

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



FILED

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.

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**SIERRA CLUB AND NATURAL RESOURCES DEFENSE COUNCIL REPLY
COMMENTS ON ADMINISTRATIVE LAW JUDGE'S RULING INVITING
COMMENT ON STAFF PROPOSAL AND
AVOIDED GAS REPLACEMENT COST TEMPLATE**

Kiki Velez
Natural Resources Defense Council
111 Sutter Street, 21st Floor
San Francisco, CA 94104
Tel: (415) 875-6100
Email: kvelez@nrdc.org

***Representing Natural Resources Defense
Council***

Matthew Vespa
Rebecca Barker
Earthjustice
180 Steuart St. #194330
San Francisco, CA 94105
Tel: (415) 217-2123
Email: mvespa@earthjustice.org
Email: rbarker@earthjustice.org

Attorneys for Sierra Club

Dated: October 16, 2026

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Pursuant to the August 31, 2026, Administrative Law Judge’s Ruling Inviting Comment on Staff Proposal and Avoided Gas Replacement Cost Template (“ALJ Ruling”),¹ and the September 17, 2026, E-Mail Ruling Granting Request for Deadline Extension,² Sierra Club and the Natural Resources Defense Council (“NRDC”) timely submit the following Reply Comments.

I. INTRODUCTION

Sierra Club and NRDC appreciate the opportunity to provide reply comments on the Senate Bill (“SB”) 1221 Pilot Implementation Staff Proposal (“Staff Proposal”) and Avoided Gas Replacement Cost Template (“Cost Template”). Party comments on the Staff Proposal support the following recommendations:

- 1) Adopt Sierra Club and NRDC’s proposed performance mechanism or one that is substantially similar to provide an incentive that is simple to calculate, sufficient to incentivize pilots, and inclusive of a labor-focused performance metric. We additionally support the Building Energy Equity and Power (“BEEP”) Coalition’s recommendation that the performance metric should only be available to project portfolios with at least 35 percent of participants in a Disadvantaged Community.
- 2) Establish the following requirements to ensure equitable and successful

¹ R.24-09-012, Administrative Law Judge’s Ruling Inviting Comment on Staff Proposal and Avoided Gas Replacement Cost Template (Aug. 31, 2026), <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M616/K589/616589347.PDF>.

² R.24-09-012, E-Mail Ruling Granting Request for Deadline Extension (Sept. 17, 2026), <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M618/K703/618703578.PDF>.

implementation of SB 1221 pilots, as supported by party comments and the BEEP Coalition’s attached letter:³

- a) Require utilities to document community-based organization (“CBO”) engagement,
- b) Require utilities to update the public maps to provide street-level locations of pipeline replacement projects and include number of customer meters and service lines associated with each project.
- c) Require the same tenant protections as adopted in D.25-06-034, and make them applicable to all tenants.

II. COMMENTS

A. Party Comments Support Sierra Club & NRDC’s Proposed Performance Incentive.

1. Sierra Club & NRDC’s Proposed Incentive is Simple-to-Calculate and Adequately Sized to Promote Utility Participation, as Generally Supported by Other Parties.

In Opening Comments, Sierra Club and NRDC proposed a simple performance incentive that would scale up to 50 percent of net savings based on five binary, equally weighted metrics: 1) At least half of customers are in an Environmental and Social Justice (ESJ) Community, 2) At least 75 percent of proposed projects provide prevailing wages and use a high road, 3) At least 85 percent customer consent, 4) Pipeline retired/customer conversion as determined by whether the project would replace service lines at or above the utility average for pipeline replacement projects, and 5) The project stays at or below budget.

Party comments support a performance incentive structured in this way, which is both large enough to meaningfully influence utility behavior and simple enough to provide a clear signal about the outcomes that the Commission seeks to encourage. For example, Building Decarbonization Coalition recommends increasing the total incentive available to 50 percent of net savings in order to motivate utility action,⁴ in direct alignment with our proposal, while Utility Consumer Action Network proposes a maximum incentive of up to 100 percent of

³ Attach. A, BEEP Comments on Staff Proposal and Avoided Gas Replacement Cost Template (Oct. 8, 2026).

