

Decision 25-08-034 August 28, 2025

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking for
Oversight of Energy Efficiency
Portfolios, Policies, Programs, and
Evaluation.

Rulemaking 25-04-010

DECISION ADOPTING ENERGY EFFICIENCY GOALS FOR 2026-2037

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Attachment 1 - 2025 Group E Potential and Goals Study Final Report

DECISION ADOPTING ENERGY EFFICIENCY GOALS FOR 2026-2037

Summary

This decision adopts total system benefit and energy savings goals for ratepayer-funded energy efficiency portfolios for 2026-2037.

Rulemaking 25-04-010 remains open.

1. Background

1.1. Procedural Background

California Public Utilities (Pub. Util.) Code Sections 454.55 and 454.56 require the California Public Utilities Commission (Commission), in consultation with the California Energy Commission (CEC), to identify all potentially achievable cost-effective electricity and natural gas efficiency savings and “establish efficiency targets” for electrical and gas corporations to achieve.¹ To this end, Commission staff manage the development of a study that provides the technical analysis for assessing the cost-effective energy savings, and associated system benefits, potentially available in the state’s residential and commercial building stocks, residential and commercial equipment and processes, and the industrial, agricultural and mining sectors. The Commission uses this study

¹ Pub. Util. Code §454.55(a)(1): “The commission, in consultation with the Energy Commission, shall identify all potentially achievable cost-effective electricity efficiency savings and establish efficiency targets for an electrical corporation to achieve, pursuant to Section 454.5, consistent with the targets established pursuant to subdivision (c) of Section 25310 of the Public Resources Code.”

Pub. Util. Code §454.56(a): “The commission, in consultation with the Energy Commission, shall identify all potentially achievable cost-effective natural gas efficiency savings and establish efficiency targets for the gas corporation to achieve, consistent with the targets established pursuant to subdivision (c) of Section 25310 of the Public Resources Code.”

primarily to set goals for the large investor-owned utilities (IOUs).² These goals in turn inform the planning activities of the energy efficiency portfolio administrators, Commission staff in integrated energy resource planning, and other state agencies, including the CEC, California Air Resources Board (CARB), and the California Independent System Operator. The Commission aims to set goals that are “aggressive yet achievable,”³ reflecting our intent to balance the mandate to pursue all feasible, reliable and cost-effective energy efficiency opportunities with the important objective of providing reliable estimates for resource planning purposes.

D.15-10-028 established an approach to incorporate new information into required energy efficiency work products, such as the potential study, on a regular basis. D.21-05-031 adopted a new total system benefit (TSB) goal metric and directed that the TSB metric replace energy and peak demand savings goals as the single goals metric. The TSB metric reflects the lifecycle energy, capacity, and greenhouse gas benefits of an efficiency or fuel substitution measure in

² The large IOUs are Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, and Southern California Gas Company.

³ Decision (D.) 15-10-028 *Decision Re Energy Efficiency Goals for 2016 and Beyond and Energy Efficiency Rolling Portfolio Mechanics*, issued October 28, 2015 at 11-17; D.14-10-046 *Decision Establishing Energy Efficiency Savings Goals and Approving 2015 Energy Efficiency Programs and Budgets (Concludes Phase I of R.13-11-005)*, issued October 24, 2014 at 15-16; D.12-05-015 *Decision Providing Guidance on 2013-2014 Energy Efficiency Portfolios and 2012 Marketing, Education, and Outreach*, issued May 8, 2012, at 81.

dollar terms, in contrast to the separate energy and peak demand (i.e., kilowatt-hour, kilowatt, and therm) goals we previously adopted.^{4,5}

The Commission last revised energy efficiency goals in D.23-08-005. The Commission needs to adopt goals for 2026 forward and incorporate new information that updates or modifies some of the inputs and approaches to estimating energy efficiency potential.

On May 1, 2025, Chief Administrative Law Judge (ALJ) Cooke issued a ruling inviting parties to comment on the draft 2025 potential study (draft potential study). The draft potential study updates the energy savings potential forecasts of the 2023 potential study, with updated avoided cost assumptions and updated savings estimates for fuel substitution; behavioral, retro-commissioning and operational programs, and assumptions on the impacts of the federal Inflation Reduction Act of 2022 (IRA)⁶ and CARB's Zero Emissions Appliance Standard (ZEAS) for phasing out the sale of natural gas powered

⁴ Total system benefit is defined as "the sum of the benefit that a measure provides to the electric and natural gas systems." See D.21-09-037 *Decision Adopting Energy Efficiency Goals for 2022-2032*, issued September 29, 2021 at 22, Finding of Fact 7 and Conclusion of Law 5.

