
**SENATE COMMITTEE ON ENERGY, UTILITIES AND
COMMUNICATIONS**

**Senator Steven Bradford, Chair
2023 - 2024 Regular**

Bill No:	SB 1221	Hearing Date:	4/22/2024
Author:	Min		
Version:	3/18/2024 Amended		
Urgency:	No	Fiscal:	Yes
Consultant:	Nidia Bautista		

SUBJECT: Gas corporations: gas distribution infrastructure: zero-emission alternatives

DIGEST: This bill would authorize and require numerous provisions related to retiring portions of the natural gas utility system, including: 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; requires the California Public Utilities Commission (CPUC), by January 1, 2026, to establish of criteria and methodology for determining the cost-effectiveness of zero-emission alternatives, and determine the appropriate rate of return and recovery period for a gas corporation; and direct electrical corporations to offer incremental discounts to support electrification, among others.

ANALYSIS:

Existing law:

- 1) Establishes and vests the CPUC with regulatory authority over public utilities, including gas and electrical corporations. (Article XII of the California Constitution)
- 2) Requires every public utility to furnish and maintain such 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. (Public Utilities Code §451)
- 3) Authorizes the CPUC to supervise and regulate every public utility in the State and do all things, whether specifically designated in this part or in addition thereto, which are necessary and convenient in the exercise of such power and jurisdiction. (Public Utilities Code §701)
- 4) Authorizes the CPUC after hearing to ascertain and fix just and reasonable standards, classifications, regulations, practices, measurements, or service to be

furnished, imposed, observed and followed by all electrical, gas, and water corporations. (Public Utilities Code §770)

- 5) Requires the CPUC to require each gas corporation to provide bundled basic gas service to all core customers in its service territory unless the customer chooses or contracts to have natural gas purchased and supplied by another entity. (Public Utilities Code §328.2)
- 6) Prohibits gas and electrical corporations from terminating residential service for nonpayment of a delinquent account unless the corporation first gives notice of the delinquency and impending termination, as provided in the statute. Prohibits disconnection of service due to nonpayment to a customer or if a member of a customer's household is under hospice care at home or depends on life-support equipment, and on specified days. (Public Utilities Code §§779, 779.1, 779.2, 780)
- 7) Requires the CPUC to require each gas corporation to provide bundled basic gas service to all core customers in its service territory, unless the customer chooses or contracts to have natural gas purchased and supplied by another entity. (Public Utilities Code §963)
- 8) Requires the State Energy Resources Conservation and Development Commission (also known as the California Energy Commission (CEC)) to establish the Equitable Building Decarbonization Program, which includes establishing a statewide incentive program for low-carbon building technologies and the direct install program to fund certain projects, including installation of energy efficient electric appliances, energy efficiency measures, demand flexibility measures, wiring and panel upgrades, building infrastructure upgrades, efficient air conditioning systems, ceiling fans, and other measures to protect against extreme heat, where appropriate, and remediation and safety measures to facilitate the installation of new technologies. (Public Resources Code §25665 et seq.)

This bill:

- 1) Makes several findings and declarations concerning the need for longer term planning to evaluate zero-emission alternatives and to state the intent of the legislature to provide direction for the CPUC's ongoing natural gas planning rulemaking (R. 20-01-007).

- 2) Authorizes 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.
- 3) Requires each gas corporation, by July 1, 2025, to annually file a map containing specified information, including: the location of all potential gas distribution line replacement projects identified in its distribution integrity management plan, other foreseeable gas distribution pipeline replacements, locations of disadvantaged communities and priority neighborhood decarbonization zones.
- 4) Requires the CPUC, by January 1, 2026, to do various things, including the establishment of criteria and methodology for determining the cost-effectiveness of zero-emission alternatives, as defined, the determination of the appropriate rate of return and recovery period that a gas corporation is eligible to receive their costs to implement zero-emission alternatives, the designation of 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.
- 5) Requires the CPUC to evaluate the costs and benefits of thermal energy networks and identify potential implementation barriers.
- 6) Prohibits a gas corporation from involuntarily laying off employees as a result of the implementation of zero-emission alternatives.
- 7) Require the CPUC, 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.

