

**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.

Rulemaking 24-09-012
(Filed September 26, 2024)

**OPENING COMMENTS OF THE BUILDING DECARBONIZATION COALITION ON
THE PROPOSED DECISION ESTABLISHING APPLICATION PROCESS FOR SB
1221 NEIGHBORHOOD DECARBONIZATION PILOT PROGRAM**

Beckie Menten
California Director
The Building Decarbonization Coalition
116 Front St.
PO Box 642
Lewes, DE 19958
(415) 312-6713
Bmenten@buildingdecarb.org

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In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the Building Decarbonization Coalition (“BDC”) respectfully submits these opening comments on the *Proposed Decision Establishing Application Process For SB 1221 Neighborhood Decarbonization Pilot Program* (“Proposed Decision” or “PD”), issued by Commissioner Karen Douglas on May 29, 2026.

I. INTRODUCTION

The Building Decarbonization Coalition (BDC) appreciates the opportunity to submit these comments on the Proposed Decision. BDC has served as an implementer of decarbonization policy and projects across the country, and as a sponsor of SB 1221 (Min 2024), BDC looks forward to the implementation of this nation-leading measure to shift utility investments toward zero-emission solutions that support energy affordability, climate resilience, and the equitable transition toward carbon neutrality by 2045.

While we generally support the pilot program established by the Commission’s PD, BDC recommends a number of modifications that we believe will support the efficient deployment of these pilot projects and advance the objectives of an equitable gas transition. Our recommendations and comments for consideration are summarized below:

- Pilot project proposals should be submitted and approved via Tier 3 Advice Letter to avoid unnecessary and costly delays under the proposed application process.
- The Commission should enable adjustments to the 30-project cap in later application rounds.

- In pilot areas that do not achieve 67 percent consent, applicants should be required to offer the customers who consented to the project assistance on how to electrify through existing programs.
- The PD should establish priority for projects that are inclusive of a PNDZ or are fully within the boundaries of one.
- Applicants should be required to provide greater clarity on appliance offerings.
- Load management and power-efficient design are critical aspects of building decarbonization and should be part of applicant incentives.
- Pilots should include offerings to promote tenant acceptance.
- Utilities should be required to retain industry-appropriate technical assistance in the case that their pilot serves hard-to-electrify customers.
- The pilot proposals' information on gas infrastructure should include the location and length of gas service lines to be decommissioned and gas infrastructure upgrades/changes as a result of the pilot.
- The PD does not provide adequate guidance regarding the approach to be taken to support the $\frac{1}{3}$ or fewer customers who do not consent when a pilot project moves forward.
- CBOs and local messengers are critical to successful project implementation, and community engagement through these channels should be prioritized for all pilot projects and required for those within PNDZs.
- The PD should establish a data sharing protocol for consenting customers in order to empower community members to be a part of the outreach and communication process.
- The Commission should establish flexibility in zone sizing and consenting procedure to increase feasibility of successful projects.
- Cost-effectiveness should be measured at the program level.
- BDC supports a shareholder incentive approach, with modifications.
- To fulfill the objectives of an equitable gas transition, the SB 1221 pilots should include standards that create opportunities for the high-road jobs workforce.

II. APPLICATION PROCESS

A. **The PD should direct pilot project proposals to be submitted and approved via Tier 3 Advice Letter to avoid unnecessary and costly delays under the proposed application process.**

The requirement that gas corporations submit their pilot proposals in separate applications is unnecessary and will create a process that will likely delay full implementation for pilots and could risk confusion among participating customers when there are long delays between initial outreach and final project approval. Instead, BDC supports use of the Tier 3 Advice Letter process for reviewing and approving pilot applications, as suggested by the NRDC and Sierra Club,¹ Cal Advocates,² and several utilities.³

The proposed application process will unnecessarily delay pilot approval and will introduce considerable regulatory churn and associated cost. As noted in comments by the Sierra Club and NRDC, a formal application can take over a year to resolve, which risks stalling momentum and overcomplicating project logistics. A lengthy application process is inconsistent with the Legislature's objectives in enacting SB 1221, which include annual progress reports on the findings of pilot projects to provide the opportunity for iterative learnings.

In addition, requiring an applicant to gain 67 percent "soft consent" before application would introduce lengthy delays between engaging customers and actually following through on the project, introducing complexity and the increased opportunity for customer dissatisfaction and withdrawal from pilot participation. This issue could be resolved with a shorter timeframe between application and approval, such as through an Advice Letter process. BDC has also learned through our experience supporting customer outreach on early pilots that the timeline of the project has an impact both on the feasibility of the project and on the cost. Longer project timelines not only introduce additional costs, but also impact the attention and engagement of participating customers. A Tier 3 Advice Letter is suitable for the review and approval of pilot applications and avoids these pitfalls.

