BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

**FILED**
07/07/26
08:00 AM
A2607004

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| Application of the California Market Transformation Administrator (U-1399-E) for Approval of the Second Tranche of Statewide Energy Efficiency Market Transformation Initiatives. | Application 26-07-XXX |

# APPLICATION OF THE CALIFORNIA MARKET TRANSFORMATION ADMINISTRATOR (U-1399-E) FOR APPROVAL OF THE SECOND TRANCHE OF STATEWIDE ENERGY EFFICIENCY MARKET TRANSFORMATION INITIATIVES

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**CALIFORNIA MARKET TRANSFORMATION ADMINISTRATOR**

July 6, 2026

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## APPLICATION OF THE CALIFORNIA MARKET TRANSFORMATION ADMINISTRATOR (U-1399-E) FOR APPROVAL OF THE SECOND TRANCHE OF STATEWIDE ENERGY EFFICIENCY MARKET TRANSFORMATION INITIATIVES

Pursuant to Article 2 (Applications) of the California Public Utilities Commission's Rules of Practice and Procedure (CPUC Rules) and Decision (D.) 25-11-023 (Decision Approving Initial Tranche of Energy Efficiency Market Transformation Initiatives), the California Market Transformation Administrator (CalMTA; U-1399-E) respectfully files this Application for Approval of the Second Tranche of Statewide Market Transformation Initiatives (MTIs).

## I.
## AUTHORITY TO FILE APPLICATION AND SUMMARY OF CONTENTS AND REQUESTED RELIEF (CPUC Rule 2.1) [1]

### A. Authority to File Application

CalMTA is a program of the California Public Utilities Commission (CPUC or Commission) that is administered by Resource Innovations, Inc., under a contract with Pacific

[1] CPUC Rule 2.1 requires all applications to "state clearly and concisely the authorization or relief sought shall cite by appropriate reference the statutory provision or other authority under which Commission authorization or relief is sought." The additional information required of applications pursuant to Rules 2.1(a) through (c) are provided in Section IV hereto with required verification by the applicant (Rules 2.1and 1.11) provided following the signature page hereto (Rules 2.1 and 1.11)).

Gas and Electric Company (PG&E) with the direct oversight of Energy Division staff. CalMTA was established by the Commission in D.19-12-021 pursuant to California Public Resources Code §399.4(d) [2] for the purpose of launching market transformation initiatives (MTIs) in the energy efficiency sector "to transform how customers and markets operate…to increase market penetration of selected efficiency and low-carbon solutions, resulting in lasting benefits." [3]

In 2024, pursuant to D.19-12-021, PG&E filed Application (A.) 24-12-009 on behalf of CalMTA for approval of a First Tranche of MTIs. [4] These proposed MTIs included one for Room Heat Pumps and a second for Induction Cooking.

By D.25-11-023 in A.24-12-009, the Commission issued several orders to further market transformation by:

(1) Approving CalMTA's proposed MTI for Room Heat Pumps;

(2) Conditionally approving CalMTA's proposed MTI for Induction Cooking, subject to CalMTA's submission of a Tier 2 Advice Letter making specifically identified changes to the MTI; [5] and

(3) Granting authority for CalMTA to file a "new Application for new market transformation initiatives" with direction on its contents related to funding and analyses. [6]

With respect to (3), although PG&E was directed by the Commission in D.19-12-021 to file A.24-12-009 for approval of the First Tranche of MTIs on behalf of CalMTA, the Commission in D.25-11-023 made such action by PG&E discretionary for future applications.

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[2] Senate Bill 350, De León, Clean Energy and Pollution Reduction Act of 2015, Sec. 16, amending §399.4(d) of the Public Utilities Code directing that "the commission shall, at a minimum…[a]uthorize market transformation programs with appropriate levels of funding to achieve deeper energy efficiency savings."

[3] D.25-11-023, at pp. 4-5.

[4] D.19-12-021, OP 9, at p. 91.

[5] Pursuant to the Commission's directions in D.25-11-023, CalMTA submitted the modified Induction Cooking MTI by Tier 2 Advice Letter (AL) RI-CalMTA-4 on March 11, 2026, which was approved by the Energy Division by a disposition letter with an effective date of April 10, 2026.

[6] D.25-11-023, OP 11, at p. 88.

Instead, the Commission authorized CalMTA to file any subsequent "new" application for "new" MTIs.[7] CalMTA, as supported by PG&E and the Commission's Energy Division, has, in turn, filed this Application for approval of a Second Tranche of "new" MTIs pursuant to that authorization. As described herein and in CalMTA's supporting testimony, the Second Tranche of MTIs proposed by CalMTA in this Application complies with all Commission directions for their development and approval, including D.25-11-023, D.19-12-021, and the Market Transformation Framework adopted and appended as Attachment A to D.19-12-021.

**B. Summary of Contents and Requested Relief**

By this Application, CalMTA requests that the Commission (1) approve CalMTA's proposed Second Tranche of MTIs and (2) approve CalMTA's proposed process for Commission review and approval of future new MTIs. In summary, as to the first request, CalMTA seeks approval of the following three new MTIs and associated implementation funding through 2031:

(1) Residential Heat Pump Water Heating (Residential HPWH);

(2) Commercial Replacement and Attachment Window Solutions (CRAWS); and

(3) Commercial Rooftop Units (CRTUs).

Each of these new MTIs is more fully described in Section II. below and further supported in Attachments 1 to 5 to this Application and prepared testimony listed in Section V. hereto and uploaded to the Commission's supporting documents page. The funding required and requested for the implementation of these new proposed MTIs and administration of CalMTA's expanded portfolio through 2031 is $81,772,000.

