BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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04:11 PM
R2504010

Order Instituting Rulemaking for Oversight of Energy Efficiency Portfolios, Policies, Programs, and Evaluation.	Rulemaking 25-04-010 (Filed April 24, 2025)

BAY AREA REGIONAL ENERGY NETWORK, SAN DIEGO REGIONAL ENERGY NETWORK, SOUTHERN CALIFORNIA REGIONAL ENERGY NETWORK AND TRI-COUNTY REGIONAL ENERGY NETWORK COMMENTS ON STAFF PROPOSAL

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January 13, 2026

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Pursuant to the December 1, 2025 Administrative Law Judge's Ruling Providing Notice and Opportunity to Comment on Staff Proposal for Policy on Natural Gas Energy Efficiency Incentives ("Ruling") and the December 19, 2025 Email Ruling Granting Extension of Time to File Comments to December 1, 2025 Ruling, the Bay Area Regional Energy Network ("BayREN"),[1] San Diego Regional Energy Network ("SDREN"),[2] Southern California Regional Energy Network ("SoCalREN")[3] and Tri-County Regional Energy Network ("3C-REN"[4] and,

[1] BayREN serves customers in the nine-county Bay Area region, a region that serves over 7.5 million residents and incorporates urban, suburban and rural populations. BayREN delivers its regional programs solely within Pacific Gas and Electric Company's ("PG&E") service area. BayREN administers regional, equity-based and equity focused programs within the resource acquisition and market support segments as well as one statewide program. BayREN's programs cover the residential, commercial and public sectors as well as codes and standards.

[2] SDREN is a program of San Diego Community Power, a Community Choice Aggregator ("CCA") and the County of San Diego and operates solely within San Diego Gas & Electric's ("SDG&E") service area.

[3] Authorized in 2012 by the California Public Utilities Commission ("Commission"), the SoCalREN provides services to residents, businesses, and public agencies throughout the areas served by Southern California Edison ("SCE") and/or Southern California Gas Company ("SoCalGas"). County of Los Angeles administers the SoCalREN to bring together a wide variety of services with one common goal: achieving unprecedented levels of energy savings throughout Southern California.

[4] 3C-REN serves customers in the Counties of San Luis Obispo, Santa Barbara, and Ventura; 3C-REN's customers receive utility service from PG&E, SCE, and SoCalGas. 3C-REN serves regional needs that were previously not met given the overlapping service territories of the investor-owned utilities ("IOUs") in its region.

together, the "Joint RENs") respectfully submit the following Comments on the draft Energy Efficiency Natural Gas Incentive Phase-Out Staff Proposal, attached as Attachment 1 to the Ruling (the "Staff Proposal").

I. INTRODUCTION AND SUMMARY OF COMMENTS

The Joint RENs thank the Energy Division for their work to advance California's ambitious and vital greenhouse gas reduction, public health and safety policies through development of the Staff Proposal. The Joint RENs support the Staff Proposal's overarching intention to reduce energy efficiency ("EE") incentives for natural gas measures as part of the state's decarbonization and electrification policies, but the current draft needs refinement to better support the needs of customers in the Equity segment[5] and in regions and customer segments with significant barriers to electrification, such as in rural, tribal and disadvantaged communities.

As discussed herein, the Staff Proposal's proposed tests for cost effectiveness and Viable Electric Alternatives ("VEA") – the Participant Cost Test ("PCT") and the Total Resource Cost ("TRC") tests – both fail to adequately address the needs of equity customers and hard-to-reach ("HTR") communities. Changes to such tests, or the use of alternate metrics for evaluating measures in this segment, are necessary to align with Public Utilities Code § 454.56, the

[5] Decision ("D.") 21-05-031 defines the Equity Segment as "Programs with a primary purpose of providing energy efficiency to hard-to-reach or underserved customers and disadvantaged communities in advancement of the Commission's Environmental and Social Justice (ESJ) Action Plan; Improving access to energy efficiency for ESJ communities, as defined in the ESJ Action Plan, may provide corollary benefits such as increased comfort and safety, improved indoor air quality, and more affordable utility bills, consistent with Goals 1, 2, and 5 in the ESJ Action Plan." D.21-05-031, Assessment of Energy Efficiency Potential and Goals and Modification of Portfolio Approval and Oversight Process (May 26, 2021) at 14 (internal citation omitted).

prioritization of decarbonization in disadvantaged communities in Senate Bill ("SB") 1221 (Min 2024)[6] and the Commission's Environmental and Social Justice Action Plan ("ESJ Action Plan").[7]

If the Commission declines to refine its tests to more appropriately address the needs and considerations in these customer segments, at a minimum, the PCT and TRC should not limit incentives to above-code measures, exclude one-time building electrification costs that apply to multiple end uses, and take into account gas rate projections and impacts on low-income customers.

The Joint RENs support the Staff Proposal's direction for Program Administrators ("PA") to begin implementing pilots to incentivize low global warming potential ("GWP") refrigerants and reduce refrigerant leakage and the role of Regional Energy Networks ("RENs") as appropriate implementers of such pilot programs. RENs and their staff are trusted resources, grounded in their local communities. Existing REN programs, such as BayREN's equity-focused Refrigerant Replacement ("BRRR") Program, are already implementing refrigerant management, leak detection and high-GWP refrigerant replacement in hard-to-reach sectors with a hands-on, targeted approach and the use of efficiency incentives. Expanding such existing programs to include enhanced leak detection and increased awareness of the importance of refrigerant recycling in line with the Staff Proposal would be practical and efficient.

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[6] Pub. Util. Code §§660-666.

[7] CPUC, Environmental and Social Justice Action Plan, Version 2.0 (Apr. 7, 2022) ("ESJ Action Plan"), *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.

II. COMMENTS ON STAFF PROPOSAL

A. The Commission Should Refine the Staff Proposal to Better Address the Needs of Equity and Hard-to-Reach Customer Segments.

The Staff Proposal would phase out ratepayer-funded incentives for most natural gas efficiency measures over the next ten (10) years.[8] It applies to measures that are not deemed cost-effective and that have a VEA.[9] This proposal expands upon D.23-04-035 and is aligned with state decarbonization policy and the shift to electrification. The Joint RENs support the overall intention of the Staff Proposal from this perspective.

Yet, the current draft establishes a "one size fits all" approach to phasing out efficiency incentives for gas measures, without giving sufficient consideration and accommodation to disadvantaged communities, environmental and social justice communities, tribes, rural communities and sectors and areas that are notoriously difficult to electrify. Such refinements are necessary to further the requirements in Public Utilities Code § 454.56 to target "all potentially achievable cost-effective natural gas efficiency savings," the Legislature's prioritization of decarbonization in disadvantaged communities in SB 1221, and Goal 1 of the Commission's own ESJ Action Plan, which requires it to "consistently integrate equity and access considerations throughout CPUC regulatory activities."[10]

1. The Staff Proposal's Cost Effectiveness Tests Are Inequitable.

Specifically, the Staff Proposal's proposed tests for cost effectiveness and VEA (the PCT, or, in the alternative, the TRC) *both* fail to adequately address the needs of the equity customer segment and sectors and geographic areas that are notoriously difficult to convert from gas. The

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[8] Staff Proposal at 1.

