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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.	A.26-07-004 (Filed July 7, 2026)

RESPONSE OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) TO APPLICATION OF THE CALIFORNIA MARKET TRANSFORMATION ADMINISTRATOR FOR APPROVAL OF THE SECOND TRANCHE OF STATEWIDE ENERGYEFFICIENCY MARKET TRANSFORMATION INITIATIVES

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Pursuant to Rule 2.6 of the California Public Utilities Commission (Commission or CPUC) Rules of Practice and Procedure, Southern California Gas Company (SoCalGas) submits its response to the Application of The California Market Transformation Administrator (CalMTA) for Approval of the Second Tranche of Statewide Energy Efficiency Market Transformation Initiatives (Application).

I. INTRODUCTION

SoCalGas supports the continued development of Market Transformation Initiatives (MTIs) that deliver measurable benefits to customers and align with Commission policy directives. However, CalMTA's 2026 Application raises concerns regarding compliance with recently adopted Commission decisions governing cost allocations and the appropriate process for approving future MTIs. As discussed below, the Application fails to reflect required funding allocation changes for electrification initiatives and proposes approval mechanisms that bypass necessary Commission review of policy and budget impacts.

II. IOU COST ALLOCATION ISSUES

Decision (D.) 25-11-023 approved the initial tranche of MTIs, which consisted of two electrification initiatives.[1] D.25-11-023 agreed with SoCalGas that D.19-08-009 is still in effect and the deployment funding for the two approved electrification MTIs be distributed to be

[1] D.25-11-023 at 85-86 (Ordering Paragraph (OP) 1).

collected only from electricity rates and not natural gas rates.[2] Table 4 of D.25-11-023 shows the updated funding allocations for Electrification initiatives and retains the original funding allocations from D.19-12-021 for only MTI development costs and Pacific Gas and Electric Company (PG&E) costs.[3]

In its 2026 Application, for the second tranche of MTIs, CalMTA requests funding for three new initiatives: Residential Heat Pump Water Heating (Residential HPWH), Commercial Replacement and Attachment Window Solutions (CRAWS), and Commercial Rooftop Units (CRTUs).[4] SoCalGas believes that CalMTA's Application is deficient under D.25-11-023 to the extent it fails to include proposed funding allocations that align with Commission directives in D.25-11-023. SoCalGas notes that two of the MTIs proposed in the application, HPWH[5] and CRTUs[6] are electrification measures and should retain the electrification funding as dictated in D.25-11-023.[7] SoCalGas supports gas ratepayer funding for fuel neutral initiatives that benefit both gas and electric ratepayers including the CRAWS initiative. However, to comply with D.25-11-023 the Application should clearly identify which measures are proposed for funding through electric and/or gas rates.

III. FUTURE MTIs SHOULD MAINTAIN COMMISSION REVIEW THROUGH THE APPLICATION PROCESS

In the 2024 Application for the first tranche of MTIs, CalMTA requested approval of future MTI funding through Tier 2 advice letters.[8] D.25-11-023 approved the initial tranche of MTIs, but did not allow for approval of future MTI proposals through the advice letter process, and stated that the Commission would consider approval through advice letters no sooner than after the next successful MTI application.[9] Because this is the next MTI application, it is earlier

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2 *Id.* at 62.

3 D.25-11-023 at 63.

4 Application at 3

5 Application, Attachment 1 (Residential Heat Pump Water Heater (HPWH) MTI Plan), Appendix B at 33.

6 Application, Attachment 3 (Commercaial Rooftop Units (CRTUs) MTI Plan), Appendix B at 47.

7 D.25-11-023 at 62, 63 (Table 4).

8 A.24-12-009, Application of PG&E on behalf of the CalMTA for the Approval of the Initial Tranche of Statewide Energy Efficiency Market Transformation Initiatives (December 20, 2024) at 11.

9 D.25-11-023 at 66.

than the time-frame indicated in D.25-11-023 for the Commission's consideration of advice letter approval.

SoCalGas submits that Tier 2 advice letter approval for MTIs is an inappropriate substitute for a formal evidentiary proceeding in this case, given the substantial policy and budget implications involved that extend beyond the Tier 2 advice letter approval process. As has been the case with current and previous initiatives, future initiatives may continue to raise questions about fuel substitution, market overlap, cost effectiveness, funding, and cost allocations, each requiring their own analysis. Given the scope and funding implications of MTIs, the application process provides a more comprehensive and appropriate review mechanism and as the Commission stated "CalMTA's track record with Market Transformation is not yet proven."[10]

While Energy Efficiency (EE) programs follow the Tier 2 AL approval process, the funding for such programs is already approved and included in rate collection through the EE business plan application and subsequent approvals. However, Program Administrators cannot modify the funding level through that process. In contrast, CalMTA is proposing a process that would provide the opportunity to introduce new measures and modify funding levels through that process, without similar stakeholder engagement and noticing of such impacts to ratepayers.

Finally, as described above, CalMTA's Application fails to incorporate proposed MTI funding allocation splits that are consistent with current CPUC guidance. The Application process is needed to ensure that the appropriate information is provided by CalMTA along with the request for additional MTI funding.

IV. CATEGORY, HEARING, ISSUES, AND PROPOSED SCHEDULE

CalMTA proposes that the Application be categorized as "ratesetting." SoCalGas does not object to that categorization.

Relative to the need for evidentiary hearings, SoCalGas does not currently anticipate the need for hearings, but agrees with CalMTA's suggestion in the dual track schedule to allow for both the possibility of a schedule with and without hearings. In that regard, SoCalGas agrees with CalMTA's note in the schedule to have a deadline for a party to affirmatively request evidentiary hearings before such hearings are formally set.

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10 *Id.*

For the issues in the proceedings, SoCalGas does not object to CalMTA's identified issues including those concerns and areas of interest of SoCalGas described above.

For the proposed schedule, SoCalGas respectfully requests 28 days between the filing of opening briefs and the deadline to file reply briefs.

V. CONCLUSION

SoCalGas appreciates the opportunity to provide comments on the Application and requests its recommendations be incorporated and considered as set forth above.

Respectfully submitted,

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