In addition, each of the proposed MTIs is forecasted to cost-effectively deliver exceptional value to ratepayers as measured by the Commission's metrics of Total System

[7] D.25-11-023, OPs 10 and 11, at p. 88.

Benefit (TSB)[8] and all three required benefit-cost ratios – the total resource cost test (TRC), program administrator cost test (PAC), and societal cost test (SCT). These proposed MTIs are uniquely suited to a market transformation approach that will enable California to unlock historically hard-to-capture energy savings in existing buildings that are not achievable by traditional energy efficiency programs. Each also fully aligns with Commission and other state policies and directives.[9]

As to the Application's second request, CalMTA seeks a Commission order authorizing CalMTA to use Tier 2 Advice Letters to request Commission approval of future MTIs, as further described in Section III. hereto. CalMTA believes that this request is reasonable and consistent with Commission direction in both D.19-12-021 and D.25-11-023, which anticipated a future where new MTIs could be approved via Advice Letter, similar to other energy efficiency programs.[10] The Tier 2 Advice Letter process is a transparent process that allows for review and input by all stakeholders and disposition by the Commission's Energy Division in a manner that is more procedurally efficient and will advance timely approval of new MTIs and achievement of their substantial benefits for California.

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[8] D.21-05-031 established Total System Benefit (TSB) as the new single metric for energy efficiency portfolio goals and accountability, which is an expression, in dollar terms, of the lifecycle energy, capacity, and greenhouse gas (GHG) benefits, expressed on an annual basis.

[9] The following exhibits provide relevant details of the MTI Plans: Ex. MTA-01: Executive Summary and Portfolio Overview; Ex. MTA-02: Merits of the Proposed MTIs, Compliance with the Market Transformation Framework, and Leveraging of Non-Ratepayer Investments; Ex. MTA-03: Expected Costs and Benefits, and Evaluation of Proposed Market Transformation Initiatives; Ex. MTA-04: Stakeholder Engagement and Program Coordination, MTAB and Equity Considerations; and Ex. MTA-05: Policy Alignment.

[10] D.19-12-021, at p. 61 and D.25-11-023, at p. 66.

## II.
## APPROVAL OF PROPOSED SECOND TRANCHE MTIS AND ASSOCIATED FUNDING REQUEST

### A. Second Tranche MTIs

By this Application, CalMTA seeks Commission approval of three proposed new MTIs – (1) Residential HPWH; (2) CRAWS, and (3) CRTUs. Each of these MTIs has been thoroughly vetted by CalMTA with review by the Market Transformation Advisory Board (MTAB), Energy Division staff, and stakeholders. Each meets the Commission's requirements for cost-effectively advancing market transformation in the energy efficiency sector to the benefit of utility ratepayers.

These proposed Second Tranche MTIs also complement the First Tranche of approved MTIs[11] while expanding the market transformation portfolio across additional high-value building markets: residential water heating, commercial heating, ventilation, and air conditioning (HVAC), and building envelope/window performance. Together, these MTIs expand the portfolio across residential and commercial buildings, equipment and envelope measures, and efficiency and decarbonization opportunities. Each selected MTI targets a market with substantial potential benefits and persistent, but addressable, barriers, such as product availability, supply chain readiness, installer practices, customer awareness, and first-cost considerations, and are well suited to a market transformation approach.

CalMTA forecasts that the three proposed MTIs will collectively deliver an estimated $1.9 billion TSB[12] over the next 20 years for a total investment of $121 million. These impacts represent a substantial contribution to California's energy efficiency, grid capacity, and

[11] D.25-11-023 approved the Room Heat Pumps and Induction Cooking MTIs for market deployment.
[12] D.25-11-023, OP13, p.88 orders that the TSB collected by CalMTA shall be allocated to the regional goals of the IOUs as applicable, in the same manner as the benefits from statewide energy efficiency programs.

greenhouse gas (GHG) reduction goals and are achievable because of the MTIs' express focus on overcoming persistent market barriers that would otherwise prevent California ratepayers from having access to superior energy efficient solutions. Moreover, the incremental impacts resulting from these investments will contribute to California's energy affordability goals by helping to mitigate upwards pressure on generation, transmission, and distribution costs that comprise a significant portion of customer energy bills. The proposed MTIs further support affordability by helping more customers access efficient technologies that can reduce energy use and manage demand. Further discussion on how the proposed MTIs support energy affordability is provided in Exhibit MTA-01.

**Table 1: Summary of Second Tranche MTIs TSB, Investment and Cost-Effectiveness**

| Market Transformation Initiatives | MTI Lifetime TSB (2027–2047) ($M) | MTI Lifetime Investment (2027–2047) ($ M) | TRC |
|---|---|---|---|
| **Residential Heat Pump Water Heating** | $619 | $42 | 1.67 |
| **Commercial Replacement & Attachment Window Solutions** | $629 | $41 | 1.31 |
| **Commercial Rooftop Units** | $685 | $38 | 2.65 |
| **Combined Second Tranche** | **$1,932** [13] | **$121** | **1.74** |

The proposed MTIs are designed to address persistent market barriers in ways that produce lasting changes to the markets' structure and to standard practices in existing buildings.

[13] Values shown for individual MTIs do not sum exactly to this total due to rounding.

Rigorous third-party evaluation will ensure accountability and track progress relative to expected outcomes.[14] The MTIs are described more fully as follows.

### 1. Residential Heat Pump Water Heating MTI

The Residential HPWH MTI targets a large and still untransformed California replacement market for HP water heaters, which have proven capacity to deliver substantial energy savings, meaningful GHG reductions, and load-shifting potential. While the 2025 Title 24 Building Energy Efficiency Standards[15] largely favor HPWH installations in new construction, California has approximately 11.5 million existing homes that have dedicated water-heating systems of which 76 percent use gas or propane. Roughly 750,000 water-heater replacements are performed each year in California, yet HP water heaters account for less than 2 percent of these replacements and only about 5 to 6 percent of California's total residential water heater annual sales. The initiative will focus on the replacement market, where this proven high-efficiency technology remains far from mainstream despite its importance to California's decarbonization and energy-efficiency goals.