¹ Sierra Club and NRDC Opening Comments on Second Amended Scoping Memo at 2.

² Reply Comments of Public Advocates Office, Dec 17 2025 at 2.

³ PG&E Opening Comments on Second Amended Scoping Memo at 3 and Joint SoCalGas-SDG&E Opening Comments at 2 to 3.

B. The PD should enable adjustments to the 30-project cap in later application rounds.

BDC believes that the PD's initial proposed allocation of the pilots per gas corporation is reasonable, and appreciates that the utilities will be able to submit up to three additional proposals to account for potential attrition among their approved projects.⁴

However, after the first round of proposals is approved, there will likely be clear evidence that there are regions of the state where pilots are more likely to be successful and the applicants should have a clear, already approved path to readjust the allocation of the pilots between the gas corporations. BDC recommends that after each round of pilot approvals, Energy Division Staff should be directed to work with gas corporations to readjust the project allocations and the gas corporations should be directed to submit a Tier 2 Advice Letter seeking such reallocations.

III. PROJECT IMPLEMENTATION

A. In pilot areas that do not achieve 67 percent consent, the PD should require applicants to offer the customers who consented to the project assistance on how to electrify through existing programs.

In comments on the Second Amended Scoping Memo, the City and County of San Francisco recommended that “property owners who wanted to participate in a pilot but were not eligible due to the project not reaching the 67 percent consent threshold should be given the option to decommission their gas service line and receive an incentive equal to the avoided cost.”⁵ The PD rejects this on the basis that there is no funding to support this proposal.⁶

BDC recommends that the Commission adopt a middle ground approach and require the applicants to provide customers in zones that did not meet the 67 percent consent threshold with information about existing programs and options for electrification. There will be costs associated with the initial customer outreach and engagement conducted by gas corporations during the pilot development phase that will go to waste if there is no process to encourage further actions by customers who are excited to participate in a program.

⁴ PD at 20.

⁵ San Francisco Opening Comments on Second Amended Scoping Memo at 8.

⁶ PD at 28.

To take advantage of momentum from the initial outreach process and build on the outreach required for participating customers, we believe the CPUC should require applicants to develop and distribute materials to assist consenting customers in pilot areas that do not achieve the 67 percent consent threshold on how to electrify through existing programs and connect these customers to existing enrollment assistance.

B. The PD should establish priority for projects that are inclusive of a PNDZ or are fully within the boundaries of one.

BDC supports the apparent attempt to maximize the success of the program in the initial wave of applications by not requiring that the pilot projects be constrained to specific geographic areas.⁷ However, ignoring the PNDZs entirely raises questions of legislative intent and the effort parties and the CPUC put into designing PNDZs in the first place. The intent of SB 1221 is clear in its title: “Gas corporations: ceasing service: priority neighborhood decarbonization zones.” Further, SB 1221 adopted Public Utilities Code Section 663, which the PD is implementing, which specifically states in 663(a) 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*” [emphasis added.] While creating flexibility to adopt pilots outside of PNDZs may help the Commission comply with other requirements of SB 1221, the Commission cannot completely ignore the intent of the Legislature to focus on PNDZs. To reach an appropriate middle ground in the initial phase of applications, the PD should require applications to detail efforts to target PNDZs and prioritize approval of any proposed pilots that include part or all of a PNDZ.

C. Applicants should be required to provide greater clarity on appliance offerings.

The PD grants the applications wide latitude in determining what appliances will be offered to participating customers and if the customers can choose between a single appliance or a range of options. In BDC’s experience, this latitude will be critical in designing programs that gain the needed customer consent to move forward with the pilots. As consumer needs vary widely, BDC believes that it is important for pilot proposals to take into account the fact that what works for one

⁷ PD at 22.

customer may not work for another. However, while flexibility in program design is important, uncertainty for customers will result in lower acceptance rates. In BDC's experience with project implementation, ambiguity in program offerings creates challenges for securing customer consent. These ambiguities need to be resolved in the approval of the applicants' final proposals to the Commission, and the Commission should direct that the proposals include detail regarding the specific appliances that will be available for recipients, how the appliance offerings will serve a diverse set of consumer preferences, what the total funding level per home is, and how remediation and other home improvement needs are covered or not covered in advance so that program communications to customers clearly address these topics.

