

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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(Filed September 26, 2024)

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.

**THE UTILITY CONSUMERS' ACTION NETWORK COMMENTS ON THE
PROPOSED DECISION ESTABLISHING APPLICATION PROCESS FOR SB 1221
NEIGHBORHOOD DECARBONIZATION PILOT PROGRAM**



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Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission, the Utility Consumers’ Action Network (“UCAN”) submits the following opening comments on the Proposed Decision Establishing Application Process for SB 1221 Neighborhood Decarbonization Pilot Program (“PD”).¹

I. INTRODUCTION

UCAN agrees with numerous elements of the PD including most of the requirements for efficiency, affordability, and implementation. The following comments recommend updates to the PD to better align the PD with statutory requirements that will also enhance the likelihood of the pilots’ success.

II. SMALL REVISIONS TO THE PD WILL HAVE LARGE IMPACTS ON THE LIKELIHOOD OF PILOT SUCCESS.

SB 1221 puts the gas IOUs in charge of the pilot projects. The gas IOUs have repeatedly demonstrated their opposition to decarbonization.² At times that has included violating Commission orders in ways that the Commission has characterized as “brazen.”³ Thus, the Commission should update the PD to eliminate loopholes that the gas IOUs could leverage to oppose the goals of SB 1221 and decarbonization. UCAN’s following recommendations help to close loopholes and increase the likelihood of the successful pilots.

¹ R.24-09-012, Decision Establishing Application Process for SB 1221 Neighborhood Decarbonization Pilot Program (“PD”), May 29, 2026, <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M607/K364/607364712.PDF>.

² R.24-09-012, UCAN Reply Comments at 2-4, December 17, 2025, <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M591/K255/591255804.PDF>.

³ D.22-03-010, p. 26, available at <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M460/K615/460615446.PDF>.

A. The Commission should direct the electrification portions of the pilots to be administered by CCAs or electric utilities.

The PD states that “SCE and Joint CCAs recommend that the Commission should permit electric utilities and other program administrators to submit pilots and that electric utilities and other qualified implementers should be allowed to administer the electrification portion of a pilot.”⁴ The PD makes no finding and issues no direction related to the SCE’s and CCA’s recommendation with regard to this element of the pilots. UCAN recommends that the PD be updated to direct the gas IOUs to transfer electrification funds for the pilot to – in order of priority – CCAs when there is a CCA serving some of the pilot project area or to the electric utility when there is not a CCA serving the pilot project area. This ensures that a knowledgeable entity with the most incentive to see the pilots succeed directs the electrification activities during the pilot.

B. The Commission should direct outreach portions of the pilots to be administered by CCAs.

Similarly, the PD “authorizes applicants to fund CBOs as necessary and prudent to support the notification, outreach, and engagement requirements established in this section and in Appendix A.”⁵ This enables the gas IOUs to fund CBOs of their choosing. The gas IOUs have funded local entities for years and have a deep roster of CBOs some of whom are likely to support gas use. Without modification, the PD would allow the gas IOUs to direct ratepayer dollars to these CBOs. Such funding would undermine the pilots’ success. However, if CBO outreach is completed correctly, the outreach would benefit the pilots. Thus, funds for CBOs’ involvement should be distributed through the CCA closest to the pilot or serving the pilot area because the CCAs are incentivized to see electrification succeed. For that reason, the PD should be updated to state that the gas utilities will send all funds for notification, outreach, and engagement to the CCAs. The PD should also be updated to state that the CCAs shall administer the outreach work because the CCAs are likely to be the most knowledgeable and capable CBO on the issue of these pilots and electrification efforts. However, the CCAs should be allowed to

⁴ PD at 13.

⁵ PD at 57.

distribute some of the funds to other CBOs if they determine that other CBOs would enhance outreach opportunities.

Under no circumstances should decision allow the gas IOUs to send ratepayer funds to non-CCA CBOs.

C. The distribution pilots should commence as soon as possible in alignment with Health and Safety Code §38562.2(c)(1).

The California Legislature has established that “It is the policy of the state to ... [a]chieve net zero greenhouse gas emissions as soon as possible[.]”⁶ In alignment with the “as soon as possible” direction, the PD should be updated to ensure that the 30 pilots be launched as soon as possible.