The need for a market transformation approach for this technology is evident in the specific barriers that continue to suppress HPWH adoption in the replacement market: high first cost, complex and unstable incentives,[16] uncertainty about product fit in many homes, uneven installer and consumer familiarity, and insufficient demand. Despite substantial California

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[14] Complete details of the MTI strategies are provided in Attachment 1– Residential HPWH MTI Plan, Appendix 2 - CRAWS MTI Plan, and Attachment 3– CRTUs MTI Plan, and in Ex. MTA-01, which includes narrative around the evolving CalMTA portfolio; Ex. MTA-02, which summarizes the proposed MTI Plans' merits and compliance with the market transformation framework and why the Commission should approve them; Ex. MTA-03, which provides details and results of TSB and cost-effectiveness forecasting and evaluation; Ex. MTA-04, which details stakeholder and MTAB engagement and equity considerations; and Ex. MTA-5, which elaborates on the overall alignment of these MTIs with State and CPUC policy goals and priorities.

[15] 2025 Building Energy Efficiency Standards for Residential and Nonresidential Buildings: Title 24, Part6, and Associated Administrative Regulations in Part 1, updated July 7, 2025.

[16] These market barriers and the MTI strategy to permanently address them are fully described in Attachment 1 – Residential HPWH MTI Plan and further in Ex. MTA-02.

investment to date, these persistent market barriers will continue to pose a constraint on market adoption if not addressed.

The proposed Residential HPWH MTI is specifically designed to overcome these barriers and catalyze widespread adoption using proven market transformation strategies. Specifically, this MTI will influence manufacturers to develop affordable products suitable for the California replacement market, aggregate demand in selected submarkets to maximize market influence, and build shared statewide market support infrastructure to spur large-scale replacement market development. These strategies will complement and expand the impact of existing programs to accomplish more than any individual program could alone.

In the first two years of deploying this MTI, CalMTA will work with manufacturers, utility programs, and other partners to help make heat pump water heaters easier for California households to buy and install in existing residences. This effort includes encouraging development of HPWH products that fit common physical constraints in homes, such as units that work in smaller spaces and in homes that may not have sufficient circuit and panel capacity. CalMTA will focus early efforts on the types of homes and customers where HP water heaters are most cost-effective for customers, while helping contractors, retailers, and customers understand what HPWH products should be chosen and why. This approach is a market-building strategy, not simply another rebate offering.

Affordability and equity are also central to this initiative. CalMTA's market transformation strategy for HPWH will utilize segmentation to prioritize early submarkets where customers are expected to see bill-neutral or bill-positive outcomes and will not target homes where installing a HP water heater would increase the customer's energy costs. CalMTA's market interventions to advance HPWH specifically aim to alleviate barriers in environmental and social justice (ESJ) communities by coordinating with existing equity and community-based partners, supporting lower-cost access pathways, and using trusted, multilingual, plain-language outreach.

The initiative is forecast to deliver $619 million in lifetime net incremental TSB with an investment of $42 million over the 20-year lifecycle.

**2. Commercial Replacement and Attachment Window Solutions MTI**

The CRAWS MTI targets a large and consequential gap in California's commercial building market. This fuel-neutral MTI targets existing commercial buildings built before 2000 that still have single-pane or double-pane clear windows. These buildings account for approximately 73 percent of California's commercial floor space, composed of about 3.35 billion square feet with windows equipped with only single-pane glazing and 1.37 billion square feet equipped with double-pane clear glazing. Window upgrades remain rare in these buildings, even though poor-performing windows drive significant HVAC losses and weaken comfort, resilience, and whole-building performance.

The CRAWS MTI focuses on two retrofit window solutions: (1) Commercial Secondary Windows (CSW), which are installed over an existing window without replacing the original glass or frame, and (2) Vacuum Insulated Glass (VIG) for single-pane replacement, which replaces the glass while retaining the existing frame. Both technologies are intended to substantially improve building envelope performance at a far lower cost and with less disruption than full window replacement. The immediate objective is to shift the market away from today's prevailing "do-nothing" behavior that leaves poor-performing windows in place until failure and instead move toward routine evaluation of window upgrades as a practical part of commercial building-retrofit planning.

The CRAWS MTI promotes an "envelope-first" strategy that encourages building owners and decision-makers to assess window performance before replacing HVAC systems to improve building performance, comfort, or sustainability. Improved window performance reduces building heating and cooling loads. When window upgrades are evaluated before HVAC replacement decisions, those upgrades can support right-sizing of HVAC equipment, improve overall building performance, and help avoid locking in oversized systems that may limit long-term energy savings, peak-load reductions, and load-shifting benefits.

CalMTA's role in this MTI is to do what no individual manufacturer, incentive program, or local effort is positioned to do alone. Namely, the proposed MTI will move CRAWS from a niche window solution to a standard envelope upgrade that is evaluated before HVAC sizing decisions are locked in. The CRAWS MTI proposes a coordinated strategy to catalyze that transformation through three key interventions: (1) field demonstrations that build real-world evidence and visibility for CRAWS across diverse building types and markets; (2) strategic engagement with existing programs, financing mechanisms, and industry partners to embed CRAWS in existing retrofit pathways; and (3) targeted training, technical support, and marketing tools for manufacturers, energy service companies (ESCOs), and installers. These interventions are designed to increase awareness and confidence among the market actors who shape retrofit decisions to adopt and support inclusion of CRAWS in utility and other program offerings and financing mechanisms. By doing so, window/envelope evaluation will become more routine in planning HVAC projects and providing broader retrofit pathways.

