BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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OPENING COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) ON THE PROPOSED DECISION ESTABLISHING APPLICATION PROCESS FOR SB 1221 NEIGHBORHOOD DECARBONIZATION PILOT PROGRAM

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SUBJECT INDEX OF RECOMMENDED CHANGES

Pursuant to Rule 14.3(b) of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, Southern California Edison Company (SCE) provides the following Subject Index of Recommended Changes in support of its Opening Comments on the Proposed Decision. The Commission's final decision should:

1. Allow single-fuel investor-owned utilities, like SoCalGas and SCE to jointly propose and co-administer pilots;
2. Authorize the pilots to be approved by Advice Letter, as opposed to using a protracted application process;
3. The final decision should change the application or advice letter deadlines by 30 days to account for the holidays— from December 15, 2026, and December 15, 2027, to January 15, 2027, and January 15, 2028, respectively.

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Pursuant to Rules 14.3 and 14.6(a)(7) of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission or CPUC), Southern California Edison Company (SCE), submits the following Opening Comments on the *Proposed Decision Establishing Application Process for SB 1221 Neighborhood Decarbonization Pilot Program* (PD).

I.
INTRODUCTION

Senate Bill (SB) 1221 requires the Commission to establish a voluntary pilot program to facilitate the cost-effective decarbonization of priority decarbonization zones, not to exceed thirty pilot projects across the state. The PD proposes allocating those thirty projects solely among the investor-owned utilities (IOUs) that provide gas services[1] and does not propose authorizing single-fuel, electric IOUs like SCE to jointly propose or co-administer SB 1221 pilots with the single-fuel gas IOU operating in the same service area. The PD proposes, however, that the Commission impose requirements for such pilots that will demand close collaboration and coordination between SCE and SoCalGas but provides

[1] The IOUs or gas corporations that received allocations for SB 1221 pilots include: Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Gas Company (SoCalGas), Southwest Gas Corporation (Southwest Gas) and the smaller Commission regulated gas corporations, PD, p, 2.

no procedural mechanism for such coordination and collaboration to occur and fails to sufficiently address complex issues. To comply with SB 1221's mandates that the Commission *require* coordination and collaboration and to promote the success of the pilots, the Commission's final decision should create a concrete procedural mechanism for coordination and collaboration to occur. Such authorization will put SCE and single-fuel gas utilities operating in the same service areas on equal footing with dual fuel utilities. The appropriate mechanism is to authorize SCE and the gas IOUs operating in the same service areas to jointly propose and co-administrator pilots. The Commission's final decision should also authorize the pilots with costs under $7 million to be approved by Advice Letter, as opposed to requiring a protracted application process. An Advice Letter provides a faster, more administratively efficient mechanism to implement Commission-directed actions. This approach supports timely execution and mitigates delays for all stakeholders, including customers who might otherwise experience extended waiting periods—potentially 12 months or more—before pilot implementation can commence. Finally, regardless of the approval procedure, the final decision should change the application or advice letter deadlines by 30 days to account for the holidays— from December 15, 2026, and December 15, 2027, to January 15, 2027, and January 15, 2028, respectively.

II.

THE FINAL DECISION SHOULD ALLOW SCE TO JOINTLY PROPOSE AND CO-ADMINISTER THE PILOTS CONDUCTED BY SINGLE FUEL GAS UTILTIIES' OPERATING IN THE SAME SERVICE AREAS

A. The Relevant Legal Framework for SB 1221 Pilots

SB 1221, codified as section 633 of the Public Utilities Code, requires that "the Commission, in consultation with the state's gas corporations, shall establish a voluntary program to facilitate the cost-effective decarbonization of priority neighborhood decarbonization zones, not to exceed 30 pilot projects across the state and affecting no more than 1 percent of each gas corporation's customers within their service territory.. . . In administering the pilot projects . . ., ***the commission shall establish. . . [a] requirement that gas corporations and electrical corporations***, local publicly owned electric utilities, load-serving entities, local governments, and, if feasible, core transport agents ***affected by the pilot***

project coordinate and collaborate."[2] The PD correctly finds that pursuing a pilot is voluntary under the statute.[3] Although the statute's reference to gas utilities may imply that gas corporations are to conduct the pilots, there is no express prohibition on single fuel electric IOUs, like SCE, from also seeking authority to conduct their own SB 1221 pilots or jointly propose and co-administer pilots with another single fuel gas IOU, which is a conclusion supported by the statutorily mandated coordination and collaboration. The PD correctly concludes that "coordinating entities" to include electrical corporations[4] but does not provide an adequate framework for the required coordination and collaboration for non-dual fuel IOUs. SCE contends that such a framework demands co-administration of the pilot. Jointly proposed and co-administered pilots simply put single-fuel utilities on equal footing with dual-fuel utilities, which is necessary to effectuate the statutory objectives.

