

Decision 25-12-042 December 18, 2025

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

**DECISION DESIGNATING INITIAL PRIORITY NEIGHBORHOOD
DECARBONIZATION ZONES**

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DECISION DESIGNATING INITIAL PRIORITY NEIGHBORHOOD DECARBONIZATION ZONES

Summary

This decision designates initial priority neighborhood decarbonization zones, as required by Public Utilities Code Section 662(a). A table listing the census tracts that comprise the initial priority neighborhood decarbonization zones is included with this decision as Appendix A. A map depicting the locations of the initial priority neighborhood decarbonization zones is included with this decision as Appendix B. By January 16, 2026, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company shall update the maps they submitted to the Commission on July 1, 2025, to include the initial priority neighborhood decarbonization zones. This decision does not designate any initial priority neighborhood decarbonization zones within Southwest Gas Corporation's service area. Pacific Gas and Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, and Southwest Gas Corporation are also ordered to conduct outreach and host and record one virtual Senate Bill 1221 information session in each of their service areas by March 15, 2026.

The proceeding remains open.

1. Background

In 2024, the California Legislature passed Senate Bill (SB) 1221,¹ which was codified in the Public Utilities Code.² Section 662(a) requires the Commission to

¹ Senate Bill (SB) 1221 (Min), Stats. 2024, ch. 602.

² All further references to "Section" are to sections of the Public Utilities (Pub. Util.) Code unless otherwise noted.

designate priority neighborhood decarbonization zones (decarbonization zones) on or before January 1, 2026. Decarbonization zones are geographic areas within which the Commission may authorize pilot projects through a voluntary program to facilitate cost-effective decarbonization (Pilot Program).³ Gas corporations must also include designated decarbonization zones on maps they submit to the Commission annually.⁴ Section 662(d) permits the Commission to update the decarbonization zones as necessary following an opportunity for public comment.

On June 5, 2025, the Administrative Law Judges issued a ruling directing Pacific Gas and Electric Company (PG&E), Southern California Gas Company (SoCalGas), San Diego Gas & Electric Company (SDG&E), and Southwest Gas Corporation (Southwest Gas) (together, “Gas Corporations”) to file and serve recommendations for decarbonization zones in their service areas. The ruling also invited parties to provide comments on the Gas Corporations’ recommended decarbonization zones.

On June 12, 2025, the Administrative Law Judges issued a ruling setting remote Public Participation Hearings (PPHs) to consider comments from the public, not parties, on the designation of decarbonization zones.⁵

³ See Pub. Util. Code Section 663(a).

⁴ Pub. Util. Code Section 661(a).

⁵ The ruling setting the PPHs was corrected on June 19, 2025, to correct the PPHs’ access information and, again, on July 8, 2025, to correct the public passcode for those wishing to join by phone.

On July 1, 2025, PG&E, SDG&E, SoCalGas, and Southwest Gas submitted maps to the Commission in compliance with SB 1221 and the Assigned Commissioner's Ruling Issuing Senate Bill 1221 Mapping Directions to Utilities, issued on April 18, 2025.

On July 21, 2025, PG&E, SoCalGas/SDG&E, and Southwest Gas filed comments recommending the designation of certain decarbonization zones.

On August 7, 2025, the Administrative Law Judges hosted remote PPHs at 2:00 p.m. and 6:00 p.m. There were 45 public commenters, 313 total callers, and 642 webcast views at the 2:00 p.m. PPH. There were 14 public commenters, 55 callers, and 166 webcast views at the 6:00 p.m. PPH.

On August 8, 2025, 12 parties filed opening comments in response to the Gas Corporations' recommended decarbonization zones: the Association of Bay Area Governments on behalf of the Bay Area Regional Energy Network program (BayREN) and the County of Ventura on behalf of the Tri-County Regional Energy Network program (3C-REN) (together, BayREN/3C-REN);⁶ the Public Advocates Office at the California Public Utilities Commission (Cal Advocates); Central California Rural Regional Energy Network (CCR REN);⁷ Center for Accessible Technology (CforAT); the County of Contra Costa (Contra Costa);

⁶ BayREN and 3C-REN have Commission authorization to administer portfolios of energy efficiency programs. BayREN is a program of nine San Francisco Bay Area counties and the Association of Bay Area Governments. 3C-REN is a program of the Ventura, Santa Barbara, and San Luis Obispo counties.

⁷ CCR REN has Commission authorization to administer portfolios of energy efficiency programs. They are administered by San Luis Obispo County and is comprised of an alliance including the Association of Monterey Bay Area Governments, The High Energy Sierra Foundation, and the San Joaquin Valley Clean Energy Organization.

Contra Costa Building and Construction Trades Council; the Joint Community Choice Aggregators (Joint CCAs);⁸ Marin Clean Energy;⁹ Natural Resources Defense Council/Sierra Club (NRDC/Sierra Club); the City and County of San Francisco (San Francisco); Small Business Utility Advocates (SBUA); and Southern California Edison Company (SCE).

On September 10, 2025, nine parties filed reply comments in response to the Gas Corporations' recommended decarbonization zones: the California Municipal Utilities Association (CMUA); Contra Costa; the City of Elk Grove (Elk Grove); Indicated Shippers; the Joint CCAs; PG&E; SoCalGas/SDG&E; SCE; and The Utility Reform Network (TURN).

By September 10, 2025, the Commission had received comments from 239 members of the public relevant to the designation of decarbonization zones. Commenters were individuals, as well as representatives from community organizations, local governments, and the Sacramento Metropolitan Air Quality Management District.

1.1. Submission Date

This matter was submitted on September 10, 2025, upon the filing of party reply comments in response to the Gas Corporations' recommended decarbonization zones.

⁸ For purposes of the August 8, 2025 opening comments, the Joint CCAs consist of Peninsula Clean Energy Authority, San Diego Community Power, San Jose Clean Energy, Silicon Valley Clean Energy Authority, and Sonoma Clean Power Authority.

⁹ Marin Clean Energy provides electricity and energy programs to 38 communities across Contra Costa, Marin, Napa, and Solano counties.

2. Issues Before the Commission

The sole issue before the Commission in this decision is limited to compliance with the legislative requirement to designate decarbonization zones on or before January 1, 2026, as described in Section 662(a). This decision does not address the process for future updates to the decarbonization zones; the establishment of the Pilot Program; and how, where, when, and what pilot projects will be considered.

3. Discussion

3.1. Legal Standard

Section 662(a) requires the Commission to designate decarbonization zones “following recommendations from each gas corporation and the opportunity for public comment.” In designating the decarbonization zones, the Commission must consider factors that include, but are not limited to, the following:

1. Presence of disadvantaged or low-income communities in high-temperature climate zones or low-temperature climate zones that disproportionately lack cooling or heating.
2. Presence of environmental and social justice communities as defined in the Commission’s *Environmental and Social Justice Action Plan*.
3. Availability of supportive local government or community partners.
4. Concentration of gas distribution line replacement projects.

As referenced in Section 662(a)(2), the Commission’s *Environmental and Social Justice Action Plan* defines “environmental and social justice communities” as:

...predominantly communities of color or low-income communities that are underrepresented in the policy setting or decision-making process, subject to a disproportionate impact from one or more environmental hazards, and are likely to experience disparate implementation of environmental regulations and socioeconomic investments in their communities.¹⁰

Under this definition, the Commission targets the following communities when implementing its *Environmental and Social Justice Action Plan*:

1. Disadvantaged Communities, 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;¹¹
2. All Tribal lands;¹²
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).

3.2. Record

We rely on the following record to designate initial decarbonization zones.

¹⁰ *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 Oct. 26, 2025).

¹¹ We consider the most current CalEnviroScreen dataset available (currently CalEnviroScreen 4.0).

¹² Land within any Indian reservation as defined in 18 U.S.C. Section 1151(a). The Commission may utilize the definition of "California Indian Country," available at <https://www.courts.ca.gov/8710.htm> (last accessed Oct. 21, 2025). (*Environmental and Social Justice Action Plan* at n.22.)

3.2.1. Gas Corporations' Recommendations

On July 21, 2025, PG&E, SoCalGas/SDG&E, and Southwest Gas filed their recommendations regarding the designation of decarbonization zones.

PG&E recommends that the Commission broadly designate all foreseeable gas distribution replacement projects as decarbonization zones.¹³ Regarding disadvantaged, low-income, and environmental and social justice communities, PG&E asserts that applying equity measures over large areas would fail to capture local variations in need and access.¹⁴ As such, PG&E states that they prefer to demonstrate that a specific pilot project is serving a community that has barriers to decarbonization.¹⁵ Regarding the presence of supportive local government or community partners, PG&E states that they are proactively engaging its communities and asserts that the process will take time.¹⁶ Finally, PG&E explains that while decarbonization zones focus efforts, they should not “limit project submission or [act] as strict criteria for final project evaluation in lieu of evaluating the specific project’s ability to meet the criteria and intent outlined in statute.”¹⁷ Similarly, PG&E argues that “[p]rematurely limiting geographic selection of pilot projects at this early stage may jeopardize selection of a sufficiently broad portfolio of projects.”¹⁸

¹³ PG&E Recommendations at 1, 2.

¹⁴ *Id.* at 2.

¹⁵ *Id.* at 3.

¹⁶ *Ibid.*

¹⁷ *Id.* at 3-4.

¹⁸ *Id.* at 4.

SoCalGas/SDG&E also recommends that the Commission’s designation of decarbonization zones should be broad and flexible at this early stage to avoid excluding potential pilot projects.¹⁹ According to SoCalGas/SDG&E, the most critical component to a cost-effective pilot project is the occurrence of a foreseeable gas system replacement project.²⁰ As such, SoCalGas/SDG&E recommends that the Commission start by designating census tracts with a potential or foreseeable replacement project as a decarbonization zone, and then refine the approach after the Pilot Program is established.²¹ Regarding the presence of supportive local government or community partners, SoCalGas/SDG&E recommends considering jurisdictions with local “reach” building codes.²² Regarding areas that disproportionately lack access to cooling or heating, SoCalGas/SDG&E recommends utilizing the California Energy Commission (CEC) climate zones and Residential Appliance Saturation Survey (RASS) data.²³ SoCalGas/SDG&E also characterizes the designation of decarbonization zones at this stage as premature.²⁴

Southwest Gas offers recommendations “on a tentative basis” that “should be subject to change” because they assert that available information is limited,

¹⁹ SoCalGas/SDG&E Recommendations at 3-4.

²⁰ *Id.* at 4.

²¹ *Ibid.*

²² *Id.* at 2.