Background

Natural gas utility service. Natural gas is transported to California customers via a system of interstate and common carrier transmission and distribution pipelines, and underground storage fields. Most natural gas consumed in state is delivered from out-of-state sources. Approximately 77 percent of California's homes receive natural gas utility service (just over 11 million households of a total of 14.5 million); additionally, about 450,000 commercial customers and another nearly

36,000 industrial customers receive gas service, based on the data (2021) from the Energy Information Administration. Southern California Gas (SoCal Gas) and Pacific Gas & Electric (PG&E) provide gas utility service to about 5.9 million and 4.5 million customer service connections, respectively, while San Diego Gas & Electric (SDG&E) provides service to over 800,000 customer service connections and a few additional smaller gas investor-owned utilities (IOUs) provide service, including Southwest Gas and West Coast Gas. Additionally, there are a few publicly owned (POU) gas utilities, including the City of Coalinga, Long Beach Gas & Oil, City of Palo Alto, City of Susanville, and City of Vernon; these utilities are not regulated by the CPUC.

Natural gas consumers. Natural gas utility customers are divided into core customers, which are residential and small commercial, and non-core customers, which are large commercial and industrial customers. The majority of core customers receive fuel, distribution and transmission service from the gas utility, however, some core customers elect to be served by a third-party provider, known as a Core Transport Agent (CTA). The CTA procures the gas fuel, and the gas IOU continues to provide distribution, transmission, and billing services. According to the CPUC's website, although very small in number relative to core customers, non-core customers consume about 65 percent of the natural gas delivered by the state's natural gas utilities, while core customers consume about 35 percent. A significant amount of gas (about 19 percent in 2018 per the CPUC) is also directly delivered to some California large volume consumers, without being transported over the regulated utility pipeline system. The state's natural gas utilities operate over 100,000 miles of transmission and distribution pipelines, including what is referred to as the "back-bone," and thousands more miles of service lines.

According to a 2021 CPUC Staff Proposal, most gas used by the residential sector is for space and water heating, with smaller percentages used for cooking, fireplaces, clothes drying, and a few other functions. Dual fuel homes – those using both gas and electricity – are the dominant type of home in California. California is the state with the highest percentage of households using natural gas for cooking (70 percent), according to a 2020 analysis from the Energy Information Administration. Many of California's homes that lack access to gas service supplement with propane which is often delivered by truck service or purchased in canisters and tanks. Commercial customers are non-manufacturing businesses, including hotels, government, hospitals, and schools, who commonly also receive natural gas service via the same pipelines serving neighboring residents. Industrial customers, which includes electricity generators, also use many of the same transmission pipelines, though as noted above, some may receive direct deliveries from interstate pipelines.

Reducing emissions from the building sector. Residential and commercial buildings are responsible for roughly 25 percent of California’s greenhouse gas (GHG) emissions when accounting for electricity demand, fossil fuels consumed onsite, and refrigerants, according to California Air Resources Board (CARB). Of the 25 percent, roughly 10 percent of emissions are attributable to fossil fuel combustion, including natural gas, with residential buildings accounting for slightly more of those emissions than commercial buildings. However, CARB has noted that these emissions numbers can vary from year-to-year. There are several strategies that can be employed to reduce GHG emissions from the building sector, these include: improved energy efficiency of buildings and appliances, reducing carbon emissions from fossil fuel sources, ensuring cleaner sources of energy to operate buildings and associated appliances, addressing methane leaks, and others. CARB has noted that refrigerants used for space-cooling and refrigeration systems also contribute directly to building-related GHG emissions and these are a growing source of GHGs from buildings which must also be reduced.

