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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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)

ADMINISTRATIVE LAW JUDGE'S RULING INVITING COMMENT ON STAFF PROPOSAL AND AVOIDED GAS REPLACEMENT COST TEMPLATE

On July 10, 2026, the Commission issued Decision (D.) 26-07-030 establishing the application process for the neighborhood decarbonization pilot program created by Senate Bill 1221. That decision identified several issues that would benefit from additional discussion, including but not limited to the definition of adequate substitute service; the definition of affordable service for low-income customers; and the conditions under which gas utilities would be relieved of the obligation to serve. The decision also required pilot applicants to calculate avoided gas infrastructure costs using a template developed by the Commission's Energy Division staff and made available on the SB 1221 Implementation webpage at <https://www.cpuc.ca.gov/industries-and-topics/natural-gas/sb-1221-implementation/costs-of-gas-distribution-replacement>.

This ruling includes two attachments, both developed by the Commission's Energy Division: first, a Staff Proposal that addresses many of the

issues that D.26-07-030 flagged for future discussion; second, the Gas Infrastructure Avoided Cost Template (made available by link).

Parties may file and serve opening comments on the Staff Proposal and Avoided Cost Template by September 18, 2026, and reply comments by October 2, 2026. The Staff Proposal contains specific questions for parties at the end of each section.

Dated August 31, 2026, at San Francisco, California.

/s/ ANDREW DUGOWSON

Andrew Dugowson
Administrative Law Judge

Appendix A
Senate Bill 1221 Implementation Staff Proposal



**California Public
Utilities Commission**

SB 1221 Pilot Implementation

STAFF PROPOSAL FOR R.24-09-012 TRACK 4

June 16, 2026

Thanks to:

Kristina Boyaci

Eileen Hlavka

Maya Noesen

Rosemarie Payan

Jean Spencer

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1. Executive Summary

Senate Bill (SB) 1221 (Min, 2024) requires the California Public Utilities Commission (CPUC) to identify priority neighborhood decarbonization zones (priority zones) and create a voluntary neighborhood decarbonization pilot project program (pilot projects). The goal of the pilot projects is to avoid the planned replacement of natural gas distribution pipelines using cost-effective zero-emission alternatives. SB 1221 also requires the natural gas corporations to submit maps that show all planned distribution pipeline replacement projects, among other things, every year until 2030.

This proposal provides Energy Division staff's (staff) recommendations for the following: 1) the definition of "establish" as used in Public Utilities Code Section 663(d)¹; 2) a performance incentive mechanism; 3) a process for determining adequate substitute energy service and relieving the gas corporation of its obligation to serve; 4) pilot project reporting; 5) updates to utility maps; and 6) updates to the initial priority zones.

1.1 Definition of "Establish"

Section 663(d) states, "The commission shall not establish pilot projects under this section on or after January 1, 2030." Staff recommend considering a project as "established" once it is approved by a decision of the CPUC or an advice letter disposition approving the pilot project, if an advice letter process is later adopted by the CPUC.

1.2 Performance Incentive Mechanism

Establishing an SB 1221 performance incentive mechanism will provide applicants with a one-time incentive for successfully completing voluntary pilot projects. As outlined in the March 17, 2026, ruling in R.24-09-012² and further developed in this proposal, the mechanism would evaluate gas corporation performance using four core metrics: the number of customers converted to zero-emission alternatives, the number of customers in an environmental and social justice community, miles of gas main and service lines decommissioned, and whether the project was completed at or below the CPUC-approved budget. These metrics directly reflect the statutory goals of reducing long-term gas system costs, advancing electrification in environmental and social justice communities, and ensuring prudent use of ratepayer funds.

1.3 Adequate Substitute Energy Service and the Obligation to Serve

This staff proposal lays out a three-step process for determining whether a proposed pilot project would provide reasonably available adequate substitute energy service such that the gas corporation can be relieved of its obligation to serve: 1) the CPUC application proceedings, or future advice letter process, will provide

¹ All statutory citations are to the Public Utilities Code unless otherwise specified.

² May 17, 2026, ruling: <https://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=602365926>.

opportunities for impacted persons to provide feedback and will determine whether the pilot project would provide adequate substitute energy service; 2) once the project is completed, the gas corporation will submit a Tier 3 advice letter notifying the CPUC, which will then confirm if the gas corporation shall be relieved of the obligation to serve within the pilot project boundary; and 3) the gas corporation must cut and cap any remaining gas lines within six months of the CPUC's approval of the Tier 3 advice letter.

1.4 Project Reporting

This staff proposal recommends that participating gas utilities use the template provided in Appendix A to report on both successful and canceled projects.

1.5 Utility Maps

Staff recommend that gas utilities update their SB 1221 maps to reflect new gas project information annually beginning in 2027 to reflect gas project updates. Staff further recommend that the maps be updated periodically to reflect changes to gas planning methodology.

1.6 Priority Neighborhood Decarbonization Zones

The CPUC designated 151 initial priority neighborhood decarbonization zones in December 2025. Staff recommend adding zones reflecting the same criteria and specified additional criteria. The proposed approach combines the zone selection factors identified in Section 662(a) to identify areas where the benefits of zonal decarbonization are likely to be high. The recommended additional zones include 31 newly requested census tracts with high foreseeable gas replacement; 122 census tracts that have overlapping priority communities, high heating or cooling needs, and high foreseeable gas main replacement; and nine partial census tracts where tribal land has high foreseeable gas replacement. This results in a total of 304 tract zones and nine partial-tract zones spread across 26 counties.

2. Background

The CPUC is implementing SB 1221 as part of the Long-Term Gas Planning Rulemaking (R.) 24-09-012. In that proceeding, the CPUC seeks to facilitate gas decarbonization while supporting safety, affordability, reliability, and equity.

In Decision (D.) 25-12-042, issued on December 18, 2025, the CPUC established initial priority zones, required the utilities to conduct public outreach, and committed to updating the zones by December 31, 2026, following additional public input.³ On April 1, 2026, Pacific Gas and Electric Company (PG&E), Southern California Gas Company (SoCalGas), San Diego Gas & Electric Company (SDG&E), and Southwest Gas Corporation filed reports in the proceeding summarizing their public outreach efforts and recommendations for the priority zone updates.

³ D.25-12-042 at 60.

On July 2, 2026, the CPUC approved D.26-07-030, which established the application process for SB 1221 pilot projects and other topics scoped into Track 3 of the proceeding. This staff proposal covers key topics for which more record is needed or that were scoped into Track 4 of the proceeding.⁴

3. Definition of “Establish”

One of the issues scoped into Track 4 of the Long-Term Gas Planning Rulemaking is “how should the Commission define an SB 1221 pilot project as ‘established’⁵ for the purposes of the sunset of SB 1221 directives per [Public Utilities Code] Section 663(d)?” Section 663(d) states: “The commission shall not establish pilot projects under this section on or after January 1, 2030.”

Staff propose that a pilot project be considered “established” when the CPUC approves a decision approving the pilot project application or a disposition approving the pilot project advice letter, if an advice letter process is later adopted by the CPUC. The property owner’s binding consent is a separate implementation requirement and does not determine whether a project has been established for purposes of Section 663(d).

3.1 Questions for Parties

1. Is it reasonable to define “establish” as the date a project is formally approved by a decision or disposition of the CPUC?

4. Performance Incentive Mechanism

4.1 Overview of the Incentive Mechanism

Staff propose creating a performance-based shareholder incentive (incentive) for the successful decommissioning of the gas system in completed pilot projects. A gas corporation may request an incentive only after the Tier 3 advice letter indicating the project has been completed, further discussed in Section 5.4, is approved by the CPUC. The gas corporation will receive one incentive payment for all SB 1221 pilot projects completed in the same calendar year, and the projects will be evaluated together. The incentive is designed to encourage utilities to pursue pilot projects in this voluntary program and to bring the projects to a successful completion. The incentive will further reward gas corporations that take on more impactful projects. Only projects that produce ratepayer savings will be eligible for an incentive. Staff further propose that the incentive apply to projects submitted as part of a gas corporation’s SB 1221 pilot projects that

⁴ R.24-09-012, Second Amended Assigned Commissioner’s Scoping Memo and Ruling Requesting Comments on Pilot Program, published October 2025, <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M583/K959/583959017.PDF>. Issues 14, 24, 25, and 26.

⁵ See Track 4, Question 25 of the Second Amended Assigned Commissioner’s Scoping Memo and Ruling for R.24-09-012, issued on October 16, 2025.

receive 100 percent property-owner consent and are thus not subject to the SB 1221 cap as well as those that receive less than 100 percent consent.

Staff previously proposed an incentive mechanism in the March 17, 2026, ruling. We further develop that concept here. Under this mechanism, a gas corporation may be eligible to receive up to 25 percent of verified net savings, subject to performance multipliers and budget compliance requirements. Net savings are defined as the difference between the net present value (NPV) of the avoided gas replacement project used in the project application and the NPV of the actual pilot project cost, based on the gas corporation expenditures recorded in the project account. The discount rate will be the gas corporation's Weighted Average Cost of Capital.

The following incentive formula illustrates the proposed structure:

$$\text{Gas Corporation Incentive} = 25\% \times (\text{NPV of Avoided Gas Replacement Cost} - \text{NPV of Pilot Project Cost}) \times f(S)$$

Where $f(S)$ is a bounded performance score based on normalized metrics, including gas main and service line miles decommissioned, volume of customer conversions, number of customers located in an environmental and social justice community, and an indicator score reflecting whether the project was completed at or below the CPUC-approved budget. As a result of this formula, projects that achieve more miles and meters converted in environmental and social justice communities, at or below budget, will receive a higher incentive. Projects that exceed the approved budget would be eligible for a reduced incentive based on the other criteria.