The near-term focus of the CRAWS MTI is on owner-occupied municipal, university, school, and hospital (MUSH), hospitality, and historic buildings in order to gain early traction in market segments where the business case is most readily apparent. Through this MTI, CalMTA will then leverage that early success and the relationships it develops with manufacturers, ESCOs, and other key market actors to accelerate adoption by the broader commercial building market. Notably, this approach includes buildings in ESJ communities where poor-performing envelopes, limited access to capital, greater exposure to pollution and noise, and inefficient HVAC create disproportionate burdens.

The CRAWS MTI is also designed to complement, not duplicate, other energy-efficiency efforts. It identifies specific alignment opportunities with codes and standards efforts, emerging technologies programs, statewide and regional incentive programs, MUSH-focused programs, multifamily programs, Strategic Energy Management offerings, and workforce initiatives.

CalMTA forecasts that the CRAWS MTI will deliver $629 million in lifetime net incremental TSB, with an investment of $41 million over the 20-year lifecycle.

**3. Commercial Rooftop Units MTI**

CalMTA's proposed CRTUs MTI focuses on a sizeable and elusive opportunity in the commercial building sector: transforming the replacement market for single-zone packaged rooftop units from code-minimum equipment toward advanced heat pump units with features that improve efficiency, operational performance, and grid responsiveness. The CRTUs MTI targets planned and unplanned replacements in existing commercial buildings served by single-zone rooftop units with cooling capacity typically between 3 to 20 tons. At present, more than half of California commercial floorspace is conditioned by single-zone rooftop units, and approximately 64 percent of that floorspace is heated by gas.

While there has been a trend in recent years toward substitution from gas to electric heat pump rooftop units in the replacement market, rooftop unit replacement decisions are still most often driven by availability, price, and contractor recommendations. This circumstance results in customers defaulting to the least expensive, most readily available equipment: rooftop units that meet minimum code requirements.

The CRTUs MTI is designed to address this market through a coordinated market transformation strategy that combines product specification and development with increased market demand. On the product side, the MTI will work with manufacturers to encourage the production of more-efficient units suited to California's replacement market. On the market demand side, the MTI will work with distributors, installers, purchasers, other program administrators, and community-based organizations to increase awareness, confidence, stocking, recommendations, and installation of targeted CRTU equipment.

This coordinated approach is important because approximately 80 percent of rooftop unit replacements are unplanned, and availability, price, and contractor recommendations are principal decision factors in selecting replacement equipment. The CRTUs MTI treats these conditions as addressable market barriers. By influencing manufacturer product development and pricing, distributor stocking practices, contractor recommendations, and program alignment, the CRTUs MTI seeks to make advanced CRTUs the preferred replacement choice rather than a niche or special-order option.

The CRTUs MTI also addresses equity and affordability because single-zone rooftop units are especially prevalent in small businesses such as restaurants and establishments operating in strip malls, where over 90 percent of floor space is conditioned by the equipment targeted by this MTI. For small business owners, including those in ESJ communities, qualified CRTUs can provide lower operating costs and easy-to-use remote monitoring, scheduling, and troubleshooting capabilities. These attributes can improve bill management, reduce service burdens, support proper operation over time, and enable participation in demand response and future dynamic rates.

During the first two years following MTI approval, the CRTUs MTI will conduct a large-scale demonstration project in partnership with manufacturers, distributors, contractors, other California program administrators, and community-based organizations. The demonstration will include approximately 150 CRTUs, with at least 40 percent of installations located in ESJ communities. These demonstrations will serve as a proving ground for proposed equipment specifications, market strategies, contractor business-case development, savings validation, and reception within ESJ communities, while allowing CalMTA to build relationships across the CRTU supply chain and refine its strategies to maximize market transformation.

CalMTA forecasts that the CRTUs MTI will deliver $685 million in TSB supported by $38 million in investment over the 20-year lifecycle.

## B. Budget Request to Support Second Tranche MTI Deployment and Portfolio Implementation through 2031

### 1. Background

In D.19-12-021, the Commission authorized an initial implementation-period budget of $250 million for market transformation. Subsequently, in D.25-11-023, addressing CalMTA's First Tranche MTI Application, the Commission approved $114,609,000 associated with the First Tranche of MTIs.[17] That approval included Deployment funding for the two MTIs approved in D.25-11-023,[18] as well as Administration and Operations budgets scaled to support the First Tranche deployment. The Commission also extended CalMTA's implementation period through 2031 to align with the energy efficiency portfolio timelines.

D.25-11-023 recognized that CalMTA could seek additional funding in a subsequent application to support future MTIs and associated portfolio needs.[19] This Second Tranche MTI Application includes that request. The additional funding sought here reflects the resources needed to deploy the three proposed Second Tranche MTIs through 2031 and to maintain the administrative, operational, evaluation, and initiative development capacity necessary to support an expanded MTI portfolio.

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[17] D.25-11-023, at p. 60, approved $114,609,000 of the $250 million authorized in D.19-12-021.

[18] D.25-11-023 provided conditional approval for the Induction Cooking MTI, which was subsequently revised and approved via Tier 2 Advice Letter RI-CalMTA-4.

[19] D.25-11-023, COL 23, at p.83 states that "This [Second Tranche] Application may request approval of additional market development, market deployment, evaluation, administration, and operations funding not to exceed the $250 million budget established in D.19-12-021."

## 2. Requested Funding

By this Application, CalMTA requests Commission approval of three budget-related items to support the proposed Second Tranche MTIs and the continued development of the CalMTA portfolio through 2031.