⁵ Energy efficiency measures are defined as:

- 1) Specific customer actions that reduce or otherwise modify energy end use patterns.
- 2) A product whose installation and operation at a customer's premises results in a reduction in the customer's on-site energy use, compared to what would have happened otherwise.

See Energy Efficiency Policy Manual (Version 6, April 2020) Appendix B: Glossary.

⁶ Pub. L. 117-169. The Inflation Reduction Act includes provisions for tax credits for residential and commercial property owners that adopt select energy efficient measures. See Tax Provisions in the Inflation Reduction Act of 2022 (H.R. 5376), uniform resource locator (url):

https://www.congress.gov/crs_external_products/R/PDF/R47202/R47202.10.pdf (accessible as of July 8, 2025).

heating, ventilation and cooling (HVAC) and water heating appliances.⁷ The draft potential study presents three scenarios of energy efficiency potential based on different assumptions regarding cost-effectiveness, incentive levels, program engagement, and the extent of fuel substitution adoption:

- Scenario 1 or “Reference”: Uses inputs that reflect the best available information and calibrates the model using program results. The Reference scenario uses a Total Resource Cost (TRC) benefit to cost ratio of 0.85 as the measure-level cost-effectiveness screen, meaning that only measures with a TRC benefit to cost ratio of 0.85 or greater are included in the results.⁸
- Scenario 2 or “High TRC”: Uses the same inputs and calibration as the Reference scenario. The High TRC scenario uses a TRC benefit to cost ratio of 1.0 as the measure-level cost-effectiveness screen, representing a

⁷ California Air Resources Board, 2022 State Strategy for the State Implementation Plan, adopted September 22, 2022, url: https://ww2.arb.ca.gov/sites/default/files/2022-08/2022_State_SIP_Strategy.pdf (accessible as of July 8, 2025).

⁸ The Total Resource Cost test measures net costs as a resource option based on the total costs for the participants and the utility (using funds provided by ratepayers). The benefits are the net present value of avoided costs of the supply-side resources avoided or deferred. The costs encompass the net present value of the net costs to participants for installed measures over the measure life plus all the costs incurred by the program administrator. The net benefits and net participant costs exclude the benefits derived from and costs paid by free-rider participants. The net cost to participants is the actual cost minus any rebates from the program administrator. The net present values are calculated using a discount rate that reflects each utility’s after-tax weighted average cost of capital, based on the most recent cost of capital decision. *See* Section IV of Energy Efficiency Policy Manual (Version 6, April 2020) and Chapter 4 of California Standard Practice Manual: Economic Analysis of Demand-Side Programs and Projects (Standard Practice Manual). The potential and goals study uses the TRC as a cost-effectiveness screen through which individual measures must pass in order to be included in a given scenario of achievable potential. Achievable potential is expressed in terms of TSB.

more restrained approach (relative to the Reference scenario) to estimating energy efficiency potential.

- Scenario 3 or “Aggressive FS”: This scenario builds upon the Reference scenario and models the impact on achievable fuel substitution potential of increasing program budgets and increases the influence of fuel substitution programs on adoption. This scenario also increases measure incentive caps and simulates increased willingness to adopt and program engagement through enhanced marketing, education and outreach. The increase to measure incentive caps improves the TRC of relevant measures.

The draft study also incorporates two potential ZEAS implementation frameworks. The ZEAS 2030 framework assumes an effective date of 2030 for all affected measures, while the ZEAS Phased framework assumes staggered effective dates between 2027 and 2031, with a multiyear compliance ramp up period for select technology groups.⁹ Compared to ZEAS 2030, the ZEAS Phased framework does not change overall results but flattens out the large-step change forecasted in 2030 by distributing those reductions more evenly over the preceding three years.

⁹ CARB's Adopted 2022 State Implementation Plan includes a 2030 effective date for the ZEAS. *2022 State Strategy for the State Implementation Plan*, adopted September 22, 2022. Uniform resource locator (url): https://ww2.arb.ca.gov/sites/default/files/2022-08/2022_State_SIP_Strategy.pdf (accessible as of June 24, 2025). CARB presented a potential 2027 effective date at a May 2024 public workshop. *Zero-Emission Space and Water Heater Standards* public workshop, presentation slides url: https://ww2.arb.ca.gov/sites/default/files/2024-05/May_2024_Workshop_Slides.pdf (accessible as of June 24, 2025).

On May 12, 2025, Commission staff held a webinar for the study's author, Guidehouse, to provide an overview of the draft potential study, and for parties to ask questions.