[9] *Id*.

[10] ESJ Action Plan at 23.

TRC test is problematic for equity customers because it is a utility-centric tool that excludes the very benefits and impacts most relevant to equity communities, such as localized health, safety, reliability, and environmental burdens, and therefore cannot appropriately evaluate the full benefits of measures. The PCT similarly fails to incorporate benefits and impacts associated with non-energy benefits.

First, as the Joint RENs have argued in this and other Commission proceedings, the TRC test is flawed because it reflects only costs the *utility* avoids spending on infrastructure, fuel and GHG compliance costs, and fails to evaluate avoided costs to ratepayers.[11] The bedrock California Public Utilities Code § 452 requirement that utilities provide just and reasonable service is in the context of what is necessary "to promote the safety, health, comfort, and convenience of *its patrons, employees, and the public*" (emphasis added). The evaluation of avoided costs should be from the perspective of ratepayers and the public, not the utility.[12]

Second, the Commission's current cost-effectiveness framework does not adequately account for externalities of the energy system on communities, or the full range of benefits and avoided costs related to serving Equity segment customers.[13] Benefits and costs to ratepayers like reliability and resilience should be considered as part of the cost effectiveness analysis.[14] The

[11] R.22-11-013, Association of Bay Area Governments and County of Ventura Comments on ALJ Ruling (May 12, 2025) at 12, 25.

[12] *Id*. at 25.

[13] *See, e.g.*, Joint Regional Energy Network Comments on Order Instituting Rulemaking (May 19, 2025) at 17; Association of Bay Area Governments, County of Ventura, and Western Riverside Council of Governments Reply Comments on Order Instituting Rulemaking (May 29, 2025) at 3 (citing R.22-11-013 Comments of BayREN and 3C-REN on Avoided Cost Calculator Guiding Principles (May 19, 2025)).

[14] R.22-11-013, Association of Bay Area Governments and County of Ventura Comments on ALJ Ruling (May 12, 2025) at 26.

Social Cost of Carbon, methane leakage, particulate air pollution and associated health impacts and the social discount rate should be taken into consideration, not just utility costs and benefits.[15]

Third, the proposed cost-effectiveness tests inadequately address the differences in costs to provide service and efficiency or electrification measures to the Equity segment, HTR customers[16] and in various locations. From the initiation of this proceeding, RENs have raised the point that resilience and reliability needs are experienced differently by location, and that the Commission's evaluation of VEAs must reflect the needs of different groups of customers based on local economic and reliability factors and regional considerations.[17] The RENs also asserted that cost-effectiveness tests need to incorporate "non-energy benefits and more granular adjustments that reflect local fuel availability, health and air quality benefits and region-specific costs and barriers for electrification or energy efficiency upgrades."[18] As the Association of Bay Area Governments ("ABAG") and the County of Ventura explained in R.24-09-012:

> It does not cost the same amount per therm to serve every gas customer, or every gas line. For example, a replaced gas line may serve very few customers over a long distance or the costs of pipeline replacement could be particularly high given the location of the pipeline. Eventually, these more granular costs will need to be evaluated to determine the cost-effectiveness of pilot projects.[19]

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[15] *Id*. at 26-29.

[16] "HTR customers are defined as facing barriers including tribal status, geography, language, business size, leased/rented facilities, income, and housing type." Association of Bay Area Governments, County of Ventura, and Western Riverside Council of Governments Reply Comments on Order Instituting Rulemaking (May 29, 2025) at 4 n.16.

[17] Joint Regional Energy Network Comments on Order Instituting Rulemaking (May 19, 2025) at 8.

[18] *Id*. at 17 (citing R.22-11-013, ACC Workshop Presentations (Apr. 10, 2025) ("ACC Workshop Presentations") at 88 (IREN Presentation) and 101 (3C-REN Presentation), *available at*: https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/energy-efficiency/ider-cost-effectiveness/april-2025-acc-workshop_ver2.pdf).

[19] R.24-09-012, Comments of Association of Bay Area Governments and County of Ventura on Proposed Decarbonization Zones (Aug. 8, 2025) at 11.

It is well documented that certain locations or housing types may not be able to electrify, or it may be exceedingly difficult and expensive to electrify such sites. For example:

> Homes in rural and disadvantaged areas have unique infrastructure challenges, such as the need for extensive trenching, inadequate amperage at the service panel, unsafe wiring within homes, cost of new appliances, lack of adequate space for new appliances, and other remediation needs that have had to be addressed before the homes can be electrified. As such, [previous pilots] have frequently encountered cost overruns that approved funding was unavailable to assist with […].[20]

Application of inequitable cost effectiveness regimes has failed the Equity and HTR segments. As REN parties previously argued, a "key reason that IOU programs historically have struggled to reach these customers is due to the imperative that the IOUs meet their cost effectiveness threshold. … It takes more time, money, and effort to serve customers who face barriers to participation."[21] To demonstrate this, 3C-REN and BayREN applied Cal Advocates' methodology, which would eliminate all "non-cost effective" programs, to PG&E programs included within their 2024 CEDARS filing. They found that this proposal "would eliminate all Commission Equity and Market Support programs and all 'non-cost effective' Resource Acquisition programs (individually), even ones which would otherwise be part of a cost-effective portfolio of Resource Acquisition programs."[22]

In 2021, the Commission acknowledged that

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[20] A.22-02-005 et al., Comments of Association of Bay Area Governments and County of Ventura on Administrative Law Judge's Ruling Regarding Gas Incentives and Codes and Standards (Sept. 23, 2022) at 4-5 (quoting I.22-09-011, Order Instituting Investigation to Address the Potential Loss of Natural Gas Service for a Portion of the Santa Nella Community (Sept. 21, 2022) at 9 (citation omitted) and noting electric reliability issues in Santa Nella).

[21] Association of Bay Area Governments, County of Ventura, and Western Riverside Council of Governments Reply Comments on Order Instituting Rulemaking (May 29, 2025) at 4 (citing D.19-12-021 at 5, Finding of Fact 10, and the definition of HTR customers in Resolution G-3497 at 63-64, D.18-05-041 at 41-53 and D.23-06-055 at 49-54, Conclusion of Law 33).

[22] R.22-11-013, Association of Bay Area Governments and Ventura County Comments on ALJ Ruling (May 12, 2025) at 22.