⁴ Building Decarbonization Coalition (“BDC”) Opening Comments at 4.

savings.⁵ In recommending such a high incentive, Utility Consumers' Action Network ("UCAN") correctly observes that "[a] voluntary program in which shareholders are better off not participating is unlikely to produce the pilots the Legislature authorized."⁶ The Joint Utilities also question whether Staff's proposed incentive adequately encourages utility participation, given the perceived financial risks of participation,⁷ while the Joint Community Choice Aggregators ("CCAs") request clarification on how the proposed 25-percent maximum incentive was derived and whether it demonstrably "represents the minimum incentive necessary to affect utility behavior."⁸ We agree with these concerns raised by other parties. To adequately incentivize SB 1221 pilots, the Commission should establish a maximum performance incentive of at least 50 percent of net savings.

Beyond establishing an appropriate maximum incentive level, parties also broadly highlight the need for the mechanism to be straightforward and simple to calculate. Southwest Gas, for example, argues that Staff's proposed incentive structure is "overly complex and requires further definition" and recommends instead adopting a mechanism that is "clearly defined, administratively practical, and readily understood by applicants, parties, and Commission Staff."⁹ UCAN recommends that the performance incentive should be "as simple as possible" and reward meaningful outcomes.¹⁰ Sierra Club and NRDC's proposal addresses these recommendations by offering an incentive calculation framework that is based on five straightforward, equally-weighted, and binary metrics.

While parties are generally supportive or neutral on the performance incentive mechanism, some maintain that it is not necessary to encourage meaningful program participation. These arguments are unsupported and should be rejected by the Commission. For example, the Public Advocates Office ("CalAdvocates") argues that "utilities already have ample incentives to propose decarbonization pilots," since "dual fuel-utilities earn a return on electric infrastructure, and all utilities gain relief from the obligation to serve and reduce their exposure to potentially stranded gas assets."¹¹ These arguments ignore the fact that 1) utilities have been

⁵ UCAN Opening Comments at 6.

⁶ *Id.* at 5.

⁷ Joint Utilities Opening Comments at 3-4.

⁸ Joint CCAs Opening Comments at 2.

⁹ Southwest Gas Corporation Opening Comments at 1.

¹⁰ UCAN Opening Comments at 6.

¹¹ CalAdvocates Opening Comments at 1.

explicitly directed to take “advantage of all possible ways to avoid or minimize the need for upgrades to electric infrastructure,”¹² 2) gas-only utilities are also intended to participate in the program, and 3) gas utility shareholders do not necessarily benefit from, and are not necessarily motivated by, avoiding potentially stranded gas assets. Indeed, CalAdvocates’ claim that gas utilities already have “ample incentive” to execute Non-Pipeline Alternatives (“NPAs”) is belied by the reality of gas utilities’ engagement on decarbonization projects to-date. For example, Sierra Club and NRDC are unaware of any targeted electrification pilots that have been proposed by SoCalGas or its sibling company, SDG&E, despite the latter being dual-fuel.

Similarly, while Pacific Gas & Electric (“PG&E”) notes that it already pursues zonal NPAs without shareholder incentives and does not expect the proposed incentive to “materially affect” its decision to pursue pilots, this is not a basis for elimination of a performance-based incentive.¹³ The performance mechanism is essential for two main reasons: 1) it is necessary to encourage pilot participation from utilities that presently lack a business incentive to pursue electrification pilots, and 2) it is necessary to incentivize pilots that meet specific policy goals articulated by the Commission and by the SB 1221 statute. For example, Sierra Club and NRDC’s proposed incentive mechanism is specifically structured to not only elicit utility participation, but also to encourage pilots that are reasonably sized, obtain high levels of customer consent (and satisfaction), convert customers in equity communities, utilize high roads jobs, and generate cost savings. Our proposal encourages these outcomes while being simple to calculate and offering a meaningful maximum incentive, and it is well-supported by party comments on the staff proposal.

2. Party Comments Support Inclusion of a Labor Metric

Multiple party comments support Sierra Club and NRDC’s proposal for the Commission to include a labor metric in the performance incentive calculation. As discussed in our Opening Comments, including a labor metric is consistent with SB 1221’s intent to prioritize high road jobs for workers.¹⁴ As such, we propose that “where at least 75 percent of a set of pilot projects

¹² D.26-07-030, “Decision Establishing Application Process for SB 1221 Neighborhood Decarbonization Pilot Program” (July 2, 2026) at 32, <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M610/K760/610760591.PDF>.