²³ *Ibid.*

²⁴ *See id.* at 3 (stating “prioritization should not occur prior to establishing the program itself.”).

given time and resource constraints.²⁵ Southwest Gas mapped potential decarbonization zones incorporating aspects of all four factors. First, they screened for disadvantaged, low-income, and environmental and social justice communities with high concentrations of gas replacement projects.²⁶ Then, Southwest Gas focused on areas based on its historical experience with partners implementing programs, such as the Low-Income Home Energy Assistance Program and California Alternative Rates for Energy Program.²⁷ However, Southwest Gas recognizes that they do not know whether these government and community partners are supportive of SB 1221, or if the entities possess the budget to engage in such efforts.²⁸

3.2.2. Party Comments

The summaries below are limited to parties' responses to the Gas Corporations' recommended decarbonization zones, the only issue before the Commission in this decision.

While BayREN/3C-REN support identifying all foreseeable pipeline replacement projects as decarbonization zones, they note that the approach does not prioritize the replacement projects so the Commission, stakeholders, and the public can assess pilot project suitability.²⁹ They recommend that each Gas Corporation prioritize zones by, at a minimum, the expected timeline for

²⁵ Southwest Gas Recommendations at 2.

²⁶ *Id.* at 2.

²⁷ *Ibid.*

²⁸ *Id.* at 2-3.

²⁹ BayREN/3C-REN Opening Comments at 4, 9.

replacement and the SB 1221 factors that would be met.³⁰ BayREN/3C-REN express their support for pilot projects.³¹ According to BayREN/3C-REN, RENs can target their programs to viable candidates for decarbonization, and many REN programs focus on underserved and disadvantaged communities.³²

Cal Advocates recommends that the Commission reject PG&E and SoCalGas/SDG&E's proposal to designate all foreseeable pipeline projects as decarbonization zones.³³ According to Cal Advocates, the universe of total gas pipeline projects should be restricted to a smaller cohort of priority decarbonization zones, allowing stakeholders to comment meaningfully on other aspects of the SB 1221 Pilot Program implementation.³⁴ Cal Advocates also notes that community engagement is "critical" to successful electrification and should be undertaken to the extent possible.³⁵ In addition, Cal Advocates asserts that Section 662(a)(1)'s requirement that the Commission consider the presence of disadvantaged communities with disproportionate heating or cooling difficulties is distinct from Section 662(a)(2)'s requirement to consider the presence of environmental and social justice communities.³⁶ Cal Advocates provides data sources to facilitate the Commission's consideration of these factors.³⁷

³⁰ *Id.* at 4, 9, 10.

³¹ *Id.* at 7.

³² *Ibid.*

³³ Cal Advocates Opening Comments at 2-4.

³⁴ *Id.* at 4.

³⁵ *Id.* at 5-6.

³⁶ *Id.* at 6.

³⁷ *Id.* at Appendix A.

CCR REN recognizes the Gas Corporations' assertion that information about the availability of supportive local government and community partners is currently limited.³⁸ To assist Gas Corporations in ascertaining the availability of supportive local partners and selecting pilot sites, CCR REN supports each Gas Corporation establishing a Technical Advisory Committee to provide an effective forum for its participation moving forward.³⁹

CforAT asserts that PG&E's and SoCalGas/SDG&E's recommendations to make all foreseeable pipeline projects the decarbonization zones "are not useful in any way."⁴⁰ CforAT states that they do not have the resources to conduct its own analysis of the gas maps and make its own recommendations for prioritization without a meaningful analysis by the Gas Corporations.⁴¹

CMUA supports parties' comments urging the creation of a process to allow local governments to engage directly in the decarbonization zone designation process.⁴² Specifically, CMUA recommends that the criteria used for designating decarbonization zones be made publicly available to enable a thorough review from local governments and community organizations in advance of the final decarbonization zone designation.⁴³ CMUA also recommends that the Commission remain open to local governments' interest in

³⁸ CCR REN Opening Comments at 2-3.

³⁹ *Id.* at 3-4.

⁴⁰ CforAT Opening Comments at 1-2.

⁴¹ *Id.* at 3.

⁴² CMUA Reply Comments at 3.

⁴³ *Id.* at 4 (supporting Joint CCAs Opening Comments).

the decarbonization zone designation process and solicit more formalized feedback from non-utility entities.⁴⁴

Contra Costa is an available partner and supports PG&E's recommendation to designate all pipeline replacement projects as decarbonization zones.⁴⁵ Contra Costa also supports PG&E's preference to demonstrate that a specific proposed pilot project is serving a community that has barriers to moving to clean energy.⁴⁶ Contra Costa has participated in an informal session hosted by PG&E and supports PG&E's continued engagement with local government partners.⁴⁷ Contra Costa emphasizes the importance of extensive community outreach and education about the opportunities created by SB 1221 pilot projects.⁴⁸ Finally, Contra Costa urges the Commission not to assume that only communities that intervened in this proceeding are interested in decarbonization pilots.⁴⁹ Instead, Contra Costa encourages the Commission to identify interested communities after an extensive community outreach and education process, and further recommends that utilities fund community partners and local governments to lead this work.⁵⁰

⁴⁴ *Id.* at 5-6.

⁴⁵ Contra Costa Opening Comments at 1-2, 3; *see also* Contra Costa Reply Comments at 6.

⁴⁶ *Id.* at 3.

⁴⁷ *Id.* at 3-4.

⁴⁸ Contra Costa Reply Comments at 1.

⁴⁹ *Id.* at 2-3.

⁵⁰ *Id.* at 4-5.

The Contra Costa Building and Construction Trades Council recommends focusing on areas that have both avoided cost potential and high levels of disadvantage.⁵¹ They also state that signaling areas with a combination of favorable conditions, including willing partners, would be helpful.⁵² According to the Contra Costa Building and Construction Trades Council, the City of Richmond offers an example of a location with a shovel-ready project and significant public and stakeholder support.⁵³ The Contra Costa Building and Construction Trades Council also recommends considering the designation of a decarbonization zone in a recent wildfire zone, as well as in a mobile home park.⁵⁴

Elk Grove notes the importance of local government involvement to successful SB 1221 implementation and supports CCR REN's recommendation to establish a Technical Advisory Committee.⁵⁵ Elk Grove also urges the Commission to adopt a broad definition of "local government support" to avoid excluding qualified and supportive communities.⁵⁶ For example, Elk Grove recommends that the Commission consider local governments that actively participate with multiple local government and communities partners, such as Assembly Bill 617 Community Steering Committees, climate readiness

⁵¹ Contra Costa Building and Construction Trades Council Opening Comments at 2.

⁵² *Id.* at 2-3.

⁵³ *Id.* at 3-4.

⁵⁴ *Id.* at 4.

⁵⁵ Elk Grove Reply Comments at 2.

⁵⁶ *Id.* at 3.

collaboratives, RENs, or when local governments and community partners are parties to memoranda of understanding.⁵⁷ Finally, Elk Grove supports the position that the designation of decarbonization zones should incorporate local equity metrics.⁵⁸

Indicated Shippers supports a broad approach to designating decarbonization zones.⁵⁹ According to Indicated Shippers, a broad approach would “preserve the Commission’s ability to select the most cost-effective, successful pilots.”⁶⁰ Indicated Shippers does not support Cal Advocates’ recommendation to narrow the total gas pipeline projects to a smaller cohort.⁶¹ Finally, Indicated Shippers recommends that the Commission form a local government and partner working group to enable collaboration and deployment of pilot projects, equity metrics, and sources of non-ratepayer funding.⁶²

The Joint CCAs support the recommendation to designate all sites with gas replacement projects as decarbonization zones initially, as it preserves the flexibility to select viable pilot projects.⁶³ The Joint CCAs distinguish between the initial designation of decarbonization zones where they encourage a broad approach and the final designation once the Commission develops the full suite

⁵⁷ *Id.* at 4.

⁵⁸ *Ibid.*

⁵⁹ Indicated Shippers Reply Comments at 2, 3.

⁶⁰ *Id.* at 2, 3-4.

⁶¹ *Id.* at 4-5.

⁶² *Id.* at 9.

⁶³ Joint CCAs Opening Comments at 2, 3.

of pilot project considerations.⁶⁴ The Joint CCAs also recommend that these considerations be made publicly available to enable thorough review by local governments and community stakeholders in advance of the final designation of decarbonization zones.⁶⁵ Finally, the Joint CCAs recommend that the Commission develop a stakeholder engagement process that incorporates clear metrics for evaluating community support.⁶⁶

Marin Clean Energy states that they are a supportive local government partner for pilot projects.⁶⁷ Additionally, Marin Clean Energy recommends that the Commission provide meaningful pathways for communities to influence the selection of pilot project sites.⁶⁸

NRDC/Sierra Club does not support designating all areas with gas replacement projects as decarbonization zones.⁶⁹ Instead, NRDC/Sierra Club recommends defining decarbonization zones as census tracts that (1) contain a foreseeable gas distribution line replacement project and (2) meet at least one of the criteria listed in Section 662 or an equity factor identified by stakeholders or the public.⁷⁰ Regarding the availability of supportive local governments and community partners, NRDC/Sierra Club recommends looking to expressions of

⁶⁴ *Id.* at 3.

⁶⁵ *Ibid.*

⁶⁶ *Id.* at 4.

⁶⁷ Marin Clean Energy Opening Comments at 2, 3-4.

⁶⁸ *Id.* at 4-5.

⁶⁹ NRDC/Sierra Club Opening Comments at 1.

⁷⁰ *Id.* at 2, 3.

interest from parties and public comments. They also support SoCalGas/SDG&E's recommendation to look to jurisdictions with reach building codes and areas with high electrification uptake incentives.⁷¹ They also commend PG&E's effort to host an information session and recommend that the other Gas Corporations engage similarly.⁷² Regarding equity metrics, NRDC/Sierra Club recommends that the Commission use CEC climate zones, RASS data, and maps developed by the Department of Housing and Urban Development (HUD).⁷³ Finally, NRDC/Sierra Club urges the Commission to commit to updating the decarbonization zones designations as more data becomes available from the Gas Corporations and during site selection.⁷⁴

San Francisco supports preliminarily designating all census tracts with foreseeable replacement projects as decarbonization zones to comply with the statutory deadline of January 1, 2026.⁷⁵ According to San Francisco, it is reasonable to designate decarbonization zones broadly until the Commission has sufficient data to restrict potential pilot locations.⁷⁶ Regarding equity metrics, San Francisco supports the use of CalEnviroScreen, Commission-defined environmental and social justice communities, and detailed data available to

⁷¹ *Id.* at 3.

⁷² *Ibid.*

⁷³ *Id.* at 4.

⁷⁴ *Id.* at 7.

⁷⁵ San Francisco Opening Comments at 1, 2.

