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TO PARTIES OF RECORD IN RULEMAKING 24-09-012:

This is the proposed decision of Commissioner Karen Douglas. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's December 18, 2025 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

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

/s/ MICHELLE COOKE

Michelle Cooke

Chief Administrative Law Judge

MLC: hma

Attachment

Decision **PROPOSED DECISION OF COMMISSIONER DOUGLAS**
(Mailed 11/13/2025)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to
Establish Policies, Processes, and
Rules to Ensure Safe and Reliable Gas
Systems in California and Perform
Long-Term Gas System Planning.

Rulemaking 24-09-012

**DECISION DESIGNATING INITIAL PRIORITY NEIGHBORHOOD
DECARBONIZATION ZONES**

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DECISION DESIGNATING INITIAL PRIORITY NEIGHBORHOOD DECARBONIZATION ZONES

Summary

This decision designates initial priority neighborhood decarbonization zones, as required by Public Utilities Code Section 662(a). A table listing the census tracts that comprise the initial priority neighborhood decarbonization zones is included with this decision as Appendix A. A map depicting the locations of the initial priority neighborhood decarbonization zones is included with this decision as Appendix B. Within 15 days of the effective date of this decision, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company shall update the maps they submitted to the Commission on July 1, 2025, to include the initial priority neighborhood decarbonization zones. This decision does not designate any initial priority neighborhood decarbonization zones within Southwest Gas Corporation's service area. Pacific Gas and Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, and Southwest Gas Corporation are also ordered to engage community partners in diverse locations, solicit feedback on local equity considerations, and host at least one Senate Bill 1221 information session in each of their service areas by March 15, 2026.

The proceeding remains open.

1. Background

In 2024, the California Legislature passed Senate Bill (SB) 1221,¹ which was codified in the Public Utilities Code.² Section 662(a) requires the Commission to

¹ Senate Bill (SB) 1221 (Min), Stats. 2024, ch. 602.

² All further references to "Section" are to sections of the Public Utilities (Pub. Util.) Code unless otherwise noted.

designate priority neighborhood decarbonization zones (decarbonization zones) on or before January 1, 2026. Decarbonization zones are geographic areas within which the Commission may authorize pilot projects through a voluntary program to facilitate cost-effective decarbonization (Pilot Program).³ Gas corporations must also include designated decarbonization zones on maps they submit to the Commission annually.⁴ Section 662(d) permits the Commission to update the decarbonization zones as necessary following an opportunity for public comment.

On June 5, 2025, the Administrative Law Judges issued a ruling directing Pacific Gas and Electric Company (PG&E), Southern California Gas Company (SoCalGas), San Diego Gas & Electric Company (SDG&E), and Southwest Gas Corporation (Southwest Gas) (together, “Gas Corporations”) to file and serve recommendations for decarbonization zones in their service areas. The ruling also invited parties to provide comments on the Gas Corporations’ recommended decarbonization zones.

On June 12, 2025, the Administrative Law Judges issued a ruling setting remote Public Participation Hearings (PPHs) to consider comments from the public, not parties, on the designation of decarbonization zones.⁵

On July 1, 2025, PG&E, SDG&E, SoCalGas, and Southwest Gas submitted maps to the Commission in compliance with SB 1221 and the Assigned

³ See Pub. Util. Code Section 663(a).

⁴ Pub. Util. Code Section 661(a).

⁵ The ruling setting the PPHs was corrected on June 19, 2025, to correct the PPHs’ access information and, again, on July 8, 2025, to correct the public passcode for those wishing to join by phone.

Commissioner's Ruling Issuing Senate Bill 1221 Mapping Directions to Utilities, issued on April 18, 2025.

On July 21, 2025, PG&E, SoCalGas/SDG&E, and Southwest Gas filed comments recommending the designation of certain decarbonization zones.

On August 7, 2025, the Administrative Law Judges hosted remote PPHs at 2:00 p.m. and 6:00 p.m. There were 45 public commenters, 313 total callers, and 642 webcast views at the 2:00 p.m. PPH. There were 14 public commenters, 55 callers, and 166 webcast views at the 6:00 p.m. PPH.

On August 8, 2025, 12 parties filed opening comments in response to the Gas Corporations' recommended decarbonization zones: the Association of Bay Area Governments on behalf of the Bay Area Regional Energy Network program (BayREN) and the County of Ventura on behalf of the Tri-County Regional Energy Network program (3C-REN) (together, BayREN/3C-REN);⁶ the Public Advocates Office at the California Public Utilities Commission (Cal Advocates); Central California Rural Regional Energy Network (CCR REN);⁷ Center for Accessible Technology (CforAT); the County of Contra Costa (Contra Costa); Contra Costa Building and Construction Trades Council; the Joint Community

⁶ BayREN and 3C-REN have Commission authorization to administer portfolios of energy efficiency programs. BayREN is a program of nine San Francisco Bay Area counties and the Association of Bay Area Governments. 3C-REN is a program of the Ventura, Santa Barbara, and San Luis Obispo counties.

⁷ CCR REN has Commission authorization to administer portfolios of energy efficiency programs. They are administered by San Luis Obispo County and is comprised of an alliance including the Association of Monterey Bay Area Governments, The High Energy Sierra Foundation, and the San Joaquin Valley Clean Energy Organization.

Choice Aggregators (Joint CCAs);⁸ Marin Clean Energy;⁹ Natural Resources Defense Council/Sierra Club (NRDC/Sierra Club); the City and County of San Francisco (San Francisco); Small Business Utility Advocates (SBUA); and Southern California Edison Company (SCE).

On September 10, 2025, nine parties filed reply comments in response to the Gas Corporations' recommended decarbonization zones: the California Municipal Utilities Association (CMUA); Contra Costa; the City of Elk Grove (Elk Grove); Indicated Shippers; the Joint CCAs; PG&E; SoCalGas/SDG&E; SCE; and The Utility Reform Network (TURN).

By September 10, 2025, the Commission had received 239 public comments relevant to the designation of decarbonization zones, not counting repeat commenters. Commenters were individuals, as well as representatives from community organizations, local governments, and the Sacramento Metropolitan Air Quality Management District.

1.1. Submission Date

This matter was submitted on September 10, 2025, upon the filing of party reply comments in response to the Gas Corporations' recommended decarbonization zones.

2. Issues Before the Commission

The sole issue before the Commission in this decision is limited to compliance with the legislative requirement to designate decarbonization zones on or before January 1, 2026, as described in Section 662(a). This decision does

⁸ For purposes of the August 8, 2025 opening comments, the Joint CCAs consist of Peninsula Clean Energy Authority, San Diego Community Power, San Jose Clean Energy, Silicon Valley Clean Energy Authority, and Sonoma Clean Power Authority.

⁹ Marin Clean Energy provides electricity and energy programs to 38 communities across Contra Costa, Marin, Napa, and Solano counties.

not address the process for future updates to the decarbonization zones; the establishment of the Pilot Program; and how, where, when, and what pilot projects will be considered.

3. Discussion

3.1. Legal Standard

Section 662(a) requires the Commission to designate decarbonization zones “following recommendations from each gas corporation and the opportunity for public comment.” In designating the decarbonization zones, the Commission must consider factors that include, but are not limited to, the following:

1. Presence of disadvantaged or low-income communities in high-temperature climate zones or low-temperature climate zones that disproportionately lack cooling or heating.
2. Presence of environmental and social justice communities as defined in the Commission’s *Environmental and Social Justice Action Plan*.
3. Availability of supportive local government or community partners.
4. Concentration of gas distribution line replacement projects.

As referenced in Section 662(a)(2), the Commission’s *Environmental and Social Justice Action Plan* defines “environmental and social justice communities” as:

...predominantly communities of color or low-income communities that are underrepresented in the policy setting or decision-making process, subject to a disproportionate impact from one or more environmental hazards, and are likely to experience disparate implementation of

environmental regulations and socioeconomic investments in their communities.¹⁰

Under this definition, the Commission targets the following communities when implementing its *Environmental and Social Justice Action Plan*:

1. Disadvantaged Communities, defined as census tracts that score in the top 25 percent of CalEnviroScreen 3.0, along with those that score within the highest 5 percent of CalEnviroScreen 3.0's Pollution Burden but do not receive an overall CalEnviroScreen score;¹¹
2. All Tribal lands;¹²
3. Low-income households (Household incomes below 80 percent of the area median income); and
4. Low-income census tracts (census tracts where aggregated household incomes are less than 80 percent of area or state median income).

