

AMENDED IN SENATE APRIL 25, 2024

AMENDED IN SENATE MARCH 18, 2024

## SENATE BILL

No. 1221

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Introduced by Senator Min

February 15, 2024

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An act to amend Section 451 of, to add Sections 451.6 and 739.16 to, and repeal Section 451.9 of, to add and repeal Article 11 (commencing with Section 660) to of Chapter 3 of Part 1 of Division 1 of, and to repeal Sections 660, 661, 662, and 663 of, the Public Utilities Code, relating to gas corporations.

### LEGISLATIVE COUNSEL'S DIGEST

SB 1221, as amended, Min. Gas corporations: ~~gas distribution infrastructure: zero-emission alternatives: priority neighborhood decarbonization zones: pilot projects.~~

Existing law vests the Public Utilities Commission with regulatory authority over public utilities, including gas corporations. Existing law requires every public utility to furnish and maintain adequate, efficient, just and reasonable service, instrumentalities, equipment, and facilities as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public.

This bill would require each gas corporation, ~~by on or before July 1, 2025, to and~~ annually thereafter, to file a map containing certain information, including the location of all potential gas distribution line replacement projects identified in its distribution integrity management plan and other foreseeable gas distribution pipeline replacements. *The bill would require the commission, on or before January 1, 2026, in a new or existing proceeding, to establish a voluntary program to facilitate the cost-effective decarbonization of priority neighborhood*

*decarbonization zones, as defined, not to exceed 30 pilot projects across the state and affecting no more than 1% of each of gas corporation's customers within their service territory. The bill would require the commission, by January 1, 2026, commission to do various things, including the establishment of establish the criteria and methodology for determining the cost-effectiveness of zero-emission alternatives, as defined, the determination of for purposes of the pilot projects, determine the appropriate rate of return and recovery period that a gas corporation is eligible to receive for their costs to implement zero-emission alternatives, the designation of alternatives for purposes of the pilot projects, and designate priority neighborhood decarbonization zones taking into consideration certain factors, and the adoption of a long-term gas distribution system planning process to evaluate and implement zero-emission alternatives for gas distribution line replacement projects and other capital investments in the gas distribution system. The bill would require the commission to evaluate the costs and benefits of thermal energy networks and identify potential implementation barriers. The bill would prohibit a gas corporation from involuntarily laying off employees as a result of the implementation of zero-emission alternatives. factors. The bill would authorize a gas corporation to cease providing service in an area within its service territory where a pilot project has been implemented if the commission determines that adequate substitute energy service is reasonably available to support the energy end use of affected gas corporation customers, as provided. The bill would repeal the above-described provisions on January 1, 2030. The bill would also require the commission to submit various reports to the relevant committees of the Legislature regarding the pilot projects, as provided, and would repeal these reporting requirements on January 1, 2031.*

*This bill would authorize a gas corporation to cease providing service if adequate substitute energy service is reasonably available to support the energy end use of the affected gas corporation customers.*

*This bill would require the commission, by January 1, 2026, to direct each electrical corporation to offer incremental discounts or other rate adjustments, if needed, to enable the adoption of building electrification technologies by participants in the California Alternate Rates for Energy (CARE) program or the Family Electric Rate Assistance (FERA) program, as provided.*

Under existing law, a violation of the Public Utilities Act or an order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because the above requirements are codified in the act and a violation of those requirements or a commission's action implementing those requirements would be a crime, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1     ~~SECTION 1. This act shall be known, and may be cited, as the~~  
2     ~~Affordable Energy Transition and Workforce Protection Act.~~  
3     ~~SEC. 2.~~  
4     ~~SECTION 1.~~ (a) The Legislature finds and declares all of the  
5     following:  
6         (1) California is leading the nation in moving toward clean,  
7         renewable forms of energy to fight climate change and improve  
8         the health and well-being of residents.  
9         (2) ~~Gas~~ *Natural gas* demand is already declining as California  
10        transitions away from ~~fossil~~ *natural* gas to achieve the state's  
11        climate and air quality objectives.  
12        (3) Without active planning and management, reduced demand  
13        for ~~fossil~~ *natural* gas will result in higher gas rates, with a  
14        disproportionate burden on customers unable to afford to transition  
15        away from dependence on gas appliances.  
16        (4) A longer term planning process is necessary to evaluate  
17        zero-emission alternatives, including neighborhood electrification  
18        and thermal energy networks, that could avoid new capital  
19        investment in the gas system that may become stranded assets and  
20        to reduce upward pressure on gas rates.  
21        (5) Installation of electric heat pump space conditioning systems,  
22        which provide both efficient heating and cooling, is particularly  
23        valuable in frontline communities to improve occupant comfort