¹³ PG&E Opening Comments at 3.

¹⁴ SB 1221, Sec. 1(a)(7)

use high roads jobs, a gas corporation could recover an additional five percent of project cost savings as a shareholder incentive.”

Contra Costa Building and Construction Trades Council (“CCBCTC”) supports either making prevailing wage and apprenticeship utilization “a requirement for all pilot projects,” or adding a fifth incentive metric based on Project Labor Agreements or other commitments to “pay prevailing wages, use state-certified apprentices, and prioritize high road job creation.”¹⁵ The Labor Coalition also supports adding a fifth metric based on the share of customer conversion projects meeting prevailing wage, apprenticeship-program participation, and minimum apprentice-utilization standards.¹⁶ We continue to support adding a fifth metric tied to labor criteria, and the Commission should, at minimum, require that worker pay and training program data be included in the project reporting requirements. This will enable the Commission and stakeholders to evaluate the pilot program’s success in meeting the statutory requirement to establish a preference for projects that pay prevailing wage and use high road job programs.

3. The Commission Should Predicate Receipt of the Performance Incentive on Reaching a 35 Percent Equity Benchmark

Finally, we support modifying our proposed incentive structure to align with the recommendation put forth by the BEEP Coalition in the attached letter sent to the Commission on October 8, 2026.¹⁷ BEEP proposes that the ESJ Community Metric should be treated as a threshold qualifier such that gas utilities are only eligible to receive a performance incentive for suites of projects that obtain at least 35 percent participation from disadvantaged communities. In other words, while gas utilities would continue to receive bonus incentives where at least half the customers in their proposed pilots are in ESJ communities, no incentive would be received if fewer than 35 percent of customers were in ESJ communities regardless of whether other performance metrics were reached. This recommendation aligns with SB 1221’s requirements on deploying projects with a focus on equity,¹⁸ and it will help ensure that the utilities pursue projects that reach low-income households, rather than only pursuing lower-cost projects in higher-income areas.

¹⁵ CCBCTC Opening Comments at 6.

¹⁶ Labor Coalition Opening Comments at 4-7.

¹⁷ Attach. A, BEEP Comment Letter (Oct. 8, 2026).

¹⁸ SB 1221 Section 662 (a) (1)-(2)

B. Recommendations to Support Successful and Equitable Pilot Deployment

1. Require Public Maps to Provide Street-Level Locations of Pipeline Replacement Projects and Include Number of Customer Meters and Service Lines Associated with Each Project.

Lack of access to detailed maps continues to severely limit CBO and local government engagement in identifying potential SB 1221 projects. Sierra Club and NRDC continue to recommend that the Commission require the public gas system maps to “provide street-level locations of pipeline replacement projects and include number of customer meters and service lines associated with each project” in order to meaningfully engage community partners in pilot co-development.¹⁹ This recommendation is supported by numerous party comments and by the BEEP Coalition.

The Joint CCAs, for example, argue that Staff’s proposed annual mapping updates are a move in the right direction, but fail to “fully address the lack of block- or gas-main-level information needed to engage key stakeholders, identify viable pilot candidates, and implement successful projects.”²⁰ They push for the maps to “identify the estimated number and type of customer accounts or premises served by each foreseeable replacement gas-main segment,” as recommended by Sierra Club and NRDC.²¹ UCAN correctly points out that “[c]ommunities and local governments cannot identify candidate blocks from tract-level data,” and they similarly argue that “[m]aps should show customer counts by type on each main segment and downstream of each regulator station.”²² In a similar vein, CalAdvocates asks the Commission to require that “additional pipeline attributes [be] included in the SB 1221 Maps to assist in project prioritization and selection.”²³ And Southern California Edison (“SCE”) acknowledges that “additional project-level information is necessary to evaluate pilot feasibility and customer impacts.”²⁴ All of these parties are correct: Additional information on the gas system maps is essential to enabling CBOs and local government partners to identify potential pilot project locations, propose pilots to the utilities, and work with utilities to co-develop pilots. Local

¹⁹ Sierra Club and NRDC Opening Comments at 2.

²⁰ Joint CCAs Opening Comments at 6.

²¹ *Id* at 7.