⁷⁶ *Id.* at 2.

local governments and organizations.⁷⁷ San Francisco also urges the Commission to adopt a straightforward process for engaging local governments and community partners to inform the future designation of narrower decarbonization zones, including allowing local governments to recommend decarbonization zones.⁷⁸

SBUA recommends that the Commission consider small business customers within disadvantaged and social justice communities when designating decarbonization zones.⁷⁹

SCE agrees with PG&E, SoCalGas, SDG&E, and Southwest Gas that it is premature for the Commission to place geographic limitations on the decarbonization zones.⁸⁰ As such, SCE recommends that the Commission designate decarbonization zones broadly as all pipeline projects identified on the Gas Corporations' maps.⁸¹ Alternatively, SCE recommends that the Commission prioritize areas where there is a need for replacement and at least one other SB 1221 factor is present.⁸² SCE also recommends that the Commission develop independent criteria to designate zones.⁸³

⁷⁷ *Id.* at 3.

⁷⁸ *Id.* at 4, 5.

⁷⁹ SBUA Opening Comments at 1.

⁸⁰ SCE Opening Comments at 2.

⁸¹ *Id.* at 2, 3.

⁸² *Id.* at 3-4.

⁸³ *Id.* at 4.

TURN supports including replacement project schedules and CalEnviroScreen scoring to narrow the Gas Corporations' recommended decarbonization zones.⁸⁴ TURN also supports using additional utility data to narrow the designations, including the number of services connected to each anticipated main replacement project and the timing of replacement projects.⁸⁵ While TURN recognizes the difficulties in identifying decarbonization zones at this stage, they assert that the Gas Corporations' request to designate zones broadly is unreasonable and makes it very difficult for parties to provide meaningful public input.⁸⁶ As such, TURN recommends that the Commission require the Gas Corporations to provide additional data before designating the decarbonization zones.⁸⁷ TURN also recommends that the Commission develop a process, pursuant to Section 662(d), to update any decarbonization zones designations.⁸⁸

3.2.3. Gas Corporations' Reply Comments

PG&E agrees with NRDC/Sierra Club on the need for flexibility and project-specific, customer-centric information.⁸⁹ PG&E also agrees with NRDC/Sierra Club's recommendation to use maps developed by HUD to

⁸⁴ TURN Reply Comments at 5.

⁸⁵ *Id.* at 11-13 (asserting "utilities should easily have available the number of services connected to each anticipated distribution mains replacement project.").

⁸⁶ *Id.* at 8.

⁸⁷ *Id.* at 18, 20, 21.

⁸⁸ *Id.* at 7, 8, 21.

⁸⁹ PG&E Reply Comments at 1.

develop equity metrics.⁹⁰ Finally, PG&E disagrees with Cal Advocates' position to designate narrower decarbonization zones. According to PG&E, the Commission has full authority to provide flexibility in the designation of decarbonization zones.⁹¹

SoCalGas/SDG&E and Southwest Gas affirm their support for broadly designated decarbonization zones.⁹² According to SoCalGas/SDG&E and Southwest Gas, SB 1221's primary threshold for consideration is the existence of potential pipeline replacement projects.⁹³ If an area does not have these projects, it will be unlikely, if not impossible, for the pilot projects to be economically feasible.⁹⁴ Responding to Cal Advocates, Southwest Gas states that they will consider revising its recommended decarbonization zones once additional information is available and analyzed, or required by the Commission.⁹⁵

3.2.4. Public Comments

Section 662(a) requires the Commission to provide an opportunity for public comment before designating decarbonization zones. In addition, Rule 1.18 of the Commission's Rules of Practice and Procedure (Rules) allows any member of the public to submit written comments in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that

⁹⁰ *Id.* at 4-5.

⁹¹ *Id.* at 6.

⁹² SoCalGas/SDG&E and Southwest Gas Reply Comments at 1-2.

⁹³ *Id.* at 2.

⁹⁴ *Ibid.*

⁹⁵ *Id.* at 5.

proceeding on the Commission’s website. According to Rule 1.18(a), all written public comments submitted in a proceeding that are received prior to the submission of the record are part of the administrative record. Rule 1.18(b) further requires *all* written comments, whether received before or after the submission of the record, to be summarized in the final decision.

On August 7, 2025, the Commission hosted two PPHs. In total, 59 members of the public offered comments. Of the total 59 comments, 37 members of the public opposed the implementation of SB 1221,⁹⁶ and 20 supported decarbonization zones and pilots. One commenter was neutral or had an unclear position. Among the commenters who supported decarbonization zones and pilots, eight represented local governments and community organizations.⁹⁷ Separately, one local government representative for the City of Lompoc expressed concern that designating a decarbonization zone across the city’s old town would “economically destroy” the area.⁹⁸

By September 10, 2025, when the record was submitted, the Commission had received comments from 239 members of the public relevant to the designation of decarbonization zones. Commenters were individuals, as well as

⁹⁶ There were 38 comments that expressed opposition to the implementation of SB 1221 during both PPHs. However, one commenter provided two of these comments. (*Compare* Reporter’s Transcript (RT) at page 21: line 21–page 23: line 7, *with* RT at page 130: line 12–page 131: line 20.) Therefore, we identify a total of 37 members of the public that expressed opposition.

⁹⁷ The Commission received comments from Mr. Williams from the County of San Diego; Mr. Hoffland of the City of Santa Barbara; Ms. Sharpe and Ms. DeCastro from Central California Asthma Collaborative; Ms. Gomez and Ms. Pastrano from the Alliance of Californians for Community Empowerment in Richmond; Mr. Stilig from an unnamed environmental justice organization; and Mr. Parsa from Physicians for Social Responsibility.

⁹⁸ RT at page 18: line 23–page 20: line 4.

representatives from community organizations, local governments, and the Sacramento Metropolitan Air Quality Management District. As of December 9, 2025, the Commission has received comments from 253 members of the public on the online Docket Card relevant to the designation of decarbonization zones. In compliance with Section 662(a) and Rule 1.18(a) and (b), we consider all written comments submitted to the Docket Card.

Of the total 253 public comments, 19 were submitted on behalf of government entities⁹⁹ and 26 were submitted on behalf of community organizations.¹⁰⁰ All government entities and community organizations

⁹⁹ The Commission received public comments from the (1) City of Chula Vista; (2) the City of San Diego; (3) the County of San Diego; (4) the City of Santa Barbara; (5) the City of Milpitas; (6) the City of Elk Grove; (7) the City of Albany; (8) the City of Menlo Park; (9) the City of Berkeley; (10) the City of Mountain View; (11) the Mayor of El Cerrito; (12) the Sacramento Metropolitan Air Quality Management District; (13) the City of Oakland; (14) the County of San Mateo; (15) the City of Petaluma; (16) CCR REN; (17) the City of Santa Cruz (two comments); (18) the City of Santa Monica; and (19) the City of Goleta.

¹⁰⁰ The Commission received public comments from (1) the Environmental Center of San Diego (ECOSD); (2) the Building Energy, Equity & Power (BEEP) Coalition (two comments); (3) the San Diego Building Electrification Coalition; (4) the Climate Action Campaign (two comments); (5) CleanEarth4Kids.org; (6) Redeemer Community Partnership (two comments); (7) Richmond Community Foundation; (8) CCA Workforce and Environmental Justice Alliance; (9) Community Action Partnership of Orange County; (10) Borel Neighborhood Association in the City of San Mateo; (11) Communities for a Better Environment; (12) Emerald Cities Collaborative Northern California (two comments); (13) Valley Improvement Projects; (14) Alliance of Californians for Community Empowerment (Contra Costa) in partnership with Building Trades of Contra Costa County and the City of Richmond (two comments); (15) Regeneracion; (16) Build It Green and Somos Mayfair; (17) Build It Green and Healthy Black Families; (18) Strategic Concepts in Organizing and Policy Education (SCOPE); (19) Reestablishing Stratford; (20) Menlo Spark; (21) Albany Climate Action Coalition; (22) OC Goes Solar; (23) People Organizing to Demand Environmental & Economic Rights (PODER); (24) Healthy & Active Before 5; (25) Richmond Community Foundation; and (26) 350 Contra Costa.

expressed interest in the Commission designating a decarbonization zone within their respective jurisdictions or geographic areas of focus.

The remaining 208 public comments were from individuals throughout the State of California, as well as one each from Virginia and Pennsylvania. Of these 208 public comments, 65 supported the decarbonization process described in SB 1221. The primary reasons members of the public cited for their support are various health concerns, followed by concerns about pollution and the need to address climate change. Nine commenters requested that SDG&E hold public information sessions, and 16 requested that the Commission designate their neighborhood as a decarbonization zone. Most members of the public who expressed their support provided zip codes in San Diego County, followed by Alameda County.

There were 135 public comments opposing the implementation of SB 1221. The primary reason members of the public cited for their opposition is reliability, followed by impacts on ratepayers and the cost of new appliances. Many commenters also expressed their support for consumer choice, their preference for gas energy sources, and opposition to government regulation. Most members of the public who expressed their opposition provided zip codes in Los Angeles, Riverside, Orange, and San Bernardino counties.

The remaining eight public comments were neutral, or the commenter's position was unclear.

While we recognize the comments we received, we also acknowledge that we have not heard from many California communities. In Section 3.3.1 below, we order each Gas Corporation to provide specified information to tribal

representatives, community organizations, local governments, and representatives from LSEs in diverse locations, solicit feedback on local equity considerations, and hold one virtual SB 1221 information session before March 15, 2026. Our intent with this direction is to hear from more members of the public and raise awareness of SB 1221's decarbonization opportunities in a broader range of geographic locations and California communities.

3.3. Designation of Initial Decarbonization Zones

With the commitment, methodology, and considerations described below, we designate initial priority neighborhood decarbonization zones, as required by Section 662(a). A table listing the census tracts that comprise the initial priority neighborhood decarbonization zones is included as Appendix A. A map depicting the locations of the initial priority neighborhood decarbonization zones is included with this decision as Appendix B.

3.3.1. Commitment to Updating Initial Decarbonization Zones

Many parties recognize that the Commission may need to update the decarbonization zones, as permitted by Section 662(d). PG&E, SCE, SoCalGas/SDG&E, and Southwest Gas characterize the designation of decarbonization zones at this stage as "premature," given the limited information available about the Pilot Program.¹⁰¹ The Joint CCAs and San Francisco envision an updated designation of decarbonization zones once the

¹⁰¹ PG&E Recommendations at 4; SCE Opening Comments at 2; SoCalGas/SDG&E Recommendations at 3; Southwest Gas Recommendations at 2.

pilot “program structure is more developed.”¹⁰² TURN recommends that the Commission develop a process to update the decarbonization zones.¹⁰³

NRDC/Sierra Club urges the Commission to “formally commit” to updating the decarbonization zone designations after more data becomes available.¹⁰⁴

Many parties also urge the Commission to facilitate, form, or establish new means and methods to inform our consideration of designated decarbonization zones. For example, CCR REN, CMUA, Contra Costa, Elk Grove, Indicated Shippers, the Joint CCAs, NRDC/Sierra Club, and San Francisco recommend various forms of coordinated outreach and engagement with local governments and community partners.¹⁰⁵ Members of the public also explicitly requested that we order SDG&E to hold information sessions about pilot projects so communities can make decisions about their participation.¹⁰⁶

Given the tight legislative deadline for designating decarbonization zones and the limited information currently available, we agree that it will be essential

¹⁰² Joint CCAs Opening Comments at 3; San Francisco Opening Comments at 1; *see also* BayREN/3C-REN Opening Comments at 10 (recognizing “future iterations of assessing [decarbonization zones]”).