1 and increase resilience to heat waves because members of those  
2 communities are more likely to lack access to air conditioning.

3 ~~(6) Cost-effective, zero-emission alternatives both reduce gas~~  
4 ~~system costs and further California's efforts to reduce greenhouse~~  
5 ~~gas pollution and improve air quality.~~

6 ~~(7)~~

7 (6) Cost-effective, zero-emission alternatives to pipeline  
8 replacement projects both reduce gas system costs and further  
9 California's efforts to reduce greenhouse gas pollution and improve  
10 air quality.

11 ~~(8)~~

12 (7) Deployment of zero-emission alternatives should prioritize  
13 high road jobs for workers.

14 ~~(9)~~

15 (8) Deployment of zero-emission alternatives should prioritize  
16 benefits to disadvantaged and low-income communities and include  
17 tenant and bill protections.

18 (b) It is the intent of the Legislature ~~to provide direction for~~  
19 ~~purposes of the Public Utilities Commission's ongoing long-term~~  
20 ~~gas planning rulemaking (R.20-01-007) to ensure affordability and~~  
21 ~~to provide protections for communities and workers: that the Public~~  
22 *Utilities Commission authorize gas corporations to deploy a limited*  
23 *and targeted number of pilot projects to decommission portions*  
24 *of the natural gas corporation distribution system.*

25 (c) *It is further the intent of the Legislature that pilot projects*  
26 *authorized by the Public Utilities Commission will provide lessons,*  
27 *including by identifying, documenting, and reporting on key*  
28 *challenges and successes, hurdles to customer participation, cost*  
29 *and affordability implications, customer satisfaction, and other*  
30 *outcomes concerning natural gas distribution system*  
31 *decommissioning and electrification.*

32 ~~SEC. 3. Section 451 of the Public Utilities Code is amended~~  
33 ~~to read:~~

34 ~~451. (a) (1) All charges demanded or received by a public~~  
35 ~~utility, or by two or more public utilities, for a product or~~  
36 ~~commodity furnished or to be furnished or a service rendered or~~  
37 ~~to be rendered shall be just and reasonable. Every unjust or~~  
38 ~~unreasonable charge demanded or received for that product or~~  
39 ~~commodity or service is unlawful.~~

~~(2) Every public utility shall furnish and maintain adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities, including telephone facilities, as defined in Section 54.1 of the Civil Code, as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public.~~

~~(3) All rules made by a public utility affecting or pertaining to its charges or service to the public shall be just and reasonable.~~

~~(b) (1) This section does not apply to the provision of gas service at premises that have ceased gas service pursuant to Section 451.6.~~

~~(2) Notwithstanding any other law, the gas corporation that previously served those premises described in paragraph (1) shall have no further obligation to provide gas service to those premises. The gas corporation shall continue to have an obligation to serve all other customers in its service territory.~~

~~SEC. 4. Section 451.6 is added to the Public Utilities Code, to read:~~

~~451.6. Notwithstanding any other law, a gas corporation may cease providing service if adequate substitute energy service is reasonably available to support the energy end uses of the affected gas corporation customers.~~

~~SEC. 2. Section 451.9 is added to the Public Utilities Code, to read:~~

~~451.9. (a) Notwithstanding any other law, a gas corporation may cease providing service in an area within its service territory where a pilot project has been implemented pursuant to Section 663 if the commission determines that adequate substitute energy service is reasonably available to support the energy end use of affected gas corporation customers.~~

~~(b) (1) In determining what constitutes adequate substitute energy service and when the substitute energy service is reasonably available, the commission shall adopt guidelines necessary to ensure that the rates for substitution of energy service for low-income customers and renters are just and reasonable.~~