²² UCAN Opening Comments at 25.

²³ CalAdvocates Opening Comments at 12.

²⁴ SCE Opening Comments at 10.

partner co-development is clearly envisioned by the SB 1221 statute and is fundamental to pilot project success.

PG&E, on the other hand, argues that the current maps are sufficient. Yet PG&E's position is premised on the notion that "the purpose of the maps should not be for specific project identification or implementation, as project selection falls to the utilities."²⁵ It is unclear what PG&E thinks the purpose of the maps is intended to be, if not to enable stakeholders to identify potential locations for SB 1221 pilot projects. Their argument is not only unsupported, but also directly contravenes the SB 1221's statutory requirements and the Commission's guidance that utilities co-develop projects with community partners.²⁶ PG&E itself acknowledges that its current mapping documentation is "rarely accessed," providing a clear indication of the insufficiency of the current maps in regards to stakeholder engagement.²⁷ We strongly urge the Commission to update the public mapping guidelines as recommended in our opening comments and extensively supported by parties to this proceeding.

Moreover, the California legislature recently passed Assembly Bill ("AB") 2313, which will require gas utilities to offer a service line NPA program and further underscores the importance of service line information in gas system maps. AB 2313 also requires gas utilities to "provide a means through which gas customers can determine their eligibility for the program."²⁸ Publicly available maps that include the street location and service line information on pipeline replacement projects are a means of accomplishing this objective.

2. Require Utilities to Document Community-Based Organization ("CBO") Engagement

The Commission has taken some steps to enable CBO participation in pilot deployment, such as allowing administrative costs to go towards compensating CBO partners and excluding administrative costs from the project cost-effectiveness calculations. Sierra Club and NRDC support these steps, but we encourage the Commission to take further action to actively encourage utilities to work with CBO partners to not only deploy, but also co-develop, SB 1221 pilots. To this end, we support the BEEP Coalition's recommendation that utilities be required to

²⁵ PG&E Opening Comments at 23.

²⁶ SB 1221 Section 662 (a)(3)

²⁷ *Id.* at 23-24.

²⁸ Pub. Util. Code 785.3(c)(1)(v).

document CBO outreach and the utility’s responses in their SB 1221 applications. In the event that a CBO proposes a pilot to the utility and the utility declines to move forward with the pilot, the utility’s application should explain why the utility did not work with the CBO to pursue the project. Additionally, as supported by BEEP, the Commission should designate a staff person responsible for CBO engagement on the SB 1221 pilots, who can serve as a bridge between the utilities and interested CBOs.

3. Establish Tenant Protections as Adopted in D.25-06-034 and Extend Applicability to All Tenants.

Finally, the Commission should adopt the same set of tenant protections for SB 1221 projects as it did in D.25-06-034 in the Building Decarbonization proceeding,²⁹ as recommended in our opening comments and supported by the BEEP Coalition and numerous party comments. East Contra Costa Healthy Homes Collaborative (“ECCHHC”), for example, cautions that “[t]enants must be protected from rent increases, eviction, or displacement attributable to improvements made through a pilot” and points to the San Joaquin Valley pilots and the Energy Savings Assistance Program as potential models.³⁰ As BEEP notes, the approach adopted in D. 25-06-034 mirrors the successful policies deployed in the San Joaquin Valley Affordable Energy Pilots and the Solar on Multifamily Affordable Housing program, and thus is aligned with ECCHHC’s recommendation.

ECCHHC also urges the Commission to adopt “enforceable tenant protections for every pilot involving rental housing,” and the BEEP Coalition similarly requests that the Commission adopt tenant protections that apply to all tenants, not just low-income tenants or those in disadvantaged communities. We agree with this approach. We also support the City and County of San Francisco’s recommendation that the Commission “expressly require that property owners may not pass through to tenants any incremental cost that the property owner voluntarily incurs to select an appliance or equipment beyond the program’s no-cost option.”³¹

Finally, PG&E does not recommend additional tenant protections, instead arguing that tenants who are customers of record are likely entitled to consent requirements and adequate,

²⁹ D.25-06-034 at 101, App’x B.

³⁰ ECCHHC Opening Comments at 1.