¹⁰³ TURN Reply Comments at 7, 8, 21.

¹⁰⁴ NRDC/Sierra Club Opening Comments at 7.

¹⁰⁵ *See* CCR REN Opening Comments at 3-4; CMUA Reply Comments at 3; Contra Costa Reply Comments at 5-6; Elk Grove Reply Comments at 2-3; Indicated Shippers Reply Comments at 9; Joint CCAs Reply Comments at 3-4; NRDC/Sierra Club Opening Comments at 3; San Francisco Opening Comments at 4-5.

¹⁰⁶ *See* Greta Busch, Antonia Darragh, Tyyne Parakhen, Chris Roberts, Dave Robertson, Diego Sandoval, Huxley Sidari, Jessie Stein, and Ronette Youmans public comments, *available at* <https://apps.cpuc.ca.gov/c/R2409012>.

to allow for the opportunity to update the decarbonization zones. We, therefore, adopt NRDC/Sierra Club's recommendation to formally commit to updating the "initial" decarbonization zones designated by this decision by December 31, 2026. Our emphasis for the future update will be on adding and/or refining the designated decarbonization zones.

For example, we may add a decarbonization zone where a Gas Corporation has demonstrated that a specific pilot project will serve a community with barriers to decarbonization or meet other equity criteria. We see merit in PG&E's recommendation that a pilot project should serve "a community that meets the intent of the need set out in the statute: that the community has barriers to access to decarbonization without assistance."¹⁰⁷ In our future update to the decarbonization zones, we will work with parties and the Gas Corporations to consider ways Gas Corporations may make this showing.

Additionally, we may add or refine decarbonization zones as more local governments and community organizations become aware of SB 1221 and participate in future outreach efforts. To increase awareness, we direct each Gas Corporation to (1) provide the fact sheet from the Commission's Public Advisor's Office to tribal representatives in their service territory and community organizations in diverse geographic locations throughout their service territory, including those that represent or work with disadvantaged, low-income, and/or environmental and social justice communities (*e.g.*, the American Lung

¹⁰⁷ See PG&E Recommendations at 3.

Association; Breathe California; the Building, Energy, Equity and Power (BEEP) Coalition; local groups such as CARES (Comprehensive Asthma Remediation and Education Services, serving the Central Valley); OC Goes Solar; independent living centers; disability-oriented community organizations); and all organizations listed in Appendix A for tracts in the Gas Corporation's service territory; (2) provide the fact sheet from the Commission's Public Advisor's Office to Load Serving Entity (LSE) representatives within their service territory; (3) provide the fact sheet from the Commission's Public Advisor's Office to a Director of Planning, Community Development, Housing, or similar department in each city and county of their service territory where they have identified a foreseeable pipeline replacement project; (4) host and record one virtual SB 1221 information session for government representatives, community organizations, and members of the public in their service territory between January 15, 2026, and March 15, 2026, to hear comments in support of or opposition to the designation of decarbonization zones in specific areas and solicit feedback on SB 1221's diversity and equity considerations, including feedback about local environmental hazards, the ability of homes and small businesses in the community to access cooling and/or heating, health considerations, and community barriers to decarbonization; (5) make interpretation services available at the information session if the Gas Corporation receives a request for interpretation at least five business days before the session; and (6) post the link to a recording of the virtual information session on their SB 1221 website within five days after the virtual information session.

When conducting outreach to community partners and at the SB 1221 information session(s), each Gas Corporation shall use the fact sheet provided by the Commission's Public Advisor's Office and designate a point person for supportive government representatives and community organizations to contact. At the SB 1221 information session(s), each Gas Corporation shall also provide attendees with a link to the "Public Comment" tab of the R.24-09-012 online Docket Card. To notice the information session, each Gas Corporation shall comply with the requirements described in this decision's Ordering Paragraphs. We encourage Gas Corporations to run the virtual information session similarly to the PPHs that occurred on August 7, 2025, with a brief introduction and opportunities for public comment.

Through these directions, we intend to hear from more members of the public, raise awareness of SB 1221's decarbonization opportunities in a broader range of geographic locations and California communities, and inform our future decarbonization zone update. To inform a future update, each Gas Corporation shall file a Report in the docket of this Rulemaking by April 1, 2026 that details (1) which tribal representatives, LSE representatives, and community organizations received the fact sheet; (2) an attestation that the fact sheet was provided to a Director of Planning, Community Development, Housing, or similar department in every city and county in their service territory where the Gas Corporation identified a foreseeable pipeline replacement project; (3) any and all community organizations and local governments that expressed interest in or opposition to participating in SB 1221's decarbonization opportunities; (4) any and all feedback the Gas Corporations received regarding SB 1221's diversity

and equity considerations; (5) the date, time, and link to a recording of the virtual information session; (6) documentation that the information session was properly noticed; (7) the Gas Corporation's proposal for continuing community outreach efforts beyond April 1, 2026; and (8) the Gas Corporation's recommendation for census tracts to be included in the decarbonization zone update.

We also encourage local governments, community organizations, and members of the public to continue commenting through the "Public Comment" tab on the online Docket Card to express support or opposition to pilot projects in their communities, and to inform us of potential challenges and opportunities. Local governments and community organizations requesting the designation of an additional decarbonization zone(s) should specify the census tract(s) using 11-digit tract numbers. We will consider public comments, as well as party comments on future SB 1221-related rulings, as we gather more information for the Pilot Program and work to update the decarbonization zones.

3.3.2. Methodology for Designating Initial Decarbonization Zones

We designate the initial decarbonization zones as census tracts that (1) have an "[a]vailability of supportive local government and community partners"¹⁰⁸ and (2) include a "[c]oncentration of gas distribution replacement projects."¹⁰⁹ Primarily relying on these two considerations is consistent with the

¹⁰⁸ See Pub. Util. Code Section 662(a)(3).

¹⁰⁹ See Pub. Util. Code Section 662(a)(4).

recommendation of SCE.¹¹⁰ In counties where 25 or more census tracts have local support and a concentration of replacement projects, we also rely on the “[p]resence of environmental and social justice communities.”¹¹¹

Designating the initial decarbonization zones at the census tract level is consistent with the recommendations of SoCalGas/SDG&E, NRDC/Sierra Club, and San Francisco, as well as the information provided by the Gas Corporations and the requests for zone designations from local governments and community organizations. Moreover, designating the initial decarbonization zones at the census tract level offers flexibility, as a variety of pilot project sizes may fit within them.

We see some merit in the Gas Corporations’ and parties’ recommendations to designate the initial decarbonization zones broadly, so that we have flexibility when we consider pilot project submissions. However, we are also persuaded by the point raised by BayREN/3C-REN, Cal Advocates, CforAT, and TURN that overly broad designations at this stage in the process make it difficult for stakeholders and the public to provide meaningful input. As such, we find it reasonable to adopt a methodology for designating the initial decarbonization zones that is both reasonably flexible for pilot project proposals and provides enough information to facilitate meaningful public and stakeholder engagement. Our adopted methodology for designating initial decarbonization zones as

¹¹⁰ SCE Opening Comments at 3-4 (providing that if designating all replacement projects as decarbonization zones is too broad, “SCE recommends that the Commission prioritize areas in which there is a need for replacement and at least one other SB 1221 factor is present.”)

¹¹¹ See Pub. Util. Code Section 662(a)(2).

census tracts with local support, a concentration of gas replacement projects, and the presence of environmental and social justice communities is consistent with this objective.

3.3.3. Consideration of Section 662(a)(1)-(4) Factors

We consider all the factors listed in Section 662(a)(1)-(4) when designating the initial decarbonization zones.¹¹² However, we primarily rely on Section 662(a)(2), (3), and (4). Relying on these factors enables us to comply with the January 1, 2026, deadline to designate initial decarbonization zones in areas with the most local support (Section 662(a)(3)), opportunities for cost savings (Section 662(a)(4)), and the presence of environmental and social justice communities (Section 662(a)(2)). It also furthers our ability to meet the deadline for establishing the Pilot Program.¹¹³

¹¹² See Pub. Util. Code Section 662(a)(1)-(4):

In designating the zones, the commission shall consider factors that include, but are not limited to, all of the following:

- (1) Presence of disadvantaged or low-income communities in high-temperature climate zones or low-temperature climate zones that disproportionately lack cooling or heating.
- (2) Presence of environmental and social justice communities as defined in the commission's Environmental and Social Justice Action Plan.
- (3) Availability of supportive local government or community partners.
- (4) Concentration of gas distribution line replacement projects identified in the map submitted pursuant to Section 661.

¹¹³ See Pub. Util. Code Section 663(a).

3.3.3.1. Section 662(a)(3)

We first rely on the availability of local support to narrow California's 9,000 census tracts to 929 of which city governments, governmental organizations, and/or local organizations expressed interest. Numerous parties highlighted the importance of this factor.¹¹⁴ PG&E stated that "the presence of supportive local government or community partners is one of the two most important pieces necessary to ensure pilot success."¹¹⁵ Similarly, Cal Advocates noted that community engagement is "critical."¹¹⁶ We agree with the parties that highlighted the importance of this factor because supportive communities are more likely to want pilot projects and implement them successfully.

The parties' and the public's comments demonstrate that numerous city and county governments, as well as other government organizations and non-governmental organizations, are available partners.¹¹⁷ We interpret "available"

¹¹⁴ See, e.g., Cal Advocates Opening Comments at 5-6; CMUA Reply Comments at 4; Elk Grove Reply Comments at 4; Marin Clean Energy Opening Comments at 4; PG&E Recommendations at 3; San Francisco Opening Comments at 4.

¹¹⁵ PG&E Recommendations at 3.

¹¹⁶ Cal Advocates Opening Comments at 5-6.