The PD allocates a limited number of pilots to each gas service territory but states that “[i]f any slots remain by the time of the third round of applications, the Commission will not assign those projects to specific gas corporations; in other words, the utility-specific caps are moot once the third round of applications are due.”⁷

It is reasonable for the Commission to solicit pilot proposals from a wide range of service territories. However, based on the record, multiple gas IOUs oppose decarbonization⁸ and are unlikely to propose reasonable pilots. Further, because the pilots are voluntarily, it is possible that some gas IOUs may not propose any pilots at all.⁹ To accelerate the pilot timeline to “as soon as possible,” which conforms with Health and Safety Code §38562.2(c)(1), UCAN recommends that the IOU-specific allocation of pilot programs be limited to only the first round of pilot proposals. Then, starting in round two, any IOU can propose any number of pilots for Commission review and approval. This will increase the speed of pilots launching and it will increase the likelihood that gas IOUs will submit competitive and high-value pilot proposals from which the Commission can choose.

⁶ Health and Safety Code §38562.2(c)(1), (“It is the policy of the state to... [a]chieve net zero greenhouse gas emissions as soon as possible, but no later than 2045[.]”), https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=HSC§ionNum=38562.2.

⁷ PD at 19-20.

⁸ R.24-09-012, UCAN Reply Comments at 2-4, December 17, 2025, <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M591/K255/591255804.PDF>.

⁹ PD at 13-14.

D. The PD should specify a threshold for bill impacts.

Section 663.(b)(3) states that the Commission shall establish “[r]equirements and programs to ensure that a substitute for gas service for low-income customers is affordable, adequate, efficient, and just and reasonable.”¹⁰ UCAN submitted data that shows that efficient zero emissions alternatives (“ZEA”) can reduce energy bills compared to gas use.¹¹

The PD states that “[t]his decision requires applications to include 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).”¹² The PD’s bill analysis requirement is good but does not take the next reasonable step needed to conform with the affordability requirement in Section 663(b)(3). Because it is possible to achieve lower energy bills with all-electric alternatives, the Commission should require that only pilot proposals that show lower post-pilot energy bills are allowed to be submitted for consideration.

Not only will this ensure affordability, but it will also significantly increase customers’ support for the pilots.

E. Pilot participants should be directed to the appropriate CCA or electric utility rate comparison tool.

The PD “requires the participating gas corporations to identify the existing, relevant programs available in their service territories that could reduce costs or improve outcomes for the affected customers (e.g., CARE, FERA, Medical Baseline, ESA) and make that information available to all property owners and customers in a pilot project area and, as appropriate, provide enrollment assistance. This includes assisting customers in choosing the best rate schedule to adopt.”¹³ However, the gas IOUs are unlikely to have the data which would allow them to make a reasonable recommendation on rate schedules because it would require knowledge about overall energy usage and LSE provider. Thus, instead of requiring the gas IOUs to supply this

¹⁰ Pub. Util. Code Section 663.(b)(3).

¹¹ R.24-09-012, UCAN Comments at 5 Table 1 and Table 2, March 14, 2025, <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M559/K072/559072907.PDF> (UCAN’s 2025 analysis did not include the Base Services Charge that has now been added to electricity bills. The Base Service Charge makes the conversion to all-electric more affordable than UCAN’s prior analysis shows. Thus the 2025 analysis is conservative.).

¹² PD at 29.

¹³ PD at 27.

information to pilot participants, the gas IOU should direct the customers to the respective CCA and electric utilities' rate selection/evaluation tool that is appropriate for the pilot area. Further, the gas IOU should provide contact information for the local CCA representatives who can help with selecting the most beneficial electric rate based on the customer's usage.

F. The pilot programs will likely reduce the cost of electric system infrastructure and those lower costs should be taken into account when evaluating the cost/benefit analysis for the pilot.

Electrification can be complicated. For example, the PD notes some of the options for optimizing electrification include “(1) meter socket adapters, (2) circuit splitting devices and/or circuit pausers, (3) “smart” electrical panels and/or sub-panels, (4) load management devices, and (5) power-efficient appliances.”¹⁴ Within the SB 1221 pilots, customers are likely to receive highly-optimized electrification installations that work well and that minimize the cost of distribution system upgrades. Customers are also likely to receive heat pump equipment instead of electric resistance equipment. Thus, electric distribution system upgrades are likely to be minimal compared to the upgrades that would be needed if the customers were to complete the electrification efforts themselves, outside of the pilot.