³¹ City and County of San Francisco Opening Comments at 1.

affordable, and reasonable substitute service.³² While tenants are already entitled to these requirements, this fact alone does not guarantee that adequate tenant protections will automatically be put in place for each pilot. The Commission is correct in endeavoring to establish uniform tenant protections for the pilot program at the outset, and the approach adopted in D.25-06-034 is the correct approach to follow here.

III. CONCLUSION

Sierra Club and NRDC appreciate the opportunity to provide these reply comments on the Staff Proposal.

Dated: October 16, 2026.

Respectfully submitted,

/s/ Matthew Vespa

MATTHEW VESPA

REBECCA BARKER

Earthjustice

180 Steuart St. #194330

San Francisco, CA 94105

Tel: (415) 217-2123

Email: mvespa@earthjustice.org

rbarker@earthjustice.org

Attorneys for Sierra Club

/s/ Kiki Velez

KIKI VELEZ

Natural Resources Defense Council

111 Sutter Street, 21st Floor

San Francisco, CA 94104

Tel: (415) 875-6100

Email: kvelez@nrdc.org

Representing Natural Resources Defense Council

³² PG&E Opening Comments at 8-9.

Attachment A

BEEP Comments on Staff Proposal and Avoided Gas
Replacement Cost Template (Oct. 8, 2026)



BUILDING ENERGY EQUITY & POWER

10/08/2026

To: California Public Utilities Commission

RE: Rulemaking 24-09-012 - August 31, 2026 ADMINISTRATIVE LAW JUDGE'S RULING
INVITING COMMENT ON STAFF PROPOSAL AND AVOIDED GAS REPLACEMENT COST
TEMPLATE

The Building Energy Equity & Power (BEEP) Coalition represents environmental justice communities in Los Angeles, the Bay Area, and the San Joaquin Valley, and holds a comprehensive understanding of localized needs. Member organizations include the Alliance of Californians for Community Empowerment (ACCE); Center on Race, Poverty & the Environment (CRPE); Central California Asthma Collaborative (CCAC); Central Valley Air Quality Coalition (CVAQ); Communities for a Better Environment (CBE); Emerald Cities Collaborative - Northern California; Leadership Counsel for Justice & Accountability (LCJA); Local Clean Energy Alliance (LCEA); PODER; and Physicians for Social Responsibility - Los Angeles (PSR-LA).

Members of the BEEP coalition are pleased to see CPUC Building Decarbonization staff expand census tracts in Fresno County, Kern County, and Los Angeles County as many of these tracts are in environmental justice communities that can benefit the most from zonal building decarbonization pilot projects. However, we still encourage the CPUC to include the following Kern County and Fresno census tracts: 06019007700, 06019008304, 06029006201. We are also glad to see that July's CPUC Decision 26-07-030 - Decision Establishing Application Process for SB 1221 Neighborhood Decarbonization Pilot Program ensures that utilities' compensation to community based organizations (CBOs) will not impact the cost effectiveness of projects. This is crucial as it financially supports CBOs to help inform project implementation in areas where they serve as trusted messengers.

In efforts to ensure 1221 Zonal Building Decarbonization Pilot Projects embed equity we provide responses to select questions in the ALJ Ruling and propose the following recommendations:

Performance Incentive Mechanism structure

Question 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?

The current proposal does not give enough weight to projects in DACs or LICs. We recommend the following to ensure low income communities are equitably prioritized for project selection.

- First, project proposals that engage community based organizations in the development and implementation process should earn an additional performance incentive.
- Secondly, we suggest the Environmental and Social Justice Community Metric is treated as a threshold qualifier so that gas utilities are only eligible for the performance incentive mechanism for projects above 35% participation rate among disadvantaged communities or low income communities households such as renters and not property owners. This will ensure that low income renters are able to access the benefits of pilot projects and not be denied eligibility.

High Road Jobs

- BEEP supports the recommendation by NRDC, Sierra Club, and Earthjustice to add a fifth category, pertaining to employment and training, to the performance incentive mechanism. We agree with these parties' proposal to allow gas corporations to recover a portion of project cost savings as a shareholder incentive if at least 75% of a utility's proposed projects will pay workers prevailing wage and use high road job programs. This pertains only to the work being performed by non-utility employees to electrify buildings, and not the work involving the decommissioning of gas pipelines which is expected to be performed by gas company employees.
- We recommend that the CPUC specify "high road job programs," a term not defined in statute, to mean the utilization of registered apprentices from state-approved, joint labor-management apprenticeship programs in the applicable trades and crafts on zonal decarbonization pilot projects. These programs embody key high road principles by aligning training with industry demand while incorporating worker voice, and they represent a supermajority of California's state-approved construction apprenticeship programs. Lastly, apprenticeship is demand-driven such that the system can only expand to offer opportunity to new jobseekers when there is sufficient work. An incentive to utilize registered apprentices, therefore, can help to sustain this high road form of employment and training.