B. <u>The Final Decision Should, at a Minimum, Authorize Single-Fuel IOUs to Jointly Propose and Co-Administer Pilots</u>

Unlike dual-fuel IOUs like PG&E and SDG&E, single fuel IOUs like SCE and SoCalGas have no ability to internally coordinate on matters such as infrastructure costs and needs, customer bill impact analyses, capacity constraints to energize new load, customer programs and services, and other matters relevant to the success of a pilot and its ability to satisfy the Commission's SB 1221 parameters. Where the gas corporation is not also the electric IOU, the gas corporation will not have the same access to electric customer information, electric rate expertise, program enrollment systems, distribution planning data, or customer-facing electric service experience as the electric utility. A dual-fuel IOU can speak authoritatively on both gas and electric issues. A single-fuel gas IOU cannot do so in the same manner without substantial dependence on the electric IOU, and even then, customers may be confused by a gas IOU's attempts to discuss electric IOU programs and rates.

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[2] Cal. Pub. Util. Code § 633(a)-(b). Hereinafter, unless otherwise stated, all statutory references are to the Public Utilities Code.

[3] PD, Conclusion of Law (COL) 9, p. 73.

[4] PD, p. 8.

There is no statutory prohibition on co-administration of a pilot by two single-fuel IOUs and SCE maintains that such co-administration is necessary to effectuate the statutory intent. Indeed, both the statute and the PD correctly recognize that successful neighborhood decarbonization pilots require substantial coordination among gas IOUs, electric IOUs, local governments, community-based organizations, and other affected entities.[5] The PD, however, provides no structure for such collaboration or coordination to occur when the gas IOU and the electric IOU are separate entities operating in the same service areas. In those circumstances, limiting pilot applications to gas IOUs risks the gas IOU's ability to make the requisite showing in its application or advice letter for pilot approval and the success of the pilot if approved.

For instance, the PD proposes to require pilot applications to

> *[I]nclude an approximate comparison of aggregate pre- and post-pilot total energy bills (i.e., combined bill for natural gas and electricity) across pilot participants. The comparison should specify the assumptions used (e.g., electric rate schedule and energy usage). Specifically, the application must calculate and show the 25th, 50th, 75th, and 90th percentile for gross change in monthly energy bills and monthly energy use and percentage change in monthly energy bills and monthly energy use. The applicant should conduct this analysis for three customer segments: first, all customers in the pilot project area; second, for customers enrolled in income-qualified programs in the pilot project area (e.g., CARE, FERA); third, for customers in the pilot project area not enrolled in income-qualified programs.*[6]

SoCalGas cannot provide such information without obtaining relevant information from SCE. The PD minimizes this concern, stating, "Outreach and engagement efforts may require utilities to share confidential customer contact information with coordinating entities. The utilities shall exercise prudence in determining with whom they share this information and take all legally appropriate steps to safeguard the data, in compliance with relevant law and Commission rules. In addition, utilities shall develop and execute nondisclosure agreements (NDAs) with the coordinating entities as necessary."[7] To SCE's knowledge, the Commission does not permit IOUs to share confidential customer information

[5] Section 663(b); PD, p. 8.

[6] PD, p. 29.

[7] PD, p. 42.

without the written consent of the customers by using an NDA. Rather, SCE uses an NDA when contracting with a subcontractor to whom SCE is outsourcing its work and has a need for such information, whereby the subcontractor acts on behalf of SCE and SCE is willing to accept the counterparty risk of the disclosures under the NDA. Given the counterparty risk to an IOU of disclosing confidential customer information under an NDA, the Commission should not mandate their use to facilitate an exchange of confidential customer or utility information between an IOU and a third party. Instead, the Commission's final decision should mandate that the pilot proponent obtain customer consent in the participation materials the customer provides to the gas utility. The Commission's SB 1221 framework should address this critical concern by allowing single fuel IOUs to co-administer pilots such that SCE and SoCalGas can independently view their internal data and then work together to arrive at a ***consensus*** as to location and customers. From there, the two IOUs can jointly obtain the consent of participating customers for the sharing of individual customer data through the participation materials the customer executes.

