the Commission audit authority over all entities receiving ratepayer funds, including the MTA contractor:

a. The Commission may conduct financial and performance reviews or audits of any entity or program created by any order, decision, motion, settlement, or other action of the commission.

b. The Commission shall complete any review or audit in a timely manner consistent with applicable auditing standards.

c. After performing a review or audit pursuant to this section, the Commission may conduct additional follow-up

[118] See Energy Division Disposition Letter approving PG&E and CalMTA contract in ALs 4674-G/6747-E. In contract negotiations, CPUC, PG&E and the bidder engaged in detailed discussions of how and when the new organization would transition to an independent non-profit and the structure of the future non-profit organization.

> work that is related to any findings and recommendations related to the review or audit.

Pursuant to the foregoing contractual and statutory authority, the Commission's auditing team will conduct annual audits of CalMTA's spending for the years 2026, 2027, and 2028. CalMTA shall cooperate fully with PG&E and Commission staff to provide all requested records and invoices within the timeframe required to complete a successful audit. The results of these audits will provide helpful information for the Commission's review of future application cycles. The annual audits will help maintain a constant feedback loop and identify areas of improvement as CalMTA initiates its first MTI Market Deployment for Room Heat Pumps.

The CalMTA audit objectives and requirements, along with timing, are stated in Attachment 1 of this decision. At the end of each annual audit, the auditors will provide a copy of the report to the Executive Director of the Commission and to the service list of R.25-04-010.

CalMTA should include any results of the Commission's audit reports as part of its Tier 2 Advice Letter and funding applications.

9. 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 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.

9.1. 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.[119]

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. [120]

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 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

[119] Opening Brief of CEDMC, July 25, 2025, at 11.

[120] Prepared Testimony of the Public Advocates Office, June 4, 2025, at 7-1 through 7-4.

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.[121]

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.[122]

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.[123]

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,[124] 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

---

[121] Direct Testimony of Jeff Harris on behalf of NEEA, June 4, 2025, at 5-6.

[122] Rebuttal Testimony of CalMTA, June 20, 2025, at 48.

[123] Opening Brief of PG&E, July 25, 2025, at 11-12.

[124] 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.[125]

9.2. 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 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 to 2031. CalMTA shall file annual reports on the same timetable as the other energy efficiency portfolio administrators. That reporting currently is May 1st of the year following the year that is the subject of the performance report (e.g., May 1st 2027 is the due date for the 2026 annual report). In those annual reports, CalMTA shall detail its spending, results of bill impacts, any information on bill impacts impeding customers from participating in the Room Heat Pump program MTI, and progress towards established goals and timelines of the MTI Plan. The six-year budget will be a total spending cap for the MTI approved herein, and funds are transferable across the portfolio period, until the end of 2031. Unused funds can roll over from one year to the next. Any unspent funds at the end of the deployment period approved herein

[125] Rebuttal Testimony of CalMTA, June 20, 2025, at 50-52.

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

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.

CalMTA's contract with PG&E ends in December 2030. As stated earlier in the decision, CalMTA shall submit a Tier 2 advice letter by the end of 2028, proposing a Non-Profit Transition Plan. CalMTA's Tier 2 advice letter shall include the following requirements: (a) CalMTA's plan for transitioning to a nonprofit entity, (b) an amended contract between PG&E and CalMTA that grants the Commission a perpetual, non-cost license to use CalMTA's internal cost-effective tool developed for the MTI program, effective upon the contract's expiration in 2030, (c) details on how CalMTA will leverage both ratepayer and non-ratepayer funding arrangements in future funding applications, and (d) results of its annual audit report from the Commission's Audit Branch.

10. 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.

11. 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.

12. Comments on Alternate 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 ________________.

13. 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 for CalMTA to be ready to launch MTIs at full scale.

2. CalMTA requests $250 million for the market transformation program in 2026-2030, including funds for the initial tranche deployment of Room Heat Pumps and Induction Cooktop MTIs, funds for administration, operations, evaluation, PG&E's administration costs, and new concept development.