~~(2) The commission shall authorize gas corporations to recover the unprecedented costs of any gas plant or asset, including the cost to retire the gas plant or asset that will no longer be used and useful. The commission shall determine the just and reasonable recovery of those costs, including the period over which the~~

1 *undepreciated costs are recovered so as to minimize impacts to*  
2 *remaining gas distribution system customers.*

3 *(c) This section shall remain in effect only until January 1, 2030,*  
4 *and as of that date is repealed.*

5 ~~SEC. 5.~~

6 SEC. 3. Article 11 (commencing with Section 660) is added  
7 to Chapter 3 of Part 1 of Division 1 of the Public Utilities Code,  
8 to read:

9  
10 Article 11. ~~Gas Distribution Infrastructure Plan~~ *Neighborhood*  
11 *Decarbonization Zone Pilot Projects*  
12

13 660. For purposes of this article, the following definitions  
14 apply:

15 (a) “Disadvantaged community” means a community identified  
16 pursuant to Section 39711 of the Health and Safety Code.

17 (b) “Distribution integrity management plan” means a plan  
18 developed pursuant to Part 192 (commencing with Section 192.1)  
19 of Title 49 of the Code of Federal Regulations.

20 (c) “Gas distribution line” means either gas distribution main  
21 lines or gas distribution service lines.

22 (d) “Gas distribution main line” has the same meaning as “main”  
23 set forth in Section 192.3 of Title 49 of the Code of Federal  
24 Regulations.

25 (e) “Gas distribution service line” has the same meaning as  
26 “service line” set forth in Section 192.3 of Title 49 of the Code of  
27 Federal Regulations.

28 (f) “Low-income” means having a household income no greater  
29 than 80 percent of area median income or qualifying for  
30 participation in the California Alternate Rates for Energy (CARE)  
31 program or Family Electric Rate Assistance (FERA) program.

32 (g) “Priority neighborhood decarbonization zone” means a zone  
33 identified pursuant to ~~Section 663.~~ 662.

34 (h) “Thermal energy network” means a network of piped  
35 noncombustible fluids used for transferring heat into and out of  
36 buildings for purposes of providing zero-emission heating and  
37 cooling services.

38 (i) “Zero-emission alternatives” means methods of providing  
39 gas customers with suitable replacement energy service that does  
40 not require new investment in gas distribution lines, including, but

1 not limited to, electrification of gas end uses and energy efficiency,  
2 thermal energy networks, and demand flexibility measures to alter  
3 energy needs.

4 *(j) This section shall remain in effect only until January 1, 2030,*  
5 *and as of that date is repealed.*

6 661. On or before July 1, 2025, and each year thereafter, each  
7 gas corporation shall submit to the commission a map that includes  
8 all of the following:

9 (a) The location of all potential gas distribution line replacement  
10 projects identified in its distribution integrity management plan  
11 and any foreseeable gas distribution pipeline replacements.

12 (b) The city, county, and census tract boundaries within the gas  
13 corporation's service territory.

14 (c) Locations of disadvantaged communities and priority  
15 neighborhood decarbonization zones, if designated by the  
16 commission pursuant to Section ~~663~~, 662, that are within the gas  
17 corporation's service territory.

18 (d) Any additional information required by the commission.

19 *(e) This section does not authorize the commission to expand*  
20 *projects for zero-emission alternatives beyond those pilot projects*  
21 *authorized pursuant to Section 663.*

22 *(f) This section shall remain in effect only until January 1, 2030,*  
23 *and as of that date is repealed.*

24 ~~662. On or before January 1, 2026, in a new or existing~~  
25 ~~proceeding, the commission shall establish all of the following:~~

26 ~~(a) Criteria and methodology for determining the~~  
27 ~~cost-effectiveness of a zero-emission alternative. The commission~~  
28 ~~shall consider nonenergy benefits in determining the~~  
29 ~~cost-effectiveness of zero-emission alternatives.~~

30 ~~(b) Requirements and programs to ensure that a substitute for~~  
31 ~~gas service for low-income customers is affordable, adequate,~~  
32 ~~efficient, and just and reasonable, including, but not limited to,~~  
33 ~~bill and renter protections.~~