The PD also proposes to require pilot applicants to provide estimates of how the pilot would affect customers' total energy bills and to account for incremental electric infrastructure upgrades triggered by the proposed project.[8] These are not incidental obligations. They go directly to customer affordability, customer trust, accurate project cost-effectiveness analysis, and timely implementation. In a non-dual-fuel service area, the electric IOU is best positioned to provide accurate information regarding electric rates, electric programs, load impacts, grid constraints, service upgrades, energization requirements, and customer enrollment processes. SoCalGas alone cannot opine on, much less receive data about how the pilot will affect participants' total energy bills, as the PD proposes to require,[9] without working with SCE to obtain customer consent for data sharing and upon receiving such consent, to conduct the electric bill analyses.[10] Overall, allowing SCE to co-administer the electric-related aspects

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[8] PD, COL 24, p. 75 -76.

[9] PD, p. 34.

[10] In some cases, the Commission should be prepared to issue data requests to receive confidential customer data from both single-fuel IOUs, view and analyze the data, and share direction stripped of confidential information with the relevant IOUs.

of the pilot would minimize, if not avoid, unnecessary transfers of protected customer information by enabling SCE to perform the analyses that rely on its own customer data, systems, and expertise while coordinating with the gas IOU on the information necessary to support the application.

The same principle applies to the PD's proposal that applicants "include information regarding any anticipated electric infrastructure upgrades necessary to support the full electrification of the customer premises within the respective pilot zones" and demonstrate cost effectiveness by detailing, with specificity, "the ratepayer-funded costs of incremental electrical infrastructure upgrades necessary to implement the project."[11] That information is not internally available to a single-fuel IOU like SoCalGas. It must obtain it from SCE or use publicly available data sources if any exist.

Likewise, SoCalGas cannot know if a certain area is resource constrained such that SCE cannot energize new load or if SCE is already conducting energization projects that make the location inhospitable to SoCalGas for a pilot because such information is not publicly available or discoverable by SoCalGas outside an open proceeding in which it can serve discovery. Even then, SCE is not able to share confidential market sensitive information with market participants; it can do so only through a non-market participating reviewing representative under a Commission approved standard NDA. PG&E and SDG&E do not face such hurdles because they are dual-fuel IOUs whose customer and grid information is internally available to the company.

Allowing co-administration of electrification pilots would therefore strengthen, not weaken, the gas IOU-led framework contemplated by SB 1221. A shared administration model would improve project development, customer outreach, electric system analysis, and implementation while preserving the gas corporation's responsibility for statutory gas-system functions, including identifying gas infrastructure for decommissioning, calculating avoided gas infrastructure costs, obtaining property owner consent, and seeking any necessary authority to discontinue gas service. The electric IOU, in turn, could use its expertise to lead the electric system and customer-facing electric components.

[11] PD, pp. 33-34.

This approach would also promote more accurate and credible customer communications. Customers are more likely to rely on electric bill estimates, rate comparisons, program enrollment information, and infrastructure-related explanations when those materials are prepared or co-produced by the electric utility that serves them. Similarly, electric IOUs are better situated to explain available electric rates, applicable customer assistance programs, demand flexibility options, load management strategies, and the potential need for service or distribution upgrades. Joint messaging would reduce the risk of inconsistent and duplicative communications and costs, avoid placing gas IOUs in the position of interpreting electric IOU offerings, and better align with the PD's emphasis on clear, simple, and useful information for property owners, affected customers, and tenants.

Co-administration will realize additional value and learnings particular to single-fuel IOUs' zonal decarbonization. SCE brings a unique skill set to single-fuel gas IOUs as both an electric IOU optimizing utility upgrades and as an experienced electrification program administrator. Co-administration will position SCE to better evaluate viability and costs for a range of customer electrification solutions that interact with a range of electric infrastructure solutions (e.g., customer's unique situation may on the surface be cost-prohibitive with a 240V heat pump water heater, panel upgrade, and service upgrade, but instead be cost-effective with a 120V heat pump water heater and load management solutions to avoid the panel and service upgrade). This should not only improve cost-effectiveness of proposals, it should also enable more proposals. Co-administration should enable SCE's skill set to be applied throughout the zonal development process. SCE will help single-fuel gas IOUs from prematurely disqualifying projects because electrification optimization has not been sufficiently applied early on in their project filtering process. Dual-fuel IOUs have this broad skill set already within their company, so co-administration will enable this same skill set for projects developed between single-fuel IOUs.

