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SB 1221 Update for DACAG

Neighborhood Decarbonization Pilot Projects
CPUC Rulemaking 24-09-012

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California Public
Utilities Commission

Agenda

- SB 1221 Background
- Discussion topics:
 - *Criteria for selecting additional zones*
 - *Defining program characteristics*
 - *Community engagement*
- Q&A

Additional informational slides for reference

Background: SB 1221

- California adopted SB 1221 in 2024 to create a Neighborhood Decarbonization Pilot Project Program
 - Up to 30 projects statewide
 - Targeting areas with planned gas pipeline repair or replacement in the next 10 years
 - Must cost-effectively avoid gas replacement
 - SB 1221 encourages non-ratepayer funding, doesn't provide new funding
 - If 67% of property owners with natural gas consent to the zero-emission alternative and the project is successfully implemented, the CPUC shall relieve the gas corporation of its obligation to serve
 - Unlimited number of additional projects if they receive 100% customer consent

Background: CPUC Process and SB 1221

- SB 1221 zone and program definition are being addressed in the CPUC's Long-Term Gas Proceeding, R.24-09-012
- R.24-09-012 Scoping Memo asks questions regarding implementation of SB 1221 projects
 - Parties replied to these questions in December 2025

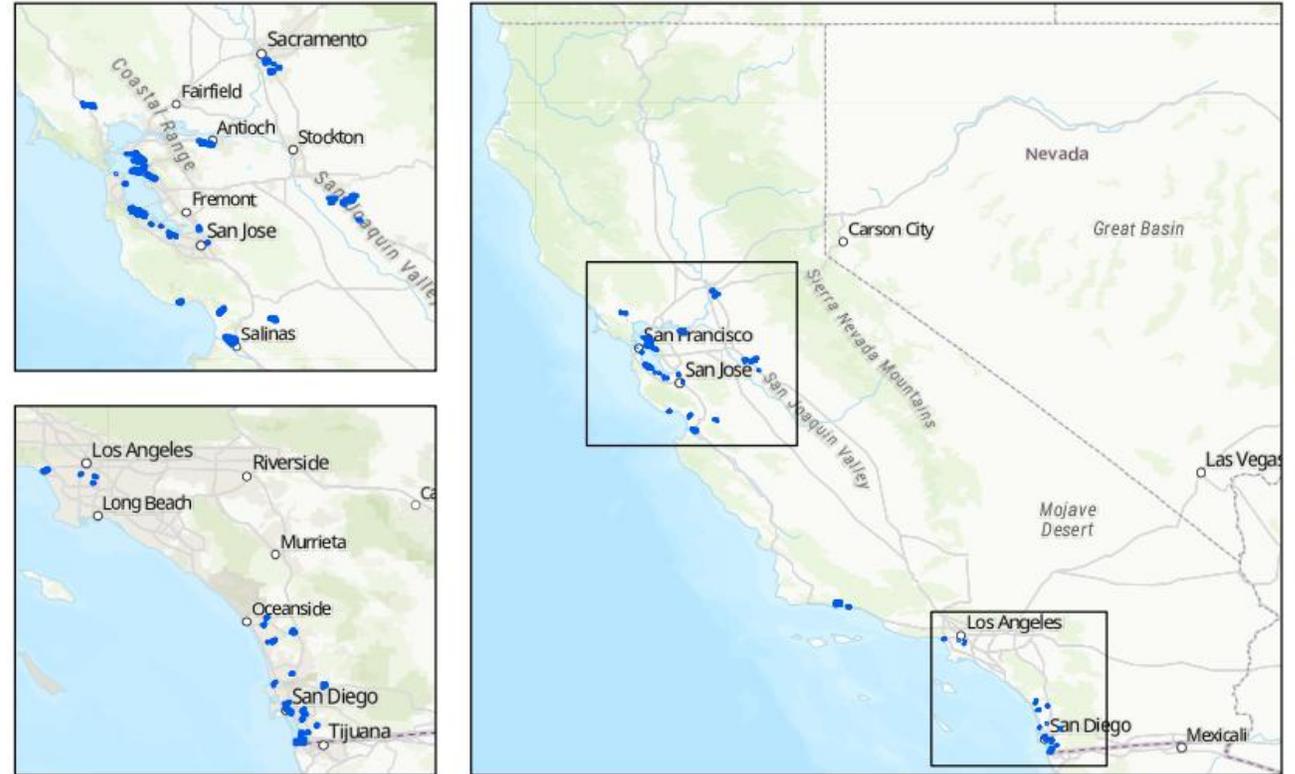
SB 1221 Recent Developments

- In December 2025, the CPUC designated 151 initial priority zones in which projects can be considered
 - The CPUC anticipates updating the zones by December 31, 2026.
 - Zones are likely to be larger than projects.
 - *Criteria for selecting additional zones*
- SB 1221 requires the CPUC to establish a Pilot Project Program for utilities to propose and implement pilot projects by July 1, 2026.
 - The characteristics of the Pilot Project Program are TBD until that decision is approved
 - *Defining program characteristics*
- Gas utilities are conducting community engagement per December 2025 Decision and other organizations are conducting their own engagement
 - *Community engagement*

Background: Initial 151 Priority Zones

How zones were selected:

1. A local government or organization requested a census tract be designated as a priority zone, and
2. 10% or more of the gas distribution main pipelines are scheduled for replacement in the next 10 years.
3. Initial zones were capped at 25 census tracts per county unless they had high CalEnviroScreen scores.