3.2. Record

We rely on the following record to designate initial decarbonization zones.

3.2.1. Gas Corporations' Recommendations

On July 21, 2025, PG&E, SoCalGas/SDG&E, and Southwest Gas filed their recommendations regarding the designation of decarbonization zones.

PG&E recommends that the Commission broadly designate all foreseeable gas distribution replacement projects as decarbonization zones.¹³ Regarding

¹⁰ *Environmental and Social Justice Action Plan* at 2, available at <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/news-and-outreach/documents/news-office/key-issues/esj/esj-action-plan-v2jw.pdf> (last accessed Oct. 26, 2025).

¹¹ We consider the most current CalEnviroScreen dataset available (currently CalEnviroScreen 4.0).

¹² Land within any Indian reservation as defined in 18 U.S.C. Section 1151(a). The Commission may utilize the definition of "California Indian County," available at <https://www.courts.ca.gov/8710.htm> (last accessed Oct. 21, 2025). (*Environmental and Social Justice Action Plan* at n.22.)

¹³ PG&E Recommendations at 1, 2.

disadvantaged, low-income, and environmental and social justice communities, PG&E asserts that applying equity measures over large areas would fail to capture local variations in need and access.¹⁴ As such, PG&E states that they prefer to demonstrate that a specific pilot project is serving a community that has barriers to decarbonization.¹⁵ Regarding the presence of supportive local government or community partners, PG&E states that they are proactively engaging its communities and asserts that the process will take time.¹⁶ Finally, PG&E explains that while decarbonization zones focus efforts, they should not “limit project submission or [act] as strict criteria for final project evaluation in lieu of evaluating the specific project’s ability to meet the criteria and intent outlined in statute.”¹⁷ Similarly, PG&E argues that “[p]rematurely limiting geographic selection of pilot projects at this early stage may jeopardize selection of a sufficiently broad portfolio of projects.”¹⁸

SoCalGas/SDG&E also recommends that the Commission’s designation of decarbonization zones should be broad and flexible at this early stage to avoid excluding potential pilot projects.¹⁹ According to SoCalGas/SDG&E, the most critical component to a cost-effective pilot project is the occurrence of a foreseeable gas system replacement project.²⁰ As such, SoCalGas/SDG&E recommends that the Commission start by designating census tracts with a

¹⁴ *Id.* at 2.

¹⁵ *Id.* at 3.

¹⁶ *Ibid.*

¹⁷ *Id.* at 3-4.

¹⁸ *Id.* at 4.

¹⁹ SoCalGas/SDG&E Recommendations at 3-4.

²⁰ *Id.* at 4.

potential or foreseeable replacement project as a decarbonization zone, and then refine the approach after the Pilot Program is established.²¹ Regarding the presence of supportive local government or community partners, SoCalGas/SDG&E recommends considering jurisdictions with local “reach” building codes.²² Regarding areas that disproportionately lack access to cooling or heating, SoCalGas/SDG&E recommends utilizing the California Energy Commission (CEC) climate zones and Residential Appliance Saturation Survey (RASS) data.²³ SoCalGas/SDG&E also characterizes the designation of decarbonization zones at this stage as premature.²⁴

Southwest Gas offers recommendations “on a tentative basis” that “should be subject to change” because they assert that available information is limited, given time and resource constraints.²⁵ Southwest Gas mapped potential decarbonization zones incorporating aspects of all four factors. First, they screened for disadvantaged, low-income, and environmental and social justice communities with high concentrations of gas replacement projects.²⁶ Then, Southwest Gas focused on areas based on its historical experience with partners implementing programs, such as the Low-Income Home Energy Assistance Program and California Alternative Rates for Energy Program.²⁷ However, Southwest Gas recognizes that they do not know whether these government and

²¹ *Ibid.*

²² *Id.* at 2.

²³ *Ibid.*

²⁴ *See id.* at 3 (stating “prioritization should not occur prior to establishing the program itself.”).

²⁵ Southwest Gas Recommendations at 2.

²⁶ *Id.* at 2.

²⁷ *Ibid.*

community partners are supportive of SB 1221, or if the entities possess the budget to engage in such efforts.²⁸

3.2.2. Party Comments

The summaries below are limited to parties' responses to the Gas Corporations' recommended decarbonization zones, the only issue before the Commission in this decision.

While BayREN/3C-REN support identifying all foreseeable pipeline replacement projects as decarbonization zones, they note that the approach does not prioritize the replacement projects so the Commission, stakeholders, and the public can assess pilot project suitability.²⁹ They recommend that each Gas Corporation prioritize zones by, at a minimum, the expected timeline for replacement and the SB 1221 factors that would be met.³⁰ BayREN/3C-REN express their support for pilot projects.³¹ According to BayREN/3C-REN, RENs can target their programs to viable candidates for decarbonization, and many REN programs focus on underserved and disadvantaged communities.³²

Cal Advocates recommends that the Commission reject PG&E and SoCalGas/SDG&E's proposal to designate all foreseeable pipeline projects as decarbonization zones.³³ According to Cal Advocates, the universe of total gas pipeline projects should be restricted to a smaller cohort of priority decarbonization zones, allowing stakeholders to comment meaningfully on other

²⁸ *Id.* at 2-3.

²⁹ BayREN/3C-REN Opening Comments at 4, 9.

³⁰ *Id.* at 4, 9, 10.

³¹ *Id.* at 7.

³² *Ibid.*

³³ Cal Advocates Opening Comments at 2-4.

aspects of the SB 1221 Pilot Program implementation.³⁴ Cal Advocates also notes that community engagement is “critical” to successful electrification and should be undertaken to the extent possible.³⁵ In addition, Cal Advocates asserts that Section 662(a)(1)’s requirement that the Commission consider the presence of disadvantaged communities with disproportionate heating or cooling difficulties is distinct from Section 662(a)(2)’s requirement to consider the presence of environmental and social justice communities.³⁶ Cal Advocates provides data sources to facilitate the Commission’s consideration of these factors.³⁷

CCR REN recognizes the Gas Corporations’ assertion that information about the availability of supportive local government and community partners is currently limited.³⁸ To assist Gas Corporations in ascertaining the availability of supportive local partners and selecting pilot sites, CCR REN supports each Gas Corporation establishing a Technical Advisory Committee to provide an effective forum for its participation moving forward.³⁹

CforAT asserts that PG&E’s and SoCalGas/SDG&E’s recommendations to make all foreseeable pipeline projects the decarbonization zones “are not useful in any way.”⁴⁰ CforAT states that they do not have the resources to conduct its

³⁴ *Id.* at 4.

³⁵ *Id.* at 5-6.

³⁶ *Id.* at 6.

³⁷ *Id.* at Appendix A.

³⁸ CCR REN Opening Comments at 2-3.

³⁹ *Id.* at 3-4.

⁴⁰ CforAT Opening Comments at 1-2.

own analysis of the gas maps and make its own recommendations for prioritization without a meaningful analysis by the Gas Corporations.⁴¹

CMUA supports parties' comments urging the creation of a process to allow local governments to engage directly in the decarbonization zone designation process.⁴² Specifically, CMUA recommends that the criteria used for designating decarbonization zones be made publicly available to enable a thorough review from local governments and community organizations in advance of the final decarbonization zone designation.⁴³ CMUA also recommends that the Commission remain open to local governments' interest in the decarbonization zone designation process and solicit more formalized feedback from non-utility entities.⁴⁴

Contra Costa is an available partner and supports PG&E's recommendation to designate all pipeline replacement projects as decarbonization zones.⁴⁵ Contra Costa also supports PG&E's preference to demonstrate that a specific proposed pilot project is serving a community that has barriers to moving to clean energy.⁴⁶ Contra Costa has participated in an informal session hosted by PG&E and supports PG&E's continued engagement with local government partners.⁴⁷ Contra Costa emphasizes the importance of extensive community outreach and education about the opportunities created by

⁴¹ *Id.* at 3.

⁴² CMUA Reply Comments at 3.

⁴³ *Id.* at 4 (supporting Joint CCAs Opening Comments).