In authorizing co-administration, the final decision should also clarify that a participating electric IOU may seek recovery of prudently incurred administrative and outreach costs associated with the pilot

through a comparable process to the one authorized for gas IOUs.[12] SCE is not proposing to increase the PD's overall cap on administrative and outreach costs.[13] Rather, SCE recommends that the final decision recognize that, where the electric IOU develops or co-produces customer communications, electric rate information, program enrollment materials, electric bill impact analyses, or electric infrastructure assessments necessary to support the pilot application, the electric IOU should have a reasonable opportunity to seek recovery of those incremental costs through the same mechanisms afforded to the gas IOUs.[14] Without such clarification, the PD may discourage electric IOUs from taking the level of ownership over electric-related workstreams that the pilots will require to be successful.

Accordingly, SCE recommends that the Commission modify the PD to state that, in areas served by separate single-fuel gas and electric IOUs, a gas IOU should jointly submit or co-administer an SB 1221 pilot application with the affected electric IOU. The final decision should further clarify that the application may identify the respective roles and responsibilities of each IOU, including which IOU will lead customer communications on electric rates and programs, electric bill impact analysis, electric infrastructure assessment, customer enrollment assistance, and related outreach. This targeted clarification would better reflect the statutory coordination requirement, place responsibility for electric-related information with the utility best positioned to provide it, improve customer confidence in pilot communications, and increase the likelihood that SB 1221 pilots are implemented effectively in single-fuel service areas. SCE's recommended changes to the PD are set forth in Appendix A hereto.

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[12] The PD finds it reasonable to authorize gas corporations that plan and file an application to establish a memorandum account to record the administrative and outreach costs they incur in the course of developing their application. PD, COL 42, p. 79.

[13] PD directs utilities to limit administrative and outreach costs to no more than 10 percent of each pilot's cost unless the applicant requests and receives and receives Commission approval for an exemption, PD, p. 62.

[14] The PD authorizes gas IOUs that plan to implement pilot projects to establish a memorandum account to record administrative and outreach cost incurred in the course of developing their application, PD, p. 57. Additionally, the PD authorizes applicants to in their application request authority to establish balancing accounts to record costs incurred for the Behind-the-Meter work during pilot implementation, PD, pp. 66-67.

III.

THE FINAL DECISION SHOULD AUTHORIZE AN ADVICE LETTER APPROVAL PROCESS FOR SMALL PILOTS AT A MINIMUM

The final decision should reject the PD's proposed application process for pilot authorization and at a minimum allow gas utilities to submit smaller SB 1221 pilot projects with total costs under $7 million by advice letter and reserving the application process for larger or more complex projects. To clarify, SCE is not opposed to an advice letter process for larger pilot projects but proposed a $7 million threshold to enable greater transparency for larger, more complex projects. Requiring an application for all pilots would impose a protracted approval process on smaller projects that are more limited in scope, cost, and risk, causing undue delay. Further, the application-only approach would likely create avoidable customer confusion and frustration. Under the PD's proposed application process, IOUs would notify customers and seek non-binding consent before applying.[15] If approval then takes months or years, customers who have already been contacted may be left waiting, which could undermine participation and customer confidence. An advice letter process for smaller pilots would better align customer outreach with implementation timelines. Numerous parties, including the Public Advocates Office at the Commission (Cal Advocates) support the use of an advice letter process for SB 1221 pilot approvals,[16] recognizing that a more streamlined process is appropriate for the pilots. For these reasons, SCE would support an advice letter process for all pilot projects, but proposed a $7 million threshold as it strikes an appropriate balance between timely approval and Commission oversight: smaller projects that meet defined requirements could proceed by advice letter, while projects at or above that threshold would continue to receive the additional review afforded through an application.[17] Accordingly, SCE

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[15] PD, COL 35, p. 78.

[16] Parties that supported the use of an Advice Letter process include Cal Advocates, the Joint Community Choice Aggregators (CCAs), PG&E, Natural Resources Defense Council (NRDC) and Sierra Club, SDG&E and SoCalGas, Southwest Gas, and SCE for most projects (projects over $7 million), PD, pp. 14-15.

[17] An example of a similar advice letter approval process is the one the CPUC adopted in D.21-07-028, the Decision Setting Near-Term Priorities for Transportation Electrification Investments by the Electrical Corporations. In this Decision, the CPUC adopted a process to allow near-term priority program proposals to use a Tier 3 advice letter process provided the program had an estimated budget that did not exceed $20M and met other established requirements, D.21-07-028, Ordering Paragraph 2, p. 76.

recommends that the Commission at a minimum authorize an advice letter option for SB 1221 pilot projects under $7 million, subject to the substantive requirements adopted in the final decision, preserving oversight while helping ensure that smaller pilots can be approved, implemented, and evaluated in a timely manner.