The 2022 Climate Change Scoping Plan identifies actions to reduce GHG emissions from the building sector, including progressively improving building codes and standards, pursuing voluntary efforts to exceed code requirements, and completing existing building retrofits. The most recent Scoping Plan also noted:

“Achieving carbon neutrality must include transitioning away from fossil gas in residential and commercial buildings, and will rely primarily on advancing energy efficiency while replacing gas appliances with non-combustion alternatives. This transition must include the goal of trimming back the existing gas infrastructure so pockets of gas-fueled residential and commercial buildings do not require ongoing maintenance of the entire limb for gas delivery.”

California’s agencies are taking steps toward achieving carbon neutrality by 2045 and meeting the state’s ambitious 2030 GHG emissions reduction target, including with actions specific to reducing emissions from the building sector. These actions include:

- The CARB adopted a strategy to end sales of natural gas space and water heaters starting in 2030 as part of the 2022 State Implementation Plan for meeting the eight-hour ozone standard, which is submitted in compliance with the federal Clean Air Act. CARB will need to adopt regulations to implement these measures.

- The CEC adopted building energy efficiency standards in 2022 that establish electric-ready standards, encourage electric heat pump technologies, and expand the solar photovoltaic system and energy storage standards.
- The CPUC has eliminated financial subsidies available to builders to offset the costs of extending natural gas lines to serve new buildings, known as allowances which are funded by natural gas utility customers. The CPUC’s intent is to eliminate these allowances, beginning in July 2023, in order to encourage builders to construct new buildings without gas utility service, essentially all-electric. (*D.22-09-26 Phase III Decision Eliminating Gas Line Extension Allowances, Ten-Year Refundable Payment Option, and Fifty Percent Discount Payment Option Under Gas Line Extension Rules*)
- In December 2022, the CPUC adopted a decision to comprehensively review natural gas utility infrastructure investments “in order to help the state transition away from natural gas-fueled technologies and avoid stranded assets in the gas system. The decision requires gas IOUs to seek CPUC approval of projects via an application for a certificate of public convenience and necessity (CPCN) prior to commencing construction on any gas infrastructure project whose cost exceeds \$75 million; or is located near a sensitive receptor (housing, school, health care facility) and the project requires a permit from the local air district in a non-attainment area for federal air quality standards. (*D. 22-12-021 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.*)
- Last year, the CPUC adopted a decision to reduce incentives for natural gas energy efficiency measures in residential and commercial new construction to align more closely with the state’s GHG reduction, climate change mitigation, and decarbonization goals. (*D. 23-04-035 Decision Addressing Codes and Standards Subprograms and Budgets and Staff Proposal on Reducing Ratepayer-Funded Incentives for Gas Energy Efficiency Measures.*)

Local rules to limit or ban gas use. In 2019, the City of Berkeley adopted the nation’s first ban of natural gas hookups in most new residences and commercial buildings. Since then, about 50 other California cities and counties have adopted reach codes (those that surpass state building standards) or ordinances that either limit or ban the installation of gas connections to new buildings. Additionally, the Bay Area Air Quality Management District adopted rules prohibiting installation of natural gas furnaces and water heaters in residential and commercial settings beginning in 2027.

Federal court overturns City of Berkeley ban. In April 2023, a federal court overturned the City of Berkeley’s ban on natural gas hookups. The California Restaurant Association filed suit against the City of Berkeley months after the city adopted the ban. The Restaurant Association explains in its complaint that restaurants rely on natural gas for preparing certain foods, with many chefs trained only on natural gas stoves. The Association alleges that one or more of its members would like to open or relocate a restaurant in a new Berkeley building completed after the ordinance became effective on January 1, 2020. But those members could not do so because of the ban on natural gas.