First, CalMTA requests funding for the Market Deployment and Evaluation of the three proposed Second Tranche MTIs. This funding would support the interventions, market engagement, and implementation activities necessary to deploy the proposed MTIs, as well as the associated evaluation activities needed to assess progress, market outcomes, and cost-effectiveness. The deployment budget for each proposed Second Tranche MTI is detailed in Appendix H, Phase III Cost Estimate, of each respective MTI Plan.

Second, CalMTA requests incremental Administration and Operations funding for 2029 through 2031 to deliver the expanded portfolio. In D.25-11-023, the Commission only partially approved Administration and Operations funding for those years and expressly recognized that CalMTA could request additional funding in this Second Tranche MTI Application. Accordingly, this request is limited to the incremental Administration and Operations funding needed for the years that were only partially approved in D.25-11-023. CalMTA is not requesting incremental Administration or Operations funding for 2027 or 2028.

Third, CalMTA requests enhanced funding in the Initiative/Concept Development cost category for 2028 through 2031 to enable CalMTA to stay engaged in the target markets of its developing MTI portfolio during this application proceeding. This request is needed to align CalMTA's development resources with the approval pathway established in D.25-11-023. CalMTA's proposed Initiative/Concept Development costs that were approved by the Commission in D.25-11-023 assumed future MTIs would be disposed by the Commission through Tier 2 Advice Letter process as requested by CalMTA in A. 24-12-009.[20] D.25-11-023 instead required future MTIs beyond the First Tranche to be submitted through an application, which lengthens the timeline for Commission disposition as compared to an Advice Letter. To remain relevant and responsive to changing market conditions and opportunities during the longer application process, CalMTA needs to continue monitoring market developments, analyzing new products, coordinating with existing programs, engaging with market actors, and refining the business case for the MTI in response to new information. Without this ongoing engagement, MTIs risk becoming out-of-date and compromising the investments made in developing each MTI. Therefore, CalMTA requests additional funding to ensure continuity of market engagements.

The reasonableness of the requested budget is further supported in Exhibit MTA-06. Additionally, Attachment 4-A to this Application provides a budget narrative along with an accompanying spreadsheet (Attachment 4-B) with additional details on the budget by cost category and year for 2027 through 2031.

The table (Table 2) below summarizes CalMTA's requested funding to support: (1) Market Deployment and Evaluation of the three proposed Second Tranche MTIs; (2) incremental Administration and Operations funding for 2029 through 2031; and (3) enhanced Initiative/Concept Development funding for 2028 through 2031. The remaining balance of the overall $250 million authorized in D.19-12-021 left after the budget approvals authorized in D.25-11-023 and this Application, is currently estimated at $56,346,000.[21] CalMTA proposes

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[20] A.24-12-009, Appendix 3: Five-Year Cost Estimate and Assumptions, at p. 2.

[21] D.25-11-023 approved a $114,609,000 budget, including conditional approval of the Induction Cooking MTI subject to a budget cap. The Induction Cooking MTI was subsequently revised and approved through a Tier 2 Advice Letter at approximately $2,727,000 below that cap. After accounting for that adjustment and the incremental budget requested in this Application, the remaining balance under the overall $250 million authorization established in D.19-12-021 is approximately $56,346,000.

that this remaining balance be reserved for the implementation and evaluation of future MTIs that may be approved through Tier 2 Advice Letters, as requested in this Application.

**Table 2: CalMTA Proposed Budget Request to Support Second Tranche MTIs**

| Cost Category or MTI | Estimated Expenditures by Year ($000) | | | | | |
|---|---|---|---|---|---|---|
| | 2027 | 2028 | 2029 | 2030 | 2031 | Totals |
| **Second Tranche MTIs** | | | | | | |
| **MTI Deployment Funds** | | | | | | |
| Residential Heat Pump Water Heating | $2,650 | $6,760 | $5,822 | $4,878 | $4,084 | $24,194 |
| Commercial Replacement & Attachment Windows | $2,684 | $3,325 | $3,198 | $3,163 | $2,898 | $15,268 |
| Commercial Rooftop Units | $2,600 | $2,699 | $4,347 | $5,108 | $6,237 | $20,991 |
| **Sub-totals for Deployment** | **$7,934** | **$12,784** | **$13,367** | **$13,149** | **$13,219** | **$60,453** |
| **MTI Evaluation Funds** | | | | | | |
| Residential Heat Pump Water Heating | $189 | $338 | $291 | $244 | $204 | $1,266 |
| Commercial Replacement and Attachment Windows | $158 | $161 | $154 | $152 | $139 | $764 |
| Commercial Rooftop Units | $328 | $229 | $326 | $166 | $299 | $1,348 |
| **Sub-totals for Evaluation** | **$675** | **$728** | **$771** | **$562** | **$642** | **$3,378** |
| **Incremental Administration and Operations funds (to support Second Tranche MTI Deployment and Portfolio Implementation)** | | | | | | |
| MTA Administration[1] | $ - | $ - | $940 | $989 | $1,018 | $2,947 |
| MTA Operations[1] | $ - | $ - | $3,224 | $3,330 | $3,428 | $9,982 |
| **Enhanced Initiative/Concept Development funds (to support Second Tranche MTI Deployment and Portfolio Implementation)** | | | | | | |
| Initiative/Concept Development[2] | $ - | $1,699 | $1,105 | $1,102 | $1,106 | $5,012 |
| **Total funds to support Second Tranche MTIs** | | | | | | |
| **Grand Totals** | **$8,609** | **$15,211** | **$19,407** | **$19,132** | **$19,413** | **$81,772** |

[1] No incremental budget ask for Administration or Operations for 2027 or 2028.