34 ~~(c) Notice requirements for customers if a zero-emission~~  
35 ~~alternative would be implemented. Notice shall include information~~  
36 ~~about the climate and health benefits of zero-emission buildings~~  
37 ~~and the potential impact of declining gas demand on gas rates, and~~  
38 ~~the notice shall be made available in the area's prevailing~~  
39 ~~languages.~~

1     ~~(d) The appropriate rate of return and recovery period that a gas~~  
2     ~~corporation is eligible to receive for their costs to implement a~~  
3     ~~zero-emission alternative. A gas corporation shall not receive~~  
4     ~~ratepayer funding for the costs of a zero-emission alternative that~~  
5     ~~are covered by incentives under federal, state, or local laws.~~

6     ~~663. (a) On or before January 1, 2026, in a new or existing~~  
7     ~~proceeding and following the opportunity for public comment, the~~  
8     ~~commission shall designate priority neighborhood decarbonization~~  
9     ~~zones. In designating the zones, the commission shall consider~~  
10    ~~factors that include, but are not limited to, all of the following:~~

11    ~~(1) Presence of disadvantaged and low-income communities in~~  
12    ~~high-temperature climate zones that disproportionately lack~~  
13    ~~cooling.~~

14    ~~(2) Presence of environmental and social justice communities~~  
15    ~~as defined in the commission's Environmental and Social Justice~~  
16    ~~Action Plan.~~

17    ~~(3) Availability of supportive local government or community~~  
18    ~~partners.~~

19    ~~(4) Concentration of gas distribution line replacement projects~~  
20    ~~identified in the map submitted pursuant to Section 661.~~

21    ~~(b) The commission shall coordinate with relevant agencies to~~  
22    ~~identify third-party funding, such as state and federal funds, that~~  
23    ~~may be used to execute projects in priority neighborhood~~  
24    ~~decarbonization zones that would be cost effective with~~  
25    ~~supplemental nonratepayer funding.~~

26    ~~(c) If zero-emission alternatives are implemented in a priority~~  
27    ~~neighborhood decarbonization zone, the commission shall direct~~  
28    ~~gas corporations and electrical corporations, if appropriate, to~~  
29    ~~leverage other available programs, including, but not limited to,~~  
30    ~~energy efficiency, low-income weatherization, and distributed~~  
31    ~~generation programs.~~

32    ~~(d) The commission may, after providing an opportunity for~~  
33    ~~public comment, update the priority neighborhood decarbonization~~  
34    ~~zones as necessary.~~

35    ~~664. (a) On or before July 1, 2026, the commission shall adopt~~  
36    ~~a long-term gas distribution system planning process to evaluate~~  
37    ~~and implement zero-emission alternatives for gas distribution line~~  
38    ~~replacement projects and any other capital investments in the gas~~  
39    ~~distribution system the commission deems necessary.~~



1     ~~(b) The commission may establish a separate process to routinize~~  
2 ~~review, communication, and execution of zero-emission~~  
3 ~~alternatives for gas distribution service line replacements.~~

4     ~~(c) This section does not prevent a gas corporation from seeking~~  
5 ~~commission approval of pilot projects to implement zero-emission~~  
6 ~~alternatives before establishment of a long-term gas distribution~~  
7 ~~system planning process, if the cost to gas ratepayers of the~~  
8 ~~zero-emission alternative is less than, or equal to, the cost of the~~  
9 ~~gas distribution pipeline replacement project and adequate~~  
10 ~~substitution of service has been provided. A gas corporation may~~  
11 ~~replace no more than 3 percent of its gas distribution pipelines~~  
12 ~~with zero-emission alternatives before the commission adopts a~~  
13 ~~long-term gas distribution system planning process.~~

14     ~~665. In a new or existing proceeding, the commission shall~~  
15 ~~evaluate the costs and benefits of thermal energy networks and~~  
16 ~~identify potential implementation barriers.~~