3. Though a rejection of CalMTA's proposed MTIs would have a negligible effect on customer bills, the approval of the full $250 million budget could lead to higher future costs for ratepayers.

4. The Executive Order N-5-24 directs the Commission to review ratepayer-funded programs and modify or sunset any that cause unjust rate increases or do not provide sufficient value to ratepayers.

5. The Commission retains the discretion to approve or reject CalMTA's proposed budgets, to ensure that ratepayer funds authorized for MTIs are at an appropriate level of funding to achieve deeper energy efficiency savings.

6. Although D.19-12-021 did not establish an alternative (non-ratepayer) funding requirement for the initial tranche, the Commission can provide additional guidance on the process if necessary at the time of review of the initial application.

7. A combination of ratepayer and non-ratepayer funding for future MTI proposals will reduce upward pressure on rates, maintain affordability, and potentially enhance cost-effectiveness.

8. By including a plan to pursue non-ratepayer funds as part of CalMTA's transition to a non-profit status, the Commission and stakeholders will be able to review the financial sustainability and its ability to reduce reliance on ratepayer funding.

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

10. 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.

11. Federal support for energy efficiency, in the form of ENERGY STAR and U.S. DOE standards, has been recently declining and there is uncertainty on a near-term prospect for federal funding to support California energy efficiency MTIs.

12. CalMTA's analysis of the 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.

13. D.19-12-021 did not adopt a firm cost-effectiveness benchmark; instead, it required that each MTI estimate its costs and benefits, using the TRC and PAC tests.

14. The proposed MTIs have low cost-benefit ratios in their initial years of the deployment phase.

15. CalMTA's proposed MTIs' TRC based cost-effectiveness becomes more apparent and improves in 2035 for Room Heat Pumps and in 2042 for Induction Cooktop as deployment progresses.

16. TSBs are higher for Induction Cooktop compared to Room Heat Pump, but Room Heat Pump shows better cost-effectiveness for TRC and PAC and a shorter break-even period.

17. A shorter TRC break-even time means ratepayers receive benefits sooner.

18. The Room Heat Pump, with its shorter TRC break-even year of 2035, is a more financially sound and a less risky investment compared to the Induction Cooktop's break-even year of 2042.

19. The Room Heat Pump MTI is suitable for a wide variety of housing types, including multi-family homes, manufactured homes, and older structures. As a

120V plug-in appliance, it does not require costly upgrades like new electrical panels, and it can be easily removed if the resident moves.

20. The proposed Induction Cooktop MTI is too vast because it includes a wide range of permanently installed products, from standard 120V and 240V induction units to battery-equipped models.

21. Room Heat Pump incentives are not offered as a direct consumer rebate by program administrators.

22. The CEC's BUILD program already promotes induction cooktops in low-income and multi-family housing offering a direct consumer rebate.

23. CalMTA developed its own cost-effectiveness tool, rather than using the Commission cost-effective tool, to show additional information related to hourly load shapes for Room Heat Pump and Induction Cooktop technologies.

24. Both the RASS and RECS datasets are considered dependable sources of data, and the use of a more recent dataset may enhance the credibility of the results.

25. The 2023 RASS data used by Cal Advocates relies on more recent data and shows higher existing electric cooking equipment saturation compared to the 2020 RECS data used by CalMTA in its forecast.

26. CalMTA submitted a qualitative Risks and Mitigation strategy as part of its market transformation planning process.

27. CalMTA's current market adoption strategy does not assess how the TMA and BMA forecast models respond to changes in key input variables.

28. Assumptions such as adoption rates, costs, and energy savings significantly influence model outcomes, including cost-effectiveness and TSB.

29. Sensitivity analyses are a recognized method for evaluating forecast models by quantifying the impact of changes in individual input variables.

30. 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.