¹¹⁷ See, e.g., City of Albany public comments; BayREN/3C-REN party comments; City of Berkeley public comments; CCR REN party and public comments; City of Chula Vista public comments; County of Contra Costa party comments; Joint CCAs party comments; City of El Cerrito public comments; City of Elk Grove party and public comments; Marin Clean Energy party comments; City of Menlo Park public comments; City of Milpitas public comments; City of Mountain View public comments; City of Oakland public comments; City of Peteluma public comments; Sacramento Metropolitan Air Quality Management District public comments; City of San Diego public comments; County of San Diego public comments; City and County of San Francisco party comments; County of San Mateo public comments; City of Santa Barbara public comments; City of Santa Cruz public comments; City of Santa Monica public comments. There were no requests in Southwest Gas's service territory.

to mean that the city government, other government organization, or non-governmental organization has requested that specific census tracts or neighborhoods within their jurisdiction be designated as decarbonization zones in party or public comments. We do not understand requests to be binding commitments to support any proposed pilot project.

While we designate initial decarbonization zones within the areas that many available partners requested, some organizations requested that we designate large areas as decarbonization zones.¹¹⁸ Granting broad requests would fail to provide the public and stakeholders with meaningful information. Instead, we designate census tracts with local support to prioritize areas where pilot projects are most likely to be successful. These initial decarbonization zones may be updated as more information becomes available.

Through this exercise we narrow the potential decarbonization zones to 929 census tracts (approximately 10 percent of all California census tracts) for the first iteration of zones. We encourage organizations that requested large areas to remain engaged and help refine and modify the decarbonization zones when we update.

3.3.3.2. Section 662(a)(4)

We next rely on the concentration of the Gas Corporations' gas distribution line projects to narrow the 929 census tracts with local support to 139. The Gas

¹¹⁸ See, e.g., CCR REN public comments (Sept. 11, 2025), *available at* <https://apps.cpuc.ca.gov/c/R2409012> (requesting that we designate all of PG&E's service territory).

Corporations and many parties emphasized the importance of this factor.¹¹⁹ Indeed, SoCalGas/SDG&E characterized the occurrence of a foreseeable gas system replacement project as “the most critical component of a successful cost-effective candidate project.”¹²⁰ We agree to an extent — a concentration of gas distribution line projects represents an opportunity for cost savings.

BayREN/3C-REN and TURN recommend prioritizing the gas distribution line projects by the expected project timeline.¹²¹ While TURN recognizes that the Gas Corporations’ projects may not have firm start dates, they assume “that the relative risk scores of projects provide an approximate proxy for the relative timeline of future projects.”¹²² If this assumption is correct, TURN states that it “would provide an alternative methodology to use for designating later stage projects.”¹²³

We agree that project timelines are relevant to project planning, and that the maps the Gas Corporations submitted on July 1, 2025, reflect risk scores representing prioritization for gas replacement. However, we are determining one set of decarbonization zones, not prioritizing within them. Therefore, we

¹¹⁹ See, e.g., BayREN/3C-REN Opening Comments at 9; Contra Costa Building and Construction Trades Council Opening Comments at 2; NRDC/Sierra Club Opening Comments at 2, 3; PG&E Recommendations at 1; SoCalGas/SDG&E Recommendations at 3-4; TURN Reply Comments at 5.

¹²⁰ SoCalGas/SDG&E Recommendations at 4.

¹²¹ BayREN/3C-REN Opening Comments at 9; TURN Reply Comments at 5.

¹²² TURN Reply Comments at 12.

¹²³ *Id.* at 13.

include in our analysis all gas replacement projects with risk scores representing later years, *i.e.*, approximately 2028-2035.¹²⁴

By reviewing the percentage of gas mains scheduled for replacement between 2028 and 2035, we narrowed the 929 census tracts with local support to areas where 10 percent or more of the gas mains are scheduled for replacement. Selecting 10 percent as the threshold is both reasonably flexible for pilot project proposals and provides enough information to facilitate meaningful public and stakeholder engagement. Making the threshold higher (*e.g.*, 15 percent) would exclude too many areas with local support, such as Los Angeles locations and Elk Grove, and potentially negatively impact project success. Making the threshold less stringent would make almost all census tracts eligible. This would both minimize the opportunities for cost savings and impact public and stakeholder involvement.

We also capped our consideration of gas distribution line projects at 25 census tracts per county to avoid overrepresentation of certain regions at this stage in the program. Such overrepresentation would affect our ability to gather information from diverse neighborhoods with varying challenges across different utility service areas. As we collect more information and hear from more communities, we may adjust or eliminate the cap in a future decarbonization zone update.

¹²⁴ We exclude projects that the Gas Corporations identified for replacement in 2026 and 2027 from the analysis because those timelines are likely too soon to allow time to plan alternatives. We also note that SoCalGas's map did not differentiate by year within 2028-2035 projects.

For the initial decarbonization zones, the cap impacts Alameda and San Diego counties. In Alameda and San Diego counties, public, governmental, and non-governmental organizations demonstrated strong support for decarbonization. Alameda and San Diego counties also have many census tracts with gas mains scheduled for replacement. If we designate all census tracts in these counties with local support and 10 percent or more of the gas mains scheduled for replacement, there would be a total of 345 census tracts with 60 in Alameda County (18 percent of the total), and 196 in San Diego County (58 percent of the total). Imposing the cap ensures that Alameda and San Diego counties are not overrepresented in the initial designation of the decarbonization zones.

We selected 25 census tracts in Alameda and San Diego counties based on the highest percentage of gas replacement projects. However, we invite local governments, community organizations, and members of the public to inform us whether we should adjust or eliminate the 25-census-tract cap in the initial decarbonization zones during our updates, and/or whether they suggest any process steps to refine the areas selected over time.

Our approach yields 139 census tracts with at least one census tract within the jurisdiction of each county that requested inclusion:

Selected Tract County by County	
Alameda	25 tracts
Contra Costa	14 tracts
Los Angeles	9 tracts

Monterey	1 tract
Sacramento	13 tracts
San Benito	2 tracts
San Diego	25 tracts
San Francisco	3 tracts
San Mateo	17 tracts
Santa Barbara	4 tracts
Santa Clara	9 tracts
Santa Cruz	9 tracts
Sonoma	3 tracts
Stanislaus	5 tracts

3.3.3.3. Section 662(a)(2)

We next rely on the presence of environmental and social justice communities to expand the 139 census tracts to 151 initial decarbonization zones.

In comments, parties expressed concern that the methodology we adopt for designating initial decarbonization zones would exclude viable communities.¹²⁵ We share this concern and also recognize the Legislature’s finding that deployment of zero-emission alternatives under SB 1221 should prioritize benefits to disadvantaged and low-income communities.¹²⁶ Accordingly, we expand the initial decarbonization zones in counties impacted

¹²⁵ See, e.g., Contra Costa Opening Comments at 3; Indicated Shippers Reply Comments at 3-4; Joint CCAs Opening Comments at 2; SCE Opening Comments at 2.

¹²⁶ SB 1221, Stats. 2004, ch. 602, § 1(a)(8).

by our 25-census-tract cap to include certain census tracts with environmental and social justice communities.

As described above, the only counties impacted by the cap are Alameda and San Diego counties. There are an additional 35 census tracts in Alameda County and 171 census tracts in San Diego County that have local support and 10 percent or more of the gas mains scheduled for replacement. To identify which of these 206 census tracts have environmental and social justice communities, we take an approach based on the definition of "Disadvantaged Communities" from the Commission's *Environmental and Social Justice Action Plan*.¹²⁷ There are six census tracts in Alameda County and six census tracts in San Diego County that score in the top 25 percent of CalEnviroScreen 4.0.¹²⁸ As such, we add these additional 12 census tracts to the 139 previously identified for a total of 151 initial decarbonization zones.¹²⁹

We also look at all 151 initial decarbonization zones to assess the presence of environmental and social justice communities. Using the CalEnviroScreen (CES) composite score, we find that the initial decarbonization zones have an average CES percentile of 51, which is slightly above the statewide average (*i.e.*,

¹²⁷ This consideration did not include Tribal communities or those that do not have an overall CalEnviroScreen score and score within the highest 5 percent of CalEnviroScreen 4.0's Pollution Burden.

¹²⁸ Where tract borders changed between 2010 and 2020, we used weighted averages for the CalEnviroScreen score.

¹²⁹ We specified the census tracts designated as initial decarbonization zones in Appendix A and provide a map of the initial decarbonization zones in Appendix B. Tract ID numbers refer to 2020 census tracts. Tracts with no gas services are not included. The location of a particular tract ID may be identified by using the "Tracts" option at <https://data.census.gov/advanced> (accessed September 30, 2025).

50th percentile).¹³⁰ Asthma rates are one of the indicators that feed into the CES composite score and are a key indicator of health vulnerability. While the initial decarbonization zones' average asthma rate is at the 58th percentile (slightly above average), some of these zones have some of the highest asthma rates in the state.¹³¹

Given our designation of initial decarbonization zones in environmental and social justice communities and our commitment to updating the decarbonization zones, we find it reasonable to designate a range of initial decarbonization zones in a range of communities. The initial decarbonization zones will enable us to gather information from diverse types of neighborhoods and learn from the experiences of pilot projects.

3.3.3.4. Section 662(a)(1)

We consider whether the initial decarbonization zones contain the presence of disadvantaged or low-income communities in high-temperature climate zones or low-temperature climate zones that disproportionately lack heating or cooling. We agree with Cal Advocates' assertion that this factor is distinct from straightforward identification of environmental and social justice communities in Section 662(a)(2).¹³² We also agree with PG&E that "there are many different credible measures of low-income qualification, and each includes and excludes sometimes significantly different portions of a given population

¹³⁰ The CES percentile ranged from a high of 94th percentile in Turlock to a low of 1st percentile in Berkeley.

¹³¹ The asthma rate percentile ranged from a low of 1st percentile in San Diego to a high of 99th percentile in Oakland.

¹³² Cal Advocates Opening Comments at 6.

depending on the specific criteria or method.”¹³³ Finally, we recognize SoCalGas/SDG&E’s point that SB 1221 offers an “opportunity to leverage learnings from the program in developing future policies around long-term gas planning and alternative investments.”¹³⁴

Accordingly, we did not rely on this factor to further narrow the initial decarbonization zones for two reasons. First, we aim to leverage the most learning opportunities at this early stage. The 151 census tracts designated as initial decarbonization zones represent diverse neighborhoods, including some that may contain disadvantaged or low-income communities in high- or low-temperature climate zones that disproportionately lack heating or cooling. For example, we found that approximately 68 percent of initial decarbonization zones contain low-income households, according to the California Air Resources Board, “List of Priority Populations 4.0 Tool.”¹³⁵

Second, as Cal Advocates and PG&E recognize, consideration of Section 662(a)(1) is distinct from identifying environmental and social justice communities and can be determined by a range of credible measures. While SoCalGas/SDG&E, Cal Advocates, and NRDC/Sierra Club provided resources to inform our consideration, we need additional time, beyond January 1, 2026, to

¹³³ PG&E Recommendations at 2-3.

¹³⁴ SoCalGas/SDG&E Recommendations at 4.