The Public Advocate's Office of the Public Utilities Commission (Cal Advocates); Small Business Utility Advocates (SBUA); Association of Bay Area Governments on behalf of Bay Area Regional Energy Network and County of Ventura on behalf of Tri-County Regional Energy Network (jointly, BayREN and 3C-REN); County of Los Angeles on behalf of Southern California Regional Energy Network (SoCalREN); San Diego Community Power on behalf of San Diego Regional Energy Network (SDREN); County of San Luis Obispo on behalf of Central California Rural Regional Energy Network (CCR REN); Southern California Edison Company (SCE); Pacific Gas and Electric Company (PG&E); San Diego Gas & Electric Company (SDG&E); and Southern California Gas Company (SoCalGas) timely filed comments in response to the May 1, 2025 ruling. On May 30, 2025, Northern California Rural Regional Energy Network (NREN), SBUA, SDG&E, and SoCalGas filed reply comments.

On June 9, 2025, the assigned ALJ issued a ruling providing notice and opportunity to comment on updated results. These updated results reflect two revisions that Guidehouse made based on stakeholder feedback shared during the May 12, 2025, webinar:

1. Corrected the savings values for all industrial, agricultural, and commercial custom measure impacts used as top-down analysis inputs to be based on net savings rather than gross savings. This change

significantly decreased achievable potential in the industrial sector.

2. Revised the default net to gross value for non-direct install residential and commercial energy efficiency measures. This resulted in a small decrease in the achievable potential for these sectors.

Based on the updated results, industrial sector achievable potential is 35 to 40 percent lower than the corresponding potential reflected in the 2023 adopted goals. This lower savings potential in the industrial sector significantly impacted overall statewide achievable TSB. The results reflected in the draft study (and presented during the May 12, 2025, webinar) showed a 42 percent increase in overall statewide achievable TSB from the 2023 adopted goals for Scenario 1 (Reference) in year 2026. In comparison, the updated results for Scenario 1 show a 6 - 11 percent increase from the 2023 adopted goals across the first four years of the goal setting period.

PG&E and SoCalGas timely filed comments in response to the June 9, 2025, ruling.

We address party comments as they relate to our consideration of draft potential study assumptions and the determinations we reach in this decision.¹⁰

¹⁰ SDREN's comments are limited to urging the Commission to recognize the broader implications of SDG&E's application to withdraw from its regional energy efficiency programs (including how the energy savings adopted for SDG&E's service territory will be achieved), which this decision does not address. Similarly, BayREN's and 3C-REN's assertions regarding SDG&E's application, and SDG&E's recommendation for the Commission to revise its (SDG&E's) goals (if the Commission approves SDG&E's application) do not relate to this decision's consideration of energy savings goals.

1.2. Submission Date

This matter was submitted on June 16, 2025, upon receipt of parties' comments to the updated results.

2. Energy Efficiency Goals for 2026-2037

The issue to be resolved by this decision is adoption of TSB, and energy savings goals for 2026 and beyond.

2.1. Scenario for Setting Goals

The May 1, 2025, ruling asked parties to recommend which scenario (whether presented in the draft potential study or another alternative) the Commission should select to set goals.

SBUA, CCR REN, and BayREN and 3C-REN support adoption of Scenario 3, which reflects aggressive assumptions regarding the adoption of fuel substitution measures. CCR REN's support for Scenario 3, however, is conditional on the Commission making a number of significant policy changes intended to facilitate and advance electrification. In the absence of these policy changes, CCR REN recommends adopting Scenario 1.¹¹ SBUA's comments in support of Scenario 3 cite both the accelerating rate of climate change impacts and the reversal of federal programs that reduce greenhouse gas (GHG) emissions, and assert, "...it is imperative that California take an aggressive stance towards reducing GHG emissions."¹² BayREN and 3C-REN recommend

¹¹ *Central California Rural Regional Energy Network Opening Comments on Draft Potential and Goals Study for 2026 and Beyond*, filed May 23, 2025 (CCR REN comments) at 1-4.

¹² *Opening Comments of Small Business Utility Advocates on Draft Potential and Goals Study for 2026 and Beyond*, filed May 23, 2025 (SBUA comments) at 1-2.

Scenario 3 because it yields the highest TSB, which they assert is the primary goal of the portfolio as established in D.21-05-031.¹³

PG&E and SDG&E support adoption of Scenario 2, which sets a measure-level cost-effectiveness screen of a 1.0 TRC benefit-to-cost ratio and thus reflects the most conservative assumptions. PG&E recommends further modifications to reduce fuel substitution potential and warns that, even with these modifications, the draft potential study may still overestimate achievable, cost-effective potential.¹⁴ Similarly, SDG&E and SoCalGas assert the target potential is unrealistic.¹⁵

SoCalGas recommends including an additional No-ZEAS scenario, and that this scenario be the selected scenario for setting goals; in response to the updated results, SoCalGas recommends keeping goals at the levels adopted in D.23-08-005.¹⁶

¹³ *Comments of BayREN and 3C-REN on Potential and Goals Study Ruling*, filed May 23, 2025 (BayREN and 3C-REN comments) at 1-4.