⁴⁴ *Id.* at 5-6.

⁴⁵ Contra Costa Opening Comments at 1-2, 3; *see also* Contra Costa Reply Comments at 6.

⁴⁶ *Id.* at 3.

⁴⁷ *Id.* at 3-4.

SB 1221 pilot projects.⁴⁸ Finally, Contra Costa urges the Commission not to assume that only communities that intervened in this proceeding are interested in decarbonization pilots.⁴⁹ Instead, Contra Costa encourages the Commission to identify interested communities after an extensive community outreach and education process, and further recommends that utilities fund community partners and local governments to lead this work.⁵⁰

The Contra Costa Building and Construction Trades Council recommends focusing on areas that have both avoided cost potential and high levels of disadvantage.⁵¹ They also state that signaling areas with a combination of favorable conditions, including willing partners, would be helpful.⁵² According to the Contra Costa Building and Construction Trades Council, the City of Richmond offers an example of a location with a shovel-ready project and significant public and stakeholder support.⁵³ The Contra Costa Building and Construction Trades Council also recommends considering the designation of a decarbonization zone in a recent wildfire zone, as well as in a mobile home park.⁵⁴

Elk Grove notes the importance of local government involvement to successful SB 1221 implementation and supports CCR REN's recommendation to

⁴⁸ Contra Costa Reply Comments at 1.

⁴⁹ *Id.* at 2-3.

⁵⁰ *Id.* at 4-5.

⁵¹ Contra Costa Building and Construction Trades Council Opening Comments at 2.

⁵² *Id.* at 2-3.

⁵³ *Id.* at 3-4.

⁵⁴ *Id.* at 4.

establish a Technical Advisory Committee.⁵⁵ Elk Grove also urges the Commission to adopt a broad definition of “local government support” to avoid excluding qualified and supportive communities.⁵⁶ For example, Elk Grove recommends that the Commission consider local governments that actively participate with multiple local government and communities partners, such as Assembly Bill 617 Community Steering Committees, climate readiness collaboratives, RENs, or when local governments and community partners are parties to memoranda of understanding.⁵⁷ Finally, Elk Grove supports the position that the designation of decarbonization zones should incorporate local equity metrics.⁵⁸

Indicated Shippers supports a broad approach to designating decarbonization zones.⁵⁹ According to Indicated Shippers, a broad approach would “preserve the Commission’s ability to select the most cost-effective, successful pilots.”⁶⁰ Indicated Shippers does not support Cal Advocates’ recommendation to narrow the total gas pipeline projects to a smaller cohort.⁶¹ Finally, Indicated Shippers recommends that the Commission form a local government and partner working group to enable collaboration and deployment of pilot projects, equity metrics, and sources of non-ratepayer funding.⁶²

⁵⁵ Elk Grove Reply Comments at 2.

⁵⁶ *Id.* at 3.

⁵⁷ *Id.* at 4.

⁵⁸ *Ibid.*

⁵⁹ Indicated Shippers Reply Comments at 2, 3.

⁶⁰ *Id.* at 2, 3-4.

⁶¹ *Id.* at 4-5.

⁶² *Id.* at 9.

The Joint CCAs support the recommendation to designate all sites with gas replacement projects as decarbonization zones initially, as it preserves the flexibility to select viable pilot projects.⁶³ The Joint CCAs distinguish between the initial designation of decarbonization zones where they encourage a broad approach and the final designation once the Commission develops the full suite of pilot project considerations.⁶⁴ The Joint CCAs also recommend that these considerations be made publicly available to enable thorough review by local governments and community stakeholders in advance of the final designation of decarbonization zones.⁶⁵ Finally, the Joint CCAs recommend that the Commission develop a stakeholder engagement process that incorporates clear metrics for evaluating community support.⁶⁶

Marin Clean Energy states that they are a supportive local government partner for pilot projects.⁶⁷ Additionally, Marin Clean Energy recommends that the Commission provide meaningful pathways for communities to influence the selection of pilot project sites.⁶⁸

NRDC/Sierra Club does not support designating all areas with gas replacement projects as decarbonization zones.⁶⁹ Instead, NRDC/Sierra Club recommends defining decarbonization zones as census tracts that (1) contain a foreseeable gas distribution line replacement project and (2) meet at least one of

⁶³ Joint CCAs Opening Comments at 2, 3.

⁶⁴ *Id.* at 3.

⁶⁵ *Ibid.*

⁶⁶ *Id.* at 4.

⁶⁷ Marin Clean Energy Opening Comments at 2, 3-4.

⁶⁸ *Id.* at 4-5.

⁶⁹ NRDC/Sierra Club Opening Comments at 1.

the criteria listed in Section 662 or an equity factor identified by stakeholders or the public.⁷⁰ Regarding the availability of supportive local governments and community partners, NRDC/Sierra Club recommends looking to expressions of interest from parties and public comments. They also support SoCalGas/SDG&E's recommendation to look to jurisdictions with reach building codes and areas with high electrification uptake incentives.⁷¹ They also commend PG&E's effort to host an information session and recommend that the other Gas Corporations engage similarly.⁷² Regarding equity metrics, NRDC/Sierra Club recommends that the Commission use CEC climate zones, RASS data, and maps developed by the Department of Housing and Urban Development (HUD).⁷³ Finally, NRDC/Sierra Club urges the Commission to commit to updating the decarbonization zones designations as more data becomes available from the Gas Corporations and during site selection.⁷⁴

San Francisco supports preliminarily designating all census tracts with foreseeable replacement projects as decarbonization zones to comply with the statutory deadline of January 1, 2026.⁷⁵ According to San Francisco, it is reasonable to designate decarbonization zones broadly until the Commission has sufficient data to restrict potential pilot locations.⁷⁶ Regarding equity metrics, San Francisco supports the use of CalEnviroScreen, Commission-defined

⁷⁰ *Id.* at 2, 3.

⁷¹ *Id.* at 3.

⁷² *Ibid.*

⁷³ *Id.* at 4.

⁷⁴ *Id.* at 7.

⁷⁵ San Francisco Opening Comments at 1, 2.

⁷⁶ *Id.* at 2.

environmental and social justice communities, and detailed data available to local governments and organizations.⁷⁷ San Francisco also urges the Commission to adopt a straightforward process for engaging local governments and community partners to inform the future designation of narrower decarbonization zones, including allowing local governments to recommend decarbonization zones.⁷⁸

SBUA recommends that the Commission consider small business customers within disadvantaged and social justice communities when designating decarbonization zones.⁷⁹

SCE agrees with PG&E, SoCalGas, SDG&E, and Southwest Gas that it is premature for the Commission to place geographic limitations on the decarbonization zones.⁸⁰ As such, SCE recommends that the Commission designate decarbonization zones broadly as all pipeline projects identified on the Gas Corporations' maps.⁸¹ Alternatively, SCE recommends that the Commission prioritize areas where there is a need for replacement and at least one other SB 1221 factor is present.⁸² SCE also recommends that the Commission develop independent criteria to designate zones.⁸³

TURN supports including replacement project schedules and CalEnviroScreen scoring to narrow the Gas Corporations' recommended

⁷⁷ *Id.* at 3.

⁷⁸ *Id.* at 4, 5.

⁷⁹ SBUA Opening Comments at 1.

⁸⁰ SCE Opening Comments at 2.

⁸¹ *Id.* at 2, 3.

⁸² *Id.* at 3-4.

⁸³ *Id.* at 4.

decarbonization zones.⁸⁴ TURN also supports using additional utility data to narrow the designations, including the number of services connected to each anticipated main replacement project and the timing of replacement projects.⁸⁵ While TURN recognizes the difficulties in identifying decarbonization zones at this stage, they assert that the Gas Corporations' request to designate zones broadly is unreasonable and makes it very difficult for parties to provide meaningful public input.⁸⁶ As such, TURN recommends that the Commission require the Gas Corporations to provide additional data before designating the decarbonization zones.⁸⁷ TURN also recommends that the Commission develop a process, pursuant to Section 662(d), to update any decarbonization zones designations.⁸⁸

3.2.3. Gas Corporations' Reply Comments

PG&E agrees with NRDC/Sierra Club on the need for flexibility and project-specific, customer-centric information.⁸⁹ PG&E also agrees with NRDC/Sierra Club's recommendation to use maps developed by HUD to develop equity metrics.⁹⁰ Finally, PG&E disagrees with Cal Advocates' position to designate narrower decarbonization zones. According to PG&E, the

⁸⁴ TURN Reply Comments at 5.