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

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

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

34. Market Support segment of the energy efficiency portfolios may include some market transformation elements, such as training or education, which are also used as tools within a broader market transformation strategy.

35. CalMTA's mission is entirely focused on market transformation.

36. If there is some overlap between Market Support and CalMTA's market transformation efforts, the specific roles and justification for which program takes primacy for this overlap cannot be determined in this proceeding. The HEEHRA program is federally funded, and no funds have been allocated for it yet.

37. CalMTA is requesting $11.466 million for Initiative and Concept Development from 2026 to 2030. The funding for 2026 is based on four specific MTIs that are in Phase II development, but there is no clear justification for $5.681 million of the requested funds reserved for 2027 to 2030.

38. If any of the MTI concepts do not progress as planned, CalMTA plans to reallocate funds to new initiatives.

39. 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.

40. The current contract between PG&E and CalMTA ends in December 2030, and it requires CalMTA to present to the Commission, in the form of a Tier 2 advice letter, a Non-Profit Transition Plan.

41. 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.

42. 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.

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

44. The request for an additional $40.557 million for administration, operations, and concept development for 2026-2030, on top of $60 million already spent, raises concerns that the process is becoming overly procedural and administratively heavy. This is concerning given that only two tangible MTIs have been proposed in the first tranche, with a few others still in the concept development phase.

45. An annual audit of CalMTA's expenditures from 2026 to 2028 will provide a feedback loop highlighting performance and areas for improvement.

Conclusions of Law

1. 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. Review of ratepayer-funded programs to modify or sunset programs that do not provide sufficient value to ratepayers authorizing a single MTI is reasonable.
3. The Commission and CalMTA should continue to pursue other sources of funds to support energy efficiency market transformation wherever possible.
4. Requiring CalMTA to submit its non-ratepayer funding strategy as part of its Non-Profit Transition Plan Tier 2 Advice Letter to evaluate financial sustainability and appropriate ratepayer funding levels is reasonable.
5. The Commission should retain the cost-effectiveness requirements for MTIs in D.19-12-021.
6. CalMTA has complied with Commission requirements for calculating TSB and cost-effectiveness.
7. CalMTA's approach to its baseline market analysis, which relied on RECS data, is reasonable.
8. CalMTA's obligation to provide a robust justification for its funding request is not fully met, as the analysis, while based on an accepted methodology like a Delphi panel, is undermined by an insufficient sample size.
9. It is reasonable to require CalMTA to supplement its Risks and Mitigation strategy with sensitivity analyses to ensure a robust forecasting model.
10. CalMTA should conduct sensitivity analyses for both the TMA and BMA models and include them in all future MTI Plans, annual progress reports, and any updates or adjustments to the forecast models.

11. CalMTA should grant the Commission a non-cost, perpetual, license to use the cost-effective tool it has developed for the MTI program once its contract with PG&E expires in 2030.

12. It is reasonable to amend the PG&E and CalMTA contract to grant the Commission access to CalMTA's cost-effective tool.

13. It is just and reasonable to approve ratepayer funding for the Room Heat Pump MTI, but not for the Induction Cooktop MTI at this time.

14. The Room Heat Pump MTI proposed by CalMTA in this application has 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, and should be approved.

15. 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.

16. CalMTA's Room Heat Pump evaluation plan included in the Application is reasonable and should be approved.

17. CalMTA should coordinate closely with the other energy efficiency portfolio administrators running programs that are related to the approved MTIs.

18. Program overlaps between Market Support and market transformation are outside the scope of this proceeding and should be addressed in the energy efficiency OIR, which is the appropriate venue for resolving such matters.

19. The Room Heat Pump MTI should be able to have a unique impact on multi-family dwellings, in particular, and should be approved.

20. The deployment budget of $41.940 million for the Room Heat Pump MTI for 2026-2031 is reasonable and should be authorized.

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

22. 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.

23. 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.