D. Load management and power-efficient design are critical aspects of building decarbonization and should be part of applicant incentives.

Necessary upgrades to the electric grid to support electrification will impact the cost effectiveness of pilot projects, but using power-efficient design tools can minimize the need for electric upgrades. BDC applauds the PD's requirement that applicants demonstrate that their project design took advantage of all possible ways to avoid or minimize the need for electric infrastructure upgrades, such as load management devices, smart electrical panels, and power-efficient appliances.⁸ Pursuing alternatives to service upsizing is a key strategy to minimize project costs where remediation would likely be needed for appliance installation. While the PD requires the applications to demonstrate consideration of using "power-efficient appliances," that term lacks a clear definition and may not include lower voltage devices that do not trigger the need for additional electrical work within the building or on the distribution nest work. The PD should clarify that consideration of using 120V appliances that support panel management should be part of the consideration. Given the potential for power-efficient design and load management, when paired with building decarbonization, to stabilize rates for all customers, the CPUC should consider including power-efficient design for pilots as an aspect of any shareholder incentive mechanism that is provided.

E. Pilots should include offerings to promote tenant acceptance.

⁸ PD at 34.

For tenant occupied spaces, beyond the notifications already required in the PD, BDC believes that there is value in offering some form of tenant incentive for participation. In many cases, tenants are the first point of program interaction and a crucial stakeholder when a zone is identified and outreach begins. While consent to a project ultimately belongs to the property owner, tenants play a crucial role in the process. As the occupant of the property, they face the majority of the time and procedural burden of measure installation. In instances of inattentive or out-of-state property owners, tenants may be the single most effective communication channel available to property owners during initial outreach and consent. Without this support, pilots may struggle to capture property owner attention and achieve necessary consent thresholds. To this end, incentivizing tenant participation in the process and generating excitement will lead to greater program success through higher consent rates. In previous pilots, tenants have been offered gift cards for consenting to energy audits, which serve as a crucial first step in the consenting pipeline. The applicants should be encouraged to explore additional tenant incentive structures to encourage tenant participation and excitement in the pilot projects.

F. Utilities should be required to retain industry-appropriate technical assistance in the case that their pilot serves hard-to-electrify customers.

The PD allows applicants to include options for technical assistance in their proposals, but does not require technical assistance as a component of the pilots.⁹ Some businesses and industries may be hard to electrify without technical assistance. While technical assistance may not be necessary in many instances, pilot projects involving customers with hard-to-electrify loads, such as commercial laboratories or food service, would benefit from this additional assistance, and the lack of such technical assistance may be a deciding factor for a business on whether they consent to participate in the program or not. We encourage the CPUC to require utilities to retain industry-appropriate technical assistance in the event that their projects include hard-to-electrify customers.

G. The pilot proposals' information on gas infrastructure should include the location and length of gas service lines to be decommissioned, and gas infrastructure upgrades/changes as a result of the pilot.

⁹ PD at 27.

The PD requires that pilot proposals include information on gas infrastructure, including the location and length of gas mains to be decommissioned in the pilot project area.¹⁰ Likewise, we believe pilot proposals should provide the same level of detail for gas service lines that would be decommissioned as a result of pilots. Understanding service line impacts will be important in evaluating project cost-effectiveness and avoided gas infrastructure maintenance, and future replacement costs. For clarity, BDC suggests that the PD explicitly require proposals to include information on the location and length of gas service lines proposed to be decommissioned within pilot proposals.

BDC recognizes the impact that targeted decommissioning via pilot projects can have on neighboring parts of the gas distribution system. The PD allows applicants flexibility in the types of hydraulic feasibility analyses they deem necessary to understand these impacts to determine project viability.¹¹ BDC believes this flexibility is important and encourages the CPUC to require that these analyses include information on any gas infrastructure changes anticipated by the utility in areas outside the project that are required as a result of the pilot's change to local or regional system hydrology.

IV. COMMUNITY OUTREACH & ENGAGEMENT

A. The PD does not provide adequate guidance regarding the approach to be taken to support the ⅓ or fewer customers who do not consent when a pilot project moves forward.