> while a TRC ratio appropriately compares the benefits and costs of a program targeted primarily at delivering grid benefits, it may not be the most appropriate tool for judging whether energy efficiency funding was prudently spent on programs which support equity or market support goals.[23]

The Commission's ESJ Action Plan expresses Commission policy to "consistently integrate equity and access considerations throughout CPUC regulatory activities."[24] Even PG&E, SCE, SDG&E, and SoCalGas ("Joint IOUs") have stated that "[e]quity cannot be addressed within cost-effectiveness tests alone."[25] The Joint IOUs argued that the Commission should look to complementary analyses to assess equity within programs.[26] The Equity segment of the EE Portfolio is required to be evaluated under alternative metrics – not the TRC.[27]

Consistent with the legal and policy standards and precedent cited above, the Commission must revise and/or supplement the cost-effectiveness tests to account for the particular needs, costs and benefits experienced in the Equity segment and HTR customers. The Societal Cost Test ("SCT") is an example of a more comprehensive, equitable and inclusive means of determining cost effectiveness, whether there is a VEA and thus incentive eligibility for these segments.[28] However, the SCT as adopted in D.24-07-015 should retain flexibility to be iterated and improved as better methodologies become available to quantify and incorporate factors that are not

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[23] D.21-05-031, Assessment of Energy Efficiency Potential and Goals and Modification of Portfolio Approval and Oversight Process (May 26, 2021) at 13-14.

[24] ESJ Action Plan at 23.

[25] R.22-11-013, DER Cost-Effectiveness Workshop (Apr. 10, 2025) slides presented by Joint IOUs at 37, *available at*: https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/energy-efficiency/ider-cost-effectiveness/april-2025-acc-workshop_ver2.pdf; *see also id*. at 34.

[26] *Id*. at 37.

[27] R.22-11-013, Association of Bay Area Governments and Ventura County Comments on ALJ Ruling (May 12, 2025) at 8, 10.

[28] Joint Regional Energy Network Comments on Order Instituting Rulemaking (May 19, 2025) at 17.

considered currently, such as the non-energy benefits described in Section II(A)(1) above.[29] Decision 24-07-015 adopted the SCT as an information-only test for several reasons, including the potential for inadvertent impacts on affordability, further emphasizing that the SCT should be applied informally for the time being.[30] RENs have also pointed to the California Energy Commission's ("CEC") Order Instituting Informational Proceeding on Non-energy Benefits and Social Costs (Docket No. 24-OIIP-03) as a statewide process to more comprehensively assess costs and benefits of DERs and energy efficiency with a focus on equity.

In sum, neither the TRC nor the PCT are the right means for evaluating cost-effectiveness in the Equity segment and for HTR customers, absent reform. The Commission should maintain flexibility for PAs in the Equity segment to account for non-quantified benefits when determining whether a gas measure should remain eligible for incentives until VEAs are truly cost-neutral for the customer. That said, if the Commission determines to apply the PCT to the VEA determination as proposed by Staff, at a minimum, one-time electrification costs should be excluded, incentives should not be limited to above-code measures and CEC gas rate projections should be taken into account for Equity and HTR customers, as further discussed below.

2. At a Minimum, Cost-Effectiveness Tests Should Exclude One-Time Electrification Costs for the Equity Segment and Equity Customers.

If the Commission declines to refine its tests to more appropriately address the needs and considerations in these segments as outlined above, at a minimum, the PCT and TRC should

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[29] Further details on the incorporation of non-energy benefits in the SCT can be found in R.22-11-013, Western Riverside Council of Governments (WRCOG) on Behalf of the Inland Regional Energy Network (I-REN) on Ruling Seeking Comments from Parties on the Societal Cost Test and Air Quality Research Results (Apr. 27, 2023) at 2-4.

[30] D.24-07-015, Decision Adopting the Societal Cost Test (July 15, 2024) at 23-24; R.22-11-013, Comments of the Southern California Regional Energy Network on Administrative Law Judge's Ruling Seeking Comments from Parties on the Societal Cost Test and Air Quality Research Results (Apr. 28, 2023) at 4.

exclude one-time electrification costs. These costs may include service upgrades, electric panel upgrades, electrical rewiring costs, and additional permitting costs at the building-level, enabling investments that support many present and future uses. The Commission should support both (1) authorizing additional incentives for one-time electrification costs and (2) excluding those same costs from the PCT (or TRC) because these two policy levers serve different purposes within the VEA framework.

The PCT is designed to evaluate the measure-level economics of an electric alternative by comparing ongoing bill impacts and incremental measure costs. Incorporating highly variable, non-recurring structural costs such as panel upgrades, wiring, and service modifications would distort that comparison and undermine the test's ability to assess the underlying cost-effectiveness of the electric measure itself. Including one-time electrification costs within a single measure's cost-effectiveness calculation can make that measure appear artificially expensive, even when it produces long-term bill savings and emissions reductions.

One-time electrification costs are best understood as market barriers, not measure costs, and should therefore be addressed and encouraged through incentive design, equity-focused programs or SB 1221 pilots, where programs can target these structural barriers directly and costs can be shared or amortized across multiple end uses and over time. The Staff Proposal rightfully acknowledges these probabilistic costs in the Opinion Dynamics tool, and can maintain the transparency and tracking of these actual costs by providing guidance to the PAs to leverage the eTRM and reporting platforms to populate these costs outlined in Staff Proposal Section 3.8.

In sum, incentivizing one-time readiness costs while excluding them from the PCT (or TRC, if selected) would preserve a meaningful viability screen and simultaneously enable

customers – especially those facing high upfront infrastructure barriers – to adopt electric alternatives consistent with the VEA proposal's stated intent.

3. For Equity and Hard-to-Reach Customers, Cost Effectiveness Tests Should Measure Actual Savings.

For the Equity segment and HTR customers, cost-effectiveness tests should measure actual savings, not "above-code" savings as the Staff Proposal would.[31] According to the estimates of CEC staff, code compliance rates for existing buildings can be as low as 10–30%.[32] Even permitted projects exhibit large "lost savings" due to installation, design, and documentation gaps.[33] Equity customers are disproportionately affected by below-code conditions, unpermitted work, and constrained building stock. Using code-based or deemed savings overstates benefits and undermines an accurate assessment of customer cost impacts, particularly for disadvantaged communities.

4. Cost Effectiveness Tests Should Account for Future Changes in Gas Rates.

Additionally, the cost effectiveness tests applicable to the VEA should account for projected future changes in energy costs. The Commission should apply the CEC's forward-looking projections of both electricity and gas rates to assess avoided costs of not using a gas measure for cost effectiveness and the VEA determination, rather than rely solely on current IOU rates as put forward in the Staff Proposal.[34] Both the CEC Integrated Energy Policy Report ("IEPR") fossil gas price outlook as well as the Energy Savings Assistance program ("ESA") cost

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[31] *See* Staff Proposal at 6-7.