Let the combined "Performance Score" (S) be:

$$S = 100 \times (w_s m_s^* + w_c m_c^* + w_B m_B^* + w_E m_E^*)$$

Where:

- m_s^* = normalized miles of service-line metric
- m_c^* = normalized customer conversion metric
- $m_E^* = \frac{\text{number of converted customers located in an environmental and social justice community}}{\text{total number of converted customers}}$
- $m_B^* = 1$ if the pilot is at or below budget
- $m_B^* = 0$ if the pilot is over the approved budget
- w_s, w_c, w_B, w_E = weights (0.25, 0.25, 0.25, 0.25) and $w_s + w_c + w_B + w_E = 1$

$f(S)$ is a tiered-factor performance score bounded between 0 and 1.0. Staff propose that the performance score be structured as follows:

$$0 \leq f(S) \leq 1$$

$$\text{If } S=0-14 \text{ then } f(S) = 0$$

If $S=14-24$ then $f(S) = 0.25$

If $S=25-79$ then $f(S) = 0.50$

If $S=80-89$ then $f(S) = 0.75$

If $S=90-100$ then $f(S) = 1.0$

4.2 Normalization

Normalization is primarily based on maximum achievable values.

4.2.1 Miles Retired

The denominator for the miles retired metric may be established as: M_u^{MAX} = the average miles of main and service line replaced per actual gas replacement project site across all utilities multiplied by a scalar and by the number of projects completed that year by the gas corporation. The average miles replaced per gas project site is 0.34 miles based on the 2021-2024 data provided by the gas utilities.⁶ The scalar should be 10, so that utilities receive a maximum incentive for projects that are 10 times as large as an average gas project site.

$M_u^{MAX} = 10 * 0.34 \text{ miles} * \text{number of completed projects}$. The normalized score for the miles of mains and services retired may be constructed as:

$$m_s^* = \frac{M_u^{actual}}{M_u^{MAX}}$$

where m_s^* is capped at 1.

4.2.2 Customer Conversion

Staff provide three options for evaluating customer conversion.

Options 1 and 2 are both based on Section 663(a), which states that pilot projects shall affect “no more than 1 percent of each gas corporation’s customers within their service territory.” For these options, the Performance Score S is thus anchored to SB 1221’s 1 percent cap and the specific design of each gas

⁶ Main miles per site average 0.0943, based on utility cost data, <https://www.cpuc.ca.gov/industries-and-topics/natural-gas/sb-1221-implementation/sb-1221-gas-distribution-cost-data>, B13 last column divided by B11 last column. Main and service replacement has an average of 24 services per site, as reported in the Gas Distribution Replacement Backgrounder, <https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/documents/natural-gas-and-oil-pipeline-regulation/sb-1221-gas-distribution-backgrounder.pdf>, based on the same data source. Gas services average 0.0102 miles long, as reported by utilities and posted in Supplemental Data, Distribution Costs and Plans, row 9, see <https://www.cpuc.ca.gov/industries-and-topics/natural-gas/long-term-gas-planning-rulemaking-closed>.

corporation's pilot. In contrast, Option 3 is based on the percentage of consenting customers within the pilot project boundary.

Option 1

Option 1 sets the denominator for the customer conversions metric as the maximum number of customers who can receive zero-emissions alternatives per SB 1221:

$$C_u^{MAX} = 1\% \times [\text{Total active gas meters of gas corporation, } u]$$

The normalized score for the customer counts is constructed as:

$$m_c^* = \frac{C_u^{actual}}{C_u^{MAX}}$$

Option 2

Option 2 incorporates a scalar of 100 to increase the value that utilities receive from reaching more customers, recognizing that reaching 1 percent of gas corporation customers will be difficult. That is, a gas corporation will be maximally rewarded for reaching one-tenth of 1 percent of customers.

$$m_c^* = \lambda * c_u^{actual}$$

$$\lambda = \frac{100}{1\% * c_u}$$

$$\lambda = \frac{10,000}{c_u}$$

where c_u is the number of gas meters of the gas corporation and where m_c^* is capped at 1.

For example, SoCalGas serves about 6 million customers, resulting in a scalar of $\lambda \approx \frac{1}{600}$. If SoCalGas completes 14 projects with 40 customers each, then $m_c^* = \frac{560}{600}$ or 0.93. In comparison, under the same circumstances, Option 1 would lead to a score of 0.0093.

Option 3

Rather than providing an incentive for reaching a greater number of customers, Option 3 incentivizes obtaining a higher level of customer consent within the project boundary. The factor m_c^* is the total property owner consent across all a gas corporation's SB 1221 projects completed that year. This calculation sums the total number of property owners that consented to a SB 1221 project and divides that figure by the total number of property owners within the SB 1221 project boundaries.

$$m_c^* = \frac{\Sigma \text{consenting property owners}}{\Sigma \text{all property owners in the project boundaries}}$$

For example, if a gas corporation completed three SB 1221 projects where one project had 35 consenting property owners out of 40 property owners, one project had 10 consenting property owners out of 14 property owners, and one project had 67 consenting property owners out of 100; then $m_c^* = \frac{35+10+67}{40+14+100}$ or 0.73.

4.2.3 Environmental and Social Justice Community Metric

The environmental and social justice community metric is based on the ratio of converted customers located in an environmental and social justice community. It is calculated as the ratio of converted customers located in an environmental and social justice community divided by the total number of converted customers. For illustrative purposes, the ratio has been defined as follows:

$$m_E = \frac{\text{Number of converted customers located in an environmental or social justice community}}{\text{Total number of converted customers}}$$

An environmental and social justice community is defined in the CPUC's *Environmental and Social Justice Plan*.⁷

4.2.4 Budget Metric

The budget metric is binary, with a possible score of zero if the project is over budget or one if it is at, or under, budget.

4.2.5 Example

The following is an illustrative example showing how the incentive would be calculated. If a pilot avoids \$100 million in gas system costs and costs \$70 million for verified zero-emissions alternatives, the result is \$30 million in net savings. If the project achieves a mid-tier performance score, the gas corporation would be eligible to receive a portion of those net savings as a shareholder incentive, with the remaining savings accruing to customers. For example, if the performance score placed the project in the mid-tier range

⁷ *Environmental and Social Justice Action Plan* at 2, available at <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/news-and-outreach/documents/news-office/key-issues/esj/esj-action-plan-v2jw.pdf> (last accessed June 26, 2026).

(1) Disadvantaged Communities, defined as census tracts that score in the top 25% of CalEnviroScreen 4.0, along with those that score within the highest 5% of CalEnviroScreen 4.0's Pollution Burden but do not receive an overall CalEnviroScreen score; (2) All Tribal lands within any Indian reservation as defined in 18 U.S.C. 1151 subsection (a) or defined as "California Indian Country" available at <https://www.courts.ca.gov/8710.htm> (last accessed June 26, 2026); (3) Low-income households (Household incomes below 80 percent of the area median income); and (4) Low-income census tracts (Census tracts where aggregated household incomes are less than 80 percent of area or state median income).

For the purposes of this calculation, a Tribal member of a California Native American tribe, as defined in Section 21073 of the Public Resources Code, will count as an affected customer located in an environmental and social justice community.

($S=0.50$), the gas corporation's shareholder incentive would equal $0.25 \times \$30 \text{ million} \times 0.50$, or \$3.75 million. The remaining savings would accrue to gas customers through reduced future gas system costs.

4.3 Questions for Parties

2. Does the proposed performance-based incentive mechanism, as structured, appropriately balance ratepayer protection with an incentive for gas utilities to avoid gas distribution repairs by installing zero-emission appliances?
 - a. If not, what changes would you recommend making to the mechanism?
 - b. Should one of the proposed options for customer conversion be used?
 - a. If so, which one and why?
 - b. If not, propose a formula that should be used instead and explain why it is better.
3. Do the performance metrics and weighting factors described above appropriately incentivize goals such as maximizing customer impact, maximizing pipeline replacement, prioritizing projects in environmental and social justice communities, and controlling pilot costs?
 - a. If not, how would you change the performance metrics and weighting factors?
4. Are there concerns regarding the implementation, verification, or administration of the shareholder incentive mechanism?
 - a. If so, what problems do you anticipate, and how could they be mitigated?

5. Adequate Substitute Energy Service and the Obligation to Serve

5.1 Summary

A central component of SB 1221 is that it requires the CPUC to relieve the gas corporation of its obligation to provide natural gas service within the pilot project boundary once an approved pilot project is completed. The statute also requires the CPUC to determine that the substitute for natural gas service is reasonably available and the rates for it are just and reasonable. Lastly, it states that, for low-income customers, the CPUC shall establish requirements and programs to ensure that a substitute service is affordable, adequate, efficient, and just and reasonable.⁸

Relieving the gas corporation's obligation to serve within the pilot project boundary is a critical aspect of SB 1221 because projects are funded based on the assumption that the cost to repair or replace gas infrastructure will be avoided.

Section 451.9(a) requires the CPUC to determine whether adequate substitute energy service is reasonably available. If the CPUC finds that such adequate service is reasonably available, under

⁸ See PUC Sections 663(b)(3), 663(c), 451.9(a), and 451.9(b)(2).

Section 663(c), after a pilot project has been implemented the CPUC must relieve the gas corporation of its obligation to provide service within the project boundary.

The CPUC should ensure the zero-emission alternatives meet the statutory requirements of adequate substitute energy service during application or advice letter review. Staff propose the following procedures for each of these steps, which are described in greater detail below.

1. The CPUC assesses whether the pilot project will provide adequate substitute energy service in the decision or disposition approving the pilot.
 - a. Adequate substitute energy service should be affordable, adequate, efficient, and just and reasonable.
 - b. Property owners, affected customers, and tenants of master-metered properties will have the opportunity to comment and provide feedback before the decision is made, through gas corporation town halls and public comments in the docket. The CPUC may also hold a public participation hearing while the application is in review.
2. The gas corporation will submit a Tier 3 advice letter to the CPUC upon completion of all affected customers' conversion to the zero-emission alternatives. The advice letter must be served on all property owners within the pilot project boundary as well as any regularly designated service lists.
 - a. The CPUC will review the advice letter as well as any protests to determine whether the pilot project has been completed as approved in the application or disposition and that the zero-emission alternative was made reasonably available to all property owners.
3. Within six months of the CPUC's approval of the advice letter, the gas corporation must stop gas service to all properties within the pilot project boundary whose service lines have not already been cut and capped.