¹³⁵ See CARB, “List of Priority Populations 4.0 Tool (Excel),” *available at* <https://gis.carb.arb.ca.gov/portal/apps/experiencebuilder/experience/?id=5dc1218631fa46bc8d340b8e82548a6a&page=Priority-Populations-4.0>.

thoroughly assess available resources and further incorporate this factor into our methodology.

As such, we find it reasonable to defer applying this factor until we update the initial decarbonization zones.

4. Conclusion

This decision designates initial priority neighborhood decarbonization zones, as required by Section 662(a). A table listing the census tracts that comprise the initial decarbonization zones is included as Appendix A. A map depicting the locations of the initial priority neighborhood decarbonization zones is included with this decision as Appendix B. By January 16, 2026, PG&E, SoCalGas, and SDG&E shall include the initial priority neighborhood decarbonization zones on their SB 1221 maps, update their map user guides accordingly, and reflect these changes on their SB 1221 webpages. There are no initial decarbonization zones in Southwest Gas's service territory. PG&E, SoCalGas, SDG&E, and Southwest Gas are also required to provide information to tribal representatives, LSE representatives, government representatives, and community organizations, solicit feedback on SB 1221's diversity and equity considerations, and host one virtual SB 1221 information session between January 15, 2026 and March 15, 2026.

5. Comments on Proposed Decision

The proposed decision of Commissioner Karen Douglas 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. Comments were filed on December 3, 2025 by CCR

REN; CforAT; CMUA; Contra Costa; Contra Costa Building and Construction Trades Council; Indicated Shippers; the Joint CCAs; Marin Clean Energy; NRDC/Sierra Club; PG&E; San Francisco; SBUA; SCE; SoCalGas/SDG&E; Southwest Gas; TURN; and UCAN. Reply comments were filed on December 8, 2025 by Cal Advocates; CMUA; the Joint CCAs; PG&E; SCE; SoCalGas/SDG&E; and UCAN. We summarize and respond to the comments below.

5.1. Compliance Deadline

PG&E requests 45 days to comply with Ordering Paragraph 2 of this decision due to year-end holidays.¹³⁶ UCAN supports extending the deadline from the 15 days described in the proposed decision but recommends a deadline of January 16, 2026, because “the statutory deadlines dictate that the schedule remain as compressed as possible.”¹³⁷

Given the holidays, it is reasonable to extend the deadline. However, PG&E’s proposed 45-day extension would delay webpage updates to February 2, 2026. We agree with UCAN that such a lengthy extension is unreasonable because of SB 1221’s statutory deadlines and the need to make information available to the public in a timely manner. Therefore, we extend the deadline to January 16, 2026.

5.2. Additional Initial Decarbonization Zones

Many parties and commenters using the “Public Comment” tab of the proceeding’s Docket Card request that we designate additional initial decarbonization zones. The City of Goleta, the City of Santa Monica, Contra

¹³⁶ PG&E Opening Comments on the Proposed Decision at 1, 5.

¹³⁷ UCAN Reply Comments on the Proposed Decision at 1.

Costa Building and Construction Trades Council, CCR REN, Alliance for Californians for Community Empowerment (ACCE), Emerald Cities Collaborative of Northern California (ECC), People Organizing to Demand Environmental & Economic Rights (PODER), and Redeemer Community Partnership (RCP) request inclusion of specific census tracts or neighborhoods.¹³⁸

Based on these requests and the methodology described in this decision, we increased the number of initial decarbonization zones to 151. The increase represents nine additional initial decarbonization zones in Los Angeles, Monterey, San Benito, Santa Barbara, and Santa Cruz counties, as shown in Appendices A and B. Where cities and organizations expressed support for tracts already included in Appendix A, we added them to the list of requesters.

We did not identify initial decarbonization zones in which fewer than 10 percent of the gas mains are scheduled for replacement, such as the additional census tracts and neighborhoods requested by the Contra Costa Building and Construction Trades Council, ACCE, ECC, PODER, and RCP. We also did not incorporate requests that did not specify census tracts or neighborhoods, such as the BEEP Coalition's request to designate many large and small California communities, OC Goes Solar's request for zones in Orange County, and SCE's request to designate at least one zone in San Bernardino County.¹³⁹

¹³⁸ See Contra Costa Building and Construction Trades Opening Comments on the Proposed Decision at 2; CCR REN Opening Comments on the Proposed Decision at 1-2; *see also* Public Comments from ACCE, ECC, PODER, and RCP, *available at* <https://apps.cpuc.ca.gov/c/R2409012>.

¹³⁹ See SCE Opening Comments on the Proposed Decision at 3; *see also* Public Comments from the BEEP Coalition and OC Goes Solar, *available at* <https://apps.cpuc.ca.gov/c/R2409012>.

To designate additional initial decarbonization zones, San Francisco and TURN recommend that the Commission modify its selection methodology. Specifically, San Francisco recommends broadening the pipeline replacement criteria to include any replacement over the next 10 years.¹⁴⁰ Once this broader criterion narrows the tracts, San Francisco recommends reducing them to initial decarbonization zones with CES scores at or above the 50th percentile.¹⁴¹ Similarly, TURN recommends using a pipeline project concentration threshold of 5 to 8 percent to capture more census tracts that might be located away from coastal areas (in hot or cold climate zones) and that have cost-effective projects.¹⁴²

We decline to adopt these recommendations. First, we note that lowering the threshold, as recommended by TURN, will not capture additional tracts outside coastal areas. To enable the designation of decarbonization zones in California's non-coastal regions, such as the mountains and Central Valley, more local governments and community organizations must indicate their availability. For this reason, the decision orders Gas Corporations to conduct outreach.¹⁴³

¹⁴⁰ San Francisco Opening Comments on the Proposed Decision at 2-3.

¹⁴¹ *Ibid.*

¹⁴² TURN Opening Comments on the Proposed Decision at 6-7.

¹⁴³ NDRC/Sierra Club expresses concern about the lack of decarbonization zones designated in the Central Valley and recommends remedying this by adding a clear statement in the decision that Gas Corporations "may propose projects within Central Valley ESJ Communities, whether or not those communities have been designated in the initial tranche of [initial decarbonization zones], if the project would otherwise be eligible." (NRDC/Sierra Club Opening Comments on the Proposed Decision at 3-5). We decline to consider this recommendation because this decision is limited to the designation of decarbonization zones, not the process to site and determine potential pilot projects.

Second, we agree with the Joint CCAs' concern that vulnerable, disadvantaged, or marginalized communities could be exposed to high-risk aspects of the energy transition.¹⁴⁴ While inclusivity and access are essential, these objectives should be carefully integrated to avoid selecting communities "to serve on the frontline during periods of systematic change" without due consideration of relevant factors.¹⁴⁵ Accordingly, we find it reasonable at this stage to prioritize cost-saving opportunities by narrowing the designation of initial decarbonization zones to census tracts where 10 percent or more of the gas mains are identified for replacement in 2028-2035. This methodology is used for the *initial* decarbonization zones and may be revised or refined in a future update.

We encourage parties and members of the public to continue submitting requests for decarbonization zones on the "Public Comment" tab of the proceeding's Docket Card.

5.3. Community Outreach and Engagement

Many parties recommend requiring Gas Corporations to conduct more targeted community outreach and engagement. CforAT recommends targeting communities with high asthma rates and organizations that work with these and disability communities, such as the American Lung Association, Breathe California, local groups such as CARES (Comprehensive Asthma Remediation and Education Services, serving the Central Valley), Independent Living Centers,

¹⁴⁴ Joint CCAs Reply Comments on the Proposed Decision at 2-3.

¹⁴⁵ *Id.* at 2.

and disability-oriented community organizations.¹⁴⁶ Contra Costa recommends requiring Gas Corporations to solicit feedback from local governments by providing the fact sheet and meeting with Directors of Planning, Community Development, Housing, or similar departments that work most closely with communities.¹⁴⁷ The Joint CCAs recommend requiring Gas Corporations to target outreach to relevant local government and LSE representatives within each county of their service territory.¹⁴⁸ Marin Clean Energy recommends requiring Gas Corporations to prioritize partnerships with trusted community-based organizations and local partners on community outreach.¹⁴⁹ SCE recommends directing Gas Corporations to collaborate with electric utilities and relevant stakeholders on community outreach.¹⁵⁰ In public comments, the BEEP Coalition recommends that Gas Corporations design and implement outreach with community partners.

Parties also provide recommendations regarding the required information session. Contra Costa and SCE recommend that utilities host at least one information session in geographically diverse locations of their service territories.¹⁵¹ NRDC/Sierra Club recommends that at least one information session be held in an inland location where potential projects have been

¹⁴⁶ CforAT Opening Comments on the Proposed Decision at 2.

¹⁴⁷ Contra Costa Opening Comments on the Proposed Decision at 4.

¹⁴⁸ Joint CCAs Opening Comments on the Proposed Decision at 5.

¹⁴⁹ MCE Opening Comments on the Proposed Decision at 2.

¹⁵⁰ SCE Opening Comments on the Proposed Decision at 4.

¹⁵¹ Contra Costa Opening Comments on the Proposed Decision at 4; SCE Opening Comments on the Proposed Decision at 3.

identified, that the information session occur after the Commission has ordered that the street-level locations of potential projects be included in the public maps, and that the information be hybrid or virtual, available on the utilities' websites, and interpreted in Spanish.¹⁵² SoCalGas/SDG&E recommends that the decision extend the deadline for information sessions from March 15, 2026 to August 15, 2026, to facilitate alignment with the Pilot Program.¹⁵³ They also suggest that the Commission weigh the feedback from the initial information sessions before authorizing additional ones.¹⁵⁴ In public comments, the BEEP Coalition recommends that Gas Corporations hold at least two information sessions (one during traditional business hours and one during the evening), make translation services available, and provide written responses to all comments received.

UCAN expresses concern that general communication requirements may allow utilities to recover costs for messaging that conflict with California policy.¹⁵⁵ For this reason, UCAN recommends changes to the proposed decision to reduce the cost of community education, ensure government entities and community organizations have a point of contact for ongoing coordination, and streamline record development.¹⁵⁶ Specifically, UCAN recommends removing general directions for Gas Corporations to conduct outreach, directing all public

¹⁵² NRDC/Sierra Club Opening Comments on the Proposed Decision at 2, 5-6.

¹⁵³ SoCalGas/SDG&E Opening Comments on the Proposed Decision at 2, 3-4.

¹⁵⁴ SoCalGas/SDG&E Reply Comments on the Proposed Decision at 3.

¹⁵⁵ UCAN Opening Comments on the Proposed Decision at 5-9.