¹⁴ *Pacific Gas and Electric Company's (U39M) Opening Comments on Draft Potential and Goals Study for 2026 and Beyond*, filed May 23, 2025 (PG&E comments) at 1-4. *Pacific Gas and Electric Company's (U 39M) Comments on Updated Potential and Goals Study Results*, filed June 16, 2025 at 2.

¹⁵ *Opening Comments of San Diego Gas & Electric Company (U 902 M) on Chief Administrative Law Judge's Ruling Inviting Comments on Draft Potential and Goals Study for 2026 and Beyond*, filed May 23, 2025 (SDG&E comments) at 1-2. *Southern California Gas Company's (U 904 G) Comments on Draft Potential and Goals Study for 2026 and Beyond*, filed May 23, 2025 (SoCalGas comments) at 1-2.

¹⁶ SoCalGas comments at 2 and 5. *Southern California Gas Company's (U 904 G) Comments on Updated Potential and Goals Study Results*, filed June 16, 2025 at 2.

Cal Advocates recommends that all modeled scenarios in the draft study be recalculated without the IRA tax credit assumptions, noting that the availability of IRA tax credits through 2032 is “subject to change and may be reduced, curtailed, or repealed prior to that date due to federal legislative actions, changes in budgetary priorities, or changes in administrative policy.”¹⁷ If the Commission declines its primary recommendation, Cal Advocates recommends adopting Scenario 2 for its use of a higher cost-effectiveness screen, asserting, “a TRC threshold of 1.0...will prevent unreasonable costs from being shifted onto ratepayers.”¹⁸

SCE also cites the potential elimination of the IRA tax credit, tariffs affecting supply chains, and important market barriers to the adoption of fuel substitution measures, as factors contributing to significant uncertainty. SCE therefore, like SoCalGas (in its comments to the updated results), requests that the Commission consider keeping goals at the current levels adopted in D.23-08-005. If the Commission declines its primary recommendation, SCE supports Scenario 2 for its use of a higher cost-effectiveness screen.¹⁹ SCE also supports removal of the IRA tax credits from the analysis, as does PG&E for fuel

¹⁷ *Opening Comments of the Public Advocates Office on Chief Administrative Law Judge’s Ruling Inviting Comments on Draft Potential and Goals Study for 2026 and Beyond*, filed May 23, 2025 (Cal Advocates comments) at 4 (footnote 17).

¹⁸ Cal Advocates comments at 1-6.

¹⁹ *Southern California Edison Company’s (U 338-E) Comments on Draft Potential and Goals Study for 2026 and Beyond*, filed May 23, 2025 (SCE comments) at 1-4.

substitution measures.²⁰ In reply comments, NREN agrees with removing IRA tax credits from the draft potential study.²¹

The Commission aims for its energy efficiency goals to be based on the most reliable information that is available at the time of conducting the study. The draft potential study (as updated by the June 9, 2025, ruling) is based on the best available information and is calibrated using recent program data, which is a reasonable indicator of actual measure adoption. The 2022 IRA tax credit was part of the federal tax code at the time of conducting the draft potential study, and it remained in effect as of the submission date of this proceeding. The budget reconciliation bill, signed into law on July 3, 2025, expedites the expiration date for these tax credits to the end of 2025 for residential properties, and the end of 2026 for commercial properties.²² And the ZEAS is part of CARB's 2022 State Strategy for the State Implementation Plan to explore developing and proposing zero-emission GHG standards for space and water heaters. This decision acknowledges considerable uncertainty with respect to the continued availability of IRA tax credits and to federal tariffs' impacts on supply chains, as well as timing and adoption of the ZEAS. We agree with parties that recommend adopting the most conservative estimates in light of these unusually uncertain circumstances, which can negatively impact cost-effectiveness of energy

²⁰ SCE comments at 5. PG&E comments at 4-5.

²¹ *Reply Comments of the Northern California Rural Regional Energy Network (NREN) ID #U-1401-E on Chief Administrative Law Judge's Ruling Inviting Comments on Draft Potential and Goals Study for 2026 and Beyond*, filed May 30, 2025 (NREN reply comments) at 1-2.

²² Pub. L. No. 119-21, 131 Stat. 2054 (2025).

efficiency measures. Selecting a scenario with a higher measure-level cost-effectiveness screen ensures only the most cost-efficient measures are included in our estimate of achievable potential. Therefore, this decision adopts goals for 2026-2037 using Scenario 2 of the final potential study, included with this decision as Attachment 1. The specific TSB and energy savings goals and targets for each large IOU are included in Section 2.4 of this decision. Compared to the 2023 adopted goals, statewide Scenario 2 results range from a 0.25 percent decrease in TSB (for 2026) to an 8.92 percent increase (for 2029) over the first four years of the goal setting period, largely due to the increase in fuel substitution potential.