5.2 Requirements of Adequate Substitute Energy Service

In the decision or disposition approving a gas corporation's proposed pilot project, the CPUC will determine if the proposed zero-emission alternatives provide adequate substitute energy service. Providing adequate substitute energy service is a requirement that must be met for a gas corporation to be relieved of its obligation to serve within the project boundary per Section 451.9. In their requests, gas corporations should provide evidence that their requested pilots projects are affordable, adequate, efficient, and result in just and reasonable rates, particularly for low-income customers. Impacted property owners, affected customers, and master-metered tenants will have opportunities to provide feedback on these issues to both the gas corporation and the CPUC during the application proceeding, or advice letter review, which will inform the CPUC's decision.

5.2.1 Affordable

Staff propose that applicants should be required to track the affordability of substitute energy service using the affordability ratio the CPUC adopted in its affordability rulemaking, R.18-07-006. In that proceeding, the CPUC declined to set a specific threshold at which utility services become unaffordable; instead, the CPUC identified the point at which communities become Areas of Affordability Concern (AACs) to “draw attention to areas with outsize affordability problems.”⁹ AACs are defined as “communities where households at the 20th percentile of the community’s income distribution spend more than 15 percent of their available budget on essential levels of electricity or communications services, or more than 10 percent of their available budget on either essential levels of gas or water service.”¹⁰ Like priority neighborhood decarbonization zones, the Affordability Ratio and AACs are defined at the census tract level.¹¹

Staff recommend that the CPUC, consistent with its existing practices, should require applicants to (1) calculate how their proposed project would affect the Affordability Ratio (AR) for the 20th and 50th percentiles of the income distribution for the pilot project area (i.e., the AR20 and AR50), (2) to state whether the proposed project would turn the pilot project area into an AAC, and (3) explain and justify why the proposed project does not harm affordability.¹²

In Appendix A of D.26-07-030, the CPUC required gas utilities to provide estimates of energy bill impacts to property owners and property-specific energy bill impact estimates to affected customers and master-metered tenants prior to submitting the application to the CPUC and again before a property owner signs the binding consent document.¹³

5.2.2 Adequate

Staff propose two options for determining whether the substitute service is adequate: (1) the zero-emissions alternative replaces all common natural gas end uses, or (2) the zero-emissions alternative replaces all existing onsite natural gas uses. For Option 1, common natural gas end uses are defined as cooking, water heating, space heating, and clothes drying based on the California Energy Commission’s 2019 California Residential Appliance Saturation Study (RASS) which found these end uses to have market saturation above 15 percent.¹⁴ Option 2 would also cover uncommon natural gas end uses such as auxiliary heating, pool heat, spa heat, and other miscellaneous uses of natural gas onsite. For both options, the zero-emissions alternative may cover more aspects than those required to meet adequate substitute service, provided the

⁹ D.22-08-023 at 50 to 51.

¹⁰ D.22-08-023 at 49.

¹¹ D.22-08-023 at 4.

¹² The data necessary to calculate the affordability ratio may not be available at the same granularity or in segments that exactly overlap with the pilot project’s boundaries; in that case the applicant should use the best geographic approximation available.

¹³ At A-3.

¹⁴ Table 33 of the [2019 California Residential Appliance Saturation Study - Results](#).

project remains cost-effective. The no-cost option required in D.26-07-030¹⁵ must provide adequate substitute service.

5.2.3 Efficient

D.26-07-030 Conclusion of Law 26 requires the applicant to provide appliances that carry at least an industry-standard new appliance warranty and comply with California's appliance efficiency standards, as adopted in Title 20 of the California Code of Regulations.

5.2.4 Just and Reasonable

Any rates approved by the CPUC are required to be just and reasonable. A pilot project could occur in an area where the CPUC regulates the gas corporation but not the electric utility (such as a publicly owned utility). To meet the requirements of Section 451.9(b)(1) and 663(b)(3), staff propose that the CPUC adopt a rebuttable presumption that the rates provided by a load-serving entity as the provider of last resort pursuant to Section 387 are just and reasonable for all customers. Intervenors would then have the opportunity to demonstrate otherwise during the application or advice letter process.

5.2.5 Opportunities to Comment and Provide Feedback

Staff propose that property owners, affected customers, and master-metered tenants who would be impacted by a pilot project be given the opportunity to comment and provide feedback before the decision is made through gas corporation town halls and the Public Comments section of the docket. The CPUC may also hold a public participation hearing while the application is in review.

Gas corporation-led town halls should be held in person in a location reasonably accessible to community members and provide a hybrid virtual option. A transcript of the meeting and a summary of community input should be included in the application to inform the CPUC of any community support or opposition to each proposed pilot site.

Impacted property owners, affected customers, and master-metered tenants may submit written comments in the Public Comments section of the application docket at any time.¹⁶

If an advice letter process is used to review proposed pilot projects in rounds two and three, these feedback points will be retained.

Comments and community feedback will be considered in the pilot project proceeding or advice letter review.

¹⁵ At 24.

¹⁶ Staff intend to publish a comment template to connect comments to specific pilot projects.

5.3 Advice Letter Notification of Project Completion

Staff propose that a project is considered to have reached completion of all affected customers' conversion to the zero-emission alternatives for purposes of Sections 663(c) once the zero-emissions alternative is installed at all properties that signed binding documents with the gas corporation agreeing to the zero-emission alternative and the properties' gas service lines are cut and capped. At this point, the gas corporation will inform the CPUC that the project is complete via a Tier 3 advice letter.

The advice letter must demonstrate that the project satisfies Section 451.9(a) by providing adequate substitute service that is reasonably available. Adequate substitute service is defined in section 5.2 and is proposed to be determined by the CPUC during application review. The advice letter must show the completed zero-emission alternative matches what was approved by the CPUC and include an attestation from the electric utility that all necessary electric infrastructure upgrades¹⁷ identified in the application are complete. The advice letter must provide the count of property owners and affected customers who: 1) have had the zero-emission alternative installed, 2) were reached but did not agree to the zero-emission alternative, and 3) were non-responsive.

Staff propose that "reasonably available" be defined as the gas corporation providing evidence of at least three attempts to notify the non-responsive property owners of the project and their ability to agree to the zero-emission alternative after 67 percent consent is obtained. Attempts can be in-person or by certified mail. The zero-emission alternative is required to have a no-cost option to provide adequate substitute service, as proposed in section 5.2.2, making the project economically reasonably available. CPUC approval of the advice letter will formally relieve the natural gas corporation of the obligation to provide service within the pilot project boundary.

Parties and stakeholders will have the opportunity to comment on the advice letter. In review of the advice letter, the CPUC will make sure that the installed zero-emission alternatives provide the adequate substitute energy service and the electric infrastructure has been upgraded as approved in the application and that all properties with a binding agreement within the project boundary were converted. In addition, the CPUC will consider the number of properties whose owners were non-responsive or refused the zero-emission alternative, if any, and ensure the zero-emission alternative was made reasonably available to them.

At this point in the project there may be three kinds of properties in a project boundary:

1. Properties for which property owner consent was received when the gas corporation gathered the 67-percent consent. These properties will have had the zero-emission alternative installed and the gas service line cut and capped.
2. Properties for which the property owner did not initially consent to the project but signed a binding document agreeing to the zero-emission alternative after being informed by the gas corporation that the project received the consent of at least 67 percent of impacted property owners and was approved by the CPUC to begin implementation. These properties will have had the zero-emission alternative installed and the gas service line cut and capped.

¹⁷ D.26-07-030 Conclusion of Law 26.

3. Properties for which the property owner withheld consent to the project and refused conversion to the zero-emission alternative when the project was being implemented or who were non-responsive. This group is discussed further in Section 5.4.

In D.26-07-030, Conclusions of Law 43 and 44 require the applicant to obtain binding consent agreements from the owners of at least 67 percent of the properties within the project boundary after the CPUC approves the pilot project and then file a Tier 1 advice letter demonstrating consent has been obtained. After the Tier 1 advice letter is approved, the gas corporation should notify all impacted property owners that the project is going forward and that all gas service within the project boundary will end following completion of the pilot project. In this notification, the gas corporation should provide an estimated timeline for completion of the project and an estimated date by which it will end gas service (based on an estimated date for CPUC approval of the Tier 3 advice letter). At the time of notification, property owners who initially withheld consent will be provided a final opportunity to sign a binding agreement to have the zero-emission alternative installed, with the clarification that this does not constitute “consent” for purposes of determining the 67 percent approval; these properties make up group 2 in the list above. This second and final opportunity to agree to the project will ensure that all property owners have a chance to secure adequate substitute energy service provided by the gas corporation.

The gas corporation must provide a clear deadline for agreement to ensure the project remains on schedule and within budget. The gas corporation should gather signed documents from property owners refusing the zero-emission alternative, indicating they are aware that gas service will end upon completion of the project, to support the finding that the project was reasonably available. As stated above, the zero-emission alternative will be considered reasonably available after the gas corporation makes at least three attempts to notify the non-responsive property owners of the project and the ability to agree to the zero-emission alternative after 67 percent consent is obtained.

5.4 Ending Gas Service to Properties for which Conversion to Zero-Emission Alternatives was Refused

In the Tier 3 advice letter notifying the CPUC that a pilot project has been completed, the gas corporation shall identify any properties within the project boundary that have not received the zero-emissions alternatives, for whatever reason. Section 663(c) expressly states that withholding consent does not provide a right to continued natural gas service, if the commission approves a pilot project that includes the property within the project boundary, and relieves the gas corporation of its obligation to serve under Section 451.9(a).