¹⁵⁶ *Id.* at 8.

comments to the public comment tab in the proceeding docket, and holding a single virtual, recorded information session.¹⁵⁷

PG&E cautions against rigid, overly prescriptive outreach, especially when it requires resource-intensive coordination and approval from multiple stakeholders.¹⁵⁸ Indicated Shippers and SoCalGas/SDG&E support a multi-working-group process rather than utility-led outreach and information sessions.¹⁵⁹ SCE recommends that the Energy Division conduct additional outreach, if needed, to increase community awareness following submission of the April 1, 2026, Report.¹⁶⁰

Based on party comments, we modify the proposed decision to direct that Gas Corporations appropriately target community outreach to government and tribal representatives, community organizations, and electric utilities in a manner that does not result in unreasonable costs. Specifically, to reduce the cost of community education, we require each Gas Corporation to host one virtual information session within its service territory. During the information session, Gas Corporations shall provide interpretation services upon receiving a request at least five business days before the session. Gas Corporations shall also record the information session and post the link to the recording on their SB 1221

¹⁵⁷ *Id.* at 7.

¹⁵⁸ PG&E Reply Comments on the Proposed Decision at 3.

¹⁵⁹ Indicated Shippers Opening Comments on the Proposed Decision at 3; SoCalGas/SDG&E Reply Comments on the Proposed Decision at 3.

¹⁶⁰ SCE Opening Comments on the Proposed Decision at 3.

websites within five days. The Commission will also post a link to the information sessions on its SB 1221 website.

We decline to extend the deadline for Gas Corporations to host a virtual information session to August 15, 2026, as suggested by SoCalGas/SDG&E. The purpose of the information sessions is to educate California communities about opportunities under SB 1221 and to gather public feedback before the Pilot Program is established. After we establish the Pilot Program by July 1, 2026, Gas Corporations may be directed to conduct more community outreach.

We also encourage outreach and engagement on SB 1221 implementation issues that are not utility-led. The Energy Division may conduct community outreach in 2026. The assigned Commission and/or Administrative Law Judges may also direct parties and stakeholders to form a working group to address the interrelated issues in SB 1221 pilot implementation, as needed.

5.4. Cost Recovery of Community Engagement

PG&E, SoCalGas/SDG&E, Southwest Gas, and SCE recommend that the Commission authorize cost recovery for the incremental, verifiable costs of expanded community, local government, and customer outreach, as well as new reporting.¹⁶¹ PG&E and Southwest Gas support the use of the memorandum account authorized in Decision (D.) 25-07-016, and PG&E states that it will file a Tier 1 advice letter within 30 days of the decision's issuance date to update the

¹⁶¹ PG&E Opening Comments on the Proposed Decision at 1, 5; SCE Reply Comments on the Proposed Decision at 3-4; SoCalGas/SDG&E Opening Comments on the Proposed Decision at 2-3; Southwest Gas Opening Comments on the Proposed Decision at 1-2.

memorandum account and record these costs.¹⁶² In contrast, SoCalGas/SDG&E recommends establishing a two-way balancing account.¹⁶³

Cal Advocates opposes authorizing utilities to track costs in this decision. According to Cal Advocates, this decision is appropriately limited to the sole issue of designating decarbonization zones, and parties will have an opportunity to consider cost recovery in Track 3.¹⁶⁴

We decline to adopt the recommendations of PG&E, SCE, SoCalGas/SDG&E, and Southwest Gas without prejudice. This decision does not require SCE to conduct outreach or file a Report; therefore, authorizing SCE to track costs would be inappropriate. Instead, this decision directs the Gas Corporations to conduct outreach, host and record one information session, and file a Report by April 1, 2026. To pursue cost recovery, Gas Corporations may file a motion requesting authority to track costs associated with complying with this decision. Gas Corporations are reminded that we will consider the reasonableness of costs tracked in a memorandum account as of the date the motion is filed.

5.5. Process for Updating Decarbonization Zones

Parties recommend clarifying the process for updating decarbonization zones. According to CMUA and the Joint CCAs, potentially supportive local governments and community partners may be waiting for more details about the

¹⁶² PG&E Opening Comments on the Proposed Decision at 5; Southwest Gas Opening Comments on the Proposed Decision at 1-2.

¹⁶³ SoCalGas/SDG&E Opening Comments on the Proposed Decision at 2-3.

¹⁶⁴ Cal Advocates Reply Comments on the Proposed Decision at 2-4.

Pilot Program before engaging.¹⁶⁵ CMUA recommends not finalizing decarbonization zones until after the first round of pilot projects has been submitted.¹⁶⁶ The Joint CCAs recommend releasing multiple updates to the decarbonization zones, including an update after the Pilot Program is established.¹⁶⁷ NRDC/Sierra Club recommends setting a date or clarifying the process for rolling updates to decarbonization zones.¹⁶⁸ CMUA, PG&E, and SoCalGas/SDG&E suggest allowing utilities to update decarbonization zone designations through the Advice Letter process.¹⁶⁹ TURN recommends clarifying that the Commission will update the initial zones by December 2026, require utilities to provide additional risk data in their April 1, 2026 Report, and treating zone designation as an iterative process.¹⁷⁰ UCAN recommends that the Commission establish quarterly updates or, at a minimum, biennial updates after the opportunity for feedback.¹⁷¹

In decarbonization updates, some parties recommend that we commit to certain designations. Contra Costa recommends requiring that all updates to the initial decarbonization zones include one or more neighborhoods in

¹⁶⁵ CMUA Opening Comments on the Proposed Decision at 2-3; Joint CCAs Opening Comments on the Proposed Decision at 3.

¹⁶⁶ CMUA Opening Comments on the Proposed Decision at 4.

¹⁶⁷ Joint CCAs Opening Comments on the Proposed Decision at 3.

¹⁶⁸ NRDC/Sierra Club Opening Comments at 2, 5.

¹⁶⁹ CMUA Reply Comments on the Proposed Decision at 1-2; PG&E Opening Comments on the Proposed Decision at 1, 3; SoCalGas/SDG&E Reply Comments on the Proposed Decision at 2.

¹⁷⁰ TURN Opening Comments on the Proposed Decision at 3, 8.

¹⁷¹ UCAN Reply Comments on the Proposed Decision at 2.

unincorporated areas of counties.¹⁷² SCE recommends that the final decarbonization zone determination be proportionate to the gas load.¹⁷³

Given the iterative nature of SB 1221 implementation and our intention to update the zone criteria, we decline to commit to specific decarbonization zone designations or a detailed process at this time. However, we clarify that the intent behind the April 1, 2026 Report directed by this decision is to enable an update to the decarbonization zones concurrently with the establishment of the Pilot Program. If circumstances preclude an update at that time, we commit to updating them by December 31, 2026.

We also decline to allow Gas Corporations to update decarbonization zones through the Advice Letter process in this decision. Section 662(d) requires the public to have an opportunity to comment on updates to the decarbonization zones.

5.6. Review of Fact Sheet

PG&E and SoCalGas/SDG&E recommend providing the fact sheet to utilities to review for accuracy by January 15, 2026.¹⁷⁴ In public comments, the BEEP Coalition also requests that Gas Corporations incorporate community partner feedback into the fact sheet before finalizing distribution. While UCAN supports PG&E's request for a date-certain deadline for the fact sheet's

¹⁷² Contra Costa Opening Comments on the Proposed Decision at 2.

¹⁷³ SCE Opening Comments on the Proposed Decision at 2-3.

¹⁷⁴ PG&E Opening Comments on the Proposed Decision at 2, 5-6; SoCalGas/SDG&E Opening Comments on the Proposed Decision at 2, 5.

completion, it opposes the recommendation that utilities review the fact sheet.¹⁷⁵ According to UCAN, the Commission may determine what information the Gas Corporations must supply to gas customers.¹⁷⁶

We agree. While we can commit to completing the fact sheet by January 15, 2026, we will not provide it for utility or community partner review. The fact sheet is a Commission product.

6. Assignment of Proceeding

Karen Douglas is the assigned Commissioner and Robyn Purchia and Paula Gruendling are the assigned Administrative Law Judges in this proceeding.

Findings of Fact

1. Section 662(a) requires the Commission to designate decarbonization zones on or before January 1, 2026.
2. Section 662(d) permits the Commission to update the decarbonization zones as necessary following an opportunity for public comment.
3. Decarbonization zones are geographic areas within which the Commission may authorize pilot projects through the Pilot Program.
4. Section 661(a) requires Gas Corporations to include Commission-designated decarbonization zones on maps they submit to the Commission.
5. Gas Corporations provided recommendations on the designation of decarbonization zones.

¹⁷⁵ UCAN Reply Comments on the Proposed Decision at 2.

¹⁷⁶ *Ibid.*

6. The Commission provided opportunities for public comment on the designation of decarbonization zones.

7. The adopted methodology for designating initial decarbonization zones is reasonably flexible for pilot proposals and provides enough information to facilitate meaningful public and stakeholder comment.

8. Designating the initial decarbonization zones at the census tract level offers flexibility, as a variety of pilot project sizes may fit within them.

9. The Commission considered all factors listed in Sections 662(a)(1)-(4) when designating the initial decarbonization zones.

10. Numerous parties highlighted the importance of local support to designating decarbonization zones. Expressions of support for SB 1221 pilots are regarded as indications of interest rather than binding commitments.

11. Numerous city and county governments, other government organizations, and non-governmental organizations, representing at least 929 of California's 9,000 census tracts, indicated support for pilot projects.

12. Supportive communities are more likely to want pilot projects and implement them successfully.

13. Granting local governments' and/or community organizations' requests for broadly designated decarbonization zones within their jurisdictions would fail to provide the public and stakeholders with meaningful information.

14. Numerous parties emphasize the importance of considering gas distribution line projects when designating decarbonization zones.

15. A concentration of gas distribution line projects represents an opportunity for cost savings.

16. Gas replacement project timelines are relevant to project planning and the maps the Gas Corporations submitted to the Commission on July 1, 2025, reflect risk scores representing prioritization for gas replacement.

17. A threshold higher than 10 percent of gas mains scheduled for replacement excludes too many areas with local support, such as Los Angeles locations and Elk Grove.

18. A threshold lower than 10 percent of gas mains scheduled for replacement makes almost all census tracts eligible for designation as a decarbonization zone.

19. In Alameda and San Diego counties, public, governmental, and non-governmental organizations demonstrated strong support for decarbonization at the county and city levels.

20. Alameda and San Diego counties have many census tracts with gas mains scheduled for replacement.

21. Without a 25-census-tract cap on the number of census tracts with local support and a concentration of gas distribution line replacement projects, Alameda County would have 35 additional initial decarbonization zones (18 percent of the total), and San Diego County would have 171 (58 percent of the total).

22. Allowing certain geographic areas to be overrepresented in our decarbonization zone designations would affect our ability to gather information from diverse neighborhoods with varying challenges across different utility service areas.

23. The 25 census tracts chosen in Alameda and San Diego counties contain the highest percentage of gas replacement projects in their counties.