24. The budgets for CalMTA's administration, operations, and evaluation, along with PG&E costs, commensurate with the smaller total budget for the Room Heat Pump MTI is reasonable and should be approved. . The Commission should not approve the full budget request of CalMTA for future MTI development.

25. Granting initiative/ concept development funds for 2026 to enable CalMTA to proceed with its current initiatives is reasonable.

26. There is no urgency or necessity for granting initiative/ concept development funds for 2027-2030.

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

28. CalMTA should be required to bring a Non-Profit Transition Plan to the Commission in a Tier 2 Advice Letter by December 31, 2028.

29. 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.

30. 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.

31. 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.

32. CalMTA should not be required to file ABALs.

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

34. 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.

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

36. Pursuant to Section 314.6 (a), it is reasonable to establish an annual audit of CalMTA's expenditures for the years 2026, 2027, and 2028. The Commission's Audit Branch should conduct this audit.

37. The results of each annual audit should be submitted to the Commission's Executive Director for review and for further suitable action, including providing feedback to CalMTA and ensuring compliance with Commission decisions.

O R D E R

IT IS ORDERED that:

1. The Market Transformation Initiative (MTI) for Room Heat Pumps proposed by the California Market Transformation Administrator is approved. The Commission also approves of placing emphasis on the implementation of pilots in Phase III: Market Deployment of this MTI, focusing 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 plan for the Room Heat Pump Market Transformation Initiative included in Application 24-12-009 by the California Market Transformation Administrator is approved.

3. The California Market Transformation Administrator shall pay special attention to providing education and awareness to consumers 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. Pacific Gas and Electric Company, as the fiscal agent for the California Market Transformation Administrator, shall, within 30 days of the effective date of this decision, file a Tier 1 advice letter adjusting the funding collections and allocations consistent with Table 4 of this decision.

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

7. Pacific Gas and Electric Company, on behalf of the California Market Transformation Administrator (CalMTA), 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. CalMTA shall include evidence of how non-ratepayer funds have been sought for each proposed market transformation initiative in its future applications. This evidence must demonstrate a good-faith effort to secure alternative funding sources.

8. The California Market Transformation Administrator shall supplement its Risks and Mitigation strategy with comprehensive sensitivity analyses. These analyses shall be conducted for both the Total Market Adoption and Baseline Market Adoption models and shall be included in all future Market Transformation Initiative Plans submitted for approval, in annual progress reports, and whenever the forecast models are updated or adjusted.

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. The California Public Utilities Commission's (Commission's) Audit Branch shall conduct an annual audit of the California Market Transformation Administrator's (CalMTA's) annual expenditures for the years 2026, 2027, and 2028. The results of each annual audit shall be submitted no later than October 1st of the following year (i.e., October 1, 2027, for the 2026 audit period) to the Commission's Executive Director and the service list of Energy Efficiency Order Instituting Rulemaking (OIR) 25-04-010. The audit shall identify CalMTA's

performance and provide feedback based on the audit objectives and requirements adopted in Attachment 1 of this decision.

11. The California Market Transformation Administrator (CalMTA) shall submit a Tier 2 advice letter, by no later than December 31, 2028, to meet the following requirements:

    a. A Non-Profit Transition Plan proposing to convert the CalMTA organization to non-profit status,

    b. An amended contract between Pacific Gas and Electric Company and CalMTA that grants the Commission a perpetual, non-cost license to use CalMTA's internal cost-effective tool developed for the MTI program, effective upon the contract's expiration in 2030,

    c. Details on how CalMTA will pursue both ratepayer and non-ratepayer funding arrangements in future funding applications, and

    d. Results of its annual audit report from the Commission's Audit Branch.

12. Application 24-12-009 is closed.

This order is effective today.

Dated ___________, at Sacramento, California

ATTACHMENT 1
(Audit Scope)

(END OF ATTACHMENT 1)

ATTACHMENT 2

(CalMTA PG&E MTI Contract)

(**END OF ATTACHMENT 2)**