17     ~~666. (a) The commission shall require that all construction~~  
18 ~~work undertaken to implement a zero-emission alternative, other~~  
19 ~~than decommissioning a gas corporation's plant and property by~~  
20 ~~employees of the gas corporation or front-of-meter work performed~~  
21 ~~by an electrical corporation or local publicly owned electric utility,~~  
22 ~~as appropriate, shall be constructed using a skilled and trained~~  
23 ~~workforce as provided in Chapter 2.9 (commencing with Section~~  
24 ~~2600) of Part 1 of Division 2 of the Public Contract Code, and all~~  
25 ~~of the following conditions shall apply:~~

26     ~~(1) (A) Except as provided in paragraph (3), every contractor~~  
27 ~~and subcontractor performing work paid for in whole or in part by~~  
28 ~~the program implementing the zero-emission alternative shall use~~  
29 ~~a skilled and trained workforce to construct any portion of the~~  
30 ~~program.~~

31     ~~(B) Contractors and subcontractors that violate subparagraph~~  
32 ~~(A) are subject to the penalties provided in Section 2603 of the~~  
33 ~~Public Contract Code. Penalties for a contractor's or~~  
34 ~~subcontractor's failure to comply with the requirement to use a~~  
35 ~~skilled and trained workforce may be assessed by the Labor~~  
36 ~~Commissioner within 18 months of completion of any portion of~~  
37 ~~the program using the same procedures for issuance of civil wage~~  
38 ~~and penalty assessments pursuant to Section 2603 of the Public~~  
39 ~~Contract Code. Penalties shall be paid to the State Public Works~~  
40 ~~Enforcement Fund.~~

1     ~~(2) (A) Except as provided in paragraph (3), every contractor~~  
2     ~~and subcontractor shall pay to all construction workers employed~~  
3     ~~in the construction of any portion of the program implementing~~  
4     ~~the zero-emission alternative at least the general prevailing rate of~~  
5     ~~per diem wages, as determined by the Director of Industrial~~  
6     ~~Relations pursuant to Sections 1773 and 1773.9 of the Labor Code,~~  
7     ~~except that apprentices registered in programs approved by the~~  
8     ~~Chief of the Division of Apprenticeship Standards may be paid at~~  
9     ~~least the applicable apprentice prevailing rate.~~

10    ~~(B) The obligation of contractors and subcontractors to pay~~  
11    ~~prevailing wages may be enforced by the Labor Commissioner~~  
12    ~~through the issuance of a civil wage and penalty assessment~~  
13    ~~pursuant to Section 1741 of the Labor Code, which may be~~  
14    ~~reviewed pursuant to Section 1742 of the Labor Code, within 18~~  
15    ~~months after the completion of any portion of the program, or by~~  
16    ~~an underpaid worker through an administrative complaint or civil~~  
17    ~~action, or by a joint labor-management committee through a civil~~  
18    ~~action under Section 1771.2 of the Labor Code. If a civil wage and~~  
19    ~~penalty assessment is issued, the contractor, subcontractor, and~~  
20    ~~surety on a bond or bonds issued to secure the payment of wages~~  
21    ~~covered by the assessment shall be liable for liquidated damages~~  
22    ~~pursuant to Section 1742.1 of the Labor Code.~~

23    ~~(3) Paragraphs (1) and (2) do not apply if all contractors and~~  
24    ~~subcontractors performing work on the project are subject to a~~  
25    ~~project labor agreement as defined in Section 2500 of the Public~~  
26    ~~Contract Code. The project labor agreement shall also include, but~~  
27    ~~not be limited to, all of the following:~~

28    ~~(A) Provisions requiring compliance with the skilled and trained~~  
29    ~~workforce requirement and for enforcement of that obligation~~  
30    ~~through an arbitration procedure.~~

31    ~~(B) Provisions requiring payment of prevailing wages to all~~  
32    ~~construction workers employed in the construction of any portion~~  
33    ~~of the program and for enforcement of that obligation through an~~  
34    ~~arbitration procedure.~~

35    ~~(C) Targeted hiring provisions, including a targeted hiring plan,~~  
36    ~~on a craft-by-craft basis to address job access for local,~~  
37    ~~disadvantaged, or underrepresented workers, as defined by a local~~  
38    ~~agency.~~

39    ~~(D) Apprenticeship use provisions that commit all parties to~~  
40    ~~increasing the share of work performed by state-registered~~

1 apprentices above the state-mandated minimum ratio required in  
2 Section 1777.5 of the Labor Code.

