



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

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Order Institution Rulemaking for Oversight of Energy
Efficiency Portfolios, Policies, Programs, and
Evaluation.

**REPLY COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY
(U 902 M) ON STAFF PROPOSAL FOR POLICY ON NATURAL GAS ENERGY
EFFICIENCY INCENTIVES**

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TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	DISCUSSION	1
A.	SDG&E Believes that Fuel Substitution Measure Costs Require Further Review	1
B.	SDG&E Recommends the Customer Electrification Estimator Tool Be Adequately Reviewed Before Implementation of a Viable Electric Alternative (VEA) Methodology	2
C.	SDG&E Does Not Believe the Participant Cost Test (PCT) is Currently Suitable for Making Portfolio-Level Decisions.....	4
D.	SDG&E Disagrees that PAs are Appropriate Implementers of Refrigerant Leakage and Reclamation/Recycling Programs and Recommends any Pilot be Optional	5
E.	SDG&E Argues that if Pilots are Deemed Necessary, They Should be Able to Claim TSB	6
III.	CONCLUSION.....	8

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I. INTRODUCTION

Pursuant to Rule 6.2 of the California Public Utilities Commission (Commission or CPUC) Rules of Practice and Procedure and the Administrative Law Judge's Ruling Providing Notice and Opportunity to Comment on Staff Proposal for Policy on Natural Gas Energy Efficiency Incentives (Ruling), dated December 1, 2025, San Diego Gas & Electric Company (SDG&E) hereby submits these Reply Comments on the Staff Proposal.¹

II. DISCUSSION

A. SDG&E Believes that Fuel Substitution Measure Costs Require Further Review

Initially, SDG&E assumed typical basic costs for connecting fuel substitution measures are included in measure packages.² However, from a consistency perspective, Pacific Gas and Electric Company (PG&E) believes that it is necessary to "document costs and assumptions

¹ On December 18, 2025, and pursuant to Rule 11.6, The Utility Reform Network (TURN) requested an extension of time for both Opening and Reply Comments on the foregoing Ruling. On December 19, 2025, ALJ Kao granted the one-week extension requiring Comments by January 13, 2026, and Reply Comments by January 23, 2026. As such, SDG&E's Reply Comments are timely filed/served.

² Opening Comments of San Diego Gas & Electric Company on Staff Proposal (January 13, 2026) (SDG&E Opening Comments) at 3.

more consistently to make the costs more identifiable.”³ From an accuracy perspective, Southern California Gas Company (SoCalGas) believes, “[m]easure package labor and material costs substantially undermine the cost of wiring and labor for fuel substitution measure packages and do not include other costs, such as building repairs (i.e. stucco, drywall).”⁴ Given the inconsistencies that Parties have identified in Opening Comments, SDG&E believes further review of these costs, as part of a future cycle of measure package updates, is warranted.

B. SDG&E Recommends the Customer Electrification Estimator Tool Be Adequately Reviewed Before Implementation of a Viable Electric Alternative (VEA) Methodology

SDG&E argues that to provide applicable and meaningful responses, Parties first need access to the Customer Electrification Estimator tool. Without additional information and the opportunity to review and provide feedback, comments are premature. Parties agree that the Customer Electrification Estimator tool should be adequately reviewed before legitimate comments on the staff proposal can be made. For instance, The Utility Reform Network (TURN) “recommends that Staff provide additional detail regarding the VEA methodology.”⁵ Enervee Corporation, a company with direct market experience, provides several perceived gaps in the VEA methodology, including the addition of market readiness criteria, stating, “[m]ore detail is needed on the initial, high-level screen, including defining screening criteria, data sources, and procedures. A more comprehensive VEA market readiness screen should be

³ Opening Comments of Pacific Gas and Electric Company on Administrative Law Judge’s Ruling Providing Notice and Opportunity to Comment on Staff Proposal for Policy on Natural Gas Energy Efficiency Incentives (January 13, 2026) (PG&E Opening Comments) at 4.

⁴ Southern California Gas Company’s Comments to Administrative Law Judge’s Ruling Providing Notice and Opportunity to Comment on Staff Proposal for Policy on Natural Gas Energy Efficiency Incentives (January 13, 2026) (SoCalGas Opening Comments) at 5.

