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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of the California Market Transformation Administrator (U-1399-E) for Approval of the Second Tranche of Statewide Energy Efficiency Market Transformation Initiatives.	Application No. 26-07-004 Filed: July 7, 2026

PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 M) RESPONSE TO THE 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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Dated: August 6, 2026

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I. INTRODUCTION

Pursuant to Rule 2.6 of the California Public Utilities Commission's (CPUC or Commission) Rules of Practice and Procedure, Pacific Gas and Electric Company respectfully files this response to the Application of the California Market Transformation Administrator for Approval of the Second Tranche of Statewide Energy Efficiency Market Transformation Initiatives (CalMTA Application) filed by the California Market Transformation Administrator (CalMTA). PG&E appreciates CalMTA's efforts to develop the second tranche of market transformation initiatives (MTIs). PG&E has concerns with elements of CalMTA's application related to its proposed Residential Heat Pump Water Heating (HPWH) MTI and its proposed Tier 2 Advice Letter approval process for future MTIs. PG&E believes that the HPWH MTI, as proposed, does not sufficiently demonstrate a distinct market transformation gap or material incremental benefits relative to substantial existing activities supporting residential HPWH adoption. In addition, PG&E suggests requiring a Tier 3 advice letter process for future MTIs, rather than a Tier 2 advice letter process as proposed by CalMTA, to ensure appropriate Commission review and stakeholder participation given the significant ratepayer investments involved.

II. DISCUSSION

A. The Residential HPWH MTI Should be Narrowed to Address a Distinct Market Transformation Gap and Produce Material Incremental Benefits

PG&E does not support the Residential HPWH MTI as designed because CalMTA has not demonstrated that the proposal fills a distinct gap in the existing approach to transforming the residential water heating market or will produce material incremental benefits relative to extensive existing activity. In Decision (D.) 19-12-021, the Commission agreed that MTIs should complement existing market interventions "… to fill gaps and form a complete approach to transforming that particular market."[1] As noted by CalMTA, residential HPWH adoption is already supported through multiple ratepayer- and non-ratepayer-funded efforts, including the California Heat Pump Partnership, TECH Clean California, downstream energy efficiency rebate programs, zero-emission appliance standards, as well as marketing, education, and outreach activities; in total, there are over 30 HPWH incentive programs.[2] PG&E recognizes that fragmentation among these efforts may create coordination and administrative challenges. However, the proposal does not demonstrate which specific market gaps remain unaddressed, why those gaps cannot be addressed through improved coordination, governance, or modifications of existing programs, or how the proposed MTI interventions will generate material incremental outcomes commensurate with their costs to ratepayers.

Given the substantial investments and program activity already directed toward residential HPWH adoption, it is unclear to PG&E whether a primary residual deployment barrier is insufficient coordination or fragmented governance. PG&E does not believe there should be a presumption that further overarching leadership or program primacy are primary barriers. Nor does the Application adequately explain why CalMTA is intrinsically well situated to coordinate these efforts and what authority or practical mechanisms CalMTA would use to

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[1] D.19-12-021 at p. 73.

[2] Application of the California Market Transformation Administrator for Approval of the Second Tranche of Statewide Energy Efficiency Market Transformation Initiatives (CalMTA Application), Attachment 1, at p. 17.

align independently administered activities. Further, the proposed MTI does not resolve a central barrier to residential HPWH adoption: electric rate structures with relatively low fixed charges and high volumetric rates, which can limit or eliminate customer operating-cost savings from switching to electric equipment. The California Heat Pump Partnership has identified electrification-friendly rates and prioritization of non-ratepayer funding for incentives as strategies for addressing this barrier.[3] Additional ratepayer-funded spending on residential HPWH adoption would not itself resolve the underlying rate-design issue and would add costs that ultimately must be recovered from electric customers.[4] Given the number of existing initiatives supporting residential HPWH adoption, and considering the coordination, overlap, and incrementality issues discussed at Market Transformation Advisory Board (MTAB) meetings, CalMTA should focus the scope of the HPWH MTI to where it could have a greater market transformation impact. For example, CalMTA could narrow the MTI to focus on emerging 120-volt (120V) HPWH products, which may reduce installation costs and time by avoiding electrical wiring or panel upgrades in suitable applications[5]. In doing so, CalMTA should demonstrate how its proposed activities would build upon, rather than duplicate, existing CalNEXT and TECH efforts targeting these products.[6] The opportunity costs associated with pursuing overly broad MTIs that are already being addressed by different programs, and allocating funds towards residential HPWHs in the manner suggested prevents funds from going towards other, higher leverage investments.

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[3] California Heat Pump Partnership Blueprint, *Scaling California's Heat Pump Market: The Path to Six Million* (Mar. 2025), at pp. 19, 25.

[4] California Public Utilities Commission, "Understanding Electric Rates," explains that public-purpose program costs, including energy-efficiency and building-decarbonization programs, are included in electric rates: https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-rates.

[5] CalNEXT, *Increasing Heat Pump Water Heater (HPWH) Deployment*, ET22SWE0056 (Oct. 29, 2024), at pp. 1, 3–4.

[6] CalMTA Application at p. 19.

B. Future MTIs Should Follow a Tier 3 Advice Letter Process

CalMTA proposes utilizing a Tier 2 Advice Letter process for future MTIs.[7] CalMTA maintains that because Tier 2 Advice Letters are used for reallocating funds among approved MTIs and for closing underperforming MTIs that Tier 2 Advice Letters should be used for approving new MTIs. Approving new MTIs requires a higher level of review from parties and stakeholders than closing or reallocating funds, which should maintain a more streamlined approach to be reactive to market conditions. New MTIs present new information and considerations and represent a significant investment of ratepayer funds and funding allocated for new MTIs necessarily prevents funds from being used for other potential measures. CalMTA's portfolio as a whole is comparable to other portfolio administrators in the state. Given the potentially significant ratepayer funding associated with each new MTI, PG&E suggests that a Tier 3 Advice Letter process would create a more streamlined process relative to an application that will maintain robust stakeholder and party participation and requisite record development.

C. Other Procedural Matters

PG&E does not oppose the other procedural suggestions addressed by CalMTA in its application. This includes CalMTA's suggested categorization and schedule for the proceeding. The above-cited issues are predominantly policy issues, and PG&E agrees with CalMTA that hearings are likely not necessary.

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[7] CalMTA Application at p. 17.

III. CONCLUSION

PG&E appreciates CalMTA's, the Commission's, and stakeholders' efforts to develop the proposed second tranche of MTIs and the opportunity to participate in this application process.

Respectfully submitted,

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