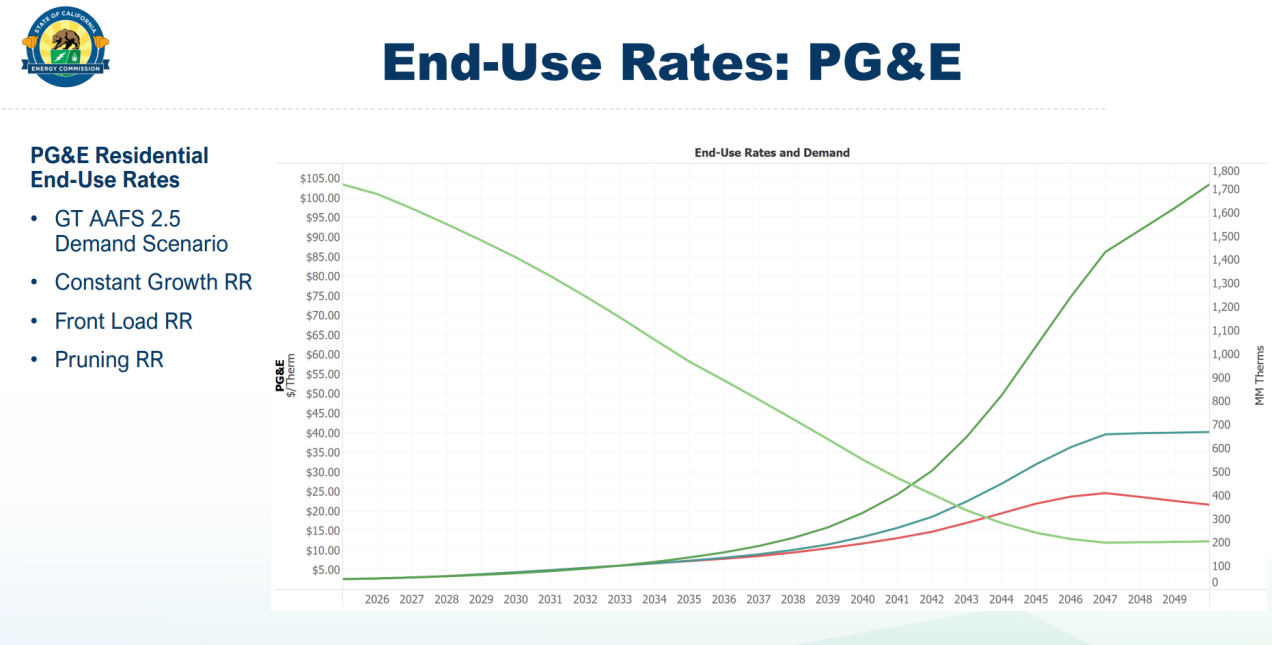
[32] CEC Docket 24-BDST-05, 2025 Energy Code Compliance Initiatives Staff Workshop 1 Slides (Jan. 27, 2025) at slide 13 (Staff Workshop Slides), *available at*: https://efiling.energy.ca.gov/GetDocument.aspx?tn=261312&DocumentContentId=97689.

[33] U.S. Dept. of Energy, Off. of Critical Minerals and Energy Innovation, "Commercial Energy Code Field Study" (Jan. 2023), *available at*: https://www.energycodes.gov/commercial-energy-code-field-study.

[34] *See* Staff Proposal at 17-18.

effectiveness tool ("ESACET") previously adopted by the Commission for ESA annual reports demonstrate that fossil gas rates are expected to dramatically increase as electrification expands and gas demand declines, as shown in Figures 1 and 2, below:

Figure 1 – CEC Fossil Gas End-Use Rate Forecast[35]



[35] CEC Docket No. 25-IEPR-03, CEC, "Gas End-Use Rates" (June 5, 2025) slide 30, *available at*: https://efiling.energy.ca.gov/GetDocument.aspx?tn=264052&DocumentContentId=100744.

Figure 2 – PG&E Program Year 2024 ESA Annual Report - Energy Price Forecasts[36]

ESA Table 9 - ESA Energy Rate Used for Bill Savings Calculations [1]
Pacific Gas and Electric Company
Program Year 2024 Annual Report

Residential Energy Rate Used for Bill Savings Calculations		
Year	$/kWh	$/Therm
2024	0.2281	1.6457
2025	0.4471	3.2260
2026	0.6575	4.7433
2027	0.8594	6.2002
2028	1.0533	7.5992
2029	1.2395	8.9424
2030	1.4183	10.2322
2031	1.5899	11.4706
2032	1.7548	12.6598
2033	1.9130	13.8016
2034	2.0650	14.8979
2035	2.2109	15.9506
2036	2.3510	16.9614
2037	2.4855	17.9320
2038	2.6147	18.8639
2039	2.7387	19.7588
2040	2.8578	20.6180
2041	2.9722	21.4430
2042	3.0820	22.2352
2043	3.1874	22.9958
2044	3.2887	23.7262
2045	3.3859	24.4275
2046	3.4792	25.1009
2047	3.5688	25.7474
2048	3.6549	26.3683

Non-Residential Energy Rate Used for Bill Savings Calculations (MF In-Unit, MF CAM, MFWB)		
Year	$/kWh	$/Therm
2024	0.2178	1.5951
2025	0.4269	3.1268
2026	0.6277	4.5975
2027	0.8205	6.0096
2028	1.0056	7.3655
2029	1.1833	8.6675
2030	1.3540	9.9176
2031	1.5179	11.1180
2032	1.6752	12.2706
2033	1.8263	13.3773
2034	1.9714	14.4399
2035	2.1107	15.4603
2036	2.2445	16.4400
2037	2.3729	17.3807
2038	2.4962	18.2840
2039	2.6146	19.1514
2040	2.7283	19.9842
2041	2.8375	20.7838
2042	2.9423	21.5516
2043	3.0430	22.2889
2044	3.1396	22.9968
2045	3.2324	23.6766
2046	3.3215	24.3292
2047	3.4071	24.9559
2048	3.4893	25.5577

[1] For 2024, this table shows the average costs per kWh and therms of savings measures, respective of their Expected Useful Life (EUL). Costs are calculated using a discount rate of 7.27%.

However, neither of these sources are used in the PCT or TRC, and they are significantly higher than rates used in the Potential and Goals Study and even the PCT or EE business plan applications. Such rate trends must be adequately accounted for in the VEA calculations and assessments. In addition, Equity customers face systematically higher energy burdens and greater exposure to

[36] PG&E PY2024 Low Income Annual Report Tables, Tab ESA Table 9 – ESA Energy Rate Used for Bill Savings Calculations (July 1, 2025), *available at*: https://liob.cpuc.ca.gov/annual-reports/.

future rate volatility. Without explicitly integrating CEC's long-term rate forecasts, the PCT or TRC may mischaracterize the affordability of electrification for these customers – particularly in areas facing steep gas system cost escalation.

B. Program Administrators are the Appropriate Implementors of Refrigerant Leak Detection and Recycling Programs.

The Staff Proposal directs PAs to submit proposals for pilots to address the extremely high GWP of refrigerants.[37] Potential pilot programs mentioned in the Staff proposal include leakage detection and reduction, recycling, contractor training, verification and incentives for recovery/reclamation.[38] The Joint RENs strongly support such refrigerant management efforts, and agree that PAs are the appropriate entities to implement them.

In fact, PAs such as BayREN are already undertaking comprehensive refrigerant education, recovery and management programs. As explained in greater detail in response to the Staff Proposal's questions in Section III(D) below, BayREN's BRRR Program draws on its deep community ties and local know-how to reach small businesses and provide education, training, support and incentives for improved refrigerant management, leak detection and conversion to low-GWP refrigerants. There may not be a need for "new" pilots, but rather expansion of existing programs such as this.

III. RESPONSES TO QUESTIONS FOR STAKEHOLDERS

The Joint RENs respond to several of the specific questions posed in Section 4 of the Staff Proposal below.