⁸⁵ *Id.* at 11-13 (asserting "utilities should easily have available the number of services connected to each anticipated distribution mains replacement project.").

⁸⁶ *Id.* at 8.

⁸⁷ *Id.* at 18, 20, 21.

⁸⁸ *Id.* at 7, 8, 21.

⁸⁹ PG&E Reply Comments at 1.

⁹⁰ *Id.* at 4-5.

Commission has full authority to provide flexibility in the designation of decarbonization zones.⁹¹

SoCalGas/SDG&E and Southwest Gas affirm their support for broadly designated decarbonization zones.⁹² According to SoCalGas/SDG&E and Southwest Gas, SB 1221's primary threshold for consideration is the existence of potential pipeline replacement projects.⁹³ If an area does not have these projects, it will be unlikely, if not impossible, for the pilot projects to be economically feasible.⁹⁴ Responding to Cal Advocates, Southwest Gas states that they will consider revising its recommended decarbonization zones once additional information is available and analyzed, or required by the Commission.⁹⁵

3.2.4. Public Comments

Section 662(a) requires the Commission to provide an opportunity for public comment before designating decarbonization zones. In addition, Rule 1.18 of the Commission's Rules of Practice and Procedure (Rules) allows any member of the public to submit written comments in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. According to Rule 1.18(a), all written public comments submitted in a proceeding that are received prior to the submission of the record are part of the administrative record. Rule 1.18(b) further requires *all* written comments, whether received before or after the submission of the record, to be summarized in the final decision.

⁹¹ *Id.* at 6.

⁹² SoCalGas/SDG&E and Southwest Gas Reply Comments at 1-2.

⁹³ *Id.* at 2.

⁹⁴ *Ibid.*

⁹⁵ *Id.* at 5.

On August 7, 2025, the Commission hosted two PPHs. In total, 59 members of the public offered comments. Of the total 59 comments, 37 members of the public opposed the implementation of SB 1221,⁹⁶ and 20 supported decarbonization zones and pilots. One commenter was neutral or had an unclear position. Among the commenters who supported decarbonization zones and pilots, eight represented local governments and community organizations.⁹⁷ Separately, one local government representative for the City of Lompoc expressed concern that designating a decarbonization zone across the city's old town would "economically destroy" the area.⁹⁸

By September 10, 2025, when the record was submitted, the Commission had received 239 public comments relevant to the designation of decarbonization zones, not counting repeat commenters. Commenters were individuals, as well as representatives from community organizations, local governments, and the Sacramento Metropolitan Air Quality Management District. As of September 18, 2025, the Commission has received 246 public comments on the online Docket Card relevant to the designation of decarbonization zones, not counting repeat commenters. In compliance with Section 662(a) and Rule 1.18(a) and (b), we consider all written comments submitted to the Docket Card.

⁹⁶ There were 38 comments that expressed opposition to the implementation of SB 1221 during both PPHs. However, one commenter provided two of these comments. (*Compare* Reporter's Transcript (RT) at page 21: line 21-page 23: line 7, *with* RT at page 130: line 12-page 131: line 20.) Therefore, we identify a total of 37 members of the public that expressed opposition.

⁹⁷ The Commission received comments from Mr. Williams from the County of San Diego; Mr. Hoffland of the City of Santa Barbara; Ms. Sharpe and Ms. DeCastro from Central California Asthma Collaborative; Ms. Gomez and Ms. Pastrano from the Alliance of Californians for Community Empowerment in Richmond; Mr. Stilig from an unnamed environmental justice organization; and Mr. Parsa from Physicians for Social Responsibility.

⁹⁸ RT at page 18: line 23-page 20: line 4.

Of the total 246 public comments, 18 were submitted on behalf of government entities,⁹⁹ and 22 were submitted on behalf of community organizations.¹⁰⁰ All government entities and community organizations expressed interest in the Commission designating a decarbonization zone within their respective jurisdictions or geographic areas of focus.

The remaining 206 public comments were from individuals throughout the State of California, as well as one each from Virginia and Pennsylvania. Of these 206 public comments, 63 supported the decarbonization process described in SB 1221. The primary reasons members of the public cited for their support are various health concerns, followed by concerns about pollution and the need to address climate change. Nine commenters requested that SDG&E hold public information sessions, and 16 requested that the Commission designate their neighborhood as a decarbonization zone. Most members of the public who

⁹⁹ The Commission received public comments from the (1) City of Chula Vista; (2) the City of San Diego; (3) the County of San Diego; (4) the City of Santa Barbara; (5) the City of Milpitas; (6) the City of Elk Grove; (7) the City of Albany; (8) the City of Menlo Park; (9) the City of Berkeley; (10) the City of Mountain View; (11) the Mayor of El Cerrito; (12) the Sacramento Metropolitan Air Quality Management District; (13) the City of Oakland; (14) the County of San Mateo; (15) the City of Petaluma; (16) CCR REN; (17) the City of Santa Cruz (two comments); and (18) the City of Santa Monica.

¹⁰⁰ The Commission received public comments from (1) the Environmental Center of San Diego (ECOSD); (2) the Building Energy, Equity & Power (BEEP) Coalition; (3) the San Diego Building Electrification Coalition; (4) the Climate Action Campaign (two comments); (5) CleanEarth4Kids.org; (6) Redeemer Community Partnership; (7) Richmond Community Foundation; (8) CCA Workforce and Environmental Justice Alliance; (9) Community Action Partnership of Orange County; (10) Borel Neighborhood Association in the City of San Mateo; (11) Communities for a Better Environment; (12) Emerald Cities Collaborative Northern California; (13) Valley Improvement Projects; (14) Alliance of Californians for Community Empowerment (Contra Costa) in partnership with Building Trades of Contra Costa County and the City of Richmond; (15) Regeneracion; (16) Build It Green and Somos Mayfair; (17) Build It Green and Healthy Black Families; (18) Strategic Concepts in Organizing and Policy Education (SCOPE); (19) Reestablishing Stratford; (20) Menlo Spark; (21) Albany Climate Action Coalition; and (22) OC Goes Solar.

expressed their support provided zip codes in San Diego County, followed by Alameda County.

There were 135 public comments opposing the implementation of SB 1221. The primary reason members of the public cited for their opposition is reliability, followed by impacts on ratepayers and the cost of new appliances. Many commenters also expressed their support for consumer choice, their preference for gas energy sources, and opposition to government regulation. Most members of the public who expressed their opposition provided zip codes in Los Angeles, Riverside, Orange, and San Bernardino counties.

The remaining eight public comments were neutral, or the commenter's position was unclear.

While we recognize the comments we received, we also acknowledge that we have not heard from many California communities. In Section 3.3.1 below, we order the Gas Corporations to conduct outreach and provide information to community partners in diverse locations, solicit feedback on local equity considerations, and hold at least one SB 1221 information session before March 15, 2026. Our intent with this direction is to hear from more members of the public and raise awareness of SB 1221's decarbonization opportunities in a broader range of geographic locations and California communities.

3.3. Designation of Initial Decarbonization Zones

With the commitment, methodology, and considerations described below, we designate initial priority neighborhood decarbonization zones, as required by Section 662(a). A table listing the census tracts that comprise the initial priority neighborhood decarbonization zones is included as Appendix A. A map depicting the locations of the initial priority neighborhood decarbonization zones is included with this decision as Appendix B.

3.3.1. Commitment to Updating Initial Decarbonization Zones

Many parties recognize that the Commission may need to update the decarbonization zones, as permitted by Section 662(d). PG&E, SCE, SoCalGas/SDG&E, and Southwest Gas characterize the designation of decarbonization zones at this stage as “premature,” given the limited information available about the Pilot Program.¹⁰¹ The Joint CCAs and San Francisco envision an updated designation of decarbonization zones once the pilot “program structure is more developed.”¹⁰² TURN recommends that the Commission develop a process to update the decarbonization zones.¹⁰³ NRDC/Sierra Club urges the Commission to “formally commit” to updating the decarbonization zone designations after more data becomes available.¹⁰⁴

Many parties also urge the Commission to facilitate, form, or establish new means and methods to inform our consideration of designated decarbonization zones. For example, CCR REN, CMUA, Contra Costa, Elk Grove, Indicated Shippers, the Joint CCAs, NRDC/Sierra Club, and San Francisco recommend various forms of coordinated outreach and engagement with local governments and community partners.¹⁰⁵ Members of the public also explicitly requested that

¹⁰¹ PG&E Recommendations at 4; SCE Opening Comments at 2; SoCalGas/SDG&E Recommendations at 3; Southwest Gas Recommendations at 2.