A lower district court upheld the ban in 2021, however, the 9th U.S. Circuit Court of Appeals found the ban to be in direct violation of the Energy Policy and Conservation Act of 1975 (EPCA) (*California Restaurant Association v. City of Berkeley* (United States Court of Appeals, 9th Cir. 2023)). The three-judge panel held that “the Energy Policy and Conservation Act 42 U.S.C. §6297(c), expressly preempts state and local regulations concerning the energy use of many natural gas appliances, including those used in household and restaurant kitchens. Instead of directly banning those appliances in new buildings, Berkeley took a more circuitous route to the same result. It enacted a building code that prohibits natural gas piping into those buildings, rendering the gas appliances useless.” The court ruled that the EPCA preempts the Berkeley ordinance. The City of Berkeley requested a rehearing. However, in early January, a federal appeals court declined to rehear the earlier court decision striking down the City’s ordinance. In late March, the City of Berkeley announced it is repealing the ordinance, which may take several months, so it is immediately ceasing enforcement of the ordinance in order to comply with the court ruling.

CPUC actively considering the issues of zonal decarbonization with concurrent decommissioning of the natural gas utility system. The CPUC has an active proceeding related to long-term natural gas system planning (R. 20-01-007) where many of the issues related to decommissioning natural gas utility service concurrently with transitioning customers to alternative energy sources, and related issues are being discussed. The CPUC has solicited comments from parties on a staff proposal to establish criteria and prioritize geographic tranches of the gas utility system to identify the most cost-effective areas to decommission, including those where the environmental burdens may be highest, while ensuring protections for remaining utility customers. Separately, PG&E has submitted an application (A. 22-08-003) to pilot a zonal electrification project at California State University Monterey Bay. The “first-of-its-kind” pilot would convert 391 of 484 services, including some student housing, to all-electric service instead of pursuing certain pipeline replacement projects planned for the 2022-2025 period. PG&E estimates that the cost to gas customers to complete this alternative zonal electrification work

will be less than the cost to replace the gas system, and requests authority to recover actual regulatory asset-related revenue requirements associated with up to \$17 million in program costs.

Obligation to serve. The concept of a regulatory compact recognizes a set of mutual rights, obligations, and benefits between utilities and their customers. Utilities are granted exclusive service franchise (service territories), and in exchange accept the responsibility to serve everyone in the territory (obligation to serve everyone willing to pay) and submit to rate-regulation by an economic regulator (a public utilities commission) where the utility has the opportunity to earn a rate of return. A utility's obligation to serve is noted in various statutes and Constitutional provisions, most notably, in Public Utilities Code §451 which requires utilities "to furnish and maintain... adequate, efficient, just, and reasonable service." A number of statutes also provide requirements for how a utility must discontinue service, including provisions related to nonpayment by a customer.

Comments

As California embarks on achieving its clean energy and GHG goals, there's a growing push to electrify applications that are powered with natural gas, including those in buildings. The various state and local policies to limit natural gas use, noted above in the analysis, along with incentive programs to encourage adoption of non-gas appliances, may result in a reduction in the number of remaining customers on a the gas utility system. A utility system that will continue to require maintenance of the infrastructure (pipelines, storage fields) and, overall, fixed costs of the system. This shift towards electrification, if not managed well, could result in higher costs for remaining customers on the gas utility system (not to mention an increase in the need for fossil-fueled generation to support the added load on the electric system during times when demand outstrips the capacity from zero-carbon and renewable energy). Additionally, the upfront costs of replacing gas appliances with electric appliances, as well as, upgrading electric panels (or re-wire a building), are likely to be cost-prohibitive for many Californians, especially those on fixed-incomes, renters, and those generally lower-income or with limited discretionary income. According to a study by the California Center for Sustainable Communities at UCLA, as communities are required to electrify, they will be required to incur the costs necessary to retrofit their homes to accommodate increased electricity use and to purchase new appliances. The cost to do so could range from \$15,830 to \$21,140 per household.