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[37] Staff Proposal at 25 (reasoning that refrigerants have the potential to be thousands of times more polluting than carbon dioxide).

[38] *Id*. at 25-26.

A. Equity

1. What other actions should this staff proposal take to encourage electrification among equity customers?

As discussed in Section II(A) above, the Staff Proposal fails to account for and address the particular needs of equity customers. For the reasons discussed in Section II(A)(1), the Staff Proposal's proposed tests for cost effectiveness and VEA fail to adequately address the needs of the Equity segment and HTR customers. By failing to adequately incentivize electrification efforts in this customer segment, the Commission could exacerbate existing inequities in health, safety and economic status of such communities. This gap is inconsistent with the requirement in Public Utilities Code § 454.56 to target "all potentially achievable cost-effective natural gas efficiency savings," the Legislature's prioritization of decarbonization in disadvantaged communities in SB 1221, and the first goal of the Commission's ESJ Action Plan to "consistently integrate equity and access considerations throughout CPUC proceedings and other efforts."[39] Revisions or supplements to such tests are necessary.

Another action the Commission should take to encourage electrification among equity customers is to provide additional incentive support for the one-time costs of electrification in this sector. Such costs include service upgrades, electric panel upgrades, rewiring, and likely additional permitting costs. Without additional incentives and support for fuel substitution and electrification, low-income and customers in disadvantaged communities could end up bearing proportionately higher fuel costs, as gas demand declines in other customer segments. Thus, additional incentives for such one-time upgrades that enable multiple electrification measures should be considered for the Equity segment and HTR customers.

[39] ESJ Action Plan at 23.

In addition, as discussed in Section II(A)(2) above, the one-time costs of building electrification should be excluded from the cost effectiveness tests proposed in the Staff Proposal. Again, one-time electrification upgrades typically electrify multiple end uses, rather than single gas efficiency measures subject to the cost effectiveness and VEA analysis for determining incentive eligibility proposed in the Staff Proposal. This inaccuracy should be addressed, especially in the equity and hard-to-electrify segments. The Staff Proposal rightfully acknowledges these probabilistic costs in the Opinion Dynamics tool, and can maintain the transparency and tracking of these actual costs by providing guidance to the PAs to leverage the eTRM and reporting platforms to populate these costs outlined in Staff Proposal Section 3.8.

B. Fuel Substitution Infrastructure Costs

1. ***Going forward, what other infrastructure or other installation costs (beyond the behind-the-meter costs discussed in this staff proposal) should the CPUC consider in assessing cost effectiveness? Customer-funded utility-side-of-the-meter upgrades? Local permitting costs? Other costs?***

As discussed in Section II(A)(1) above, the particular additional costs associated with electrification and fuel substitution in the Equity segment, and location-specific additional costs, must be considered when evaluating the infrastructure and installation costs for a VEA cost effectiveness test. And as proposed in Section II(A)(2) above, the cost-effectiveness test applied to determine incentive eligibility should *not* include the one-time costs of electrification, as such costs are not specific to any one measure being evaluated.

2. ***What existing data sources should the CPUC use to assess the avoided capital and operating costs of not using a gas measure for the purpose of assessing the Participant Cost for gas and possible VEA measure permutations?***

The Commission should apply the CEC's forward-looking projections of both electricity and gas rates to assess avoided costs of not using a gas measure for cost effectiveness and the VEA determination. The Commission already adopted the ESACET which contains significantly higher

gas retail rate projections than used in Market Rate portfolio applications and evaluation; the CEC and ESACET projections should be used to evaluate VEAs as well. In addition to the well-known projected increases in electricity rates, gas rates are expected to dramatically increase as electrification expands and gas demand declines. Such trends must be adequately accounted for in these calculations and assessments. This is particularly significant in the context of equity customers facing systematically higher energy burdens and greater exposure to future rate volatility.

C. Fuel Substitution Potential Estimated Bill Impacts

1. What level of granularity should the CPUC use for including potential bill impacts related to fuel substitution in assessing cost effectiveness for those measures?

Before the Commission can even consider the *granularity* of data to analyze bill impacts relating to fuel substitution, there first needs to be an accurate mechanism to calculate bill impacts at all. But there is no current, working methodology to calculate bill impacts in the California Energy Data and Reporting System ("CEDARS"). In Resolution E-5351, the Commission directed PAs to collaborate with the CEDARS Reporting Program Collaboration Group ("PCG") to "develop and implement a common methodology all PAs will use for estimating bill savings."[40] As of the filing of these comments, efforts to develop a methodology are still underway.

Before the methodology can even be fully developed and used, RENs, as PAs, need access to the data necessary to calculate bill impacts. At present, however, RENs do not have access to this data. In D.23-02-002, the Commission limited data access to the following program functions, none of which directly allow for the calculation of bill impacts or relate to customer billing:

[40] Resolution E-5351, Clarification and Revisions to Adopted Indicators and Metrics Related to Energy Efficiency Portfolios in Compliance with D.23-06-055 (June 17, 2025) at 10.

- "Customer targeting;
- Customer eligibility checks;
- Execution of the program for enrolled customers;
- Measurement and evaluation; and
- Eliminating participant double-dipping and/or doublecounting of savings (when applicable)."[41]

Further, the Commission limited the specific data required to be shared to the following types:

- "Customer identification, location (physical address), and premise-related, relevant data including but not limited to characteristics such as single-family/multi-family classification, whether the property has a pool, or installed solar;
- Customer energy usage and usage data related to the premise characteristics described above; and
- Customer program participation (when necessary for evaluating customer eligibility)."[42]

RENs, as PAs, cannot calculate bill impacts with this data. In addition, in practice the IOUs do not provide RENs the data within a timely manner, which further impedes the ability to make informed policy decisions.

In sum, the Commission and the Reporting PCG must address this primary data access and methodology problem first. Addressing this threshold issue would allow PAs to estimate bill impacts in CEDARS. Only then could the Commission determine the level of granularity needed when assessing cost effectiveness for these measures.

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[41] D.23-02-002 at 63.

[42] *Id*.

D. Refrigerant Leakage Detection and Mitigation, and Low-GWP Refrigerant Programs

1. Are PAs the appropriate implementors of refrigerant leakage detection, reclamation/recycling programs? If not, who is?

Yes, PAs are the appropriate implementors of refrigerant leakage detection and recycling programs. Several PAs, including BayREN, already administer, market, and implement refrigerant programs serving the small commercial sector. With established programmatic infrastructure and trusted community-based messengers in place, expanding these existing offerings to include refrigerant leak detection and recycling would be both cost-effective and rapidly scalable. These initiatives would also benefit the programs by serving as effective recruitment tools, helping to attract additional participants and contractors, thereby expanding the number of businesses served.

a. Existing BayREN Refrigerant Replacement Program

i. Program Goals & Overview

The BayREN Refrigerant Replacement ("BRRR") Program is an innovative, equity-focused initiative within BayREN's portfolio designed to reduce GHG emissions through proactive refrigerant management and energy efficiency measures. The program provides financial and technical assistance to small and hard-to-reach businesses, operating "small" commercial refrigeration systems – with 50 pounds or less of refrigerant. Eligible participants include restaurants, bars, grocery and convenience stores, commercial and community kitchens, food storage warehouses, and floral distribution and retail facilities.