For property owners who do not sign a binding document agreeing to the installation of the zero-emissions alternative, the gas corporation may allow them up to six months after the CPUC approves the Tier 3 advice letter to secure alternative energy service before cutting and capping the remaining gas pipelines and ending gas service within the project boundary. It will be the responsibility of the property owner to fund and install the alternative energy service before the scheduled removal of gas service as the property owner refused the reasonably available zero-emission alternative that was approved by the CPUC.

After the last pipelines in the project boundary are cut and capped, the gas corporation shall file a Tier 1 advice letter notifying the CPUC. Once the Tier 1 advice letter is approved, the gas corporation may not recover any subsequent costs from ratepayers, outside of costs related to the SB 1221 pilot project, for gas projects within the project boundary without specific CPUC direction or approval. For example, no new gas service may be provided within the project boundary.

Section 451.9(b)(2) allows the CPUC to authorize the gas corporation to recover the undepreciated costs of any gas plant or asset, including the cost to retire the gas plant or asset, that is no longer to be used or useful. Undepreciated costs for the decommissioned gas infrastructure in the project area, if there are any, may only be recovered if the costs are significant and the gas corporation justifies recovering the costs in the pilot project application and proposes a period to recover the costs to minimize impacts to remaining gas customers or if the costs are minimal and are being recovered within non-project-specific tranches of costs that have been approved in rate case decisions. Since pilot projects are to be conducted in areas with planned pipeline replacements, staff expect undepreciated costs to be minimal. D.26-07-030 includes the costs of decommissioning the gas system in the pilot project boundary as part of the recoverable project costs.¹⁸

5.5 Questions for Parties

5. Are there any additional affordability criteria that should be adopted for these projects? Provide justification.
6. Should the affordability process described be adopted, or is there a different process that should be used to screen proposed projects for affordability? Provide justification.
7. Should Option 1 or Option 2 be used to define adequate substitute service for the pilot projects? Provide justification.
8. Are there any other considerations needed to meet the requirements of Sections 663(b)(3) or (c) and 451.9 (a) or (b)? Provide justification.
9. Are there any tenant protections that should be adopted for these pilot projects to ensure tenants receive adequate substitute energy service, given the statutory construct, parameters of this program, and jurisdiction of the CPUC?
10. Are any additional consumer protections needed for those impacted by a SB 1221 pilot project?
11. Is the process to relieve the obligation to serve sufficient? Why or why not?
12. Is staff's guidance for ending gas service to non-consenting property owners sufficient? If not, what additional guidance should be provided?
 - a. Are there any changes to existing procedures for terminating gas service that should be made to successfully implement SB 1221?
 - b. How do gas corporations currently handle situations where work must occur, but a property owner is non-responsive?
 - c. Should the gas corporations update their Discontinuance of Service Tariffs to include the SB 1221 projects as a reason for discontinued service?

¹⁸ At pages 63 and 67 and Conclusion of Law 31.

13. Is staff's guidance for undepreciated costs of the decommissioned gas system reasonable?

6. Project Reporting

One of the key statutory goals of these pilot projects is to create lessons learned on the efficacy of implementing zero-emission alternatives in place of gas infrastructure repair or replacement.¹⁹ Specifically, the legislature declared the intent that the projects provide “lessons including by identifying, documenting, and reporting on key challenges and successes, hurdles to customer participation, cost and affordability implications, customer satisfaction, and other outcomes concerning natural gas corporation distribution system decommissioning and electrification.”²⁰

Staff propose that all gas utilities participating in SB 1221 use the same measurement and evaluation template to provide a consistent basis for lessons learned for future legislative reports and CPUC efforts.

Staff propose that, at a minimum, the measurement and evaluation report should include all content in Appendix A below. If approved, staff will post a fillable PDF form to the SB 1221 website for utilities to use. Staff may modify measurement and evaluation criteria to add or remove metrics as needed to ensure reports provide all information needed for reports to the legislature.

Staff propose that the Measurement and Evaluation reports be included in the Tier 1 advice letter required in D.26-07-030 Conclusion of Law 39, filed by November 1 of each year until one year after all the gas corporation's SB 1221 pilot projects are completed. These reports should describe projects that were completed or cancelled within the previous 12 months and provide an annual update on previously completed projects focused on participant satisfaction and actual bills. The information in these reports will be incorporated into the CPUC's March 1 legislative reports. The reports can be submitted by each gas corporation separately or as a joint report among multiple utilities and should be served on the R.24-09-012 service list.

6.1 Questions for Parties

14. Should the gas corporations be required to hire a third-party contractor to conduct the annual evaluations and write the reports, or should they conduct the evaluation themselves? Provide justification.
 - a. If the former, should all the gas corporations contract with one measurement and evaluation contractor? Provide justification.
15. Should the gas corporations collaborate and submit a joint measurement and evaluation criteria report? Why or why not?

¹⁹ See PUC Sections 664(a)-(b) and 665.

²⁰ SB 1221 Section 1(c).

16. Are there any modifications that should be made to the measurement and evaluation template in Appendix A? Provide justification.

7. Updates to SB 1221 Maps

In an April 18, 2025, ruling, the CPUC required gas utilities to provide certain maps and associated information and documentation by July 1, 2025, to comply with Section 662(a) and support informed gas decommissioning decision-making.²¹ The statute specifies that gas utilities will update these maps annually, and the CPUC will determine whether updates will continue after January 1, 2030. Staff recommend that gas utilities be required to 1) add certain newly available information to their 2027 maps; 2) update these maps annually so that their coverage continues to represent 10 years' of foreseeable gas main replacement and shows completed gas or avoided-gas projects and any updated electricity-related and disadvantaged community information, if its source has updated it; and 3) incorporate gas replacement methodological changes periodically, not annually. These recommendations are discussed below.

Staff recommend that gas corporations be required to provide notice by July 1 annually to the Long-Term Gas Planning Rulemaking (R.24-09-012) or any successor proceeding, the Building Decarbonization Rulemaking (R.19-01-011) or any successor proceeding, and any open SB 1221 application proceedings that their maps and associated information and documentation are available on their gas corporation webpages. Gas corporations must also summarize updates from the previous year. If gas corporations submit motions for confidentiality, those motions should be submitted to R.24-09-012 or its successor, including the gas corporation's directions to parties or non-parties wishing to access the maps. The associated confidential maps should be provided to the CPUC email addresses on this proceeding's service list. All information not claimed as confidential should be provided publicly, including data at the census tract level for any information claimed as confidential at a more granular level. With each update, the gas corporation should update their user guide and its data summary. These maps should include the following updates.

7.1 One-Time 2027 Updates

One-time updates should be added by July 1, 2027, including the additional information below:

- Any additional zones adopted by CPUC Decision. The CPUC has committed to updating zones by December 31, 2026.
- A calculation of the percentage of gas mains up for replacement at the census tract level. Gas corporations should calculate this percentage by dividing the census tract's foreseeable and potential

²¹ Assigned Commissioner's Ruling Issuing Senate Bill 1221 Mapping Direction to Utilities, April 2025, <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M564/K184/564184170.PDF> April 18, 2025 ruling: <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M564/K184/564184170.PDF> <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M564/K184/564184170.PDF>, with attached direction to utilities: Appendix A: Direction to Utilities for Compliance by July 1, 2025, <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M564/K384/564384424.PDF>.

gas distribution main pipeline replacement mileage (as reported on July 1, 2025, maps) by its total main mileage (as reported in 2021).

- A calculation of the updated district average gas main replacement costs per mile and link to more detailed cost data (as reported in 2025).²²
- Updated census tract level data layers used for priority zone recommendations discussed below, representing:²³
 - Annual forecast of 2045 heating degree day days (HDD)
 - Annual forecast of 2045 cooling degree days (CDD)
 - Estimated percentage of gas households lacking residential heating
 - Estimated percentage of households lacking residential cooling
 - Asthma percentile score above 75th percentile

7.2 Annual Updates

Annual updates should be provided by July 1 of each year that maps are required, including mapping the additional information below:

- One year’s worth of foreseeable and potential gas distribution main pipeline replacement projects, with locations of distribution mains included in each project, shown as lines on map.
 - Maps provided by July 1, 2025, were directed to include gas distribution main pipeline replacement projects forecast to begin during the next 10 years, identified consistent with each gas corporation’s existing project selection methods, at an annual replacement rate consistent with the mileage rates for each gas distribution replacement rate code approved in each gas corporation’s most recently adopted general rate case decision, totaling at least 2,000 main miles for PG&E and for SoCalGas, 700 main miles for SDG&E, and 300 miles for Southwest Gas. The next 10 years when the utilities submitted their July 1, 2025, maps were January 1, 2026, through December 31, 2035.
 - The additional annual mileage mapped by each gas corporation should be no less than the annual mileage the gas corporation reported as replaced under gas distribution main and service replacement programs in the gas corporation’s latest General Rate Case, averaged across the four reporting years. The locations should be based on the gas corporation’s current gas replacement project selection methods used by those programs.
- Project boundaries of completed gas distribution replacement projects.
- Project boundaries of gas distribution replacement projects avoided by completed zero-emission alternatives and decommissioning, with each project identified as SB 1221 or non-SB 1221 projects.
- An updated calculation of the percentage of mains up for replacement in each census tract.
- Definitions of gas replacement programs should remain unchanged.

²² This data is included in tables at <https://www.cpuc.ca.gov/industries-and-topics/natural-gas/sb-1221-implementation/sb-1221-gas-distribution-cost-data> but not mapped.

²³ CPUC staff will post this data on the “SB 1221 Implementation” webpage.