IV.

THE FINAL DECISION SHOULD ADJUST THE APPLICATION DEADLINES TO ACCOUNT FOR THE HOLIDAYS

The final decision should change the application or advice letter deadlines for the first and second rounds of SB 1221 pilot applications by approximately 30 days— from December 15, 2026, and December 15, 2027,[18] to January 15, 2027, and January 15, 2028, respectively. Under the PD's proposed current schedule, protests or responses to applications submitted on December 15 would be due approximately 30 days later, on or about January 14. As a practical matter, that review period would occur largely during the year-end holiday period, when parties, local governments, community partners, and utility subject matter experts are likely to have reduced availability to review proposals, coordinate internally, and develop informed protests or responses. Moving the application deadlines to January 15 would preserve a meaningful opportunity for party review, improve the quality and completeness of responsive pleadings, and support a more efficient Commission record without materially delaying the overall pilot application process. The short extension would also reduce the likelihood that applicants or parties will need to seek ad hoc extensions or other procedural relief after the final decision is issued. For these reasons, SCE recommends that the Commission adopt January 15 deadlines for the first and second application rounds.

[18] PD, Ordering Paragraph (OP), p. 81.

V.
CONCLUSION

For the foregoing reasons, the Commission should adopt SCE's proposed modifications and clarifications described above and as listed in Attachment A.

Respectfully submitted,

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Appendix A

SCE's Proposed Modifications to Findings, Conclusions, and Orders

SCE's Proposed Modifications to Findings, Conclusions, and Orders

Proposed text deletions are in bold and strikethrough (**~~abcd~~**)

Proposed text additions are in bold and underlined (**<u>abcd</u>**)

Findings of Fact	*Proposed Modification*
1. SB 1221 requires the Commission, on or before January 1, 2026, to designate priority neighborhood decarbonization zones considering, among other things, the concentration of gas distribution line replacement projects identified in the maps.	
2. In D.25-12-042, the Commission designated the initial priority neighborhood decarbonization zones in compliance with SB 1221.	
3. SB 1221 requires the Commission, on or before July 1, 2026, to establish a voluntary program to facilitate the cost effective decarbonization of priority neighborhood decarbonization zones, as defined, not to exceed 30 pilot projects across the state and affecting no more than 1 percent of each gas corporation's customers within its service territory, except as provided.	
4. SB 1221 provides that it is the intent of the Legislature that the Commission authorize gas corporations to deploy a limited and targeted number of pilot projects to decommission portions of the natural gas corporation distribution system.	

5.	This decision establishes a voluntary neighborhood decarbonization pilot program as required by SB 1221.	
6.	This pilot program established by this decision complies with the requirements of SB 1221.	

Conclusions of Law		*Proposed Modification*
1.	It is reasonable to define "affected customer," for the purposes of implementing Senate Bill (SB) 1221, as the utility account holder for a property within the project boundary.	
2.	It is reasonable to define "coordinating entities," for the purposes of implementing SB 1221, as the gas corporations and electrical corporations, publicly owned electric utilities, load-serving entities, local governments, core transport agents, and community-based organizations that are based in or serve the pilot project area.	
3.	It is reasonable to define "gas corporation," for the purposes of implementing SB 1221, as any gas distribution utility under Commission jurisdiction.	
4.	It is reasonable to define "master-metered property," for the purposes of implementing SB 1221, as a property in which utility service is provided through a single meter to a customer of record, who then distributes, submeters, or allocates the service to multiple end users, including tenants or residents.	

5.	It is reasonable to define a language as a "prevailing language" in an area, for the purposes of implementing SB 1221, if at least five percent of the pilot project area's population use the language in question and do not speak English or are unable to effectively communicate in English.	
6.	It is reasonable to define "property owner," for the purposes of implementing SB 1221, as the legal owner of record.	
7.	It is reasonable to define "Zero Emission Alternative" (ZEA), for the purposes of implementing SB 1221, as a technology that (a) displaces the use of natural gas; (b) does not require new investment in gas distribution lines; (c) supports the pilot goal of decommissioning portions of the natural gas system; (d) does not impede the statutory goal of enabling the gas corporation to cease providing service where the pilot has been implemented; (e) is commercially available, reliable, scalable, and safe; and (f) has zero emissions.	
8.	It is reasonable to require gas corporations that submit pilot proposals to demonstrate that their proposed ZEA meets these minimum requirements.	
9.	It is reasonable to interpret the Code Section 663(a) requirement for the Commission to establish a "voluntary program" to mean that the Commission should authorize, but not require, gas corporations to submit proposals for pilot projects.	