The BRRR Program has two (2) goals: reduce GHG-emissions through proactive refrigerant management and increase energy affordability through energy efficiency retrofits. Refrigerant management begins by offering incentives to identify and repair refrigerant leaks, replace high–environmental impact refrigerants with a Global Warming Potential ("GWP") greater than 1,800, and conduct basic tune-ups and small repairs.

The BRRR Program focuses on refrigerant gas exchanges. Based on prior implementation experience, program staff understand that many small and hard-to-reach businesses continue to use high-GWP refrigerants due to cost considerations, even though mid-GWP and low-GWP alternatives are available.

Program staff also recognize that refrigerant leakage is common across these small systems. Leakage rates are not well documented, however, and because refrigerants are colorless and odorless, detecting leaks in these businesses typically requires manual inspection. Further, due to space constraints, some refrigerant fittings are installed behind finished walls and ceilings making manual detection impractical. Also, leakage rates can vary significantly by refrigerant types.

To improve energy affordability, each project is required to install at least one (1) energy efficiency measure tailored to the specific needs of the business's refrigeration system. This requirement is set by the Commission because the BRRR Program uses energy efficiency funds. Accordingly, projects may not consist solely of refrigerant gas exchanges, leak repairs, or tune-ups; each project must include at least one (1) qualifying energy efficiency measure.

Recognizing the logistical and cost challenges associated with refrigerant transportation and recycling in the Bay Area—including the limited number of regional recycling facilities, the common practice of storing refrigerants on-site until containers are full, and the lack of resale value for contaminated refrigerants—the BRRR Program partially offsets these costs. Transportation and recycling of reclaimed refrigerants are therefore considered eligible measures under the Program.

ii. The Importance of BayREN Staff and Community Outreach in Implementing Refrigerant Programs

Small businesses – such as corner stores, markets, and community kitchens – require targeted outreach by credible messengers, which can be time-consuming and resource-intensive. BayREN members, as local governments, already have trusted relationships with community organizations and work with licensed refrigeration contractors, allowing these programs to leverage established networks. By collaborating with community-based organizations, BayREN also enhances program credibility, encouraging more businesses to participate and resulting in increased adoption of recycling and leak detection systems.

For example, BayREN staff use a hands-on approach to advance the goals of the BRRR Program and work closely with small businesses. In the BRRR Program, each business is assigned a BayREN Building Performance Advisor ("BPA") who works with them throughout participation. The BayREN BPA is an environmental specialist who serves as a dedicated and trusted resource to help participants maximize energy savings and achieve meaningful reductions in GHG emissions. The BayREN BPA is a trusted advisor to assist participants in navigating through project details.

At the conclusion of each completed project, BRRR staff provide a brief educational orientation to promote long-term refrigerant management practices. This orientation covers refrigeration system fundamentals, basic do-it-yourself maintenance practices and recommended service intervals, and guidance on when professional technical assistance is required.

As part of the incentive application closeout process, BRRR staff ensure responsible recycling or destruction of reclaimed refrigerants. The Program requires participating refrigeration contractors to provide documentation demonstrating that refrigerants removed from each system are properly disposed of.

These relationships exemplify how BayREN, as a community-grounded PA, is an ideal implementor of the refrigerant pilot programs.

iii. Future BayREN Refrigerant Program Goals Are Aligned with Staff Proposal Pilots

BRRR staff are currently laying the groundwork to support a transition to providing incentives for low- and no–GWP, or natural, refrigerants in the region's small and hard-to-reach businesses by 2027. This full transition will significantly advance the Program's objective of reducing refrigerant-related GHG emissions, while the associated energy efficiency improvements will further enhance energy affordability.

With BRRR's experience and existing implementation infrastructure in place, expanding refrigerant management efforts to include enhanced leak detection and increased awareness of the importance of refrigerant recycling is both practical and efficient. This integrated approach would increase public benefits, streamline program deployment, and maximize the overall impact of proactive refrigerant management. Finally, BRRR staff are exploring whether the destruction of refrigerants could generate revenue to support additional projects through the issuance of environmental credits. Additional funding, however, is needed to fully evaluate the feasibility and potential effectiveness of this approach.

Additionally, existing small commercial refrigerant programs can use leak detection as a tool to recruit participants. Leak detection provides direct benefits to small businesses by preventing product spoilage, reducing compressor overwork, and lowering energy costs. BayREN views this measure as part of a comprehensive refrigeration improvement program that must include energy efficiency, which is the primary reason businesses participate in programs like the BRRR Program.

In sum, PAs, and in particular, RENs, are well-positioned to lead refrigerant leak detection and recycling. BayREN's BRRR Program, for example, has the infrastructure, staff, community connections, funding for refrigerant handling, and capabilities for reporting first-year and lifecycle GHG emissions. Adding leak detection can expand project participation, making BRRR ready to scale this initiative quickly.

2. How should pilot programs use EE incentives to encourage refrigerant recycling and the use of low-GWP refrigerants be set up?

The need for *new* pilot programs to encourage refrigerant recycling or the use of low- and no-GWP refrigerants and encourage refrigerant recycling is not apparent because the BayREN BRRR Program – and similar programs – are already doing this. In fact, the BRRR Program plans to only provide incentives for low- and no-GWP natural refrigerants by 2027. Currently, the program is financially encouraging recycling by allowing reclamation as an incentive-eligible measure. Rather than piloting new programs, the Commission should consider allocating more funding to programs like BRRR to accelerate adoption of low- and no-GWP refrigerants *before* 2027, while continuing to ensure responsible disposal of evacuated refrigerants. Given pending legislation that could affect small and hard-to-reach businesses – and the existing challenges in serving these customers – timely support is critical.

The climate impacts of refrigerants are well documented, and as a result, regulatory bodies are acting to bring about industry changes. For example, under the American Innovation and Manufacturing ("AIM") Act, the U.S. Environmental Protection Agency ("EPA") is phasing down production and consumption of high–GWP hydrofluorocarbons ("HFCs") in the U.S. by 85% by 2036 relative to baseline levels. Beginning in 2025, restrictions on high-GWP HFCs in specific sectors – such as refrigeration and air conditioning – were scheduled to take effect, encouraging the industry to adopt lower-GWP alternatives. Although the EPA has recently suspended these

restrictions and is revisiting the phase down timeline, total use of high-GWP refrigerants is still expected to fall significantly over the next decade, even though demand for mechanical cooling is expected to grow substantially in an increasingly hotter climate.

Without generous incentives, typically covering over 70% of project costs, small and hard-to-reach businesses will continue to face knowledge, space, and cost barriers that limit adoption of environmentally friendly refrigerants, even if regulations require them to. Common barriers that have historically limited these types of businesses from participating in energy efficiency programs are amplified in this context due to more complex regulations, potential for decision-maker confusion, and higher costs.