- Layers representing currently available electric integration capacity in megawatts (MW), copied from maps provided by the electric investor-owned utilities, should be updated using the latest maps from the electric investor-owned utilities.²⁴ This information represents electric utility estimates of the capacity to add electricity demand (load) to each electricity circuit, shown at the street level. These were previously directed to be updated quarterly.
- Any disadvantaged communities newly identified by the California Environmental Protection Agency (CalEPA) should be added.

7.3 Less Frequent Updates

Maps submitted by July 1, 2029, should include the information below, which reflects larger changes to the maps and thus should occur less often in order to maintain stability. While it is premature to establish an ongoing cycle after 2029,²⁵ the CPUC may wish to consider requiring utilities to make these updates every four years or in the July update after each gas corporation's general rate case decision is approved.

- Insofar as the gas corporation's methods to calculate gas main risk and consequence estimates have changed from the methods used for the submission of the initial maps due by July 1, 2025, the updated methods should be used to identify foreseeable gas replacements.
- Previously mapped locations, if reassessed and no longer planned for replacement by current methods, should be identified on the map.
- Each gas corporation should provide an attachment with a quantitative and qualitative description of how the methods have changed, including each variable and parameter used and how they have changed and which method(s) were used for which years.

7.4 Questions for Parties

17. Will these map updates provide the information necessary for gas utilities, other utilities, and other stakeholders to engage with the SB 1221 process?
18. Is the current map documentation sufficient for stakeholders to access and understand SB 1221 maps? If not, what additional information or formats would be helpful?

²⁴ These are labelled on existing ICA maps as "Load Hosting Capacity (kW)" by PG&E, "Integration Capacity (MW)" for "Uniform Load" by SCE, and "Integration Capacity, Uniform Load (MW)" by SDG&E. Gas utilities should see links to electric IOU "Data Portals" provided at <https://webtraining.cpuc.ca.gov/industries-and-topics/electrical-energy/infrastructure/distribution-planning> and coordinate with electric IOUs as needed to ensure up-to-date versions of these layers are used.

²⁵ See PUC Section 661(c), which states the following regarding mapping requirements, "On or after January 1, 2030, the commission may determine whether gas corporations will continue to be subject to the requirements of this section."

8. Updates to Priority Neighborhood Decarbonization Zones

8.1 Summary

Staff recommend adopting additional priority neighborhood decarbonization zones (priority zones) that are geographically dispersed in order to provide a range of potential project areas while focusing efforts on locations where projects are likely to yield the most benefits. The proposed zones reflect priorities identified in SB 1221. Staff recommend maintaining the 151 initial priority zones designated in December 2025, which focus on areas with high foreseeable gas line replacement and local requests. After the December decision, stakeholders were given a second opportunity to request additional zones by a May 15, 2026, deadline.

Applying the same criteria to the new requests yields 31 additional zones. Identifying areas where specified priority communities overlap with temperature extremes, high heating or cooling need, and high foreseeable gas replacement adds 122 zones. Together, these methods yield a total of 304 census tracts recommended as priority zones.²⁶ Staff further recommend that tribal areas overlapping with high foreseeable gas replacement census tracts are also designated as zones, resulting in nine additional partial-tract zones.

Table 1. Existing and Proposed Priority Zones

	Criteria Summary	PG&E	SoCalGas	SDG&E	Southwest Gas	Statewide
Initial Zones	Requested and high gas main replacement	107	13	31	0	151
Additional Requested Zones	Requested and high gas main replacement	30	1	0	0	31
Additional Community Benefits Zones	Temperature-impacted, priority community and non-energy benefits considerations	81	38	0	3	122
Total Tract Zones		218	52	31	3	304
Tribal Partial-Tract Zones	Federal tribal land with high gas replacement	2	7	0	0	9

²⁶ California has 9,129 census tracts, see US Census Bureau, “California,” https://www2.census.gov/geo/docs/maps-data/data/geo_tallies2020/tallies_by_state/California_06.txt. Thus, 304 tracts represent about 3 percent of the state.

8.2 Initial Priority Zones

On December 18, 2025, the CPUC adopted 151 census tracts as initial priority zones.²⁷ These areas have local interest and high rates of foreseeable gas replacement projects and therefore potential for cost savings to remaining gas ratepayers, consistent with Section 662(a). Staff do not propose any changes to these zones.

These priority zones were selected using the following criteria:

- Must have more than 10 percent of gas main mileage forecast for replacement (foreseeable gas main replacement).
- Must be requested for consideration by a local government or nongovernmental organization (NGO).
 - Such requests ranged from local organizations' requests for one or two tracts to requests for 50 or more tracts. For example, one city requested all tracts in their Environmental Justice Element, and some NGOs requested tracts in multiple cities. Some NGOs and small cities requested only one to four tracts.
 - Requests to include all tracts in a county or gas corporation service area were excluded as insufficiently targeted, noting that these areas typically contain more targeted requests, which were included.
 - Requests from unaffiliated individuals also were not included.
- If the criteria above result in more than 25 tracts in a given county, then only the highest gas main replacement tracts up to 25 tracts were kept as well as any remaining tracts with CalEnviroScreen percentile scores above 75 percent.²⁸

8.3 Additional Requested Priority Zones

In the months between December 2025 and May 15, 2026, the CPUC received many new local government and NGO requests for census tracts to be adopted as priority zones. Staff recommend adopting additional zones based on these requests and the same criteria used previously.²⁹ This process results in 31 additional zones.

²⁷ Initial priority zones were designated by D.25-12-042

(<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M592/K226/592226529.PDF>) and are listed with associated data in the attached appendix (<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M592/K318/592318695.pdf>) and by county in the appendix of <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2025-annual-report--neighborhood-decarbonization-zone-pilot-projects.pdf>.

²⁸ For more detail on initial and additional priority zones that were requested and chosen, see Appendix B below.

²⁹ Since there were few new requests from counties such as San Diego and Alameda with many requests, only one zone was excluded in this analysis as a result of the 25-per-county cap. Its lower CalEnviroScreen score means it was not added as a zone.

Almost all the additional priority zones are in PG&E’s service territory. SoCalGas received a smaller number of requests, and fewer of them have more than 10 percent of their mains forecast for replacement. SDG&E saw a high number of repeat requests with no newly requested tracts.

8.4 Additional Community Benefits Priority Zones

The priority zone selection methods described above are designed around local interest and the potential for cost savings from avoiding gas replacement. Staff propose additional priority zones targeting areas with high potential for community benefits. Additional proposed zones fall into three categories, each reflecting subjects highlighted in SB 1221: temperature-impacted disadvantaged communities, temperature-impacted low-income communities with non-energy benefits, and tribal areas. Staff propose that for all these additional types, zones must also have high rates of foreseeable gas main replacement.

8.4.1 Temperature-Impacted Communities

Section 662(a)(1) directs the CPUC to consider, in selecting zones, the “Presence of disadvantaged or low-income communities in high-temperature climate zones or low-temperature climate zones that disproportionately lack cooling or heating.” Such areas have higher energy needs to maintain comfortable indoor air temperatures and lower access to the cooling or heating needed to do so. These areas may particularly benefit from the new appliances provided by decarbonization programs.

Staff propose priority zones where disadvantaged and low-income, high non-energy benefit communities have high temperatures and lack cooling, and/or have low temperatures and lack heating as well as having high forecasted gas replacement. Some of these areas are widely dispersed throughout the state, reflecting local variation in weather, socioeconomic conditions, and gas infrastructure. Designating priority zones in this way can help localities identify promising locations within their regions. Unlike the priority zones already discussed, these do not require a local organization to have already expressed interest. Rather, these are areas where applicants may wish to target outreach in order to offer projects where they would provide substantial benefits. This analysis, detailed below, found 122 such zones.

High-Temperature and Low-Temperature Locations

To identify high-temperature and low-temperature areas, staff used Cal-Adapt information on the annual heating degree days and cooling degree days expected in 2045 in the hottest or coldest part of the census tract.³⁰ More heating or cooling degree days mean that households will need to spend more energy on heating or air conditioning, respectively. Actual annual HDDs or CDDs for a given year vary widely

³⁰ Heating degree days are a day’s degrees below 65 degrees Fahrenheit, thus indicating heating need. Annual HDDs are each day’s HDDs, summed across all the days in a calendar year. Data calculated by Eagle Rock Analytics, Cal-Adapt, January 2026, using data available at <https://analytics.cal-adapt.org/data/catalog/>. Data represent daily air temperature at 2m from downscaled weather research and forecasting results at 3km resolution, averaged across four models, with a global warming level of 1.94 degrees Celsius defining the timeframe as 2045. The maximum result for the 3 km grid cells overlapping each 2020 census tract represents the tract. Cooling degree days are analogous, representing degrees above 65 degrees Fahrenheit. Heating and cooling degree days are often used in forecasting gas and electricity demand.

depending on the weather that year; using forecasts for 2045 reflects a typical future year. HDDs and CDDs are often used in forecasting gas and electricity demand.

After reviewing HDDs by census tract, staff categorized tracts with more than 1,200 HDDs annually as colder-weather, “low-temperature zone” tracts. For CDDs, staff consider a tract “high-temperature” if it has more than 1,500 CDDs annually. In the case of the CDD data, just over half of the tracts are above the 1,500 CDD point, reflecting that most areas in California are of the warm-weather, “high-temperature” type.

Some tracts are in both “high-temperature” and “low-temperature” categories because they experience hot summers and cold winters. Considering temperature in this way captures more geographic variation than the 15 large, mostly contiguous building climate zones used in the California Energy Commission’s Residential Appliance Saturation Study³¹ and for building code compliance, allowing more detailed differentiation among locations. While our analysis is at the census tract level for the purpose of defining zones, individual projects could also consider heating or cooling degree days at a more local level as part of analyzing the potential customer benefits of decarbonized heating and/or cooling technology.