3 ~~(E) Apprenticeship use provisions that commit all parties to~~  
4 ~~hiring and retaining a certain percentage of state-registered~~  
5 ~~apprentices that have completed the Multi-Craft Core~~  
6 ~~preapprenticeship training curriculum referenced in subdivision~~  
7 ~~(t) of Section 14005 of the Unemployment Insurance Code.~~

8 ~~(b) This section does not apply to behind-the-meter work for~~  
9 ~~zero-emission alternatives to individual gas distribution line~~  
10 ~~replacement projects serving no more than three customers.~~

11 ~~(c) A gas corporation shall not involuntarily lay off any~~  
12 ~~employee as a result of the implementation of zero-emission~~  
13 ~~alternatives.~~

14 ~~667. This article does not prohibit a gas corporation from~~  
15 ~~seeking commission approval of cost-effective zero-emission~~  
16 ~~alternatives before the filing of a gas distribution infrastructure~~  
17 ~~plan.~~

18 *662. (a) On or before January 1, 2026, in a new or existing*  
19 *proceeding and following the opportunity for public comment, the*  
20 *commission shall designate priority neighborhood decarbonization*  
21 *zones. In designating the zones, the commission shall consider*  
22 *factors that include, but are not limited to, all of the following:*

23 *(1) Presence of disadvantaged and low-income communities in*  
24 *high-temperature climate zones that disproportionately lack*  
25 *cooling.*

26 *(2) Presence of environmental and social justice communities*  
27 *as defined in the commission's Environmental and Social Justice*  
28 *Action Plan.*

29 *(3) Availability of supportive local government or community*  
30 *partners.*

31 *(4) Concentration of gas distribution line replacement projects*  
32 *identified in the map submitted pursuant to Section 661.*

33 *(b) The commission shall coordinate with relevant agencies to*  
34 *identify third-party funding, such as state and federal funds, that*  
35 *may be used to execute pilot projects in priority neighborhood*  
36 *decarbonization zones that would be cost effective with*  
37 *supplemental nonratepayer funding.*

38 *(c) If pilot projects for zero-emission alternatives pursuant to*  
39 *Section 663 are implemented in a priority neighborhood*  
40 *decarbonization zone, the commission may direct gas corporations*

1 *and electrical corporations, if appropriate, to leverage other*  
2 *available programs, including, but not limited to, energy efficiency,*  
3 *low-income weatherization, and distributed generation programs.*

4 *(d) The commission may, after providing an opportunity for*  
5 *public comment, update the priority neighborhood decarbonization*  
6 *zones as necessary.*

7 *(e) This section does not authorize the commission to expand*  
8 *projects for zero-emission alternatives beyond those pilot projects*  
9 *authorized pursuant to Section 663.*

10 *(f) This section shall remain in effect only until January 1, 2030,*  
11 *and as of that date is repealed.*

12 *663. (a) On or before July 1, 2026, in a new or existing*  
13 *proceeding, the commission, in consultation with each of the state's*  
14 *three largest gas corporations, shall establish a voluntary program*  
15 *to facilitate the cost-effective decarbonization of priority*  
16 *neighborhood decarbonization zones, not to exceed 30 pilot*  
17 *projects across the state and affecting no more than 1 percent of*  
18 *each gas corporation's customers within their service territory.*

19 *(b) In administering the pilot projects established pursuant to*  
20 *subdivision (a), the commission shall establish all of the following:*

21 *(1) A process for gas corporations to determine and submit*  
22 *eligible priority neighborhood decarbonization zones.*

23 *(2) Criteria and methodology for determining the*  
24 *cost-effectiveness of a zero-emission alternative as compared to*  
25 *replacement, repair, or continued operation of the affected asset*  
26 *of the gas system. Nonenergy benefits may be considered in*  
27 *prioritizing pilot projects, but shall not be used to calculate cost*  
28 *effectiveness.*