¹⁰² Joint CCAs Opening Comments at 3; San Francisco Opening Comments at 1; *see also* BayREN/3C-REN Opening Comments at 10 (recognizing “future iterations of assessing [decarbonization zones]”).

¹⁰³ TURN Reply Comments at 7, 8, 21.

¹⁰⁴ NRDC/Sierra Club Opening Comments at 7.

¹⁰⁵ *See* CCR REN Opening Comments at 3-4; CMUA Reply Comments at 3; Contra Costa Reply Comments at 5-6; Elk Grove Reply Comments at 2-3; Indicated Shippers Reply Comments at 9; Joint CCAs Reply Comments at 3-4; NRDC/Sierra Club Opening Comments at 3; San Francisco Opening Comments at 4-5.

we order SDG&E to hold information sessions about pilot projects so communities can make decisions about their participation.¹⁰⁶

Given the tight legislative deadline for designating decarbonization zones and the limited information currently available, we agree that it will be essential to allow for the opportunity to update the decarbonization zones. We, therefore, adopt NRDC/Sierra Club's recommendation to formally commit to updating the "initial" decarbonization zones designated by this decision. Our emphasis for the future update will be on adding and/or refining the designated decarbonization zones.

For example, we may add a decarbonization zone where a Gas Corporation has demonstrated that a specific pilot project will serve a community with barriers to decarbonization or meet other equity criteria. We see merit in PG&E's recommendation that a pilot project should serve "a community that meets the intent of the need set out in the statute: that the community has barriers to access to decarbonization without assistance."¹⁰⁷ In our future update to the decarbonization zones, we will work with parties and the Gas Corporations to consider ways Gas Corporations may make this showing.

Additionally, we may add or refine decarbonization zones as more local governments and community organizations become aware of SB 1221 and participate in future outreach efforts. To increase awareness, we direct each Gas

¹⁰⁶ See Greta Busch, Antonia Darragh, Tyyne Parakhen, Chris Roberts, Dave Robertson, Diego Sandoval, Huxley Sidari, Jessie Stein, and Ronette Youmans public comments, *available at* <https://apps.cpuc.ca.gov/c/R2409012>.

¹⁰⁷ See PG&E Recommendations at 3.

Corporation to (1) conduct outreach and provide a fact sheet to communities in diverse geographic locations, including community partners in disadvantaged, low-income, and/or environmental and social justice communities; (2) solicit feedback from local governments, community partners, and/or members of the public on SB 1221's diversity and equity considerations, including feedback about local environmental hazards, the ability of homes and small businesses in the community to access cooling or heating, and community barriers to access decarbonization; and (3) host at least one SB 1221 information session for government representatives, community organizations, and members of the public in each of their service areas between January 1, 2026, and March 15, 2026.

When conducting outreach to community partners and at the SB 1221 information session(s), each Gas Corporations shall use a fact sheet provided by the Commission's Public Advisor's Office and designate a point person for supportive government representatives and community organizations to contact. At the SB 1221 information session(s), each Gas Corporations shall also provide an opportunity for attendees to provide oral and written comments. To notice the information session(s), each Gas Corporations shall comply with the requirements described in this decision's Ordering Paragraphs.

Through these directions, we intend to hear from more members of the public, raise awareness of SB 1221's decarbonization opportunities in a broader range of geographic locations and California communities, and inform our future decarbonization zone update. As such, each Gas Corporations shall file a Report in the docket of this Rulemaking by April 1, 2026 that details (1) which community partners received the fact sheet; (2) any and all community partners and local governments that expressed interest in participating in SB 1221's decarbonization opportunities; (3) any and all feedback the Gas Corporations

received regarding SB 1221's diversity and equity considerations; (4) the date, time, and location of any and all information sessions; (5) documentation that the information sessions were properly noticed; (6) documentation of any and all presentations that were given at the information sessions; (7) a summary of any and all written and oral comments given at the information sessions; and (8) the Gas Corporation's proposal for continuing community outreach efforts beyond April 1, 2026.

We also encourage local governments, community organizations, and members of the public to continue commenting through the "Public Comment" tab on the online Docket Card to express support or opposition to pilot projects in their communities, and to inform us of potential challenges and opportunities. We will consider these comments, as well as party comments on future SB 1221-related rulings, as we gather more information about the Pilot Program and work to update the decarbonization zones.

3.3.2. Methodology for Designating Initial Decarbonization Zones

We designate the initial decarbonization zones as census tracts that (1) have an "[a]vailability of supportive local government and community partners"¹⁰⁸ and (2) include a "[c]oncentration of gas distribution replacement projects."¹⁰⁹ Primarily relying on these two considerations is consistent with the recommendations of NRDC/Sierra Club and SCE.¹¹⁰ In counties where 25 or

¹⁰⁸ See Pub. Util. Code Section 662(a)(3).

¹⁰⁹ See Pub. Util. Code Section 662(a)(4).

¹¹⁰ NRDC/Sierra Club Opening Comments at 2, 3; SCE Opening Comments at 3-4 (providing that if designating all replacement projects as decarbonization zones is too broad, "SCE recommends that the Commission prioritize areas in which there is a need for replacement and at least one other SB 1221 factor is present.")

more census tracts have local support and a concentration of replacement projects, we also rely on the “[p]resence of environmental and social justice communities.”¹¹¹

Designating the initial decarbonization zones at the census tract level is consistent with the recommendations of SoCalGas/SDG&E, NRDC/Sierra Club, and San Francisco, as well as the information provided by the Gas Corporations and the requests for zone designations from local governments and community organizations. Moreover, designating the initial decarbonization zones at the census tract level offers flexibility, as a variety of pilot project sizes may fit within them.

We see some merit in the Gas Corporations’ and parties’ recommendations to designate the initial decarbonization zones broadly, so that we have flexibility when we consider pilot project submissions. However, we are also persuaded by the point raised by BayREN/3C-REN, Cal Advocates, CforAT, and TURN that overly broad designations at this stage in the process make it difficult for stakeholders and the public to provide meaningful input. As such, we find it reasonable to adopt a methodology for designating the initial decarbonization zones that is both reasonably flexible for pilot project proposals and provides enough information to facilitate meaningful public and stakeholder engagement. Our adopted methodology for designating initial decarbonization zones as census tracts with local support, a concentration of gas replacement projects, and the presence of environmental and social justice communities is consistent with this objective.

¹¹¹ See Pub. Util. Code Section 662(a)(2).

3.3.3. Consideration of Section 662(a)(1)-(4) Factors

We consider all the factors listed in Section 662(a)(1)-(4) when designating the initial decarbonization zones.¹¹² However, we primarily rely on Section 662(a)(2), (3), and (4). Relying on these factors enables us to comply with the January 1, 2026, deadline to designate initial decarbonization zones in areas with the most local support (Section 662(a)(3)), opportunities for cost savings (Section 662(a)(4)), and the presence of environmental and social justice communities (Section 662(a)(2)). It also furthers our ability to meet the deadline for establishing the Pilot Program.¹¹³

3.3.3.1. Section 662(a)(3)

We first rely on the availability of local support to narrow California's 9,000 census tracts to 891. Numerous parties highlighted the importance of this factor.¹¹⁴ PG&E stated that "the presence of supportive local government or community partners is one of the two most important pieces necessary to ensure

¹¹² See Pub. Util. Code Section 662(a)(1)-(4):

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

- (1) Presence of disadvantaged or low-income communities in high-temperature climate zones or low-temperature climate zones that disproportionately lack cooling or heating.
- (2) Presence of environmental and social justice communities as defined in the commission's Environmental and Social Justice Action Plan.
- (3) Availability of supportive local government or community partners.
- (4) Concentration of gas distribution line replacement projects identified in the map submitted pursuant to Section 661.