10.	It is reasonable for the Commission to require applicants to submit pilot proposals by filing and serving an application.	It is reasonable for the Commission to require applicants to submit pilot proposals by filing and serving an application **if the pilot cost equals or exceeds $7 million and an advice letter for smaller pilots under $7 million**.
11.	It is reasonable for the Commission to set three stages (rounds) of applications, with the first set of applications due by December 15, 2026, the second due by December 15, 2027, and the third (if confirmed by the Commission) due by July 1, 2028.	It is reasonable for the Commission to set three stages (rounds) of applications, with the first set of applications due by ~~December~~ **January** 15, 2026, the second due by ~~December~~ **January** 15, 2027, and the third (if confirmed by the Commission) due by July 1, 2028.
12.	It is reasonable for the Commission to allocate the 30-project cap as follows: fourteen projects to the first round of applications, fourteen projects to the second round of applications, two projects to be submitted in either the first or second round, and the balance of the 30-project cap to the third round of applications.	
13.	It is reasonable for the Commission to allocate the 30-project cap among gas corporations proportionately to their share of demand served in 2024 according to the 2025 California Gas Report, except for one project allocated to Southwest Gas and one project allocated to the small gas utilities.	
14.	It is reasonable to allocate the project cap to gas corporations for implementation in the first and second round as follows: seven	

	projects to PG&E in the first round, seven projects to PG&E in the second round, seven projects to SoCalGas and SDG&E in the first round, seven projects to SoCalGas and SDG&E in the second round, one project to Southwest Gas across both rounds, and one project to the small gas utilities across both rounds.	
15.	It is reasonable for the Commission not to set restrictions on the location or geographic size of a pilot project area.	
16.	It is reasonable to require applicants, at a minimum, to include the following location information in their applications:	
	a. A map of the applicant's service territory showing the boundaries of all the proposed pilot projects; and b. Individual maps for each proposed pilot project.	
17.	It is reasonable to require applicants, at a minimum, to include the following location information for each project:	
	(a) List of the census tracts that overlap with the pilot project area. The application should provide each census tract's CalEnviroScreen score, DAC status, and the number of affected customers residing within it.	
	(b) Number of properties inside the pilot project area (by property type).	
	(c) Number of property owners in pilot project area.	

	(d) Number of gas customers in the project boundary (by customer class, by enrollment in income-qualified programs).	
	(e) Number of electric customers in the project boundary (by electric utility, by customer class, by enrollment in income-qualified programs).	
	(f) List of the federally recognized tribal lands the project area overlaps with.	
	(g) List of the areas affiliated with tribes on California's Native American Heritage Commission list.	
18.	List of prevailing languages in the pilot project area, including estimated portion of residents It is reasonable for the Commission to require applications to include the information in the application template that the Commission's Energy Division will post on the Commission website. that speak those languages.	
19.	It is reasonable for the Commission to require pilot proposals to include the replacement of pilot participants' natural gas-fueled appliances with new appliances powered by the ZEA.	
20.	It is reasonable for the Commission to require any replacement appliances (1) to carry an industry-standard warranty and (2) to have federal Energy Star certification and/or comply with California's appliance efficiency standards, as adopted in Title 20 of the California	

	Code of Regulations, if applicable.	
21.	It is reasonable for the Commission to require pilot proposals to include the property remediation services necessary for the applicant to install and the participant to safely and conveniently use their electric appliances.	
22.	It is reasonable for the Commission to require pilot proposals to include a plan to identify the existing programs that pilot participants qualify for, to present that information to the participants in a clear manner, and to assist those participants in enrolling in the programs for which they qualify.	
23.	It is reasonable to require first-round applications to include a discussion of how their proposed projects ensure that the substitute for gas service for low-income customers is affordable, adequate, efficient, and just and reasonable, as required by Code Section 663(b)(3).	
24.	It is reasonable for the Commission to require applications to include a comparison of estimated aggregate pre- and post-pilot total energy bills (i.e., combined bill for natural gas and electricity) across pilot participants as follows. Specifically, it is reasonable to require the application to include show the 25th, 50th, 75th, and 90th percentile for gross change in monthly energy bills and monthly energy use and percentage change in monthly energy bills and monthly energy use and perform the analysis for three customers: first, all customers in the pilot project area; second, for customers in the pilot project area enrolled in income-qualified programs (e.g., California	