Question 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?

Tenant protection

SB 1221 (2024 Min) Section 1(a)(8) states that "Deployment of zero-emission alternatives should prioritize benefits to disadvantaged and low-income communities and include tenant protections."

- BEEP recommends the Commission adopt a Tenant Protection Agreement similar to the agreement adopted in Order Instituting Rulemaking Regarding Building Decarbonization Decision 25-06-034¹ which mirror protections adopted by the Commission in the San

¹ Decision 25-06-034, App. B *TECH Initiative Tenant Protection Agreement*
<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M570/K416/570416113.PDF>.

Joaquin Valley Affordable Energy Pilots² and Solar on Multifamily Affordable Housing program.³

- These tenant protection measures focus on:
 - Protection from evictions,
 - Rent protections,
 - Avoidance or mitigation of temporary displacement and disruption,
 - Notice to tenants, and
 - Enforceability.
- Because withdrawal of pilot funds could impact neighborhood scale decarbonization, the Tenant Protection Agreement should specifically consider and address completion of decarbonization work should a violation by the property owner occur.
- Tenant protections should apply to all tenants, not just low-income tenants or tenants in disadvantaged communities.

Meaningful Community Based Organization Engagement

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

As currently proposed, utilities are not required to collaborate with community-based organizations (CBOs) in the development and implementation of zonal decarbonization projects. In addition, the current Project Reporting proposal does not adequately address community engagement or identify and track expenditures associated with CBO outreach and participation.

Meaningful CBO participation is particularly important to ensuring that the benefits of zonal building decarbonization reach low-income and environmental and social justice communities. CBOs can provide utilities and the Commission with local knowledge, trusted relationships with residents, and insight into barriers to participation that may not otherwise be reflected in utility project planning.

BEEP therefore urges that the Commission require utilities to incorporate meaningful CBO engagement throughout the planning, implementation, and evaluation of zonal decarbonization projects.

We recommend the following:

- Require early CBO engagement in project development and selection. Utilities should engage relevant CBOs during the earliest stages of project development, including identification and selection of potential pilot projects. CBOs should also have opportunities to participate in resident and homeowner education regarding the scope of proposed gas-system decommissioning, potential impacts and benefits, available electrification measures, and anticipated project timelines.

² Elise Hunter, *San Joaquin Valley Pilots Tenant Protection Principles & SOMAH Case Study*, Grid Alternatives (Jan. 30, 2019), available at <https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpucwebsite/content/utilitiesindustries/energy/energyprograms/infrastructure/dc/iou-sjv-split-inc-wkshop-pres-final-01-28-19.pdf>.

³ SOMAH, *Tenant Education Toolkit*, available at <https://calsomah.org/resources/tenant-education-toolkit>.

- Require utilities to document CBO outreach and utility responses. Utilities should document outreach initiated both by utilities and by CBOs, including early proposals or recommendations submitted by CBOs and the utility's response. This information should be incorporated into the Minimum Measurement and Evaluation Criteria and Project Reporting template.
- Compensate CBO participation. Expenditures associated with CBO engagement and coordination should be tracked as a distinct project-cost category. Eligible expenditures should include reasonable compensation for outreach, education, coordination, and other project-related work performed by CBOs.
- Designate utility staff responsible for community engagement. Utilities should designate a community engagement staff member who is responsible for developing and implementing a community engagement process. The process should identify how residents and CBOs will be engaged at each stage, from initial project identification, to implementation and post-project evaluation.

The BEEP coalition appreciates the CPUC accepting feedback on project reporting and selection and implore the CPUC to integrate equity into all aspects of program design and implementation.

Signed,

Edgar Barraza
Energy Equity Policy Coordinator
Physicians for Social Responsibility - Los Angeles
Member of the BEEP Coalition