⁵ Comments of The Utility Reform Network on Staff Proposal for Phase Out of Natural Gas Energy Efficiency Incentives (January 13, 2026) (TURN Opening Comments) at 9.

developed, with indicators that draw on work done by CalMTA and other statewide market transformation efforts.”⁶

Additionally, both PG&E and SoCalGas provide procedural recommendations. PG&E suggests, “the Commission allow parties to submit revised responses to the Ruling at later date, following the public release and review of the final version of the Customer Electrification Estimator tool that is a key component of the Staff Proposal, and whose bill impact outputs were used as inputs in the PCT for VEA determination.”⁷ Similarly, SoCalGas recommends, “the CPUC (1) release the [Customer Electrification Estimator] tool with full documentation, (2) host a workshop demonstrating its functionality, and (3) provide a formal review comment period.”⁸ Further, SoCalGas suggests, “[f]ollowing the release, a stakeholder working group be convened to translate the tool’s outputs into a standardized PCT methodology before the Commission adopts final VEA procedures.”⁹

As such, the record demonstrates that multiple Parties have raised substantive concerns regarding the Customer Electrification Estimator tool, providing well-reasoned critiques and justifications that warrant careful consideration. Given the breadth and validity of these issues, SDG&E argues that the Commission should take additional steps to ensure that stakeholders are meaningfully engaged throughout the refinement process. Doing so will help safeguard the accuracy, transparency, and practical usefulness of the final tool, ultimately supporting more equitable and effective electrification outcomes across the state.

⁶ Comments of Enervee Corporation on the Phase 2 EE Natural Gas Incentive Phase-Out Staff Proposal (January 13, 2026) (Enervee Opening Comments) at 15.

⁷ PG&E Opening Comments at 10.

⁸ SoCalGas Opening Comments at 2, n.2.

⁹ *Id.*

C. SDG&E Does Not Believe the Participant Cost Test (PCT) is Currently Suitable for Making Portfolio-Level Decisions

As discussed above, it is important to provide more detailed information on the Customer Electrification Estimator tool and the mechanics of calculating PCT prior to adopting PCT in any VEA procedures. However, Opening Comments raise flags on the suitability of the PCT as a metric for making portfolio-level decisions, more broadly.¹⁰ As noted previously, it is much simpler and more reasonable to utilize the Total Resource Cost (TRC) test, an established metric, which is better understood by stakeholders within the EE portfolio.¹¹

For example, the Staff Proposal states, “[u]sing results from the 2023 Potential and Goals Study, staff analyzed the potential change in measures that passed the cost-effectiveness criteria for both the PCT and TRC. Using the PCT, 29% of applicable measures passed the PCT cost-effectiveness at 1.0 or greater, whereas 13% of applicable measures passed the TRC with a ratio of 1.0 or greater.”¹² However, when TURN compared TRC and PCT results using the 2025 Potential and Goals Study data, the results contradicted Staff’s assertion that “[u]sing the PCT allows for more viable electric measures compared to the Total Resource (TRC) test.”¹³ Instead, TURN’s preliminary analysis found, “the number of fuel substitution measures that pass the TRC threshold of 1.0, based on the 2025 Potential and Goals Study data, is much higher than the

¹⁰ SoCalGas Opening Comments at 18 (asserting “[t]reating the PCT as a single, averaged metric that purports to represent individual customer costs is an - oversimplification that could lead to misguided decision making.”); *see also* Enervee Opening Comments at 12 – 13 (noting “a PCT \geq 1.0 calculated over a 20-year equipment lifetime is not a strong indication that a VEA will be viable in the marketplace. Several factors cause the PCT to diverge from actual custom decision-making.”).

¹¹ SDG&E Opening Comments at 10 – 11.

¹² Staff Proposal at 9.

¹³ TURN Opening Comments at 5 (citing Staff Proposal at 2 and 9).

number that pass the PCT.¹⁴ This finding raises concerns about whether PCT is overly sensitive to changes in input parameters and robust enough for portfolio-level decision making.

Additionally, introduction of the PCT, which has yet to be demonstrated as a reliable portfolio or measure-level metric, adds another layer of complexity because implementation of the PCT would require updates to policy guidance, development of calculation methods and tools, and additional technical work that would require regular updates. This adds technical workload to an already complex and burdensome task of developing and maintaining measure packages. As such, SDG&E does not believe the PCT is currently suitable for making portfolio-level decisions.

D. SDG&E Disagrees that PAs are Appropriate Implementers of Refrigerant Leakage and Reclamation/Recycling Programs and Recommends any Pilot be Optional

Several Parties suggest that Program Administrators (PAs) are appropriate implementers of refrigerant leakage and reclamation/recycling programs.¹⁵ However, as stated, SDG&E disagrees and believes that other industry experts are better suited to implement these programs under the current policy structure.¹⁶ Small Business Utility Advocates (SBUA) suggests that each PA be given the option to determine whether they have the professional expertise and capability to implement refrigerant leakage detection and reclamation/recycling programs, or

¹⁴ *Id.* at 6.

¹⁵ Opening Comments of Marin Clean Energy on Administrative Law Judge’s Ruling Providing Notice and Opportunity to Comment on Staff Proposal for Policy on Natural Gas Energy Efficiency Incentives at 7 (stating, “MCE submits PAs can be excellent implementers of refrigerant leak detection, reclamation and recycling programs.”); *see also* Opening Comments of Peninsula Clean Energy Authority on Staff Proposal for Policy on Natural Gas Energy Efficiency Incentives at 10 (noting, “PCE supports the Staff Proposal that the Commission direct PAs to submit proposals for pilot programs focused on contractor training, refrigerant handling practices, and refrigerant leakage detection and reduction.”).