Households Lacking Heating or Cooling

Household use of heating and cooling is reflected in several California and nationwide datasets with varying levels of detail. Using customer-level gas and electricity consumption data, Recurve has estimated the percentage of gas and electric residential meters in each census tract that lack significant heating and cooling.³² While household heating and cooling data are also available from the RASS and national studies, staff used the Recurve data because of its level of detail. For heating, we consider a tract lacking heating access if more than one in five residential meters lacks significant gas heating.³³ For cooling, we consider a tract lacking cooling (presumably air conditioning) if more than half of residential meters lack significant cooling. We use this more stringent threshold for cooling since some areas have less need for cooling, whereas all California climates need winter heat.

Temperature-Impacted Disadvantaged Communities

Section 662(a)(1) requires the CPUC to consider the “Presence of disadvantaged or low-income communities in high-temperature climate zones or low-temperature climate zones that disproportionately lack cooling or heating” when designating priority zones. This subsection addresses disadvantaged communities, and the next subsection addresses low-income communities.

³¹ California Energy Commission, 2019 Residential Appliance Saturation Study: <https://www.energy.ca.gov/data-reports/surveys/2019-residential-appliance-saturation-study>.

³² Recurve, Statewide Heating and Cooling Saturation Statistics, 2026. Provided directly to CPUC staff.

³³ For heating, we consider their results using all gas meter data available because this creates more reliable data than using only locations with both gas and electric data available. For tracts with both results available, these two variables are highly correlated.

Disadvantaged communities (DACs) are defined in SB 1221 to match the definition from the California Environmental Protection Agency (CalEPA):³⁴

1. Census tracts receiving the highest 25 percent of overall scores in CalEnviroScreen 4.0 (1,984 tracts),
2. Census tracts lacking overall scores in CalEnviroScreen 4.0 due to data gaps, but receiving the highest 5 percent of CalEnviroScreen 4.0 cumulative pollution burden scores (19 tracts),
3. Census tracts identified in the 2017 DAC designation as disadvantaged, regardless of their scores in CalEnviroScreen 4.0 (307 tracts) [and]
4. Lands under the control of federally recognized Tribes.³⁵

Staff used the first three categories of communities, which are defined at a census tract level, as the definition of “disadvantaged communities” for this analysis.³⁶ Tribal land is not defined using census tract boundaries and is discussed separately below.

Staff propose that tracts that meet all of these criteria be added as zones:

- More than 10 percent foreseeable gas main replacement;
- Disadvantaged community (whole tract); and
- At least one of the following:
 - Low temperature, lack heating: more than 1,200 annual HDDs and more than 20 percent of households lack gas heating
 - High temperature, lack cooling: more than 1,500 annual CDDs and more than half of households lack cooling.

The census tracts that meet these criteria are shown in the table below. There are 1,218 census tracts that have cold weather and lack residential heating and 2,797 tracts that have hot weather and lack cooling.³⁷ Most of these cold tracts are in the PG&E territory, while most of these hot tracts are in the SoCalGas territory.

Within these areas, 70 cold tracts and 49 hot tracts are in disadvantaged communities with high foreseeable gas replacement. Since some have already been designated as priority zones, this methodology results in a total of 85 additional temperature-impacted census tracts that staff recommend designating as priority zones.

Three of these zones, all in PG&E territory, meet both the cold-weather/low-heating and hot-weather/low-cooling criteria. These areas have cold winters and hot summers and low cooling/heating access. These areas may merit particular focus, given their potential to benefit from increased heating and cooling access.

³⁴ See PUC Section 660(a).

³⁵ <https://oehha.ca.gov/calenviroscreen/sb535>, including [SB 535 Excel Spreadsheet and data dictionary \(May 2022\)](#).

³⁶ To align with gas data using 2020 census tracts, disadvantaged and low-income tract designations were converted to 2020 tracts to align with gas data. Tract numbers listed are 2020 census tracts.

³⁷ Only tracts served by PG&E, SoCalGas, SDG&E or Southwest Gas are included.

Table 2. Temperature-Impacted Disadvantaged Community Zones

	PG&E	SoCalGas	SDG&E	Southwest Gas	Statewide
DAC, Cold, Lacks Heating, High Gas Project Replacement	65	4	0	1	70
DAC, Hot, Lacks Cooling, High Gas Project Replacement	13	36	0	0	49
Hot and Cold Qualified, Meets Other Criteria	3	0	0	0	3
Identified Zones	75	40	0	1	116
Additional Zones	46	38	0	1	85

Temperature-Impacted, Low-Income, High Non-Energy Benefits Priority Zones

The CPUC’s Environmental and Social Justice Action Plan defines low-income households as “Household incomes below 80 percent of the area median income” and low-income census tracts as “Census tracts where aggregated household incomes are less than 80 percent of area or state median income.”³⁸ CalEPA has operationalized an equivalent definition as “Low-income communities and households are defined as the census tracts and households, respectively, that are either at or below 80 percent of the statewide median income, or at or below the county-specific threshold designated as low-income by the California Department of Housing and Community Development’s Revised 2021 State Income Limits” and provides tables identifying these census tracts.³⁹ These tract level data are used for this analysis. Low-income communities constitute more than half of California census tracts.⁴⁰

Section 660(f) expands the definition of low-income to “having a household income no greater than 80 percent of area median income or qualifying for participation in the California Alternate Rates for Energy (CARE) program or Family Electric Rate Assistance (FERA) program.” CARE and FERA eligibility are also based on income thresholds, which are lower than 80 percent of area or statewide median income for most households, and on eligibility for other income-based programs such as food stamps. CARE and FERA

³⁸ CPUC, *Environmental & Social Justice Action Plan Version 2.0*, 2022. <https://www.cpuc.ca.gov/news-and-updates/newsroom/environmental-and-social-justice-action-plan>.

³⁹ <https://oehha.ca.gov/calenviroscreen/sb535>, including *SB 535 Excel Spreadsheet and data dictionary (May 2022)*.

⁴⁰ Calculated using *ibid.* data.

eligibility data are not published at the census tract level and may not add many tracts not already identified as low-income. Thus, they are not included in this analysis.

Since low-income is a broad category describing much of the state, incorporating an additional measure of community benefits may help prioritize zones for decarbonization. Section 663(b)(2) indicates that “Nonenergy benefits may be considered in prioritizing pilot projects...” Nonenergy benefits can include greenhouse gas reductions and health benefits. Greenhouse gas reductions are addressed in other aspects of SB 1221 program design and are more tied to program size than location. They are thus less relevant for selecting zones. Health benefits have been identified as a key factor for program participant interest by several stakeholders, which have recommended targeting areas with high asthma rates.⁴¹

Asthma indicator data are available at the census tract level.⁴² Consistent with the approach used in disadvantaged community designation, staff propose that asthma levels above the 75th percentile be considered “high” for the purposes of this analysis. Some of the highest asthma-rate areas of the state are not defined as disadvantaged communities and are thus not already characterized as priority zones using the approaches discussed above. Low-income areas with high asthma rates are places where non-emitting appliances could provide financial and health benefits.

Staff recommend designating priority zones in low-income, high asthma-rate areas that meet the temperature-impacted criteria and have high foreseeable gas replacement. This approach reflects the low-income aspect of Section 662(a)(1) and the non-energy benefits aspect of Section 663(b)(2). These recommended additional zones meet the following criteria:

- More than 10 percent foreseeable gas main replacement;
- At least one of the following:
 - Low temperature, lack heating: more than 1,200 HDDs and more than 20 percent of households with gas lack heating;
 - High temperature, lack cooling: more than 1,500 CDDs and more than half of households lack cooling;
- Low-income census tract; and
- High health need: asthma indicator above 75th percentile statewide.

Statewide, 1,758 census tracts are low-income, high-health need areas. Within these areas, tracts with cold weather that lack heating are concentrated in PG&E’s service territory, while those with hot weather that lack cooling are concentrated in SoCalGas’ service territory. Locations of foreseeable gas main replacement further affect tracts that are selected. Only 108 of the low-income, high-health need tracts also have cold weather and lack heating and/or have hot weather and lack cooling and have high foreseeable gas replacement. Subtracting out from these the tracts already recommended as priority zones, staff recommend designating an additional 37 low-income, high-health need census tracts as priority zones.

⁴¹ The Center for Accessible Technologies, December 3, 2025, comments, p. 3; Contra Costa County (December 3, 2025, comments, p. 9. Seven cities or non-governmental organizations highlighted asthma data in their public comments.

⁴² Ibid.

Two of these zones, both in PG&E territory, meet both the cold-weather/low-heating and hot-weather/low-cooling criteria and may merit focus, similarly to the three similarly situated disadvantaged community zones discussed previously.

Table 3. Temperature-Impacted, Low-Income, High-Health Need Priority Zones

	PG&E	SoCalGas	SDG&E	Southwest Gas	Statewide
Low-Income, High Asthma, Cold, Lacks Heating, High Gas Project Replacement	90	2	0	3	95
Low-Income, High Asthma, Hot, Lacks Cooling, High Gas Project Replacement	7	8	0	0	15
Low-Income, High Asthma, High Gas Replacement, Both Hot and Cold Qualified	2	0	0	0	2
Identified Zones	95	10	0	3	108
Additional Zones	35	0	0	2	37

8.4.2 Additional ESJ Considerations

Section 662(a)(2) directs the CPUC to consider the “Presence of environmental and social justice communities as defined in the commission’s Environmental and Social Justice Action Plan.” The CPUC’s Environmental and Social Justice (ESJ) Action Plans 1.0 and 2.0 define these communities as

- Disadvantaged Communities, as defined by CalEPA;⁴³
- Indian reservations;
- Low-income households (“Household incomes below 80 percent of the area median income”); and
- Low-income census tracts (“Census tracts where aggregated household incomes are less than 80 percent of area or state median income”).