We do not find it reasonable to adopt Scenario 3, which assumes increased program budgets and increased willingness to adopt fuel substitution measures. As NREN's comments indicate, actualizing the additional potential reflected in Scenario 3 would require policy modifications that the Commission has thus far not considered or adopted. With respect to BayREN and 3C-REN's comment that the primary goal of the energy efficiency portfolio is to yield the highest TSB, it is important to clarify that D.21-05-031 determined that energy efficiency goals shall be expressed in terms of TSB, not that goals should be set to yield the highest TSB. Setting goals to maximize TSB would ignore the important objective of providing reliable estimates for resource planning purposes.

As with past study cycles and in response to party comments recommending adoption of more aggressive goals, the goals adopted in this decision establish a floor (as opposed to a ceiling) and the portfolio

administrators should strive to exceed these goals when designing and implementing their portfolios.²³

2.2. Zero Emissions Appliance Standards (ZEAS) Implementation

The May 1, 2025, ruling asked parties to comment on whether the Commission should select a scenario that includes the ZEAS as having an effective date in 2030 (ZEAS 2030), or one that begins in 2027 with a more staggered implementation (ZEAS Phased).

BayREN and 3C-REN support the ZEAS 2030 framework, given that there is uncertainty regarding the implementation timeline for the ZEAS standard.²⁴ CCR REN cites CARB's Frequently Asked Questions page, which states that any implementation will begin in 2030, as a verifiable source for CARB's current implementation timeline.²⁵ SDG&E supports the ZEAS 2030 framework but asserts the study should acknowledge potential legislation that would impose a moratorium on building standards changes.²⁶ Similar to SDG&E and as noted earlier in this decision, SoCalGas requests the study be revised to include a No-ZEAS scenario.

²³ D.19-08-034, at 15.

²⁴ BayREN and 3C-REN comments at 6.

²⁵ CCR REN comments at 4.

²⁶ SDG&E comments at 2, with reference to Assembly Bill 306 (2025 Schultz Rivas), which if approved would impose a moratorium on the adoption or modification of new state and local building standards affecting residential units from October 1, 2025 until June 1, 2031, with limited exceptions (as amended June 23, 2025).

PG&E supports the ZEAS Phased framework because it “results in a more conservative estimate of achievable potential than the 2030 scenario” and is therefore a “further ‘hedge’ against the [fuel substitution] measure assumptions that PG&E believes overestimate the cost-effectiveness...of these measures.” However, PG&E acknowledges that CARB may not ultimately adopt the 2027 effective date, as the implementation details for ZEAS are still under development.²⁷ SoCalREN asserts the ZEAS Phased approach “ensures consistency with emerging regulatory timelines.”²⁸ SBUA expresses support for banning some appliances beginning in 2027.²⁹

This decision agrees with parties acknowledging that the ZEAS Phased framework has so far only been proposed in a public workshop, whereas the ZEAS 2030 framework is reflected in the State Strategy for the State Implementation Plan that CARB has actually adopted. The ZEAS 2030 framework reflects the best available information as of the timeframe in which the draft potential study was conducted.

2.3. Inflation Reduction Act (IRA) Credits in California Energy Data and Reporting System (CEDARS) Claims

The May 1, 2025, ruling invited recommendations on how best to reflect IRA tax credits in CEDARS, which is the Commission’s database for claiming

²⁷ PG&E comments at 4.

²⁸ *Opening Comments of the Southern California Regional Energy Network (CPUC #940) on Chief Administrative Law Judge’s Ruling Inviting Comments on Draft Potential and Goals Study for 2026 and Beyond*, filed May 23, 2025 (SoCalREN comments) at 2.

²⁹ SBUA comments at 3-4.

energy savings. Currently, there is not a value, or methodology for determining a value, for IRA tax credits in CEDARS.³⁰

SoCalGas supports alignment between the Standard Practice Manual, which calculates tax credits as a benefit in the Total Resource Cost test, and CEDARS. SoCalGas acknowledges the difficulty in validating savings from tax credits given customers' potential lack of awareness and the length of time between purchasing eligible equipment and claiming the tax credit. SoCalGas notes that the easiest way to operationalize a new field for the IRA tax credit would be to populate the maximum value available. SoCalGas recommends conducting a study to determine the number of customers participating in programs with available tax credits, the percentage that receive the tax credit, and the total value of the tax credit relative to the maximum value available.³¹ SDG&E also recommends conducting a study to understand the effects of the tax credit on program participants, asserting it is not reasonable to make broad conclusions regarding customers' eligibility for tax credits.³² PG&E cites similar concerns as SoCalGas to emphasize that ex ante tax credit assumptions should align as closely as possible with the study's assumptions (i.e., based on measure eligibility as opposed to whether a customer actually receives the tax credit); PG&E states that these values should be determined by the California Technical

³⁰ The Standard Practice Manual states that "[a]ny tax credits are considered a reduction to costs" in the Total Resource Cost test. *See* Chapter 4 of Standard Practice Manual.