BDC believes that the CPUC should provide more guidance regarding how utilities should engage with non-consenting customers during project implementation. The PD states that the Commission would “expect applicants in developing proposed pilots to take into consideration how customer support could affect pilot viability and encourage them to foster and assess customer interest,”¹² and describe the customer engagement efforts in their application. However, without more guidance from the Commission, the applications are unlikely to contain consistent detail on how to address challenges with non-consenting, or non-responsive, customers. BDC acknowledges that while this is a critical issue to program success, there is little information on

¹⁰ PD at 30.

¹¹ PD at 30.

¹² PD at 50.

the record on this issue. Consequently, we believe that the appropriate next step is to hold workshops to further develop steps for working with non-consenting customers. This issue does not need to slow down the current process, and can be addressed in the intervening months between the approval of this PD and the applicants' submittal of pilot proposals. We specifically recommend that the gas corporations be directed to host future workshops in the remainder of 2026 to develop specific criteria on how to address these issues in the proposals.

B. CBOs and local messengers are critical to successful project implementation, and community engagement through these channels should be prioritized for all pilot projects and required for those within PNDZs.

BDC agrees with the various parties,¹³ including the Sierra Club and NRDC; Joint CCAs; CMUA; County of Contra Costa; City and County of San Francisco; Central California Rural REN; Marin Clean Energy; Center for Accessible Technology that have emphasized the key role of outreach by CBOs and local messengers in building trust in communities and gaining buy-in from project participants. Through the use of in-language communications and acting as trusted messengers alongside the utilities, they can increase program participation. To leverage these partnerships, BDC urges the CPUC to require, at a minimum where pilots are proposed within PNDZs, that the applicants fund outreach by CBOs. In instances where the utility is not leveraging CBOs for engagement in their proposal, an explanation as to why CBOs are not involved should be included in the application.

Previous pilot experiences have shown that customers who were initially resistant to participation eventually gained trust and interest in the project as their neighbors moved forward or different outreach approaches were undertaken. As such, these messengers should be allowed

¹³ Sierra Club and Natural Resources Defense Council Opening Comments on Second Amended Scoping Memo at 11; City and County of San Francisco's Reply Comments Regarding SB 1221 Pilot Program at 2 to 4; County of Contra Costa Comments on Questions Related to the Pilot Program to Facilitate the Cost-Effective Decarbonization of Priority Neighborhood Decarbonization Zones at 6; California Municipal Utilities Association Opening Comments on Second Amended Scoping Memo at 13; CCR REN Opening Comments on Second Amended Scoping Memo at 4; Marin Clean Energy Opening Comments on the Proposed Decision Designating Initial Priority Neighborhood Decarbonization Zones at 3 to 4; CforAT Comments on Pilot Program Questions at 2; and Joint Community Choice Aggregators Reply Comments on Second Amended Scoping Memo at 3.

to deploy multiple approaches with a potential pilot participant before the pilot area is excluded from consideration.

C. The PD should establish a data sharing protocol for consenting customers in order to empower community members to be a part of the outreach and communication process.

The Commission should streamline the access to critical data that can help support CBOs and local messengers in their outreach efforts and allow approaches to foster buy-in from neighbors. The current data sharing rules that require NDAs in order to access any customer information is cumbersome, and many local governments and community members will be unable to execute.

Pilot experience thus far demonstrates that leveraging the excitement and trust of consenting customers can assist in recruiting their neighbors into the program. The efficacy of this tactic is rooted in the familiarity and trust neighbors have with one another that is not so easily replicated by a gas corporation, or even a CBO. In order to enable customers to become champions for the program and support outreach efforts, the PD should establish a data sharing protocol that allows consenting customers to know the other premises in their zone that must agree to participate. This could be the address of their eligible neighbors, a proxy, or a granular house-by-house map that the customer can use to identify which homes and properties are within the project boundaries.

The CPUC should also consider establishing a method by which the public can check if they live within an eligible zone. Past pilot experiences demonstrate that customers outside eligible zones often learn about the program through word of mouth, and may experience disappointment and negative association with the program to subsequently learn that they are not eligible from a program representative. An easy way for customers to check if they are eligible will reduce program costs associated with validating and communicating with non-eligible customers. As noted above, these ineligible customers who express interest in the pilot should also be provided with information on other potential programs that could assist them with electrifying their homes or businesses.

D. The Commission should establish flexibility in zone sizing and consenting procedure to increase feasibility of successful projects.