All of these categories are included in the “disadvantaged and low-income communities” referenced in Section 662(a)(1). Disadvantaged communities at a census tract level are incorporated into the temperature-

⁴³ CPUC, Environmental and Social Justice Action Plan 2.0, 2022, p. 2, expresses that the definition should align with CalEnviroScreen 4.0, which is the CalEPA OEHHA definition discussed above.

impacted, disadvantaged-communities analysis above. That analysis does not include tribal land, because it is not defined at a tract level. Low-income census tracts are incorporated into the temperature-impacted, low-income, high-health-need analysis above. Low-income households outside low-income census tracts are mentioned but are not an appropriate analytical level for defining zones. Therefore, tribal communities are the portion of Section 662(a)(2) remaining to be addressed.

Tribal Communities

SB 1221 includes tribal land in several ways. Section 660(i) provides a detailed definition of tribe, stating “‘Tribe’ means a California Native American tribe, as defined in Section 21073 of the Public Resources Code.” The disadvantaged communities referenced in Sections 662(a)(1) and (2) include tribal land, and the CPUC’s ESJ Action Plan referenced in Section 662(a)(2) additionally references Indian reservations as federally defined. Section 661(a)(3) requires maps to include the locations of tribes. The legislation’s emphasis on including tribes aligns with disadvantaged community definitions and the need for tribal community energy infrastructure.

Some tribal areas are remote and do not have gas service. There are nine census tracts that include some federally designated tribal land and over 10 percent foreseeable gas main replacement. Tribal land covers only part of these tracts. None of these areas are already within recommended zones. To support tribal access to participation in SB 1221 projects, staff recommend designating the tribally controlled portions of these tracts as additional priority zones. Staff note that this approach does not include tribes without federally designated land, although Section 660(i) includes them. Tribes on the state’s contact list may request consideration for a zone in comments on this staff proposal and/or request to be included on gas corporation maps at their discretion.

Table 4. Identifying Tribal Priority Zones

	PG&E	SoCalGas	SDG&E	Southwest Gas	Statewide
Federal Tribal Land Fully Covers Tract	0	4	0	0	4
Federal Tribal Land Partially Covers Tract	44	47	26	0	117
Federal Tribal Recommended Zone (>10% foreseeable gas replacement)	2	7	0	0	9

Tribal zones are in Riverside, San Bernardino, Mendocino, and Contra Costa Counties.

Table 5. List of Priority Zone Tribal Partial Tracts

Gas Corporation	County	Cities (some census tracts cover multiple cities)	Total Tribal Partial Tracts	Tribal Zone Partial Tracts
PG&E	Contra Costa	Richmond (1), San Pablo (1)	1	6013369001

Gas Corporation	County	Cities (some census tracts cover multiple cities)	Total Tribal Partial Tracts	Tribal Zone Partial Tracts
PG&E	Mendocino	Willits (1)	1	6045010700
SoCalGas	Riverside	San Jacinto (1), Banning (1), Beaumont (1), Temecula (1), Coachella (1), Indio (1)	4	6065941500, 6065043813, 6065043254, 6065940400
SoCalGas	San Bernardino	San Bernardino (3); Highland (2)	3	6071007404, 6071007411, 6071007412

8.4.3 Conclusion

The additional zones recommended in this proposal include more zones in counties already requesting and receiving zones, as well as zones in counties not previously reflected. Counties with more than 10 initial zones now recommended for additional zones are Alameda, Contra Costa, Sacramento, and San Mateo, reflecting the requests, temperature impacts, and potential benefits in these areas. Los Angeles, the largest county in the state, has the largest number of new zones. Newly added counties are Fresno, Imperial, Kern, Madera, Mendocino, Merced, Riverside, San Bernardino, San Joaquin, Solano, Ventura, and Yolo.

In the table below, “New Zone Per Existing Criteria” refers to priority zones that were added due to new requests using the same criteria adopted in the December 2025 decision. “New Zone Per New Criteria” refers to priority zones designated using the methodologies described above for identifying temperature-impacted DACs, temperature-impacted, low-income, and high health need census tracts.

Table 6. Total Priority Zones by County

County	Initial Zone	New Zone Per Existing Criteria	New Zone Per New Criteria	Total Zones
Alameda	31	0	21	52
Contra Costa	14	2	7	23
Fresno	0	2	9	11
Imperial	0	0	1	1
Kern	0	4	2	6
Los Angeles	9	0	28	37
Madera	0	0	1	1
Merced	0	0	2	2
Monterey	1	0	6	7
Riverside	0	0	6	6
Sacramento	13	6	3	22
San Benito	2	0	0	2
San Bernardino	0	0	4	4
San Diego	31	0	0	31
San Francisco	3	10	0	13
San Joaquin	0	0	8	8
San Mateo	17	0	7	24
Santa Barbara	4	0	0	4
Santa Clara	9	5	8	22
Santa Cruz	9	0	0	9
Solano	0	0	1	1
Sonoma	3	0	1	4
Stanislaus	5	0	7	12
Ventura	0	1	0	1
Yolo	0	1	0	1
Total	151	31	122	304

Table 7 below lists the initial and new priority zone census tracts by county so interested parties can see which census tracts are proposed to be designated as priority zones.⁴⁴

⁴⁴ The United States Census Bureau created the 2020 Census Tract Identifier to allow individuals and businesses to find their census tract: <https://mtgis-portal.geo.census.gov/arcgis/apps/experiencebuilder/experience/?id=bc7d5cafd5e94dfb875ac36df0deaf77>.

Table 7. List of Priority Zone Census Tracts

Gas Corporation	County	Cities (some census tracts cover multiple cities)	Initial Census Tracts	New Census Tracts
PG&E	Alameda (52)	Albany (2), Berkeley (12), Emeryville (6), Hayward(3), Newark (1), Oakland (36), San Leandro (6)	6001420402, 6001402200, 6001407101, 6001407700, 6001420200, 6001403900, 6001400600, 6001407400, 6001421100, 6001405800, 6001421600, 6001401400, 6001405700, 6001401800, 6001421200, 6001421800, 6001400400, 6001400200, 6001422100, 6001408600, 6001400500, 6001406500, 6001421700, 6001405902, 6001407600, 6001402600, 6001406202, 6001401600, 6001401000, 6001401700, 6001407500	6001410200, 6001400700, 6001410100, 6001423200, 6001405901, 6001409800, 6001406602, 6001403401, 6001408700, 6001410300, 6001407102, 6001408500, 6001433103, 6001433801, 6001432300, 6001437200, 6001436301, 6001444500, 6001432200, 6001435500, 6001425104
PG&E	Contra Costa (24)	Albany (4), Antioch (3), Berkeley (3), Concord (3), El Cerrito (8), Pittsburg (2), Richmond (8), San Pablo (5), and Suisun City (1)	6013388000, 6013307101, 6013313105, 6013383000, 6013313206, 6013307202, 6013390200, 6013387000, 6013384000, 6013313107, 6013379000, 6013391000, 6013307205, 6013389100	6013314106, 6013314103, 6013365003, 6013336104, 6013336103, 6013369001, 6013368001, 6013368002, 6013374000, 6013369001 (Partial)
PG&E	Fresno (11)	Clovis (1), Firebaugh (1), Fresno (9), and Mendota (1)		6019002000, 6019000702, 6019002903, 6019005607, 6019004706, 6019002702, 6019008301, 6019001407, 6019002501, 6019001411, 6019002400
SoCalGas	Imperial (1)	Calexico (1)		6025012001
PG&E	Kern (6)	Bakersfield (6)		6029003132, 6029003002, 6029002201, 6029002202, 6029000201, 6029003220
PG&E/SoCalGas	Los Angeles (37)	Bell (2), Burbank (4), Glendale (10), Huntington Park (2), Los Angeles	6037229300, 6037232800, 6037533601, 6037702300, 6037702201, 6037702202, 6037535804, 6037535803,	6037218800, 6037302506, 6037218400, 6037229200, 6037117405, 6037211320, 6037301701, 6037208401, 6037221302, 6037302201,

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Gas Corporation	County	Cities (some census tracts cover multiple cities)	Initial Census Tracts	New Census Tracts
		(21), Lynwood (1), Maywood (2), Santa Monica (3), South Gate (2), and Vernon (1)	6037533501	6037310703, 6037302002, 6037224310, 6037302202, 6037216902, 6037189201, 6037207400, 6037218600, 6037302504, 6037301602, 6037302104, 6037227020, 6037301502, 6037229100, 6037204820, 6037192510, 6037310704, 6037210010
PG&E	Madera (1)	Madera (1)		6039000802
PG&E	Mendocino	Willits (1)		6045010700 (Partial)
PG&E	Merced (2)	Merced (2)		6047001005, 6047001302
PG&E	Monterey (7)	Salinas (7)	6053010504	6053000501, 6053000106, 6053010607, 6053000600, 6053000800, 6053000701
SoCalGas	Riverside (10)	Banning (1), Beaumont (1), Coachella (2), Indio (2), Perris (1), Riverside (3), San Jacinto (1) and Temecula (1)		6065049502, 6065041408, 6065045706, 6065042719, 6065041201, 6065041002, 6065941500 (Partial), 6065043813 (Partial), 6065043254 (Partial), 6065940400 (Partial)
PG&E	Sacramento (22)	Antelope (1), Elk Grove (1), North Highlands (1), Sacramento (22), and West Sacramento (1)	6067004603, 6067002800, 6067009640, 6067009633, 6067004501, 6067005102, 6067009610, 6067004401, 6067003203, 6067003600, 6067003700, 6067009641, 6067009634	6067007011, 6067002100, 6067005201, 6067004402, 6067006703, 6067007007, 6067007429, 6067001201, 6067006902
PG&E	San Benito (2)	Hollister (2)	6069000400, 6069000300	
SoCalGas/ Southwest Gas	San Bernardino (7)	Adelanto (1), Apple Valley (1), Hesperia (1), Highland (2), San Bernardino (3), and Victorville (2)		6071009134, 6071009714, 6071009913, 6071010015, 6071007404 (Partial), 6071007411 (Partial), 6071007412 (Partial)
SDG&E	San Diego (31)	Carlsbad (1), Chula Vista (3), National City (1), Oceanside	6073020015, 6073013415, 6073013307, 6073013205, 6073012102, 6073019305,	