³¹ SoCalGas comments at 6-7.

³² SDG&E comments at 3-4.

Forum.³³ Similarly, SCE recommends that any eligibility of property for IRA tax credits should not be represented in CEDARS but instead included in the California Electronic Technical Reference Manual (eTRM), which is the repository for all statewide deemed measures and is maintained by the California Technical Forum.³⁴ SCE further recommends that measure eligibility for tax credits be determined, based on IRA guidelines, during the measure package development process for deemed measures and during the project review process for custom measures.^{35,36} SoCalREN also recommends aligning with current federal tax credit values and utilizing eTRM measure eligibility aligned with IRS tax guidance for eligibility determination.³⁷ SBUA recommends assigning a conservative default value unless an alternative value is verifiably

³³ PG&E comments at 5-6.

³⁴ Deemed measures are measures with deemed ex ante savings values; deemed ex ante savings values have undergone review by the California Technical Forum and have been reviewed and approved by the Commission. They are intended to be used statewide and can have energy savings based on different building types and climate zones. This is in contrast to custom measures or projects, whose ex ante savings values are not generally applicable to other measures or projects.

³⁵ SCE comments at 5-6.

³⁶ Measure package is defined as:

the energy efficiency measure documentation that is needed to make a deemed energy efficiency claim. This includes but is not limited to: a narrative which describes the baseline and energy efficient case features of the energy saving technology, describes the methodologies to estimate energy impacts and incremental measure costs, provides citations and links to references and other supporting documentation, provides unit savings calculations and values for all combinations of the technology specific parameters.

See Resolution E-5152 at 7-8.

³⁷ SoCalREN comments at 2-3.

available, and requiring documentation of eligibility at the project level.³⁸ CCR REN recommends pausing efforts to apply a value and track tax credits until there is clarity on their ongoing availability.³⁹ BayREN and 3C-REN, while not commenting on the treatment of IRA tax credits, recommends that the Reporting Program Coordination Group (PCG) develop recommendations for how the Commission can provide guidance to portfolio administrators in effectively tracking and reporting impacts of IRA tax credits.⁴⁰

This decision generally agrees with PG&E that representation of IRA tax credits in CEDARS should closely align with the values and assumptions used in the final potential study, which is consistent with D.23-08-005's guidance that ex-post evaluations should align with the potential study's assumptions.⁴¹ We decline to adopt specific values or assumptions but delegate the determination of how IRA tax credits should be represented in CEDARS to Energy Division staff, in alignment with the potential and goals methodology; this work will commence in the coming months. Energy Division staff may work with the California Technical Forum to determine measure eligibility for reporting purposes.

³⁸ SBUA comments at 4.

³⁹ CCR REN comments at 5.

⁴⁰ BayREN & 3C-REN comments at 7.

⁴¹ D.23-08-005 *Decision Adopting Energy Efficiency Goals for 2024-2035*, issued August 16, 2023 (D.23-08-005) at 6-9.

2.4. Total System Benefit (TSB) and Energy Savings Goals and Targets

This section provides the specific TSB and energy savings goals that this decision adopts for 2026-2037 for each large IOU. In accordance with D.21-05-031, the goals for each four-year period between 2024 and 2035 are set cumulatively (2024-2027, 2028-2031, and 2032-2035). The following tables show the adopted cumulative goals and annual targets for each IOU; savings from codes and standards programs continue to be expressed in electric energy (gigawatt-hours or GWh), demand (megawatts or MW) and gas energy (million metric therms or MMTherms).

Table 1: Cumulative Adopted TSB and Energy Efficiency Goals for PG&E
(2024--2035)

Period	Incentive Programs	Codes and Standards		
	TSB	GWh	MW	MMTherms
2024-2027	\$849,324,795	3,590.3	666.1	62.6
2028-2031	\$1,005,517,372	2,085.6	416.9	30.3
2032-2035	\$1,274,145,529	1,271.8	308.0	27.6

Table 2: Annual TSB and Energy Efficiency Targets for PG&E (2026-2037)