24. The Legislature found that deployment of zero-emission alternatives under SB 1221 should prioritize benefits to disadvantaged and low-income communities.

25. Out of 35 census tracts in Alameda County that fell outside the 25-census-tract cap, six census tracts score in the top 25 percent of CalEnviroScreen 4.0.

26. Out of the 171 census tracts in San Diego County that fell outside the 25-census-tract cap, six census tracts score in the top 25 percent of CalEnviroScreen 4.0.

27. The initial decarbonization zones have an average CES percentile of 51.

28. Asthma rates are one of the indicators that feed into the CES composite score and are a key indicator of health vulnerability.

29. The initial decarbonization zones have an average asthma rate percentile of 58.

30. Our consideration of Section 662(a)(1) is distinct from our consideration of Section 662(a)(2).

31. Numerous resources could inform our consideration of whether decarbonization zones contain the presence of disadvantaged or low-income communities in high-temperature climate zones or low-temperature climate zones that disproportionately lack heating or cooling.

32. Approximately 68 percent of initial decarbonization zones contain low-income households, according to the California Air Resources Board, "List of Priority Populations 4.0 Tool."

Conclusions of Law

1. It is reasonable to designate the 151 initial decarbonization zones shown in Appendix A of this decision.

2. It is reasonable to commit to updating the initial decarbonization zones by December 31, 2026.

3. It is reasonable to designate the initial decarbonization zones as census tracts that (1) have available supportive local government or community partners, (2) contain a concentration of gas distribution line replacement projects, and (3) contain a presence of environmental and social justice communities.

4. It is reasonable to require each Gas Corporation to (1) provide the fact sheet from the Commission's Public Advisor's Office to tribal representatives in their service territory and community organizations in diverse geographic locations throughout their service territory, including those that represent or work with disadvantaged, low-income, and/or environmental and social justice communities; (2) provide the fact sheet from the Commission's Public Advisor's Office to a representative of each LSE of their service territory; (3) provide the fact sheet from the Commission's Public Advisor's Office to a Director of Planning, Community Development, Housing, or similar department in each city and county of their service territory where they have identified a foreseeable pipeline replacement project; (4) host and record one virtual SB 1221 information session for government representatives, community organizations, and members of the public in each of their service areas between January 15, 2026, and March 15, 2026, to hear comments in support of or opposition to the designation of decarbonization zones in specific areas and solicit feedback on SB 1221's

diversity and equity considerations, including feedback about local environmental hazards, the ability of homes and small businesses in the community access to cooling and/or heating, health considerations, and community barriers to decarbonization; (5) make interpretation services available at the information session if the Gas Corporation receives a request for interpretation at least five business days before the session; and (6) post the link to a recording of the virtual information session on their SB 1221 website within five days of hosting the information session.

5. It is reasonable to require each Gas Corporation to use the fact sheet provided by the Commission's Public Advisor's Office and designate a point person for supportive government representatives and community organizations to contact when conducting outreach and at the SB 1221 information session.

6. It is reasonable to require each Gas Corporation to provide attendees with a link to the "Public Comment" tab of the R.24-09-012 online Docket Card.

7. It is reasonable to require each Gas Corporation to comply with the notice requirements described in this decision's Ordering Paragraphs.

8. It is reasonable to require each Gas Corporation to file a Report in the docket of this Rulemaking by April 1, 2026 that details (1) which tribal representatives, LSE representatives, and community organizations received the fact sheet; (2) an attestation that the fact sheet was provided to a Director of Planning, Community Development, Housing, or similar department in every city and county in their service territory where the Gas Corporation identified a foreseeable pipeline replacement project; (3) any and all community organizations and local governments that expressed interest in or opposition to

participating in SB 1221's decarbonization opportunities; (4) any and all feedback the Gas Corporations received regarding SB 1221's diversity and equity considerations; (5) the date, time, and link to a recording of the virtual information session; (6) documentation that the information session was properly noticed; (7) the Gas Corporation's proposal for continuing community outreach efforts beyond April 1, 2026; and (8) the Gas Corporation's recommendation for census tracts to be included in the decarbonization zone update.

9. It is reasonable to anticipate that supportive communities are more likely to want pilot projects and have success implementing them.

10. It is reasonable to deny requests to designate large areas as initial decarbonization zones.

11. It is reasonable to consider all gas replacement projects with risk scores representing later years, *i.e.*, approximately 2028-2035.

12. It is reasonable to narrow the designation of the initial decarbonization zones to census tracts where 10 percent or more of the gas mains are identified for replacement in 2028-2035, so we can be flexible for pilot project proposals and provide enough information to facilitate meaningful public and stakeholder engagement.

13. It is reasonable to impose a 25-census-tract cap on the number of designated census tracts with a concentration of gas distribution line replacement projects in all counties for the initial decarbonization zones.

14. It is reasonable to expand the initial decarbonization zones in counties impacted by our 25-census-tract cap to include census tracts with environmental and social justice communities.

15. It is reasonable to defer application of the presence of disadvantaged or low-income communities in high-temperature climate zones or low-temperature climate zones that disproportionately lack heating or cooling until we update the decarbonization zones.

16. Given our commitment to updating the decarbonization zones by December 31, 2026, it is reasonable to designate initial decarbonization zones in a wide range of communities.

O R D E R

IT IS ORDERED that:

1. In compliance with Public Utilities Code Section 662(a), the Commission designates the 151 initial priority neighborhood decarbonization zones, shown in Appendix A to this decision.

2. As required by Public Utilities Code Section 661(a)(3), Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company shall each complete the following three tasks by January 16, 2026: (1) include the locations of the initial priority neighborhood decarbonization zones designated within their respective service areas on their maps; (2) update their map user guides to include information about the initial priority neighborhood decarbonization zones; and (3) reflect the initial priority neighborhood decarbonization zones on their Senate Bill 1221 webpages. Once the three tasks described in this Ordering Paragraph are complete, Pacific Gas

and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company shall each notify the service list for Rulemaking 24-09-012.

3. Pacific Gas and Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, and Southwest Gas Corporation shall each (1) provide the fact sheet from the Commission's Public Advisor's Office to tribal representatives in their service territory and community organizations in diverse geographic locations, including those that represent or work with disadvantaged, low-income, and/or environmental and social justice communities; (2) provide the fact sheet from the Commission's Public Advisor's Office to a representative of each Load Serving Entity within their service territory; (3) provide the fact sheet from the Commission's Public Advisor's Office to a Director of Planning, Community Development, Housing, or similar department in each city and county of their service territory where they have identified a foreseeable pipeline replacement project; (4) host and record one virtual Senate Bill 1221 information session for government representatives, community organizations, and members of the public in each of their service areas between January 15, 2026, and March 15, 2026, to hear comments in support of or opposition to the designation of decarbonization zones in specific areas and solicit feedback on Senate Bill 1221's diversity and equity considerations, including feedback about local environmental hazards, the ability of homes and small businesses in the community access to cooling and/or heating, health considerations, and community barriers to decarbonization; (5) make interpretation services available at the information session if the Gas Corporation receives a request for interpretation at least five business days

before the session; and (6) post a link to the recording of the virtual information session on their Senate Bill 1221 website within five days of hosting the information session. When conducting outreach and at the Senate Bill 1221 information session(s), the Gas Corporations shall each use a fact sheet provided by the Commission's Public Advisor's Office and designate a point person for supportive government representatives and community organizations to contact. At the Senate Bill 1221 information session(s), the Gas Corporations shall each provide attendees with a link to the "Public Comment" tab of the R.24-09-012 online Docket Card.

4. Pacific Gas and Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, and Southwest Gas Corporation shall each comply with the following notice requirements for the Senate Bill 1221 information session(s):

- (a) Customer notifications: (1) Pacific Gas and Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, and Southwest Gas Corporation shall prepare a notice that informs their customers about the virtual Senate Bill 1221 information session, including a summary of Senate Bill 1221, the date, time, and how to participate as a party or a member of the public in this Rulemaking. (2) Pacific Gas and Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, and Southwest Gas Corporation shall prepare the notice in English, Spanish, Chinese, and Tagalog informing their customers of the Senate Bill 1221 information session and provide a draft of the notice to the Commission's Public Advisor's

Office. The Public Advisor's Office may alter or require changes to the notice. (3) After the Public Advisor's Office approves the language for the notice, Pacific Gas and Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, and Southwest Gas Corporation shall provide notice of the virtual Senate Bill 1221 information session through direct e-mail communication to those customers where e-mail addresses are available. The subject line of the e-mail notices shall clearly notify the recipient that this is a Senate Bill 1221 information session. The electronic notice shall be sent no more than 30 days or less than 15 days prior to the virtual Senate Bill 1221 information session.

(b) Newspaper Notifications: Pacific Gas and Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, and Southwest Gas Corporation shall cause the notice approved by the Commission's Public Advisor's Office to be published in one or more newspapers of general circulation in their general service areas not less than five days before the virtual Senate Bill 1221 information session. Prior to the publishing, Pacific Gas and Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, and Southwest Gas Corporation shall each provide to the Public Advisor's Office a list of the locations where the approved notice will be circulated.

(c) Social Media, Website, and In-Office Notifications: Pacific Gas and Electric Company, Southern California Gas Company, San Diego Gas

& Electric Company, and Southwest Gas Corporation shall each cause the notice approved by the Commission's Public Advisor's Office to be published as follows: (1) on all social media platforms used by Pacific Gas and Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, and Southwest Gas Corporation; (2) on Pacific Gas and Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, and Southwest Gas Corporation's websites in prominent locations; and (3) in all offices located in California where customers come into contact with a company customer service representative.

5. By April 1, 2026, Pacific Gas and Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, and Southwest Gas Corporation shall each file a Report in the docket of this Rulemaking that details (1) which tribal representatives, representatives from Load Serving Entities, and community organizations received the fact sheet; (2) an attestation that the fact sheet was provided to a Director of Planning, Community Development, Housing, or similar department in every city and county in their service territory where the Gas Corporation identified a foreseeable pipeline replacement project; (3) any and all community organizations and local governments that expressed interest in participating in Senate Bill 1221's decarbonization opportunities; (4) any and all feedback the Gas Corporations received regarding Senate Bill 1221's diversity and equity considerations; (5) the date, time, and link to a recording of the virtual information session; (6) documentation that the information session was properly noticed; (7) the Gas Corporation's proposal for continuing

community outreach efforts beyond April 1, 2026; and (8) the Gas Corporation's recommendation for census tracts to be included in the decarbonization zone update.

6. Rulemaking 24-09-012 shall remain open.

This order is effective today.

Dated December 18, 2025, at Sacramento, California.

ALICE REYNOLDS

President

DARCIE L. HOUCK

JOHN REYNOLDS

KAREN DOUGLAS

MATTHEW BAKER

Commissioners