



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

FILED

06/18/26

03:31 PM

R.24-09-012

(Filed September 26, 2024) R2409012

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.

**CITY AND COUNTY OF SAN FRANCISCO'S OPENING COMMENTS ON THE PROPOSED DECISION
ESTABLISHING APPLICATION PROCESS FOR
SB 1221 NEIGHBORHOOD DECARBONIZATION PILOT PROGRAM**

DAVID CHIU
City Attorney
THERESA L. MUELLER
Chief Energy and Telecommunications Deputy
CAMILLE STOUGH
Deputy City Attorney

Attorneys for
CITY AND COUNTY OF SAN FRANCISCO

Office of City Attorney David Chiu
1390 Market Street, 4th Floor
San Francisco, CA 94102
Telephone: (415) 554-4700
E-mail: camille.stough@sfcityatty.org

June 18, 2026

Subject Index

I	The Definition for Zero Emission Alternatives (ZEAs) Should Be Limited to Non-Combustion Based Technologies	1
II.	Unused Project Capacity Should Be Transferable Between Gas Corporations Within the Same Round.....	2
III.	The PD Should Clarify That Utilities Must Offer Property Owners a Zero-Cost Option for All End Uses.	3
IV.	Applicants Should Be Provided an Opportunity to Request a Reasonable Extension to Submit Applications in the First Round	3
V.	Conclusion	4

TABLE OF AUTHORITIES

Statutes

Public Utilities Code Section 660(j).....	1
---	---

Other Authorities

SB 1221 (Min, 2024) Section 1(a)(6).....	1
--	---

Resolution E-4999 <i>Approving with Modification, Tariffs to Implement the Disadvantaged Communities Green Tariff and Community Solar Green Tariff Programs</i> (May 30, 2019), at 16...	3
--	---

**CITY AND COUNTY OF SAN FRANCISCO’S OPENING COMMENTS ON THE PROPOSED DECISION
ESTABLISHING APPLICATION PROCESS FOR
SB 1221 NEIGHBORHOOD DECARBONIZATION PILOT PROGRAM**

The City and County of San Francisco (San Francisco) respectfully submits the following comments on the May 29, 2026 Proposed Decision (PD) *Establishing Application Process For SB 1221 Neighborhood Decarbonization Pilot Program* pursuant to Rule 14.3.

I. The Definition for Zero Emission Alternatives (ZEAs) Should Be Limited to Non-Combustion Based Technologies.

The PD applies the definition set forth in Public Utilities Code Section 660(j) for ZEAs 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.” The PD declines to adopt any constraints on this definition and instead directs applicants to demonstrate the proposed ZEA is “commercially available, reliable, scalable, and safe.”¹

This definition is inconsistent with the intent of SB 1221 because it does not require ZEAs to be truly zero-emission or even reduce emissions. As other parties have noted, the Legislature found that “[c]ost-effective, zero emission alternatives to pipeline replacement projects both reduce gas system costs and further California’s efforts to reduce greenhouse gas emissions and improve air quality.”² Under the broad definition of 660(j), the use of combustion-based fuels as alternatives to natural gas contradicts the statute’s intention.

Notably, the PD recognizes the importance of reducing GHG emissions by requiring gas corporations (hereinafter, “utilities” or “applicants”) to forecast project impacts on gas consumption and GHG emissions “because the goals of the program include promoting decarbonization and the adoption of zero emission alternatives to natural gas service.”³ The PD’s definition for ZEAs should follow this same reasoning, as well as the intent of SB 1221. The PD should be revised to require that ZEAs produce no emissions. At a minimum, the

¹ PD at 13.

² SB 1221 (Min, 2024) Section 1(a)(6). See Sierra Club/NRDC Opening Comments, p. 12; TURN Opening Comments, p. 7; and CMUA Opening Comments, pp. 11-12.