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Gas Corporation	County	Cities (some census tracts cover multiple cities)	Initial Census Tracts	New Census Tracts
		(2), San Diego (21), San Marcos (2), and Santee (1)	6073019805, 6073004102, 6073004600, 6073008377, 6073000302, 6073008357, 6073010109, 6073008362, 6073004501, 6073000500, 6073005601, 6073005301, 6073004900, 6073003113, 6073005801, 6073010110, 6073006000, 6073005201, 6073000201, 6073004800, 6073010111, 6073003001, 6073020024, 6073020025, 6073016607	
PG&E	San Francisco (13)	Daly City (1) and San Francisco (13)	6075023102, 6075012802, 6075023103	6075033001, 6075035102, 6075032802, 6075033002, 6075060502, 6075032700, 6075035201, 6075032902, 6075030302, 6075033100
PG&E	San Joaquin (8)	Lodi (2), Manteca (1), and Stockton (5)		6077003313, 6077004308, 6077005124, 6077003111, 6077003406, 6077003116, 6077000402, 6077004404
PG&E	San Mateo (24)	Atherton (1), Belmont (3), Burlingame (4), Menlo Park (4), Palo Alto (4), Redwood City (4), San Bruno (1), San Mateo (15), and South San Francisco (1)	6081610601, 6081610304, 6081608502, 6081607200, 6081606000, 6081605502, 6081606500, 6081605901, 6081612101, 6081608002, 6081608023, 6081605902, 6081606201, 6081608024, 6081607900, 6081608001, 6081606300	6081610400, 6081611901, 6081604103, 6081602100, 6081612001, 6081612002, 6081610202
SoCalGas	Santa Barbara (4)	Goleta (1) and Santa Barbara (3)	6083000900, 6083000801, 6083000400, 6083002907	
PG&E	Santa Clara (22)	Gilroy (1), Milpitas (3), Mountain View (4), Palo Alto (1), San Jose (14), Santa Clara (1), and Sunnyvale (2)	6085504414, 6085504421, 6085504413, 6085509303, 6085509500, 6085509304, 6085509108, 6085503710, 6085503711	6085501402, 6085501300, 6085503110, 6085501401, 6085501502, 6085503105, 6085503117, 6085505202, 6085503113, 6085501601, 6085501602, 6085503222, 6085512603
PG&E	Santa Cruz (9)	Moss Landing (1),	6087110401, 6087101002,	

Gas Corporation	County	Cities (some census tracts cover multiple cities)	Initial Census Tracts	New Census Tracts
		Santa Cruz (4), and Watsonville (5)	6087101001, 6087100801, 6087100802, 6087110102, 6087110301, 6087110101, 6087110302	
PG&E	Solano (1)	Vallejo (1)		6095251100
PG&E	Sonoma (4)	Petaluma (3) and Santa Rosa (1)	6097150901, 6097150611, 6097150602	6097153104
PG&E	Stanislaus (12)	Ceres (4), Hughson (1), Modesto (8), Salida (1), and Turlock (1)	6099002604, 6099002702, 6099002002, 6099001500, 6099003804	6099000602, 6099002401, 6099002503, 6099000514, 6099002602, 6099002004, 6099001700
SoCalGas	Ventura (1)	Oxnard (1)		6111003901
PG&E	Yolo (1)	Davis (1)		6113010509

8.5 Questions for Parties

19. Should the methodologies described above be changed? If so, how should they be changed and what data sources should be used?
20. Should any tracts be removed from being defined as priority zones? If so, state which ones and why.

Appendix A: Minimum Measurement and Evaluation Criteria

Utilities should use the following Minimum Measurement and Evaluation Criteria form to report on each completed project as described in the Project Reporting section above. A finalized version, formatted as a fillable PDF form, will be posted to the SB 1221 website and may be updated as needed.

Table A-1: Minimum Measurement and Evaluation Criteria

Completed - Project Name *For Each Project Completed This Year*		
Final Project Costs	Administrative Costs	*Breakdown by category such as outreach, soliciting and managing contractors, collaboration with other entities, etc.)*
	Zero-Emission Alternative Costs	*Break down by measure and provide both the equipment costs and the labor costs*
	Cost to Decommission Gas Infrastructure	
	Non-Ratepayer Funds Used, if any	*Include any known costs paid out of pocket by the property owners or affected customers and the average out of pocket costs for each property type*
Impact of Project	Number of Converted Properties	Single-Family Residential: Multifamily Residential: Commercial: Industrial:
	Number of Converted Gas Customers	Single-Family Residential: Multifamily Residential: Commercial: Industrial: How many customers were displaced during implementation? Provide the range and average length of displacement in days.
	Number of Converted Low-Income Customers	Property Owner: Affected Customer:

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	Number of Converted Properties on Tribal Lands	Residential: Commercial:
	Number of Converted Properties in a Low-Income Census Tract	Residential: Commercial:
	Number of Converted Properties in a Disadvantaged Community ⁴⁵	Residential: Commercial:
	Number of Properties Declining the Zero-Emission Alternative	Single-Family Residential: Multifamily Residential: Commercial: Industrial: *Indicate if any of these properties had low-income customers, were on Tribal lands, in a low-income census tract, or in a Disadvantaged Community.*
	Number of Removed Gas Meters	Single-Family Residential: Multifamily Residential: Commercial: Industrial:
	Gas Appliances Replaced	*For each appliance category, list the number of conversions.*
	Electric Panel Upgrades	
	Other Upgrades	*List any project specific measures not already covered and how many and/or the relevant capacity implemented.*
	Miles of Gas Main Decommissioned	
	Miles of Gas Service Decommissioned	
	Gas Distribution Regulator Stations Decommissioned	
	Other Gas Equipment Decommissioned	
	Reduction in Gas Demand (therms/year)	

⁴⁵ Defined as census tracts that score in the top 25 percent of CalEnviroScreen 3.0, along with those that score within the highest 5 percent of CalEnviroScreen 3.0's Pollution Burden but do not receive an overall CalEnviroScreen score.

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	Annual Reduction in Greenhouse Gases (metric tons CO ₂ e)	*Use the Avoided Cost Calculator*
	Median Annual Participant Customer Bill Impacts	*In an appendix, include a bar chart for each customer class to show the estimated first-year customer's bill impacts with \$10 bin sizes and report the median impact for each customer class. Base estimates on at least three months of actual bill data.* CARE/FERA Customers: Non-CARE/Non-FERA Customers: Commercial Customers: Industrial Customers:
Property Owner and Customer Acceptance and Satisfaction	*Narrative. In an appendix, include survey results of property owners, affected customers, and master-metered tenants throughout the project (during installation, once project is complete, and at least three months later) using Net Promoter Score and what led to the property owner consenting to the project. Include an aggregate of the main trends of property owners, affected customers, and master-metered tenant concerns, questions and satisfaction.*	
Cancelled – Project Name *For Each Project Cancelled This Year*		
Describe what led to the cancellation and at what point in the process the project was cancelled.		

Annual Update for Previously Completed Projects
Property Owner and Customer Acceptance and Satisfaction: *Narrative. In an appendix, include survey results of property owners, affected customers, and master-metered tenants provided in the last year using the Net Promoter Score. Include an aggregate of the main trends of property owners, affected customers, and master-metered tenants concerns, questions and satisfaction.*
Median Annual Participant Customer Bill Impacts: *In an appendix, include a bar chart for each customer class to show the customer's bill impacts over the last year with \$10 bin sizes and report the median impact for each customer class.* CARE/FERA Customers: Non-CARE/Non-FERA Customers: Commercial Customers: Industrial Customers:
Comparison Across All Projects
Discussion on what collaboration and project types had better success than others (i.e., local governments, POU vs IOU electric utility, CBO involvement, differences in customer engagement strategies, etc.)
Thermal Energy Network: *Discussion on whether thermal energy networks were considered for any pilot projects, the costs and benefits of the considered thermal energy networks, and any barriers to implementation.*

Appendix B: Additional Priority Zone Data

The table below provides additional data about the screening process for initial priority zones.

Table B-1: Initial Analysis and Priority Zones

	Threshold	PG&E	SoCalGas	SDG&E	Southwest Gas	Statewide
Gas Project Replacement	>10%	521	509	196	9	1,235
2025 Requested by Local Entities	Requested by local government or NGO, as described above	425	171	396	0	992
Initial Priority Zones	Requested and >10% gas replacement, given county cap	107	13	31	0	151

The table below provides additional information about the selection of additional zones in response to requests from local governments and community-based organizations between December 2025 and May 15, 2026, using the criteria adopted in the December 2025 decision.

Table B-2: Selecting Additional Priority Zones Using Existing Criteria

	Threshold/ Comments	PG&E	SoCalGas	SDG&E	Southwest Gas	Statewide
Foreseeable Gas Main Replacement	>10%	521	509	196	9	1,235
2025 Requested by Local Entities	Requested by September 15, 2025, or in response to Proposed Decision.	425	171	396	0	992
Initial Zones	Requested and >10 percent gas replacement, given county cap.	107	13	31	0	151
2026 Requested by Local Entities	Requested by May 15, 2026, not including if already requested in 2025.	96	26	0	5	127
Additional Zones	Requested and >10% gas replacement, given county cap. Not already zones.	30	1	0	0	31

(END OF APPENDIX A)

Appendix B
Gas Infrastructure Avoided Cost Template

Document available on the Commission website at:

[https://www.cpuc.ca.gov/industries-and-topics/natural-gas/sb-1221-
implementation/costs-of-gas-distribution-replacement](https://www.cpuc.ca.gov/industries-and-topics/natural-gas/sb-1221-implementation/costs-of-gas-distribution-replacement)

(END OF APPENDIX B)