Year	Incentive Programs	Codes and Standards		
	TSB	GWh	MW	MMTherms
2026	\$201,855,629	797.5	148.2	8.3
2027	\$223,615,650	713.2	131.3	8.8
2028	\$245,982,070	688.6	127.0	8.0
2029	\$277,204,793	524.6	103.6	7.6
2030	\$220,970,017	458.8	95.5	7.5
2031	\$261,360,492	413.6	90.8	7.2
2032	\$276,406,285	371.9	85.1	7.1
2033	\$293,966,337	356.7	81.9	7.0
2034	\$332,863,463	280.0	73.3	6.8
2035	\$370,909,444	263.2	67.7	6.7
2036	\$403,779,979	258.2	64.1	6.5
2037	\$528,287,468	254.3	62.9	6.3

Table 3: Cumulative Adopted TSB and Energy Efficiency Goals for SCE (2024-2035)

Period	Incentive Programs	Codes and Standards		
	TSB	GWh	MW	MMTherms
2024-2027	\$552,244,151	3,590.3	618.0	-
2028-2031	\$646,570,051	2,085.6	379.5	-
2032-2035	\$708,060,944	1,271.8	275.1	-

Table 4: Annual TSB and Energy Efficiency Targets for SCE (2026-2037)

Year	Incentive Programs	Codes and Standards		
	TSB	GWh	MW	MMTherms
2026	\$145,208,902	797.5	137.8	-
2027	\$177,437,507	713.2	121.3	-
2028	\$186,433,247	688.6	117.2	-
2029	\$194,494,832	524.6	94.2	-
2030	\$121,814,029	458.8	86.3	-
2031	\$143,827,943	413.6	81.8	-
2032	\$160,949,931	371.9	76.3	-
2033	\$174,302,268	356.7	73.5	-
2034	\$181,510,710	280.0	65.3	-
2035	\$191,298,035	263.2	60.0	-
2036	\$197,850,349	258.2	56.5	-
2037	\$203,473,632	254.3	55.4	-

Table 5: Cumulative Adopted TSB and Energy Efficiency Goals for SDG&E (2024-2035)

Period	Incentive Programs	Codes and Standards		
	TSB	GWh	MW	MMTherms
2024-2027	\$227,709,298	735.3	125.5	6.3
2028-2031	\$300,198,894	427.1	74.8	3.1
2032-2035	\$365,592,199	260.4	53.6	2.8

Table 6: Annual TSB and Energy Efficiency Targets for SDG&E (2026-2037)

Year	Incentive Programs	Codes and Standards		
	TSB	GWh	MW	MMTherms
2026	\$65,431,025	163.3	27.6	0.8
2027	\$72,006,151	146.1	24.1	0.9
2028	\$78,420,542	141.0	23.3	0.8
2029	\$85,011,015	107.4	18.6	0.8
2030	\$63,994,260	94.0	16.9	0.8
2031	\$72,773,077	84.7	16.0	0.7
2032	\$79,707,277	76.2	14.9	0.7
2033	\$86,792,270	73.0	14.4	0.7
2034	\$94,537,243	57.3	12.7	0.7
2035	\$104,555,409	53.9	11.6	0.7
2036	\$112,133,444	52.9	10.8	0.7
2037	\$118,837,451	52.1	10.6	0.6

Table 7: Cumulative Adopted TSB and Energy Efficiency Goals for SoCalGas (2024-2035)

Period	Incentive Programs	Codes and Standards		
	TSB	GWh	MW	MMTherms
2024-2027	\$716,550,532	-	-	69.8
2028-2031	\$668,306,452	-	-	33.9
2032-2035	\$631,835,420	-	-	30.7

Table 8: Annual TSB and Energy Efficiency Targets for SoCalGas (2026-2037)

Year	Incentive Programs	Codes and Standards		
	TSB	GWh	MW	MMTherms
2026	\$176,352,303	-	-	9.3
2027	\$187,023,940	-	-	9.9
2028	\$196,889,753	-	-	9.0
2029	\$201,796,085	-	-	8.5
2030	\$133,095,774	-	-	8.3
2031	\$136,524,840	-	-	8.1
2032	\$144,600,802	-	-	7.9
2033	\$152,670,798	-	-	7.8
2034	\$161,086,935	-	-	7.6
2035	\$173,476,885	-	-	7.4
2036	\$184,958,852	-	-	7.2
2037	\$195,678,213	-	-	7.0

Parties raised a number of issues relating to data assumptions (e.g., the specific inputs or approaches used) in the draft potential study and considerations for future study cycles. The final study includes an appendix (Appendix K) that addresses these comments, and whether and how the study team adjusted its analysis in response to each comment.

In comments to the proposed decision, PG&E requests inclusion of an ordering paragraph that requires Statewide Codes and Standards Advocacy

Program budget allocations to align with the final 2025 Potential and Goals Study methodology for codes and standards potential; this direction is consistent with the direction provided in D.23-08-005 (approving the 2023 goals), which noted an inconsistency between the potential study's allocation methodology and the way IOU budgets to achieve the codes and standards goals are set in D.23-06-055.⁴² We have modified the proposed decision to provide this direction to the IOUs.

3. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding.

As of the submission date, the Commission received no public comments relating to the proposed decision.

4. Comments on Proposed Decision

The proposed decision of ALJ Valerie U. Kao in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. PG&E, SBUA, SCE, SDG&E and SoCalGas timely filed comments. SBUA, SDG&E, SoCalGas, and BayREN and Marin Clean Energy (jointly, Joint Portfolio Administrators) timely filed reply comments. PG&E,

⁴² D.23-08-005 at 14.

SDG&E and SoCalGas note that the four-year periods reflected in Tables 1, 3, 5 and 7 should align with the business plan cycles, consistent with D.23-08-005; we have modified the proposed decision to reflect the correct four-year periods and their associated cumulative goals. SDG&E and SoCalGas both note the July 4, 2025 enactment Public Law 119-21, which accelerates the expiration date for IRA tax credits; this change will be accounted for in the next potential and goals study. PG&E and Joint Portfolio Administrators request an extension to submit their mid-cycle review advice letters, which all portfolio administrators are required to submit by September 1, 2025; these requests have been addressed pursuant to Rule 16.6 of the Commission's Rules of Practice and Procedure, which allows a party to seek an extension of a deadline in a Commission decision by letter to the Commission's Executive Director.

5. Assignment of Proceeding

Alice Reynolds is the assigned Commissioner, and Julie A. Fitch and Valerie U. Kao are the assigned Administrative Law Judges, in this proceeding.

Findings of Fact

1. Public Utilities Code Sections 454.55 and 454.56 require the Commission to identify all potential achievable cost-effective electricity and natural gas efficiency savings and "establish efficiency targets" for electrical and gas corporations to achieve.
2. The Commission sets electricity and natural gas efficiency savings "targets," i.e., goals, for the large IOUs.
3. The Commission's policy objective in setting energy efficiency goals is to set goals that are realistic and aggressive, yet achievable.

4. The 2025 draft potential study reflects the best available information as of the time the study was conducted, and was calibrated using recent program data.

5. Scenario 2 of the 2025 final potential study includes reference assumptions for savings from IRA tax credits and for fuel substitution savings, and sets a measure-level cost-effectiveness screen at a TRC benefit to cost ratio of 1.0.

6. Scenario 2 of the 2025 final potential study sets aggressive yet achievable energy savings goals.

7. Scenario 3 would require policy modifications that the Commission has thus far not considered or adopted.

8. The ZEAS Phased framework has so far only been proposed in a public workshop, whereas the ZEAS 2030 framework is reflected in the State Strategy for the State Implementation Plan that CARB has actually adopted.

Conclusions of Law

1. It is reasonable to establish goals that are “aggressive yet achievable,” and that reflect an accurate estimation of energy efficiency cost-effectiveness.

2. It is reasonable to adopt energy efficiency goals for 2026-2037 based on Scenario 2 of the 2025 final potential study because this scenario best reflects the Commission’s intent to set aggressive yet achievable energy savings goals.

3. It is reasonable that representation of IRA tax credits in CEDARS should align with the values and assumptions used in the potential study, because this approach is consistent with Commission guidance for ex-post evaluations for eligible measures.

4. The Commission should adopt a scenario that relies on the ZEAS 2030 framework.

5. The Commission’s Energy Division should determine how IRA tax credits should be represented in CEDARS, in alignment with the potential and goals methodology.

O R D E R

IT IS ORDERED that:

1. The total system benefit and energy savings goals for 2026 – 2037 for Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, and Southern California Gas Company based on Scenario 2 of the 2025 final potential study are adopted as detailed in Section 2.4 of this decision.

2. The Statewide Codes and Standards Advocacy Program budget allocations among Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, and Southern California Gas Company shall be aligned with the distribution methodology for codes and standards potential and goals established by the final 2025 potential study, and this approach – to align the Statewide Codes and Standards budget allocation with the potential study energy savings distribution methodology—shall apply for future potential study updates.

3. The Commission’s Energy Division is authorized to determine how Inflation Reduction Act of 2022 tax credits should be represented in the California Energy Data and Reporting System, in alignment with the potential and goals methodology.

4. Rulemaking 25-04-010 remains open.

This order is effective today.

Dated August 28, 2025, at San Francisco, California.

ALICE REYNOLDS

President

DARCIE L. HOUCK

JOHN REYNOLDS

KAREN DOUGLAS

MATTHEW BAKER

Commissioners

Attachment 1

2025 Group E Potential and Goals Study Final Report

Attachment 1:

[REDLINE \(Rev. 1\) R.25-04-010 DECISION ADOPTING ENERGY
EFFICIENCY GOALS FOR 2026-2037.pdf](#)