Small and hard-to-reach businesses face several significant challenges. Many decision-makers lack awareness of regulations and the best refrigerant choices for their operations. Even when they are informed about available options, they often do not have a trusted advisor to guide them in selecting refrigerants and systems that are both compliant and cost-effective. Often, they are juggling multiple business priorities. The role of the BayREN BPA in the BRRR Program, as discussed above, is to provide reliable, impartial resource to help navigate technical refrigeration information.

The most significant barrier for small and HTR businesses is lack of capital. Compared to conventional commercial systems and refrigerants, low- and no-GWP systems can be expensive and often require entirely new equipment rather than simple retrofits. For instance, systems using R-290 refrigerant (GWP = 3) generally employ a monoblock or unitary design, which attaches directly to walls or ceilings within refrigerated spaces, unlike traditional remote systems located in basements, alleys, or rooftops. Many small and hard-to-reach businesses, particularly in dense urban areas, lack the necessary clearances for these systems. Installation may also involve

additional engineering work, as contractors frequently need to perform design-build services to accommodate space constraints.

While low- and no-GWP refrigerants may not significantly improve energy efficiency on their own, they can create opportunities for meaningful secondary benefits. By requiring an EE measure alongside refrigerant projects, businesses can implement upgrades such as improved door gaskets and closers, high-efficiency fan motors, and demand response capabilities. In some cases, this could extend to other improvements, like interior or exterior lighting, delivering additional energy savings. Applying BRRR Program's standing policy of requiring at least one (1) EE measure to other pilots or programs could unlock broader efficiency opportunities and maximize the overall value of public investments.

3. ***Should contractors be offered incentives for documenting refrigerant reclamation, how much should be offered or how should a documentation incentive be determined?***

Offering additional incentives solely for documenting refrigerant reclamation adds administrative complexity and cost. Instead, the BRRR Program uses a flat-fee approach, providing incentives that cover 80% of eligible measure costs – including the responsible disposal of reclaimed refrigerants. Program staff found that for mostly small projects, this flat-rate method is more efficient and simpler to administer.

For documentation, participating contractors submit an attestation reporting the pounds and type of refrigerant evacuated from each retrofitted system, along with the equipment type. Annually, contractors must also provide invoices to program staff to substantiate that the reclaimed refrigerant was received by a certified facility. Contractors do not go to the recycling facility after each job. Proof of disposal is provided annually because, for efficiency, contractors often store

reclaimed refrigerants and transport them to a certified facility in batches when the canisters are full, which is more efficient.

4. Should contractors be offered above market price for returning refrigerants that are deemed to be contaminated? If yes, how should this additional price be determined?

See response above. If a program covers the cost of refrigerant recovery and recycling, there is no need to also offer above-market prices for returning contaminated refrigerants. For example, programs like BRRR already provide incentives for refrigerant reclamation, regardless of contamination level. While heavily contaminated refrigerants require contractors to pay a fee for proper disposal, this does not alone justify offering above-market compensation. This is because (i) reclaimers pay contractors for non-contaminated refrigerants they accept; (ii) refrigerant recycling is legally required; and (iii) many programs, including BRRR, allow contractors to include reclamation costs within the incentive-eligible project scope. The combination of factors make additional incentives unnecessary.

E. VEA Cost Effectiveness

1. Should VEA measures use TRC or PCT for evaluating cost effectiveness?

Neither the Staff Proposal's new proposed PCT, nor the existing TRC tests for cost effectiveness, are adequate when applied to the Equity segment and should not be applied in that context. Further, it is essential to measure actual savings, not "above code" savings, and it is critical to consider the gas and electricity energy rate trajectories projected by the CEC.

First, for the reasons more extensively set forth in Section II(A)(1) above, while Staff proposes the PCT as the preferred test for determining whether a VEA exists, both tests are flawed in that they are structured from the perspective of utility costs and benefits, rather than ratepayer costs and benefits, and depend on modeled savings and rate assumptions that are highly uncertain

and often inapplicable for equity customers, who often experience atypical load shapes,[43] code compliance challenges, and installation barriers. The PCT does not capture non-energy burdens that are highly relevant to equity customers, including installation complexity, risks from non-compliant construction, limited access to contractors, financing constraints, and the additional costs associated with operating in older or substandard housing. The TRC, by contrast, captures system-level benefits, but is not designed to evaluate customer-level affordability or fuel-substitution risks. For these reasons, neither the PCT nor the TRC alone is sufficient for determining VEAs within the equity segment.

Second, it is essential to measure actual savings, not "above-code" savings, when evaluating VEA cost-effectiveness. As the Staff Proposal itself details, modeled performance often departs substantially from realized performance. Code compliance rates for existing buildings can be as low as 10–30%,[44] and even permitted projects exhibit large "lost savings" due to installation, design, and documentation gaps.[45] Equity customers are disproportionately affected by below-code conditions, unpermitted work, and constrained building stock. Using code-based or deemed savings overstates benefits and undermines an accurate assessment of customer cost impacts.

Third, net-to-gross ratios ("NTG") should be re-examined, in particular, for equity and HTR customers. In response to the Draft Resolution E-5350 approving the Database for Energy-Efficient Resources ("DEER") for Program year 2026-27 and a revised version for Program Years

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[43] Page 17 of the Staff Proposal explains that the Customer Electrification Estimator models different customer groups, building types, vintages, fuel types, and climate zones. Page 17 further explains the load shape-based categories which includes single-family homes, multi-family homes, climate zones, and market rate vs CARE/FERA customers.

[44] CEC Docket 24-BDST-05 Staff Workshop Slides at slide 13.

[45] U.S. Dept. of Energy, Off. of Critical Minerals and Energy Innovation, "Commercial Energy Code Field Study" (Jan. 2023), *available at*: https://www.energycodes.gov/commercial-energy-code-field-study.

2024 and 2025,[46] parties noted that small sample sizes and outdated data inaccurately describe the realities, challenges and stranded savings of electrification readiness and envelope measures.[47] Although envelope improvements are considered "exempt measures," these are often adopted in tandem or as a prerequisite for appliance-based fuel substitution measures. Considering the NTG of these measures out of context inappropriately ignores the influence of program efforts to unlock additional electrification measures – neither of which would be performed without program intervention.

For example, measure SWBE006 for residential wall and ceiling insulation has a NTG ratio of 0.28. Significantly reducing the savings from envelope measures by 72% leaves all envelope measures as an infeasible measure for PAs to include in program design. Furthermore, at least the last two Potential and Goals Studies contain zero cost effective envelope measures, due to the NTG ratio, and the highly stringent baseline in Title 24. Without the acknowledgement of the relationship between electrification and passive envelope, the severe NTG discounts to envelope measures will continue to stifle customer adoption of electrification, and also result in larger capacity appliances being installed than otherwise needed. Therefore, revisiting the NTG of 1.0 for electrification readiness measures, including envelope interventions, for the Equity segment and HTR customers would support the intent of the Staff Paper in alignment with California's energy efficiency, decarbonization and ESJ-related laws and policies.