Because California has a 2045 carbon neutrality goal, many if not most customers will be well on their way to carbon neutrality by 2045. Therefore, it is reasonable to assume that all electric distribution infrastructure will need to be upgraded prior to 2045 and outside of a pilot, those non-pilot customers will likely cause much more to be spent on electric distribution infrastructure than pilot customers. This fact does not appear to be reflected in the PD which states that “[d]escriptions 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.”¹⁵ The PD also only discusses incremental costs in section 9.3 on the cost effectiveness calculation.¹⁶

¹⁴ PD at 35.

¹⁵ PD at 34.

¹⁶ PD at 61 [emphasis added], (“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, gas infrastructure decommissioning costs.”).

The PD discusses cost savings in another section.¹⁷ Project savings should include savings from reduced cost to infrastructure due to the programs minimizing the electrical upgrades needed through the pilot versus the likely upgrades resulting from customers upgrading their electrical equipment on their own. This estimate and data should be supplied to the Applicant by the electric utility in whose territory the pilot is located. The PD implies that the applications should receive the cost savings estimate from the local electric utility when it states that “Applicants shall exclude the following costs from their cost effectiveness calculations ... the cost of electric infrastructure upgrades that would have occurred without the pilot project.”¹⁸ The PD should make it clear that all projects should assume that without the pilot project, the customer should be assumed to install a 240 volt stove, a 240 volt water heater, a 240 volt EV outlet, and a space conditioning heat pump without circuit splitting. Thus, any pilot program reduction to these building electrification assumptions would result in infrastructure cost savings instead of an incremental electrical system cost.

UCAN requests that these sections be revised to consider incremental costs *or cost savings* to the electric distribution grid. UCAN anticipates the cost savings to be substantial and the incremental costs to be minimal or non-existent.

G. CCAs and electric utilities should be specified as the local coordination entities.

The PD “requires pilot applicants to engage with local entities to ensure they are aware of the proposed pilot projects and can contribute as appropriate.”¹⁹ UCAN supports the rigorous reporting required in this section that will reduce the potential for the gas IOUs to undermine electrification efforts. Specifically, related to the PD citation above, UCAN requests that the Commission specify only two entities with whom the gas IOUs must coordinate (1) the electric utility and (2) if one serves the pilot location, the CCA. Both entities have an incentive to see the pilot programs succeed and will serve valuable roles and knowledgeable resources for the pilot participants. However, outreach by gas IOUs to non-electric entities could result in sub-optimal communication and undermining of electrification programs.

¹⁷ PD at 61-62.

¹⁸ PD at 61-62.

¹⁹ PD at 44.

H. Customer consent is not required for pilot projects.

The PD states that it “does not adopt the Sempra Utilities’ suggestion to require applicants to obtain consent from both the property owner and affected customers because the plain language of SB 1221 requires consent only from property owners.”²⁰ UCAN provided recommendations on this issue that align with the PD and to which the Commission can cite.²¹ UCAN requests that the PD be updated to cite to UCAN’s contribution on this issue.

I. The PD should only include outreach costs that are likely to support pilot project success.

The PD states that “Applicants may 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.”²²

The PD determination applies to “outreach and notification costs” among other costs. UCAN agrees with the determination that the gas IOUs should be able to recover outreach and notification costs. However, the Commission should update the PD to ensure conformance with AB 1167 (Berman 2025-2026), the California Ratepayer Protection Act of 2025, which limits the gas IOUs’ recoverable communications to ratepayer-benefitting communications.²³

The recent and ongoing communications actions by the gas IOUs appear to be designed to benefit shareholders.²⁴ Thus, any communications activities by gas IOUs should be closely monitored as to whether the communications serve ratepayers or shareholders.²⁵ The record of this proceeding shows a concerning trend of communications by gas IOUs.²⁶

²⁰ PD at 49.

²¹ UCAN Reply Comments at 7, December 17, 2025, <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M591/K255/591255804.PDF>.

²² PD at 68-69.

²³ AB 1167 (Berman 2025-2026), California Ratepayer Protection Act of 2025, https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202520260AB1167.

²⁴ R.24-09-012, UCAN Reply Comments at 2-4, December 17, 2025, <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M591/K255/591255804.PDF>.

²⁵ R.24-09-012, UCAN Reply Comments at 2-4, December 17, 2025, <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M591/K255/591255804.PDF>.