[2] No incremental budget ask for Initiative/Concept Development for 2027.

## III.
## REQUESTED TIER 2 ADVICE LETTER APPROVAL PROCESS FOR FUTURE MTIS

### A. Approval of Future MTIs by Tier 2 Advice Letter

By this Application, CalMTA also requests that the Commission approve a process by which future proposed MTIs will be submitted for approval by Tier 2 Advice Letter. This process would be limited to new proposed MTIs that comply with Commission directives and is designed to promote procedural efficiency while protecting due process rights. This Advice Letter approval process for future new MTIs is consistent with the process contemplated in D.19-12-021. There, the Commission required the initial tranche of MTIs to be submitted through an application to provide a check-in point on the newly adopted market transformation framework, while stating that it expected the MTI approval process thereafter to be handled through Advice Letters, with the particulars to be decided in the disposition of the First Tranche application.[22]

While the Commission ordered CalMTA in D.25-11-023 to file an application for approval of a Second Tranche of new MTIs, as submitted here, the Commission took two other actions in that decision relevant to this Application. First, the Commission preserved the use of Tier 2 Advice Letters for submission and review of other MTI-related actions (i.e., cancellation of underperforming MTIs and reallocation of funds among approved MTIs and budget categories).[23] Second, the Commission made clear that it was open to considering an advice-letter process "after the next successful MTI application" that it stated "is similar to the process used in the Northwest, where there is proven success at such initiatives."[24]

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[22] D.19-12-021, at p. 61.
[23] D.25-11-023, OP 12, at p. 88.
[24] Ibid, at p. 66.

This Application is the "next" application following A.24-12-009 and is the appropriate vehicle for CalMTA to request Commission consideration and approval of an Advice Letter process for future new MTIs. Authorization for CalMTA to submit future MTIs by Tier 2 Advice Letter is consistent with the Commission's reliance on Tier 2 Advice Letters for launching or discontinuing EE programs.[25] This approach has been followed for programs governed by the Energy Efficiency Rulemakings, both R.13-11-005 and its successor proceeding, R.25-04-010. CalMTA's request here would follow this precedent, as described below, and would be available for MTIs that meet all the eligibility criteria.

**B. Future MTI Eligibility and Requirements for Approval by Tier 2 Advice Letter.**

CalMTA proposes that MTIs that meet all of the following eligibility requirements could be submitted by Tier 2 Advice Letter for Commission review and approval:

1. The MTI was identified, developed, and advanced in accordance with the market transformation framework, stage gate process, and MTI Plan requirements adopted in D.19-12-021.
2. The proposed MTI budget is consistent with the overall portfolio funding cap of $250 million through 2031 and adheres to all budget guidance in D.19-12-021, D.25-11-023, and the decision disposing of this application, as well as any other applicable law or Commission decision.
3. The proposed MTI is cost-effective with a forecast TRC of greater than 1. MTIs with a TRC below 1 would be subject to a Tier 3 Advice Letter process that would require Commission disposition.
4. The MTI must have completed the following review process:

[25] D.21-05-03, OP12, at p.83 ordered the development of a checklist by the Energy Division which is Energy Division Process Checklist to Energy Efficiency Program Administrators for Program Closures and Launches (12/31/2021). https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/energy-efficiency/program-closure-checklist-required-by-d2105031-12312021.docx.

a. Completion of the applicable **stage gate process** under D.19-12-021.

b. The MTI Plan was subject to **MTAB and public review** with documentation of feedback and resulting modifications to the Plan (Appendix I of each MTI Plan).

c. **Notify applicable service lists** about the MTI Plan and date to host a webinar at least 45 days in advance of the filing of the Advice Letter.

d. **Host a public webinar** to update stakeholders on the MTI Plan and allowing comment at least 20 days in advance of filing of the Advice Letter.

A Tier 2 Advice Letter used for an eligible new MTI, as described above, would also require inclusion of the following supporting materials:

1. A complete **MTI Plan per the market transformation framework** and requirements adopted in D.19-12-021, including but not limited to logic model, intervention strategy, market progress indicators, milestones, evaluation plan, implementation schedule, and budget.

2. Documentation demonstrating compliance with the eligibility criteria noted above.

3. **Cost-effectiveness analysis**, including TSB and cost-effectiveness metrics including TRC, PAC and SCT for the proposed MTI and the updated combined CalMTA portfolio.

4. **Sensitivity analyses**, particularly where cost-effectiveness of the proposed MTI is marginal or where such analyses would assist Commission review consistent with guidance in D.25-11-023 (OP11).

5. An **ESJ alignment narrative** that explains how equity considerations informed the MTI's market characterization, barrier analysis, intervention strategy, implementation planning, and evaluation approach.[26]

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[26] The narrative will not require MTIs to be equity-only programs. Rather, the narrative will show how the MTI advances market transformation objectives while identifying opportunities to improve access and benefits for ESJ communities and mitigate potential burdens.

6. A **coordination narrative** describing interaction with related Commission-jurisdictional programs and administrators to ensure complementary work and avoid duplication of effort.
7. A summary of **non-ratepayer funding sources** identified and pursued, together with the outcome, for informational purposes, consistent with guidance in D.25-11-023 (OP11).

CalMTA requests that the Commission authorize the filing of a Tier 2 Advice Letter for the approval of any new MTI that meets all of the above eligibility criteria and supporting documents requirements. Adoption of this process by the Commission for this Application will ensure transparency, promote procedural efficiency, preserve notice and opportunity to be heard for all stakeholders, and support efficient market transformation administration by preserving more funding for market interventions and enabling those interventions to be timely deployed in alignment with market dynamics. Use of this proposed Tier 2 Advice Letter process is also appropriate because CalMTA has established a rigorous process for the public review and vetting of proposed MTIs, has demonstrated use of industry best practices to forecast benefits and costs, adopted a thorough evaluation approach to verify program benefits, and has shown commitment to collaboration with other program administrators.