¹¹³ See Pub. Util. Code Section 663(a).

¹¹⁴ See, e.g., Cal Advocates Opening Comments at 5-6; CMUA Reply Comments at 4; Elk Grove Reply Comments at 4; Marin Clean Energy Opening Comments at 4; PG&E Recommendations at 3; San Francisco Opening Comments at 4.

pilot success.”¹¹⁵ Similarly, Cal Advocates noted that community engagement is “critical.”¹¹⁶ We agree with the parties that highlighted the importance of this factor because supportive communities are more likely to want pilot projects and implement them successfully.

The parties’ and the public’s comments demonstrate that numerous city and county governments, as well as other government organizations and non-governmental organizations, are available partners.¹¹⁷ While we designate initial decarbonization zones within the areas that many available partners requested, some available partners requested that we designate large areas as decarbonization zones.¹¹⁸ Granting broad requests would fail to provide the public and stakeholders with meaningful information. Instead, we designate census tracts with local support to prioritize areas where pilot projects are most likely to be successful. These initial decarbonization zones may be updated as more information becomes available.

¹¹⁵ PG&E Recommendations at 3.

¹¹⁶ Cal Advocates Opening Comments at 5-6.

¹¹⁷ See, e.g., City of Albany public comments; BayREN/3C-REN party comments; City of Berkeley public comments; CCR REN party and public comments; City of Chula Vista public comments; County of Contra Costa party comments; Joint CCAs party comments; City of El Cerrito public comments; City of Elk Grove party and public comments; Marin Clean Energy party comments; City of Menlo Park public comments; City of Milpitas public comments; City of Mountain View public comments; City of Oakland public comments; City of Peteluma public comments; Sacramento Metropolitan Air Quality Management District public comments; City of San Diego public comments; County of San Diego public comments; City and County of San Francisco party comments; County of San Mateo public comments; City of Santa Barbara public comments; City of Santa Cruz public comments; City of Santa Monica public comments. There were no requests in Southwest Gas’s service territory.

¹¹⁸ See, e.g., CCR REN public comments (Sept. 11, 2025), available at <https://apps.cpuc.ca.gov/c/R2409012> (requesting that we designate all of PG&E’s service territory).

Through this exercise we narrow the potential decarbonization zones to 891 census tracts (approximately 10 percent of all California census tracts) for the first iteration of zones. We encourage organizations that requested large areas to remain engaged and help refine and modify the decarbonization zones when we update.

3.3.3.2. Section 662(a)(4)

We next rely on the concentration of the Gas Corporations' gas distribution line projects to narrow the 891 census tracts with local support to 130. The Gas Corporations and many parties emphasized the importance of this factor.¹¹⁹ Indeed, SoCalGas/SDG&E characterized the occurrence of a foreseeable gas system replacement project as "the most critical component of a successful cost-effective candidate project."¹²⁰ We agree to an extent — a concentration of gas distribution line projects represents an opportunity for cost savings.

BayREN/3C-REN and TURN recommend prioritizing the gas distribution line projects by the expected project timeline.¹²¹ While TURN recognizes that the Gas Corporations' projects may not have firm start dates, they assume "that the relative risk scores of projects provide an approximate proxy for the relative timeline of future projects."¹²² If this assumption is correct, TURN states that it

¹¹⁹ See, e.g., BayREN/3C-REN Opening Comments at 9; Contra Costa Building and Construction Trades Council Opening Comments at 2; NRDC/Sierra Club Opening Comments at 2, 3; PG&E Recommendations at 1; SoCalGas/SDG&E Recommendations at 3-4; TURN Reply Comments at 5.

¹²⁰ SoCalGas/SDG&E Recommendations at 4.

¹²¹ BayREN/3C-REN Opening Comments at 9; TURN Reply Comments at 5.

¹²² TURN Reply Comments at 12.

“would provide an alternative methodology to use for designating later stage projects.”¹²³

We agree that project timelines are relevant to project planning, and that the maps the Gas Corporations submitted on July 1, 2025, reflect risk scores representing prioritization for gas replacement. However, we are determining one set of decarbonization zones, not prioritizing within them. Therefore, we include in our analysis all gas replacement projects with risk scores representing later years, *i.e.*, approximately 2028-2035.¹²⁴

By reviewing the percentage of gas mains scheduled for replacement between 2028 and 2035, we narrowed the 891 census tracts with local support to areas where 10 percent or more of the gas mains are scheduled for replacement. Selecting 10 percent as the threshold is both reasonably flexible for pilot project proposals and provides enough information to facilitate meaningful public and stakeholder engagement. Making the threshold higher (*e.g.*, 15 percent) would exclude too many areas with local support, such as Los Angeles locations and Elk Grove, and potentially negatively impact project success. Making the threshold less stringent would make almost all census tracts eligible. This would both minimize the opportunities for cost savings and impact public and stakeholder involvement.

We also capped our consideration of gas distribution line projects at 25 census tracts per county to avoid overrepresentation of certain regions at this stage in the program. Such overrepresentation would affect our ability to gather

¹²³ *Id.* at 13.

¹²⁴ We exclude projects that the Gas Corporations identified for replacement in 2026 and 2027 from the analysis because those timelines are likely too soon to allow time to plan alternatives. We also note that SoCalGas’s map did not differentiate by year within 2028-2035 projects.

information from diverse neighborhoods with varying challenges across different utility service areas. As we collect more information and hear from more communities, we may adjust or eliminate the cap in a future decarbonization zone update.

For the initial decarbonization zones, the cap impacts Alameda and San Diego counties. In Alameda and San Diego counties, public, governmental, and non-governmental organizations demonstrated strong support for decarbonization. Alameda and San Diego counties also have many census tracts with gas mains scheduled for replacement. If we designate all census tracts in these counties with local support and 10 percent or more of the gas mains scheduled for replacement, there would be a total of 336 census tracts with 60 in Alameda County (18 percent of the total), and 196 in San Diego County (58 percent of the total). Imposing the cap ensures that Alameda and San Diego counties are not overrepresented in the initial designation of the decarbonization zones.

We selected 25 census tracts in Alameda and San Diego counties based on the highest percentage of gas replacement projects. However, we invite local governments, community organizations, and members of the public to inform us whether we should adjust or eliminate the 25-census-tract cap in the initial decarbonization zones during our updates, and/or whether they suggest any process steps to refine the areas selected over time.

Our approach yields 130 census tracts with at least one census tract within the jurisdiction of each county that requested inclusion:

Selected Tract County by County	
Alameda	25 tracts
Contra Costa	14 tracts

Los Angeles	6 tracts
Sacramento	13 tracts
San Diego	25 tracts
San Francisco	3 tracts
San Mateo	17 tracts
Santa Barbara	3 tracts
Santa Clara	9 tracts
Santa Cruz	7 tracts
Sonoma	3 tracts
Stanislaus	5 tracts

3.3.3.3. Section 662(a)(2)

We next rely on the presence of environmental and social justice communities to expand the 130 census tracts to 142 initial decarbonization zones.

In comments, parties expressed concern that the methodology we adopt for designating initial decarbonization zones would exclude viable communities.¹²⁵ We share this concern and also recognize the Legislature’s finding that deployment of zero-emission alternatives under SB 1221 should prioritize benefits to disadvantaged and low-income communities.¹²⁶

Accordingly, we expand the initial decarbonization zones in counties impacted by our 25-census-tract cap to include certain census tracts with environmental and social justice communities.

¹²⁵ See, e.g., Contra Costa Opening Comments at 3; Indicated Shippers Reply Comments at 3-4; Joint CCAs Opening Comments at 2; SCE Opening Comments at 2.

¹²⁶ SB 1221, Stats. 2004, ch. 602, § 1(a)(8).