	Alternative Rate for Energy); and, third for customers in the pilot project area not enrolled in income-qualified programs.	
25.	It is reasonable for the Commission to require pilot proposals to include: • Location and length of existing gas mains the applicant proposes to decommission • Pipe materials and diameters • Locations and costs associated with the gas infrastructure the pilot proposes to remove (i.e., cost of decommissioning and the cost of investment and maintenance that would be necessary but for the decommissioning) • A map showing non-confidential energy infrastructure • A description of the feasibility analyses the applicant deemed necessary and the results of those analyses	
26.	It is reasonable for the Commission to require pilot proposals to include: • Descriptions of the electric infrastructure upgrades that the electric utility plans or expects will be	

	necessary to provide service to the pilot project areas if the projects were not expected to occur. • Descriptions and cost estimates of the incremental electric infrastructure upgrades that the electric utility anticipates would be necessary to provide service to the pilot project areas if the projects were to occur, if any. • A demonstration that the project design evaluated and took advantage of all possible ways to avoid or minimize the need for upgrades to electric infrastructure (e.g., service lines, transformers, etc.), including pursuing alternatives to service upsizing that allow the premises to fully electrify safely (i.e., without the risk of exceeding the electric service capacity of the customer premises) or why they were ruled out.		
27.	It is reasonable for the Commission to require, in cases where a regulated utility must share confidential data related to a pilot (whether the data is related to electric infrastructure or individual customers), that the utility should develop and execute non-disclosure agreements with the	28.	It is **not** reasonable for the Commission to require, in cases where a regulated utility must share confidential **customer** data related to a pilot (whether the data is related to electric infrastructure or individual customers), that the utility should develop and execute non-

	relevant parties and ensure that any data sharing is consistent with privacy law and existing Commission rules.	disclosure agreements with the relevant parties. **Instead, utilities conducting pilots must obtain the written consent of the customer for sharing any individual customer confidential and/or private data**. **Customer participation materials shall obtain such consent.**
29.	It is reasonable to require applications to include forecasts of the proposed projects' impacts on annual gas consumption and avoided GHG emissions, calculated using the Commission's Avoided Cost Calculator.	
30.	It is reasonable at this time for the Commission to require applications to describe how the applicant took high-road job considerations into account when developing proposals for pilot projects (including a description of any outreach to local trade organizations) but not set firm requirements or quotas in that area. This approach will inform the Commission's work to fulfill the requirements of Code Section 663(b)(6).	
31.	It is reasonable for the Commission not to grant pilot projects an exemption from the energization timeline requirements set in Rulemaking (R.) 24-01-018.	
32.	It is reasonable for the Commission to require applicants to engage with coordinating entities to ensure the coordinating entities are aware of the proposed pilot projects and can contribute as	

	appropriate.	
33.	It is reasonable for the Commission to require applications to document their efforts to engage with coordinating entities in sufficient detail for the Commission to assess whether the outreach was conducted in good faith, timely, complete, and coordinated with coordinating entities.	
34.	It is reasonable for the Commission to require applications to list the coordinating entities with whom the applicants are coordinating and include any letters of support.	
35.	It is reasonable for the Commission to require applicants to ensure that coordinating entities, the community, and other relevant stakeholders are kept up to date and can provide input into the pilot implementation process.	
36.	It is reasonable for the Commission to require applications to include non-binding expressions of interest from the owners of 67 percent or more of the properties in the pilot project area.	
37.	It is reasonable for the Commission to require an applicant, after the Commission approves a pilot, to obtain binding consent agreements from the owners of at least 67 percent of the affected properties before making capital investments toward the pilot project.	

38.	It is reasonable for the Commission to require the applicant, once it has obtained consent from the owners of at least 67 percent of the affected properties and determined to move forward with the project, to file and serve a Tier 1 Advice Letter containing copies of the binding consent agreements obtained from the property owners.	
39.	It is reasonable for the Commission to require applicants to follow the outreach, notification, and documentation requirements listed in Appendix A.	
40.	It is reasonable for the Commission, in cases where a property owner consents to the pilot project but an affected customer or tenant does not, to require the applicant to coordinate with the property owner to plan for and schedule the necessary steps of the pilot, even in cases where a property owner consents to the pilot project but an affected customer or tenant does not.	
41.	It is reasonable for the Commission to require applicants to notify and engage with tenants of master-metered properties using, to the extent possible, the same methods they would use to contact property owners or affected customers.	
42.	It is reasonable for the Commission to authorize applicants to fund Community-Based Organizations as necessary and prudent to support the notification, outreach, and engagement requirements established in this section and in Appendix A.	

