

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



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

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Rulemaking 24-09-012

**OPENING COMMENTS OF THE
CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION ON THE
PROPOSED DECISION ESTABLISHING APPLICATION PROCESS FOR
SB 1221 NEIGHBORHOOD DECARBONIZATION PILOT PROGRAM**

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On behalf of the California Municipal Utilities
Association

June 18, 2026

SUBJECT INDEX

SUMMARY OF CMUA's RECOMMENDATIONS

- 1. Initial Application Deadline:** The PD should be modified to change the initial application deadline from December 15, 2026, to a date that is approximately nine to twelve months after the final decision is issued.
- 2. Upfront Cost Responsibility:** The PD should expressly state whether and to what extent remediation costs are intended to be recoverable from available pilot funding and what upfront property-owner contributions are permissible.
- 3. Portfolio Optimization:** The PD should expressly state that electric utilities will be reimbursed for incremental infrastructure upgrades caused by approved pilot projects.

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In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), and the *Proposed Decision Establishing Application Process for SB 1221 Neighborhood Decarbonization Pilot Program* dated May 29, 2026 (“PD”), the California Municipal Utilities Association (“CMUA”) respectfully submits these opening comments on the PD.

I. INTRODUCTION

CMUA appreciates the Commission’s careful effort in developing a workable framework for neighborhood decarbonization pilot applications. CMUA provides the following recommended modifications to the PD where the PD errs by not providing sufficiently clear direction on important elements of the program. These modifications are necessary to ensure that the program can be successfully administered and will improve the quality of the pilot applications.

II. OPENING COMMENTS

A. Additional Time Before the First Application Deadline is Necessary to Allow Applicants and Coordinating Entities to Develop Viable Pilot Proposals.

CMUA understands that the Commission is working to meet the tight deadlines set forth in Senate Bill (“SB”) 1221 (stats. 2024, ch. 602). However, setting the first application deadline as December 15, 2026, may not provide sufficient time to develop robust pilot proposals that are consistent with the statute’s requirements. As laid out in the PD, pilot development will require substantial work before an application can be filed, including (i) identifying candidate project areas, (ii) developing an implementation approach and potentially contracting for delivery support, (iii) educating property owners and affected customers, (iv) obtaining non-binding expressions of interest from at least 67 percent of property owners within the proposed pilot area, and (v) coordinating with electric utilities regarding anticipated infrastructure impacts. That work is likely to be especially time-intensive in the first application round, when parties will also need time to review the final decision, interpret the Commission’s requirements, and incorporate any additional guidance provided through the application materials contemplated by the PD. In particular, coordination with electric utilities and analysis of potential infrastructure impacts will require meaningful lead time, and it is not clear that approximately six months will be sufficient to complete that work in a manner that supports well-developed applications.

To address this, the PD should be revised to allow additional time before the first round of applications are due. A first-round deadline approximately nine to twelve months after issuance of the final decision appears more reasonable in light of the myriad elements that have been identified in the record and would better align the schedule with the level of outreach, coordination, and project development the PD requires. Providing additional time at the outset would likely improve the quality of initial applications and better position the Commission to

evaluate a stronger set of candidate pilots. Once the first round of applications are submitted, meeting the Commission's proposed deadlines of December 15, 2027, and June 1, 2028, with well thought-out applications will be more attainable.

B. The Final Decision Should Clarify When Property Owners May Be Responsible for Upfront Contributions.

CMUA appreciates that the PD recognizes remediation work may be necessary to safely install replacement appliances and implement a zero-emission alternative within a proposed pilot area. The PD expressly states that applications shall propose ways to provide pilot participants with the remediation services necessary to safely install new appliances, including measures such as service panel upgrades and load management devices.¹ The PD also states that applicants are not required to provide all replacement appliances or home-remediation measures at zero upfront cost, so long as the applicant explains that choice.² However, the PD errs by not clearly identifying whether and to what extent remediation costs are intended to be recoverable from available pilot funding and what upfront property-owner contributions are permissible. The PD should be revised to ensure this clarification is included in the final decision

C. The Final Decision Should Clarify Whether Publicly Owned Electric Utilities Will be Reimbursed for Incremental Infrastructure Upgrades Triggered by Approved Pilot Projects.

CMUA appreciates that the PD requires applicants to account for electric infrastructure upgrades when developing and evaluating proposed pilots. The PD requires applications to include information regarding anticipated electric infrastructure upgrades necessary to support full electrification within the pilot zone, and it requires the gas utility's cost-effectiveness analysis to account for the cost of incremental electric infrastructure upgrades triggered by the

¹ PD at 25.

² *Id* at 26.

project. CMUA agrees that these costs should be identified and incorporated into the pilot analysis from the outset.

However, despite the PD requiring applicants to account for incremental infrastructure upgrades triggered by proposed projects, the PD errs by not clearly stating that the electric utility serving the pilot area will be reimbursed for those incremental infrastructure upgrades, particularly when the electric utility differs from the implementing gas corporation. While this issue might ultimately be addressed in individual pilot application proceedings, leaving it unresolved at this stage creates uncertainty during pilot development and coordination stage in the process. That uncertainty may be particularly significant where electric infrastructure upgrades are material to project feasibility or where the electric utility must devote planning and engineering resources before cost treatment is resolved. This clarity is also critical for publicly owned electrical utilities (“POUs”), as uncertainty regarding reimbursement could create a barrier to POU support and engagement in pilots.

As such, CMUA requests that the final decision clarify whether the electric utilities will be reimbursed for incremental infrastructure upgrades caused by approved pilot projects. Addressing this clarification up front will provide greater certainty to applicants, electric utilities, and other coordinating entities and would support more complete and realistic pilot proposals.

III. CONCLUSION

CMUA appreciates this opportunity to provide comments on the PD.

Dated: June 18, 2026

Respectfully submitted,

/s/ Justin Wynne

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