Determining the geographic location and size of zones will be dependent on numerous criteria outlined throughout the PD, and will be a primary determinant in the realistic success a pilot will have in achieving the 67 percent consenting threshold to move forward. Zones that are too small risk limiting the impact these pilots are intending to have and the learnings hoped to be gleaned through them, while zones that are too large increase the outreach and engagement complexity and decrease the chances of meeting the consent threshold. BDC believes that in order to balance the interests of both approaches with the goals of the pilots, the Commission should allow flexibility in zone determinations and consenting procedures. BDC recommends the Commission:

- Consider zone sizes as a critical variable in approval of proposed pilots. Zones that have a total of 20-100 meters within them, for example, may have a significantly higher chance of consenting success compared to a zone with 400 customers. To this end, the Commission should evaluate consenting feasibility in determining which projects move forward, and allow for zone flexibility as utilities work through these pilots for the first time.
- Allow applicants to submit initial projects and, in the event that the project does not or is projected to not meet the consenting threshold as a whole, segment the project based on customer groups who share gas mains. In this scenario, projects may be able to move forward if the small segments of gas main sharing customers do achieve the 67 percent consent threshold within their subset.

V. **COST-EFFECTIVENESS & COST RECOVERY**

A. Cost-effectiveness should be measured at the program level.

Overall, the PD reaches a reasonable balance in setting the criteria to determine cost-effectiveness for the pilots as required by Public Utilities Code 663(b)(2). However, BDC recommends that the gas corporations should measure cost-effectiveness at the program level. Similar to the approach the Commission has taken with energy efficiency programs, the Commission should allow for some flexibility in pilot offerings and ensure that the applicants can target PNDZs by allowing the applicants to pursue some pilots that may not meet the cost-effectiveness test, provided that the overall portfolio of proposals is cost-effective. This portfolio approach will create a true set of pilot projects that creates more diverse learning. BDC appreciates

the goal stated in the PD to evaluate the cost-effectiveness of different decarbonization approaches in different pilot projects,¹⁴ but this does not require that the cost-effectiveness be measured at the individual pilot level; the applicants can report results on both an individual and portfolio basis.

B. BDC supports a shareholder incentive approach, with modifications.

The PD notes that the Commission intends to establish a performance-based shareholder incentive, to be further developed later in this proceeding.¹⁵ BDC supports a shareholder incentive approach, as long as decommissioning is voluntary for the gas utilities. However, the current proposed shareholder incentive to be calculated based solely on realized savings of projects will likely not result in a pilot meeting all of their goals. As part of any further development of shareholder incentives, the process needs to allow for consideration of:

- Incentives to design programs that minimize capital expenditures on the electric system through power-efficient design, including the use of meter socket adapters, circuit splitting devices and/or circuit pausers, “smart” electrical panels and/or sub-panels, load management devices, and power-efficient and lower voltage appliances
- Incentives for developing projects in PNDZs and/or disadvantaged communities (DACs.)

VI. HIGH-ROAD JOBS

A. To fulfill the objectives of an equitable gas transition, the SB 1221 pilots should include standards that create opportunities for the high-road jobs workforce.

As the PD notes, SB 1221 requires the Commission to establish a preference for pilot projects that provide prevailing wage and use high-road job programs.¹⁶ The PD addresses this requirement by directing applicants to “establish a preference for pilot projects that provide prevailing wages and use high road job programs and to describe in their applications how they established and implemented that preference,”¹⁷ but does not provide details or guidance on how the applicants actually accounted for or prioritized these factors. In order to meet the statutory

¹⁴ PD at 60.

¹⁵ PD at 67.

¹⁶ PD at 36.

¹⁷ PD at 39.

requirement and fulfill the CPUC's objectives of an equitable gas transition, BDC recommends that the PD is modified to include the following:

- All projects should pay prevailing wage and should be required to certify payroll to collect data on labor expenditures and inform future efforts.
- Applicants shall enter into a Project Labor Agreement (PLA) detailing how the project will leverage both the existing utility workforce as well as skilled and trained workers.

In addition to supporting equitable workforce development opportunities, high-road job programs will help to ensure installation quality by equipping technicians with the technical knowledge and skills to properly install the new equipment and appliances for pilot projects. Work quality is a key component for project safety, customer satisfaction, and energy saving outcomes.

VII. CONCLUSION

BDC appreciates the opportunity to submit these opening comments on the Proposed Decision and looks forward to continued engagement in this proceeding as the Commission works to implement neighborhood-scale decarbonization through the SB 1221 pilot projects.

Respectfully submitted,

/s/ Beckie Menten
Beckie Menten
California Director
The Building Decarbonization Coalition
116 Front St.
PO Box 642
Lewes, DE 19958
(415) 312-6713
bmenten@buildingdecarb.org

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