Finally, cost-effectiveness analyses for equity customers must incorporate the gas and electricity rate trajectories projected by the CEC, rather than rely solely on current IOU rates as

[46] Draft Resolution E-5350, Approval of the Database for Energy-Efficient Resources Updates for Program Year 2026-2027 and Revised Version for Program Years 2025 and 2024 (Dec. 19, 2024).

[47] R.13-11-005, Comments from Local Government Sustainable Energy Coalition (LGSEC) on Resolution E-5350 DEER2026 Update Draft (Dec. 4, 2024) at 2; Comments of Willdan on Draft Resolution E-5350 (Dec. 4, 2024) at 2-3.

put forward in the Staff Proposal.[48] Equity customers face systematically higher energy burdens and greater exposure to future rate volatility. Without explicitly integrating CEC's long-term rate forecasts, the PCT or TRC may mischaracterize the affordability of electrification for these customers – particularly in areas facing steep gas system cost escalation.

Accordingly, the Joint RENs recommend that the Commission:

- Rather than simply applying the PCT as-is, develop an equity-appropriate refinement or companion metric variant that adjusts for known code-compliance gaps, non-energy barriers, and structural inequities that materially influence customer costs and benefits.
- Require the use of measured or measurement-adjusted savings, not above-code or modeled savings, when assessing VEA cost-effectiveness for equity customers.
- Incorporate CEC-projected gas and electric rate trajectories into the VEA cost-effectiveness methodology to better reflect lifetime bill impacts.
- Maintain flexibility for PAs in the equity segment to account for non-quantified benefits when determining whether a gas measure should remain eligible for incentives until VEAs are truly cost-neutral for the customer.
- Accommodate these changes as placeholder fields in the eTRM and CEDARS as outlined in Section 3.4 of the Staff Proposal, and update Section 3.8 of the Staff Proposal to direct the eTRM to include a measure permutation field for non-energy impacts.
- Revisit the NTG of 1.0 for electrification readiness measures, including envelope interventions, for the Equity segment and HTR customers.

[48] *See* Staff Proposal at 17 and 18.

Such revisions to the Staff Proposal would ensure that VEA determinations in the Equity segment reflect real savings, real costs and real customer conditions, rather than optimistic models that may not hold for disadvantaged communities. This approach would carry out the intent of the Staff Paper in a manner that is aligned with California's energy efficiency, decarbonization and ESJ-related laws and policies.

2. Should other cost-effectiveness criteria be considered?

As discussed in Section II(A)(1) above, the ESJ Action Plan expresses Commission policy to integrate equity and access throughout the Commission's regulatory efforts.[49] Consistent with this policy, the Commission must revise and supplement the VEA cost-effectiveness tests to account for the particular needs, costs and benefits experienced in the Equity segment and HTR customers. The Societal Cost Test is an example of a more comprehensive, equitable and inclusive means of determining cost effectiveness, whether there is a VEA and thus incentive eligibility for these segments.[50] However, as noted earlier in these comments, the SCT is still in need of refinements and revisions to accurately account for benefits associated with distributed energy resources, including EE. As noted above, the CEC's Order Instituting Informational Proceeding on Non-energy Benefits and Social Costs (Docket No. 24-OIIP-03) is attempting to more comprehensively assess costs and benefits of DERs and energy efficiency with a focus on equity. Once a methodology and values for such impacts are adopted, the Commission should integrate these outcomes as an input to VEA calculations as part of the re-evaluation process outlined in Section 3.8 of the Staff Proposal. Finally, as argued in Section II(A)(2) above, if the Commission

[49] ESJ Action Plan at 23.

[50] Joint Regional Energy Network Comments on Order Instituting Rulemaking (May 19, 2025) at 17.

instead determines to apply the PCT to the VEA determination as proposed by Staff, at a minimum, one-time electrification costs that serve multiple end uses within a building should be excluded.

F. VEA Methodology and Assessment

1. Do you agree with the proposed VEA methodology? If not, what should be added or changed?

In addition to the other concerns raised above, the Commission should coordinate VEA methodology development in the Staff Proposal with deliberations and considerations being undertaken in Rulemaking 24-09-012 regarding SB 1221. The VEA Staff Proposal applies a narrow, measure-by-measure PCT screen to determine whether to discontinue individual gas efficiency incentives, while SB 1221 provides: "Deployment of zero-emission alternatives should prioritize benefits to disadvantaged and low-income communities and include tenant protections."[51] These California PUC-jurisdictional building decarbonization efforts should be aligned.

SB 1221 directs the Commission to designate priority neighborhood decarbonization zones by prioritizing benefits to disadvantaged and low-income communities, consideration of the concentration of gas distribution line replacement projects, and evaluation of zero-emission alternatives relative to the replacement or continued operation of gas system assets.[52] SB 1221 requires the Commission to pursue coordinated, neighborhood-scale gas system decommissioning and electrification.[53] SB 1221 also requires cross-utility and local government coordination in

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[51] SB 1221, Section 1(a)(7).

[52] Pub. Util. Code §§ 662, 663; *see also* § 660 (defining "Zero-emission alternatives" as "methods of providing gas customers with suitable substitute energy service that does not require new investment in gas distribution lines, including, but not limited to, electrification of gas end uses and energy efficiency, thermal energy networks, and demand flexibility measures to alter energy needs.").

[53] Pub. Util. Code § 662(b), (c); § 663.

implementing electrification pilots and authorizes relieving gas corporations of their service obligations once customers have transitioned.[54] Finally, SB 1221 also acknowledges that "[w]ithout active planning and management, reduced demand for natural gas will result in higher gas rates, with a disproportionate burden on vulnerable customers."[55]

By contrast, the VEA methodology is narrowly focused on the cost-effectiveness of individual measures and does not incorporate zone-based, customer segment-based, infrastructure-based, or community-level considerations. The Commission should ensure its VEA efforts in this docket align with the coordinated, neighborhood-scale electrification and gas system retirement framework mandated by SB 1221 to avoid negative impacts to equity communities that could result from ending gas incentives absent the systemic considerations R.24-09-012 is examining. The Commission should also incorporate protections against higher gas rates and of vulnerable customers from unintended impacts of electrification as it finalizes the VEA staff proposal. Finally, the Commission should also coordinate with the R.24-09-012 proceeding, as it relates to funding of zero emission alternatives (*e.g.*, repurposing funds from savings yielded from ceasing gas line operation and maintenance to fund electrification and appliances), as similar approaches could be adapted or otherwise intersect with the VEA efforts that flow from the final VEA Staff Proposal.

IV. CONCLUSION

The Joint RENs thank the Commission for the opportunity to provide comments and responses to Energy Division's questions on the Staff Proposal. The Joint RENs urge the Commission to revise the Staff Proposal to align with California law and policy supporting and prioritizing decarbonization in disadvantaged communities, and taking into the account the costs

[54] Pub. Util. Code § 663(b)(7).

[55] SB 1221, Section 1(a)(3).

and needs of such action in an equitable and inclusive manner. The Joint RENs also strongly support the implementation of refrigerant management by PAs, including RENs.

Respectfully submitted,

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January 13, 2026