## IV.
## ADDITIONAL REQUIRED INFORMATION
## (CPUC Rules 2.1(a) – (b) and 2.2)

### A. Description of Applicant (CPUC Rules 2.1(a) and 2.2)

The legal name of CalMTA is the California Market Transformation Administrator. CalMTA is a program created by, and at the direction of, the Commission as specified in D.19-12-021. CalMTA is administered by Resource Innovations, Inc. under a contract with PG&E with the direct oversight of Energy Division staff.[27] CalMTA is not a public utility but has been assigned the following identification number by the Commission's Energy Division: U-1399-E – and has been authorized to file this Application by the Commission in D.25-11-023.[28]

CalMTA's principal place of business is located at:

California Market Transformation Administrator
c/o Resource Innovations, Inc.
719 Main Street, Suite A
Half Moon Bay, CA 94019

### B. Application Correspondence (CPUC Rule 2.2)

All correspondence and communication regarding this Application should be sent electronically to Lynette Curthoys at the email address listed below.

Lynette Curthoys
Vice President, Market Transformation
CalMTA / Resource Innovations, Inc.
719 Main Street, Suite A
Half Moon Bay, CA 94019
Phone: (888) 217-0217
Email: lcurthoys@calmta.org

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[27] PG&E Advice Letters 4674-G/6747-E were approved with an effective date of November 23, 2022 via Energy Division Disposition Letter dated November 28, 2022. https://www.pge.com/tariffs/assets/pdf/adviceletter/GAS_4674-G.pdf

[28] D.25-11-023, OP 10, at p. 88.

## C. Category, Hearing, Issues, and Proposed Schedule (CPUC Rule 2.1(c))

### 1. Category

The Commission should categorize this Application as a "ratesetting" proceeding under Commission Rule 7.1(e)(2) because it does not clearly fit into any of the categories as defined by Rules 1.3(a), 1.3(b), 1.3(f), and 1.3(g).

### 2. Hearing

CalMTA does not see a need for hearings on this Application. CalMTA's three new MTI proposals and the requested Tier 2 Advice Letter Process set forth in the Application, its attachments, and supporting testimony constitute a complete record for the Commission to grant this Application.

The Application fully complies with the applicable Commission orders and does not raise any contested issues of material fact that would require resolution through an evidentiary hearing. In addition, all parties will be able to fairly and adequately present their positions in responding to the Application, appearing at the prehearing conference, and filing any written comments or briefs.

CalMTA will also provide any additional submissions as required by the assigned Commissioner or Administrative Law Judge to which parties can also respond through comments or briefs. This process will effectively protect all parties' rights to be heard while facilitating a timely decision on the Application.

### 3. Issues

The relief requested by this Application requires consideration and resolution by the Commission of the following issues:

- Do the three new MTIs proposed in this Application by CalMTA for (1) Residential HPWH, (2) CRTUs, and (3) CRAWS comply with applicable Commission decisions and the market transformation framework?

- Are the three new proposed MTIs reasonable, cost-effective, and appropriate technology targets to achieve market transformation impacts and benefits for commercial and residential ratepayers and those in ESJ communities and should be approved?
- Is the proposed implementation budget, including administrative and evaluation costs, reasonable for the deployment and administration of the three new proposed MTIs and continuing to build the market transformation portfolio and should be adopted?
- Is CalMTA's proposed Tier 2 Advice Letter process for future new MTIs that meet specific eligibility requirements to be submitted for approval through that process reasonable and should be adopted?

**4. Proposed Schedule**

The following schedule proposed by CalMTA is based on resolution of the Application within 10 months to ensure timely launch of the proposed MTIs. It is also in keeping with the Commission's expectation that the review and approval process for applications to approve MTIs should take between six to nine months.[29] While CalMTA does not believe that evidentiary hearings will be required, time is included in the proposed schedule below if such a hearing is requested.

Expeditious approval of the proposed MTIs is important. The markets that CalMTA is seeking to influence evolve quickly and timely launch is important to ensure that MTI interventions remain aligned with current market conditions, barriers, and decision points. Delays in implementing the intervention strategies risk prolonging the time that less efficient and costlier equipment remains in use. CalMTA's initial tranche of MTIs was approved by the Commission in D.25-11-023 within 11 months of the filing of that application (A.24-12-009). CalMTA, therefore, proposes a schedule for resolving this Application within a similar timeframe.

[29] D.19-12-021, at p. 62.

**PROPOSED SCHEDULE**

| Item | Timing |
|---|---|
| Application Filed | 6-Jul-26 |
| Responses or Protests to Application | 30 Days from Filing Date |
| Applicant Reply to Protests/Responses | 10 Days After Protests/Responses Filed |
| Prehearing Conference | 45 Days from Filing Date |
| Scoping Memo | 2 Weeks Following Prehearing Conference |
| Intervenor Prepared Direct Testimony Served | 45 Days After Scoping Memo Issued |
| Rebuttal Testimony Served | 20 Days After Intervenor Testimony Served |
| Meet and Confer | 10 Days After Rebuttal Testimony Served |
| Last Day to Request Evidentiary Hearings | 5 Days After Meet and Confer |
| **If Evidentiary Hearing Are Not Held** | |
| Concurrent Opening Briefs | 30 Days After Ruling Confirming No Evidentiary Hearings |
| Concurrent Reply Briefs | 21 Days After Filing of Opening Briefs |
| Proposed Decision | 60 Days After Filing of Reply Briefs |
| Opening Comments on Proposed Decision | 20 Days After Issuance of Proposed Decision |
| Reply Comments on Proposed Decision | 5 Days After Filing of Opening Comments |
| Final Commission Decision | 30 Days After Issuance of Proposed Decision |
| **If Evidentiary Hearing Are Held** | |
| Evidentiary Hearings | 1 Week after Ruling Setting Evidentiary Hearings |
| Opening Briefs | 30 Days After Last Day of Evidentiary Hearings |
| Reply Briefs | 21 Days After Filing of Opening Briefs |
| Proposed Decision | 60 Days After Filing of Reply Briefs |
| Comments on Proposed Decision | 20 Days After Issuance of Proposed Decision |
| Reply Comments on Proposed Decision | 5 Days After Filing of Opening Comments |
| Final Commission Decision | 30 Days After Issuance of Proposed Decision |