43.	It is reasonable for the Commission to authorize gas corporations that plan to file an application to implement pilot projects to establish a memorandum account to record the administrative and outreach costs they incur in the course of developing their application.	
44.	It is reasonable for the Commission to direct applicants to evaluate the cost effectiveness of pilot projects by comparing the net present value of the avoided gas investments and maintenance to the costs of implementing the zero-emission alternative using the applicant's weighted average cost of capital as the discount rate to account for the time value of money.	
45.	It is reasonable for the Commission to require applicants to include the net present value of the following costs in their cost effectiveness calculations: the cost of purchasing and installing zero-emission alternatives (e.g., new electric appliances); the cost of providing the property remediation services that are necessary to support any new appliances (e.g., service panel upgrades, pans compatible with induction stoves); the cost of incremental electric infrastructure made necessary by the pilot project (both customer-sited and utility-owned) that could not be mitigated by load management devices or other strategies to minimize grid upgrades; and the gas infrastructure decommissioning costs.	
46.	It is reasonable for the Commission to require applicants to exclude the following costs from their cost effectiveness calculations: program administration costs, including any	

	evaluation or measurement costs; any forecasted operations and maintenance for the replacement appliances; and the cost of electric infrastructure upgrades that would have occurred without the pilot project.	
47.	It is reasonable for the Commission to require applicants to include the net present value of the following benefits in their cost effectiveness calculations: the gas infrastructure capital investments and operational and maintenance costs the utility would otherwise have incurred, if not for the proposed project.	
48.	It is reasonable for the Commission to require applicants to calculate avoided gas infrastructure costs using a template developed by Energy Division staff that will be made available on the SB 1221 Implementation webpage.	
49.	It is reasonable for the Commission to require applicants to conduct four cost effectiveness calculations: one calculation that excludes costs funded by sources other than ratepayers and administrative costs, and three more with each of the permutations of those costs being included or excluded.	
50.	It is reasonable for the Commission to require applicants to limit their administrative and outreach costs to no more than ten percent of each pilot's cost unless the applicant requests, and the Commission approves, a case-by-case exemption.	
51.	It is reasonable for the Commission to authorize utilities to record and request recovery of the costs they incurred in exploring or developing a project, even if the applicant did	

	not include that project in their final application, so long as those costs were prudently incurred.	
52.	It is reasonable for the Commission to authorize applicants to, in their applications, request authority to establish balancing accounts to record the costs incurred for behind-the-meter work during pilot implementation.	
53.	It is reasonable for the Commission to require applicants requesting to establish a balancing account to propose and justify a cap on pilot expenditures based on the forecasted costs of the ZEA implementation (including financing costs based on the appropriate cost of debt) and to propose an amortization period over which the applicant will recover the costs.	
54.	It is reasonable for the Commission to authorize applicants to record behind-the-meter costs as expenses and propose to amortize those costs over a period of no more than ten years.	
55.	It is reasonable for the Commission to authorize applicants to recover the costs to finance behind-the-meter work at either the interest rate of the account to which those costs are recorded or at the utility's authorized cost of debt.	

Ordering Paragraphs	*Proposed Modification*
1. Any gas distribution utility regulated by the Commission may submit neighborhood decarbonization pilot project proposals by filing an application. (a) The first round of pilot project proposal applications shall be filed by December 15, 2026; the second, by December 15, 2027; and the third, if necessary, by July 1, 2028. (b) Applicants shall include in their application the information and proposals required by this decision and by the application template that the Commission's Energy Division will post on the Commission's website.	1. Any gas distribution utility regulated by the Commission may submit neighborhood decarbonization pilot project proposals by filing an application **or advice letter if the pilot cost is under $7 million**. **Single fuel utilities shall jointly and co-administer their pilots with the other single-fuel utility in their service area to ensure they are on equal footing as duel-fuel utilities proposing pilots.** (c) The first round of pilot project proposal applications shall be filed by ~~December~~ **January** 15, 2026; the second, by ~~December~~ **January** 15, 2027; and the third, if necessary, by July 1, 2028. (d) Applicants shall include in their application the information and proposals required by this decision and by the application template that the Commission's Energy Division will post on the Commission's website.
2. Gas corporations that plan to file an application to implement pilot projects may file a Tier 1 advice letter to establish a memorandum account to record the administrative and outreach costs they incur in the course of developing their application.	2. Gas corporations **and single-fuel electric corporations** that plan to file an application to implement pilot projects may file a Tier 1 advice letter to establish a memorandum account to record the administrative and outreach costs they incur in the course of developing their application.
3. Rulemaking 24-09-012 remains open.	