²⁶ *Ibid*, (For example, the California Attorney General recently found SoCalGas’ communications to be misleading. In a separate incident the LA Times reported on SoCalGas forming a “front” group to “fake popular support” for gas IOU interests. Finally, a UK-based nonprofit found that Sempra, the parent company of SoCalGas and SDG&E, “holds leadership positions in multiple industry groups with highly negative engagement with climate policy, including the U.S. Chamber of Commerce, American Petroleum Institute, and American Gas Association.”).

For that reason, UCAN recommends that the Commission update the decision to caution the gas IOUs that an IOU's communication and outreach costs for the program will be disallowed if the Commission finds that any of the IOU's outreach and communications undermine or negatively impact the success of the pilot. This cautionary note ensures that the IOUs are able to reasonably complete outreach, while ensuring that the Commission protect ratepayers as envisioned by AB 1167 (Berman 2025-2026), the California Ratepayer Protection Act of 2025.²⁷ The Ratepayer Protection Act states that "[i]t is the intent of the Legislature to protect the customers of California's investor-owned utilities from funding... activities that are primarily for the benefit of utility shareholders."²⁸ For these reasons, the UCAN requests that the PD be updated to state:

This decision recognizes that the utilities have unforeseen costs including annual mapping requirements and related outreach and notification. **This decision also recognizes that the gas utilities often communicate in ways that benefit shareholders instead of ratepayers.** While prior decisions in the proceeding denied amending the SB 1221 Mapping Memorandum Accounts that were authorized by D.25-07-016, this decision authorizes the [gas corporations] to submit advice letters to establish subaccounts to record to the SB 1221 Mapping memorandum accounts additional costs consisting of administrative costs and **ratepayer-benefiting** pilot program application-related outreach and notification costs, which will allow them to request cost recovery in subsequent applications. **If any of the gas utilities communications undermine or negatively impact the success of the pilot, the gas utilities shall not recover any outreach and communications costs.**

Finally, as noted in a previous section, UCAN recommends that the ideal framework for outreach and communications would be for the CCAs to complete that work using funds distributed to the CCAs by the gas utilities.

²⁷ AB 1167 (Berman 2025-2026), California Ratepayer Protection Act of 2025, https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202520260AB1167.

²⁸ AB 1167 (Berman 2025-2026), California Ratepayer Protection Act of 2025, Section 2(b), ("It is the intent of the Legislature to protect the customers of California's investor-owned utilities from funding those utilities' political influence, promotional advertising, and other activities that are primarily for the benefit of utility shareholders."), https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202520260AB1167.

J. Gas utilities should not communicate or obtain non-binding interest expressions prior to submittal and approval of pilot projects.

The PD requires the gas utilities to complete outreach and obtain multiple rounds of interest and consent for pilot projects “including during the project development phase.” UCAN is extremely concerned about outreach during the development phase because it could lead to customer confusion due to the potential for significant differences in pilot descriptions over the multiple rounds of outreach.

First, if a gas IOU distributes information about a non-Commission-approved pilot then there is a high likelihood that the information will not accurately describe the final pilot’s structure, cost-effectiveness, or customer benefits. Such outreach could undermine the pilot before it has even been presented to the Commission.

Second, even if the initial outreach for a non-approved pilot is completed in good-faith, numerous changes to the pilot could be ordered by the Commission prior to implementation. Such changes would cause confusion and misunderstandings with property owners who had previously been required to review a different set of project parameters.

Third, property owners have numerous competing claims on their time. They should not be asked to review and approve pilots that have not been vetted by the Commission or by parties to this proceeding.

Fourth, there is no guarantee that a gas IOU pilot proposal will be approved by the Commission. Distributing notifications and soliciting “non-binding expressions of interest” from property owners before the Commission has even seen a pilot will lead to significant confusion if the Commission ultimately rejects a gas IOU’s application for a pilot.

Thus, UCAN recommends that the PD’s Appendix A, Table A, be revised to eliminate the first row under the headings (i.e., eliminate the row labeled “Prior to submitting application”). This outreach and notification revision will streamline the process and will ensure a better experience for pilot participants.

III. CONCLUSION

UCAN recommends the specific updates to the PD, detailed above, to ensure the best chance of success of SB 1221 pilots.

Dated: June 18, 2025

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