¹⁶ SDG&E Opening Comments at 5 – 6 (stating, “SDG&E does not believe that PAs are the most appropriate implementors of refrigerant leakage detection, reclamation/recycling programs” and suggests CalNEXT and California TECH as more suitable options).

whether they should outsource to a third party with leak detection and mitigation expertise.”¹⁷

However, if the CPUC determines that low Global Warming Potential (GWP) pilots are appropriate using EE funding, the CPUC must first modify important policy areas. For example, standard practice currently requires that a measure must save energy to allow for inclusion in the EE portfolio as a deemed measure package.

Additionally, SDG&E believes that if the Commission determines pilots are necessary, they should remain optional to ensure that participating communities, utilities, and other stakeholders can engage voluntarily and with full understanding of the potential impacts. Furthermore, any pilot should be limited in scope. This approach allows the Commission to gather meaningful data, evaluate performance, and identify implementation challenges without duplication and imposing premature statewide requirements. Subsequently, and following a thorough review of pilot outcomes, including cost-effectiveness, customer experience, and operational feasibility, the Commission could potentially consider whether to broaden the pilot.

E. SDG&E Argues that if Pilots are Deemed Necessary, They Should be Able to Claim TSB

As noted above, SDG&E believes that if the Commission determines pilots are necessary, they should remain optional. If determined necessary, refrigerant recycling pilots should be able to claim Total System Benefit (TSB), generated through the avoidance of gross emissions without requiring energy savings.¹⁸ Offering such programs that cannot claim TSB will not report any measurable benefits nor be able to demonstrate cost effectiveness, particularly impactful for investor-owned utilities (IOUs) that have stringent portfolio cost effectiveness

¹⁷ Opening Comments of Small Business Utility Advocates on Staff Proposal for Policy on Natural Gas Energy Efficiency Incentives (January 13, 2026) (SBUA Opening Comments) at 6.

¹⁸ DNV, Group A, Forward-Looking Low-Global Warming Potential Refrigerant Transition Study (June 28, 2024) (DNV Study) at 48, *available at* https://www.calmac.org/publications/CPUC_Forward-Looking_Low-GWP_Refrigerant_Transition_Study.pdf.

requirements. Similarly, Central California Rural Regional Energy Network (CCR REN) argues, that “the Commission first confirm that refrigerant recycling and recharge measures can accrue Total System Benefits (TSB) through the use of the Refrigerant Avoided Cost Calculator, without considering energy impacts.”¹⁹

As highlighted in the DNV Study, end-of-life refrigerant emission events from existing systems are enormous greenhouse gas (GHG) liabilities and opportunities for GHG reduction and TSB attainment.²⁰ Furthermore, to be feasible, SDG&E believes the program should utilize deemed measures for returned cylinders of reclaimed refrigerant (rather than trying to capture TSB at the customer installation level), and documentation requirements should be minimized.²¹

The DNV Study states, “Current [California Air Resources Board] CARB estimates show end-of-life emission rates are highest for smaller equipment (80%-99% for residential) with end-of-life emission rates decreasing as systems and charge sizes increase in the commercial and industrial sectors.”²² Additionally, the DNV Study states that “[p]erforming end-of-life refrigerant recovery and reclamation comes with a heavy burden.”²³ As such, to impact adoption rates and improve upon this standard practice baseline, refrigerant reclamation and recycling programs should allow for incentives to contractors, distributors and Environmental Protection Agency (EPA) licensed reclaimers, which is consistent with recommendations from the DNV

¹⁹ Central California Rural Regional Energy Network Opening Comments on Staff Proposal for Policy on Natural Gas Energy Efficiency Incentives (January 13, 2026) (CCR REN Opening Comments) at 6.

²⁰ DNV Study at 47.

²¹ The DNV Study provides analysis for recovery and appropriate costs. *See id.* at 41.

²² *Id* at 6.

²³ *Id* at 48.

Study.²⁴ In summary, if pilots are deemed necessary, and IOUs have the option to participate, SDG&E believes the pilots should have the opportunity to claim TSB.

III. CONCLUSION

SDG&E appreciates the opportunity to provide these Reply Comments and respectfully requests that the Commission consider the various Comments prior to approval of the Staff Proposal.

Respectfully submitted,

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²⁴ *Id*; see also Opening Comments of Peninsula Clean Energy Authority on Staff Proposal for Policy on Natural Gas Energy Efficiency Incentive at 10 (stating, “[a]llowing incentives for low-GWP refrigerant measures independent of energy savings, for instance, would complement the refrigerant pilots conceived in the Staff Proposal.”); see also CCR REN Opening Comments at 6 (stating, “CCR REN recommends exploring contractor refrigerant recovery incentives and structures through approved pilots.”).