As described above, the only counties impacted by the cap are Alameda and San Diego counties. There are an additional 35 census tracts in Alameda County and 171 census tracts in San Diego County that have local support and 10 percent or more of the gas mains scheduled for replacement. To identify which of these 206 census tracts have environmental and social justice communities, we take an approach based on the definition of "Disadvantaged Communities" from the Commission's *Environmental and Social Justice Action Plan*.¹²⁷ There are six census tracts in Alameda County and six census tracts in San Diego County that score in the top 25 percent of CalEnviroScreen 4.0.¹²⁸ As such, we add these additional 12 census tracts to the 130 previously identified for a total of 142 initial decarbonization zones.¹²⁹

We also look at all 142 initial decarbonization zones to assess the presence of environmental and social justice communities. Using the CalEnviroScreen (CES) composite score, we find that the initial decarbonization zones have an average CES percentile of 51, which is slightly above the statewide average (*i.e.*, 50th percentile).¹³⁰ Asthma rates are one of the indicators that feed into the CES composite score and are a key indicator of health vulnerability. While the initial

¹²⁷ This consideration did not include Tribal communities or those that do not have an overall CalEnviroScreen score and score within the highest 5 percent of CalEnviroScreen 4.0's Pollution Burden.

¹²⁸ Where tract borders changed between 2010 and 2020, we used weighted averages for the CalEnviroScreen score.

¹²⁹ We specified the census tracts designated as initial decarbonization zones in Appendix A and provide a map of the initial decarbonization zones in Appendix B. Tract ID numbers refer to 2020 census tracts. Tracts with no gas services are not included. The location of a particular tract ID may be identified by using the "Tracts" option at <https://data.census.gov/advanced> (accessed September 30, 2025).

¹³⁰ The CES percentile ranged from a high of 94th percentile in Turlock to a low of 1st percentile in Berkeley.

decarbonization zones' average asthma rate is at the 58th percentile (slightly above average), some of these zones have some of the highest asthma rates in the state.¹³¹

Given our designation of initial decarbonization zones in environmental and social justice communities and our commitment to updating the decarbonization zones, we find it reasonable to designate a range of initial decarbonization zones in a range of communities. The initial decarbonization zones will enable us to gather information from diverse types of neighborhoods and learn from the experiences of pilot projects.

3.3.3.4. Section 662(a)(1)

We consider whether the initial decarbonization zones contain the presence of disadvantaged or low-income communities in high-temperature climate zones or low-temperature climate zones that disproportionately lack heating or cooling. We agree with Cal Advocates' assertion that this factor is distinct from straightforward identification of environmental and social justice communities in Section 662(a)(2).¹³² We also agree with PG&E that "there are many different credible measures of low-income qualification, and each includes and excludes sometimes significantly different portions of a given population depending on the specific criteria or method."¹³³ Finally, we recognize SoCalGas/SDG&E's point that SB 1221 offers an "opportunity to leverage

¹³¹ The asthma rate percentile ranged from a low of 1st percentile in San Diego to a high of 99th percentile in Oakland.

¹³² Cal Advocates Opening Comments at 6.

¹³³ PG&E Recommendations at 2-3.

learnings from the program in developing future policies around long-term gas planning and alternative investments.”¹³⁴

Accordingly, we did not rely on this factor to further narrow the initial decarbonization zones for two reasons. First, we aim to leverage the most learning opportunities at this early stage. The 142 census tracts designated as initial decarbonization zones represent diverse neighborhoods, including some that may contain disadvantaged or low-income communities in high- or low-temperature climate zones that disproportionately lack heating or cooling. For example, we found that approximately 68 percent of initial decarbonization zones contain low-income households, according to the California Air Resources Board, “List of Priority Populations 4.0 Tool.”¹³⁵

Second, as Cal Advocates and PG&E recognize, consideration of Section 662(a)(1) is distinct from identifying environmental and social justice communities and can be determined by a range of credible measures. While SoCalGas/SDG&E, Cal Advocates, and NRDC/Sierra Club provided resources to inform our consideration, we need additional time, beyond January 1, 2026, to thoroughly assess available resources and further incorporate this factor into our methodology.

As such, we find it reasonable to defer applying this factor until we update the initial decarbonization zones.

¹³⁴ SoCalGas/SDG&E Recommendations at 4.

¹³⁵ See CARB, “List of Priority Populations 4.0 Tool (Excel),” *available at* https://gis.carb.arb.ca.gov/portal/apps/experiencebuilder/experience/?id=5dc1218631fa46bc8d340b8e82548a6a&page=Priority-Populations-4_0.

4. Conclusion

This decision designates initial priority neighborhood decarbonization zones, as required by Section 662(a). A table listing the census tracts that comprise the initial decarbonization zones is included as Appendix A. A map depicting the locations of the initial priority neighborhood decarbonization zones is included with this decision as Appendix B. Within 15 days of the effective date of this decision, PG&E, SoCalGas, and SDG&E shall include the initial priority neighborhood decarbonization zones on their SB 1221 maps, update their map user guides accordingly, and reflect these changes on their SB 1221 webpages. There are no initial decarbonization zones in Southwest Gas's service territory. PG&E, SoCalGas, SDG&E, and Southwest Gas are also required to conduct outreach to community partners, solicit feedback on SB 1221's diversity and equity considerations, and host at least one SB 1221 information session between January 1, 2026 and March 15, 2026.

5. Comments on Proposed Decision

The proposed decision of Commissioner Karen Douglas 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 _____.

6. Assignment of Proceeding

Karen Douglas is the assigned Commissioner and Robyn Purchia and Paula Gruendling are the assigned Administrative Law Judges in this proceeding.

Findings of Fact

1. Section 662(a) requires the Commission to designate decarbonization zones on or before January 1, 2026.

2. Section 662(d) permits the Commission to update the decarbonization zones as necessary following an opportunity for public comment.
3. Decarbonization zones are geographic areas within which the Commission may authorize pilot projects through the Pilot Program.
4. Section 661(a) requires Gas Corporations to include Commission-designated decarbonization zones on maps they submit to the Commission.
5. Gas Corporations provided recommendations on the designation of decarbonization zones.
6. The Commission provided opportunities for public comment on the designation of decarbonization zones.
7. The adopted methodology for designating initial decarbonization zones is reasonably flexible for pilot proposals and provides enough information to facilitate meaningful public and stakeholder comment.
8. Designating the initial decarbonization zones at the census tract level offers flexibility, as a variety of pilot project sizes may fit within them.
9. The Commission considered all factors listed in Sections 662(a)(1)-(4) when designating the initial decarbonization zones.
10. Numerous parties highlighted the importance of local support to designating decarbonization zones.
11. Numerous city and county governments, other government organizations, and non-governmental organizations, representing 891 of California's 9,000 census tracts, are available partners for pilot projects.
12. Supportive communities are more likely to want pilot projects and implement them successfully.

13. Granting local governments' and/or community organizations' requests for broadly designated decarbonization zones within their jurisdiction would fail to provide the public and stakeholders with meaningful information.

14. Numerous parties emphasize the importance of considering gas distribution line projects when designating decarbonization zones.

15. A concentration of gas distribution line projects represents an opportunity for cost savings.

16. Gas replacement project timelines are relevant to project planning and the maps the Gas Corporations submitted to the Commission on July 1, 2025, reflect risk scores representing prioritization for gas replacement.

17. A threshold higher than 10 percent of gas mains scheduled for replacement excludes too many areas with local support, such as Los Angeles locations and Elk Grove.

18. A threshold lower than 10 percent of gas mains scheduled for replacement makes almost all census tracts eligible for designation as a decarbonization zone.

19. In Alameda and San Diego counties, public, governmental, and non-governmental organizations demonstrated strong support for decarbonization at the county and city levels.

20. Alameda and San Diego counties have many census tracts with gas mains scheduled for replacement.

21. Without a 25-census-tract cap on the number of census tracts with local support and a concentration of gas distribution line replacement projects, Alameda County would have 35 additional initial decarbonization zones (18 percent of the total), and San Diego County would have 171 (58 percent of the total).

22. Allowing certain geographic areas to be overrepresented in our decarbonization zone designations would affect our ability to gather information from diverse neighborhoods with varying challenges across different utility service areas.

23. The 25 census tracts chosen in Alameda and San Diego counties contain the highest percentage of gas replacement projects in their counties.

24. The Legislature found that deployment of zero-emission alternatives under SB 1221 should prioritize benefits to disadvantaged and low-income communities.

25. Out of 35 census tracts in Alameda County that fell outside the 25-census-tract cap, six census tracts score in the top 25 percent of CalEnviroScreen 4.0.

26. Out of the 171 census tracts in San Diego County that fell outside the 25-census-tract cap, six census tracts score in the top 25 percent of CalEnviroScreen 4.0.