### D. Organization and Qualification or Authority to Transact Business or Increase Rates (CPUC Rules 2.2 and 3.2)

As described herein, CalMTA is a program of this Commission and is not a public utility or an organization incorporated to conduct business in California. CalMTA, therefore, does not have Articles of Incorporation. Similarly, the requirements of Rule 3.2 do not apply to this

Application because CalMTA does not request authority to increase rates or to implement changes that would result in increased rates. CalMTA does not collect revenues for energy efficiency programs; rather, a portion of the energy efficiency funding collected by PG&E, San Diego Gas & Electric Company, Southern California Edison Company, and Southern California Gas Company is allocated to CalMTA.

### E. Notice and Service of Application (CPUC Rule 1.9)

A copy of the Application is being filed and served today on the parties of record in A.24-12-009 (CalMTA's First Tranche MTIs) and R.25-04-010 (Energy Efficiency). Pursuant to Commission Rules 13.7(f) and 13.8, the prepared testimony that further supports this Application is also being served (but not filed) today on the parties of record in those proceedings.

## V.
## SUPPORT FOR THE APPLICATION

In support of the relief requested by this Application, CalMTA will rely upon the verified Application, exhibits or attachments, and supporting testimony, as appended to and filed with this Application or as uploaded as a supporting document on the Commission's website.

Exhibits or attachments filed with this Application include:

- Attachment 1 – Residential HPWH MTI Plan
- Attachment 2 – CRAWS MTI Plan
- Attachment 3 – CRTUs MTI Plan
- Attachment 4 – 2027 – 2031 Budget Cost Estimate and Assumptions
  - Attachment 4-A – Budget Narrative
  - Attachment 4-B – Budget Details (spreadsheet)
- Attachment 5 – MTAB Meeting Notes / Public Process Record

## F. Supporting Testimony

The Application is also supported by the following prepared testimony. Pursuant to Commission rules, this testimony is not filed but has been served with the Application and will be submitted as "supporting documents" on the Commission's website using its Electronic Filing System.[30]

- Exhibit MTA-01 — Executive Summary and Portfolio Overview
- Exhibit MTA-02 — Merits of the Proposed MTIs, Compliance with the Market Transformation Framework, and Leveraging of Non-Ratepayer Investments
  - Exhibit MTA-02 Attachment 1: Phase I Disposition Report
- Exhibit MTA-03 — Expected Costs and Benefits, and Evaluation of Proposed Market Transformation Initiatives
  - Exhibit MTA-03 Attachment 1: MTI Evaluation Framework
- Exhibit MTA-04 — Stakeholder Engagement and Program Coordination, MTAB and Equity Considerations
- Exhibit MTA-05 — Policy Alignment
- Exhibit MTA-06 — Budget Reasonableness
  - Exhibit MTA-06 Attachment 1: A.24-12-009: Appendix 3: Five-Year Cost Estimate
    and Assumptions
- Exhibit MTA-07 — Statement of Qualifications

[30] Commission Rules, Rule 13.7(f).

## VI.
## REQUESTS FOR RELIEF

WHEREFORE, the California Market Transformation Administrator (CalMTA) respectfully requests that the Commission authorize and approve:

1. CalMTA's proposed three new Market Transformation Initiatives (MTIs) for Residential Heat Pump Water Heating, Commercial Replacement and Attachment Window Solutions, and Commercial Rooftop Units.
2. CalMTA's proposed funding for the implementation of the three new MTIs and continued administration of the Commissions' market transformation program through 2031.
3. CalMTA's proposed Tier 2 Advice Letter process for future new MTIs that meet the specific eligibility requirements.
4. Additional and further relief as may be deemed by the Commission to be necessary or proper.

Respectfully submitted this 6th day of July 2026, at San Francisco, California.

| | |
|---|---|
| DOWNEY BRAND, LLP<br>Brian T. Cragg<br>455 Market Street, Suite 1500<br>San Francisco, California 94105<br>Telephone: (415) 848-4800<br>Email: bcragg@downeybrand.com | SARA STECK MYERS<br>Attorney at Law<br>122 - 28th Avenue<br>San Francisco, CA 94121<br>Telephone: (415) 420-1253<br>Email: ssmyers@att.net |
| By *_/s/ Brian T. Cragg_*<br>Brian T. Cragg | By *_/s/ Sara Steck Myers_*<br>Sara Steck Myers |

Attorneys for the California Market Transformation Administrator

**VERIFICATION**
(Rule 1.11)

I, Lauren Casentini, state:

I am an officer of Resource Innovations, Inc., a Delaware corporation, which is the contract administrator for the California Market Transformation Administrator, and am authorized to make this verification for and on behalf of said corporation, and I make this verification for that reason. I have read the foregoing Application, and I am informed and believe the matters therein are true and on that ground, I allege that the matters stated therein are true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on 7/2/26, at Half Moon Bay California.

By ______________________
Lauren Casentini
Chief Executive Officer
Resource Innovations, Inc.