29 *(3) Requirements and programs to ensure that a substitute for*  
30 *gas service for low-income customers is affordable, adequate,*  
31 *efficient, and just and reasonable, including, but not limited to,*  
32 *renter protections. However, the costs of renter protections shall*  
33 *not be borne by nonparticipating utility customers.*

34 *(4) A requirement that no less than 67 percent of the affected*  
35 *gas distribution customers within the priority neighborhood*  
36 *decarbonization zones consent to the pilot project. The commission*  
37 *shall establish the manner in which consent shall be received and*  
38 *notifications about the pilot project shall be provided to affected*  
39 *customers. Notifications shall include information about the climate*  
40 *and health benefits of zero-emission buildings and the potential*

1 *impact of declining gas demand on gas rates. Notifications shall*  
2 *be made available in the zone's prevailing languages.*

3 *(5) A requirement for addressing master-metered properties to*  
4 *ensure tenants receive adequate notification and engagement.*

5 *(6) A preference for pilot projects that provide prevailing wages*  
6 *and use high road job programs.*

7 *(7) A requirement that gas corporations coordinate with*  
8 *electrical corporations, publicly owned electric utilities,*  
9 *load-serving entities, local governments, and, if feasible, core*  
10 *transport agents affected by the pilot project.*

11 *(8) A requirement that gas corporations recover costs related*  
12 *to the pilot projects that are deemed just and reasonable and a*  
13 *requirement that prohibits a gas corporation from recovering*  
14 *behind-the-meter costs associated with the pilot projects as capital*  
15 *costs that are afforded a rate of return.*

16 *(9) The appropriate rate of return and recovery period that a*  
17 *gas corporation is eligible to receive for their costs to implement*  
18 *a zero-emission alternative. A gas corporation shall not receive*  
19 *ratepayer funding for the costs of a zero-emission alternative that*  
20 *are covered by incentives under federal, state, or local laws.*

21 *(c) This section shall remain in effect only until January 1, 2030,*  
22 *and as of that date is repealed.*

23 *664. (a) (1) Beginning on January 1, 2029, the commission,*  
24 *in a new proceeding, shall review the efficacy of the pilot projects*  
25 *established pursuant to Section 663 in providing benefits to gas*  
26 *utility customers and in assisting the state in meeting the state's*  
27 *climate change goals.*

28 *(2) On or before March 1, 2030, the commission shall submit*  
29 *to the relevant policy committees of the Legislature a report on*  
30 *the review performed pursuant to paragraph (1).*

31 *(b) On or before March 1, 2026, and on or before March 1 of*  
32 *each year thereafter, the commission shall submit a progress report*  
33 *to the relevant policy committees of the Legislature summarizing*  
34 *the findings of the pilot projects, including the locations of the*  
35 *pilot projects, the number of customers affected, the costs of the*  
36 *pilot projects, the funding used to pay for the pilot projects, any*  
37 *assistance provided to customers, and any outcomes, challenges,*  
38 *and recommendations.*

39 *(c) Reports submitted pursuant to this section shall be submitted*  
40 *in compliance with Section 9795 of the Government Code.*

665. *This article shall remain in effect only until January 1, 2031, and as of that date is repealed.*

~~SEC. 6. Section 739.16 is added to the Public Utilities Code, to read:~~

~~739.16. (a) On or before January 1, 2026, the commission shall direct each electrical corporation to offer an incremental discount or other rate adjustment, if needed, to enable the adoption of building electrification technologies by participants in the California Alternate Rates for Energy (CARE) program or Family Electric Rate Assistance (FERA) program, who shall be eligible to take service under an optional electrification tariff designed to promote the adoption of building and transportation electrification. The incremental discount or other rate adjustments shall promote accelerated payback periods for electric space heating and water heating investments by reducing the operational costs of those technologies.~~

~~(b) An incremental discount shall satisfy both of the following requirements:~~

~~(1) The incremental discount shall be in addition to any discount authorized pursuant to Sections 739.1 and 739.12 and shall be excluded from any determination of the average effective CARE program discount in paragraph (1) of subdivision (c) of Section 739.1.~~

~~(2) The cost of the incremental discount shall be recovered from customers in the same manner as specified under paragraph (7) of subdivision (a) of Section 327.~~

~~SEC. 7.~~

~~SEC. 4. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.~~