27. The initial decarbonization zones have an average CES percentile of 51.

28. Asthma rates are one of the indicators that feed into the CES composite score and are a key indicator of health vulnerability.

29. The initial decarbonization zones have an average asthma rate percentile of 58.

30. Our consideration of Section 662(a)(1) is distinct from our consideration of Section 662(a)(2).

31. Numerous resources could inform our consideration of whether decarbonization zones contain the presence of disadvantaged or low-income communities in high-temperature climate zones or low-temperature climate zones that disproportionately lack heating or cooling.

32. Approximately 68 percent of initial decarbonization zones contain low-income households, according to the California Air Resources Board, “List of Priority Populations 4.0 Tool.”

Conclusions of Law

1. It is reasonable to designate the 142 initial decarbonization zones shown in Appendix A of this decision.

2. It is reasonable to commit to updating the initial decarbonization zones.

3. It is reasonable to designate the initial decarbonization zones as census tracts that (1) have available supportive local government or community partners, (2) contain a concentration of gas distribution line replacement projects, and (3) contain a presence of environmental and social justice communities.

4. It is reasonable to require each Gas Corporation to (1) conduct outreach and provide a fact sheet to community partners in diverse geographic locations, including community partners in disadvantaged, low-income, and/or environmental and social justice communities; (2) solicit feedback from local governments, community partners, and/or members of the public on SB 1221’s diversity and equity considerations, including feedback about local environmental hazards, the ability of homes and small businesses in the community to access cooling or heating, and community barriers to access decarbonization; and (3) host at least one SB 1221 information session for government representatives, community organizations, and members of the public in each of their service areas between January 1, 2026, and March 15, 2026.

5. It is reasonable to require each Gas Corporation to use a fact sheet provided by the Commission’s Public Advisor’s Office and designate a point person for supportive government representatives and community organizations

to contact when conducting outreach to community partners and at the SB 1221 information session(s).

6. It is reasonable to require each Gas Corporation to provide an opportunity for attendees to provide oral and written comments.

7. It is reasonable to require each Gas Corporation to comply with the notice requirements described in this decision's Ordering Paragraphs.

8. It is reasonable to require each Gas Corporation to file a Report in the docket of this Rulemaking by April 1, 2026 that details (1) which community partners received the fact sheet; (2) any and all community partners and local governments that expressed interest in participating in SB 1221's decarbonization opportunities; (3) any and all feedback the Gas Corporations received regarding SB 1221's diversity and equity considerations; (4) the date, time, and location of any and all information sessions; (5) documentation that the information sessions were properly noticed; (6) documentation of any and all presentations that were given at the information sessions; (7) a summary of any and all written and oral comments given at the information sessions; and (8) the Gas Corporation's proposal for continuing community outreach efforts beyond April 1, 2026.

9. It is reasonable to anticipate that supportive communities are more likely to want pilot projects and have success implementing them.

10. It is reasonable to deny requests to designate large areas as initial decarbonization zones.

11. It is reasonable to consider all gas replacement projects with risk scores representing later years, *i.e.*, approximately 2028-2035.

12. It is reasonable to narrow the designation of the initial decarbonization zones to census tracts where 10 percent or more of the gas mains are identified for replacement in 2028-2035, so we can be flexible for pilot project proposals and

provide enough information to facilitate meaningful public and stakeholder engagement.

13. It is reasonable to impose a 25-census-tract cap on the number of designated census tracts with a concentration of gas distribution line replacement projects in all counties for the initial decarbonization zones.

14. It is reasonable to expand the initial decarbonization zones in counties impacted by our 25-census-tract cap to include census tracts with environmental and social justice communities.

15. It is reasonable to defer application of the presence of disadvantaged or low-income communities in high-temperature climate zones or low-temperature climate zones that disproportionately lack heating or cooling until we update the decarbonization zones.

16. Given our commitment to updating the decarbonization zones, it is reasonable to designate initial decarbonization zones in a wide range of communities.

O R D E R

IT IS ORDERED that:

1. In compliance with Public Utilities Code Section 662(a), the Commission designates the 142 initial priority neighborhood decarbonization zones, shown in Appendix A to this decision.

2. As required by Public Utilities Code Section 661(a)(3), within 15 days of the effective date of this decision, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company shall each complete the following three tasks: (1) include the locations of the initial priority neighborhood decarbonization zones designated within their respective service areas on their maps; (2) update their map user guides to include information

about the initial priority neighborhood decarbonization zones; and (3) reflect the initial priority neighborhood decarbonization zones on their Senate Bill 1221 webpages. Once the three tasks described in this Ordering Paragraph are complete, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company shall each notify the service list for Rulemaking 24-09-012.

3. Pacific Gas and Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, and Southwest Gas Corporation shall each (1) conduct outreach and provide a fact sheet to community partners in diverse geographic locations, including community partners in disadvantaged, low-income, and/or environmental and social justice communities; (2) solicit feedback from local governments, community partners, and/or members of the public on SB 1221's diversity and equity considerations, including feedback about local environmental hazards, the ability of homes and small businesses in the community to access cooling or heating, and community barriers to access decarbonization; and (3) host at least one Senate Bill 1221 information sessions for government representatives, community organizations, and members of the public in their service areas between January 1, 2026, and March 15, 2026. When conducting outreach to community partners and at the Senate Bill 1221 information session(s), the Gas Corporations shall each use a fact sheet provided by the Commission's Public Advisor's Office and designate a point person for supportive government representatives and community organizations to contact. At the Senate Bill 1221 information session(s), the Gas Corporations shall each provide an opportunity for attendees to provide oral and written comments.

4. Pacific Gas and Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, and Southwest Gas Corporation shall each

comply with the following notice requirements for the Senate Bill 1221 information session(s):

- (a) Customer notifications: (1) Pacific Gas and Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, and Southwest Gas Corporation shall prepare a notice that informs their customers about the Senate Bill 1221 information session, including a summary of Senate Bill 1221, the date, time, and how to participate as a party or a member of the public in this Rulemaking. (2) Pacific Gas and Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, and Southwest Gas Corporation shall prepare the notice in English, Spanish, Chinese, and Tagalog informing their customers of the Senate Bill 1221 information session and provide a draft of the notice to the Commission's Public Advisor's Office. The Public Advisor's Office may alter or require changes to the notice. (3) After the Public Advisor's Office approves the language for the notice, Pacific Gas and Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, and Southwest Gas Corporation shall provide notice of the Senate Bill 1221 information session(s) through direct e-mail communication to those customers where e-mail addresses are available. The subject line of the e-mail notices shall clearly notify the recipient that this is a Senate Bill 1221 information session. The electronic notice shall be sent no more than 30 days or less than 15 days prior to the Senate Bill 1221 information session.
- (b) Newspaper Notifications: Pacific Gas and Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, and Southwest Gas Corporation shall cause the notice approved by the

Commission's Public Advisor's Office to be published in one or more newspapers of general circulation in their general service areas not less than five days before the Senate Bill 1221 information session. Prior to the publishing, Pacific Gas and Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, and Southwest Gas Corporation shall each provide to the Public Advisor's Office a list of the locations where the approved notice will be circulated.

- (c) Social Media, Website, and In-Office Notifications: Pacific Gas and Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, and Southwest Gas Corporation shall each cause the notice approved by the Commission's Public Advisor's Office to be published as follows: (1) on all social media platforms used by Pacific Gas and Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, and Southwest Gas Corporation; (2) on Pacific Gas and Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, and Southwest Gas Corporation's websites in prominent locations; and (3) in all offices located in California where customers come into contact with a company customer service representative.

5. By April 1, 2026, Pacific Gas and Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, and Southwest Gas Corporation shall each file a Report in the docket of this Rulemaking that details (1) which community partners received the fact sheet; (2) any and all community partners and local governments that expressed interest in participating in SB 1221's decarbonization opportunities; (3) any and all feedback the Gas Corporations received regarding SB 1221's diversity and equity considerations;

(4) the date, time, and location of any and all information sessions; (5) documentation that the information sessions were properly noticed; (6) documentation of any and all presentations that were given at the information sessions; (7) a summary of any and all written and oral comments given at the information sessions; and (8) the Gas Corporation's proposal for continuing community outreach efforts beyond April 1, 2026.

6. Rulemaking 24-09-012 shall remain open.

This order is effective today.

Dated _____, at San Francisco, California