California State Parks, Esri, TomTom, Garmin, FAO, NOAA, USGS, Bureau of Land Management, EPA, NPS, USFWS, California State Parks, Esri, TomTom, Garmin, FAO, NOAA, USGS, EPA, USFWS

Initial SB 1221 Neighborhood Decarbonization Zones, 2025

Last Update: 12/12/2025

Created by: CPUC Energy Division: Building Decarbonization Section, Gas Policy & Reliability Section

Criteria for Selecting Additional Zones

- SB 1221 (section 662)(a)) requires zones to reflect:
 - 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.
- Parties have requested that added zones incorporate:
 - Later expressions of supportive partners
 - Disadvantaged communities, asthma rates, cooling/heating, and flexible ESJ considerations
 - More rural/central valley locations

Timeline: CPUC will decide on revised zones by December 2026.

Defining Program Characteristics

- SB 1221 requires that the program, among other things:
 - Ensure cost-effectiveness, excluding non-energy benefits
 - Ensure that a substitute for gas service for low-income customers is affordable, adequate, efficient, and just and reasonable
 - Ensure master-metered tenants receive adequate notice and engagement
 - Prioritize pilot projects that provide prevailing wages and use high road job programs
- How should these be defined and incorporated?

Timeline: CPUC is directed to establish the program by July 1, 2026.

Community Engagement (1)

December decision requires PG&E, SoCalGas, SDG&E, and Southwest Gas to:

- Provide a fact sheet from CPUC's PAO to:
 - Tribal representatives; community organizations in diverse geographic locations, including those that represent or work with DAC, low-income or ESJ communities; electric utilities; and city and county planning/housing departments
- Host and record one virtual SB 1221 information session between January 15, 2026, and March 15, 2026,
 - To hear comments on decarbonization zones in specific areas and solicit feedback on Senate Bill 1221's diversity and equity considerations

Community Engagement (2)

December decision requires PG&E, SoCalGas, SDG&E, and Southwest Gas to:

- Designate a point person for government representatives and community organizations to contact
- Use the PAO fact sheet when conducting outreach and at the Senate Bill 1221 information sessions

Others are conducting their own outreach

- Community engagement to date contributed to the selection of zones
- Party comments discuss the role of community engagement
- BEEP has hosted listening sessions about building decarbonization to provide input on this and other state activities

Timeline: Outreach can be ongoing leading up to project definition and implementation.

Community Engagement Status and Next Steps

- CPUC provided PAO fact sheet to utilities
- CPUC hosted webinar on February 12
- PG&E will host info session on February 26
 - <https://www.pge.com/assets/pge/docs/account/service-requests/pilot-neighborhood-decarbonization-programs-info-session.pdf>
- SoCalGas, SDG&E and Southwest Gas info sessions TBD

- CPUC could adopt more outreach requirements for utilities or leave it to their discretion

Timelines

- Decision defining program required by July 1, 2026 per SB 1221
 - This spring the CPUC can continue to receive input
 - Proposed Decision will receive party comment and potentially revisions
 - Proposed Decision will need to be published in Q2 2026, 30 days before being adopted, to meet July 1 adoption deadline
- Decision updating zones expected by December 31, 2026
 - This year, especially Q1-Q3, the CPUC can continue to receive input
 - Could be adopted in July, December or in between
- Later, utility proposals for SB 1221 projects conforming to July 1 program definition will be submitted to and reviewed by CPUC (deadlines TBD)
 - Community engagement can continue this year and later, including interaction with utilities leading up to their proposal submittals

Questions?



Backup Slide: Public Participation Opportunities

- Attend the gas utility information sessions between now and March 15, 2026, to inform priority zone updates.
 - PG&E: 2/26, 4:00 pm: <https://www.pge.com/assets/pge/docs/account/service-requests/pilot-neighborhood-decarbonization-programs-info-session.pdf>
- Request a priority zone in your area,
 - File a comment at <https://apps.cpuc.ca.gov/c/R2409012> that includes the 11-digit census tract numbers requested and the organization making the request.
 - The CPUC will take these requests into consideration when updating zones.
- Contact your gas utility to discuss the feasibility of a project in your area.
- To participate in the proceeding and help shape the program, file a motion for party status in R.24-09-012
 - Instructions at https://www.cpuc.ca.gov/Party_to_a_Proceeding/

Backup Slide: For more information:

- For the gas utility maps of replacement projects, gas utility contacts, and information on requesting a priority zone go to
<https://www.cpuc.ca.gov/industries-and-topics/natural-gas/sb-1221-implementation>
- For regulatory updates on the CPUC's Long-Term Gas Planning Rulemaking, which includes SB 1221 implementation, go to
<https://www.cpuc.ca.gov/industries-and-topics/natural-gas/long-term-gas-planning-rulemaking>

Or

Subscribe for real-time updates at
<https://subscribecpuc.cpuc.ca.gov/>
(Proceeding is R.24-09-012)