Commission should revise the language in the PD on page 13 to align with Conclusion of Law 7, which states:

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**.⁴

II. Unused Project Capacity Should Be Transferable Between Gas Corporations Within the Same Round.

The PD proposes three rounds of applications for projects.⁵ In the first two, utilities are limited in the number of projects they can submit, proportionate to their share of demand served in 2024 according to the 2025 California Gas Report, with two additional projects set aside for Southwest Gas and the small gas corporations.⁶ The third round, if projects are still available, will have no limit.

San Francisco appreciates the Commission’s efforts to promote diversity in project location and type and therefore supports the utility-specific project caps in principle. Given the voluntary nature of the program, utility-specific caps could lead to unused project capacity by utilities who decide not to participate in the program. This would effectively reduce the total number of approved projects and result in underutilized project capacity. Although the third round allows applicants to submit an unlimited number of projects, some projects that were developed in previous rounds may no longer be viable by the time the third round is implemented.

San Francisco proposes that the Commission allow reallocation of project capacity between utilities who elect not to submit a project application and those with interest in submitting projects beyond their cap. This is a similar mechanism to the Disadvantaged

⁴ PD at 72-73 (emphasis added).

⁵ PD at 17-20.

⁶ PD at 18-21.

Community Green Tariff program, which allows non-participating CCAs to transfer their program capacity to other CCAs.⁷

III. The PD Should Clarify That Utilities Must Offer Property Owners a Zero-Cost Option for All End Uses.

The PD allows utilities to offer customers either a single no-cost option or a menu of appliance options.⁸ The PD also states that, if the utility offers a menu of options, it “must at minimum offer recipients a no-cost option for certain appliances if they are also allowing the recipient to contribute additional funds to purchase more appliances, more costly appliances, or both.”⁹ This implies that if a utility allows a property owner to contribute to the purchase of a more expensive appliance, the utility would also need to offer a separate option at no cost to the property owner. But the PD is unclear on whether a utility that provides a menu of options, generally, must provide *any* no-cost option.

The PD should clarify that, while a utility does not need to provide all replacement appliances at zero up-front cost, it must offer at least one zero-cost option for each end use appliance. Given the requirement that pilots be cost effective, this approach supports the Commission’s treatment of behind-the-meter measures as an alternative to a pipeline which would otherwise be paid for by the gas utility.

IV. Applicants Should Be Provided an Opportunity to Request a Reasonable Extension to Submit Applications in the First Round

The Commission should allow utilities to formally request an extension to submit project applications in the first round. At this stage, there are various aspects of the program that have not been developed, such as a cost effectiveness calculation tool and clarity on shareholder incentives. Additionally, the requirement to obtain 67 percent “expressions of interest” from property owners raises concerns that the first round of applications may come and go with no submissions, leaving no pilots for consideration until the second round, which would be one year later by December 15, 2027. To avoid this situation, applicants should be allowed to request a reasonable extension to submit project applications. To ensure these requests for

⁷ Resolution E-4999 *Approving with Modification, Tariffs to Implement the Disadvantaged Communities Green Tariff and Community Solar Green Tariff Programs* (May 30, 2019), at 16.

⁸ PD at 25.

⁹ PD at 25.

delay are made in good faith, the applicant should explain in its request why an extension is justified, including how the extension would allow for more robust projects that further meets the objectives of the program, and the status of each project's development to ensure it will be ready for deployment by the 2030 statutory deadline.

V. Conclusion

San Francisco appreciates the opportunity to provide these comments and respectfully requests the Commission modify the Proposed Decision based on the recommendations set forth above.

Dated: June 18, 2026

Respectfully submitted,

DAVID CHIU
City Attorney
THERESA L. MUELLER
Chief Energy and Telecommunications Deputy
CAMILLE STOUGH
Deputy City Attorney

By: /s/ Camille Stough
CAMILLE STOUGH

Attorneys for
CITY AND COUNTY OF SAN FRANCISCO
Office of City Attorney David Chiu
1390 Market Street, 4th Floor
San Francisco, CA 94102
Telephone: (415) 554-4700
E-mail: camille.stough@sfcityatty.org