Households who may be able to afford some of these appliances may not welcome the added expense and disruption, given that most households only replace these

appliances during a move, renovation project, or if the appliance needs repair or replacement as part of the natural attrition (this includes ovens, stoves, space and water heaters, fireplaces, clothes dryers, and others). Household needs, lifestyle, and cultural preferences may also affect adoption, particularly for changes to cooking, as noted by the California Restaurant Association's challenge to the Berkeley ordinance.

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This bill would authorize the CPUC to authorize gas IOUs to terminate service where substitute adequate service is available, namely electricity. In so far as these provisions apply beyond pilot projects, this could result in numerous unintended consequences to customers whose utility service is terminated and those remaining on the gas utility system, as well as, potential implications for electric utility service customers. In this regard, the Legislature may wish to proceed with caution. *The author and committee may wish to amend this bill to delete provisions that authorize changes to a gas corporation's obligation to serve beyond those in relation to the limited and targeted pilot projects.*

CPUC actively considering the issues of zonal decarbonization with concurrent decommissioning of the natural gas utility system. The CPUC has an active proceeding related to long-term natural gas system planning (R. 20-01-007) where many of the issues related to decommissioning natural gas utility service concurrently with transitioning customers to alternative energy sources, and related issues are being discussed. The CPUC has solicited comments from parties on a staff proposal to establish criteria and prioritize geographic tranches of the gas utility system to identify the most cost-effective areas to decommission, including those where the environmental burdens may be highest, while ensuring protections for remaining utility customers. Separately, PG&E has submitted an application (A. 22-08-003) to pilot a zonal electrification project at California State University Monterey Bay. The "first-of-its-kind" pilot would convert 391 of 484 services,

including some student housing, to all-electric service instead of pursuing certain pipeline replacement projects planned for the 2022-2025 period. PG&E estimates that the cost to gas customers to complete this alternative zonal electrification work will be less than the cost to replace the gas system, and requests authority to recover actual regulatory asset-related revenue requirements associated with up to \$17 million in program costs. The application is still be reviewed as there are numerous issues being debated, including the impacts to the overall system and customers, how costs are recovered (including whether the utility should be afforded a rate-of-return for behind-the-meter assets) and who benefits, whether the project is identifying a priority need to decommissioning of the utility's system, to name a few.

Need to limit and narrow scope of bill to limited and targeted pilot projects. In this regard, the proposal in this bill to establish open-ended authority to decommission the natural gas utility system considered a “first-of-its-kind,” particularly as this bill proposes to change a utility's obligation to serve to authorize adequate service. Such a change can have a myriad of implications, including for impacted customers, remaining customers (both in terms of costs and impacts to service), the electric utility providing the substitute energy, core transport agents who procure gas for these customers, and the uncertainty for the gas corporation that the obligation to serve could be demanded by existing or future customers in the affected area. This bill acknowledges some of the issues that merit further review at the CPUC. However, the scope of the program is open-ended with no limitation, or explicit direction that the program should be pilot projects, which the CPUC's recent Staff Proposal acknowledges are needed.

Given the limited, if non-existent, understanding of real-world impacts to Californians of such wide-spread decommissioning of the natural gas utility system, changes to this bill may be merited to narrow the scope and application. Additionally, there may be additional issues that will need to be further reviewed, particularly changes to additional statutes to authorize these pilot projects. Additionally, efforts to address utility bill discounts are premature given the numerous current discussions and policies related to electric rate restructuring (including using a fixed charge) and other pending policy bills related to rate assistance programs. This bill also includes numerous provisions related to the workforce requirements with the intent to assist the transition of natural gas utility workers. However, such efforts may be premature, as noted by the opposition letter from organizations representing these workers. The author and committee may need to address additional issues as merited, beyond those currently addressed in this bill. Given the current information and recommendation to include guard rails to protect customers, *the author and committee may wish to amend this bill to limit and narrow the program to the following:*

- *Explicitly note this is a limited, targeted “pilot program” that will authorize a limited number of projects across the state, limited to affecting no more than one percent of the respective utility’s customers for all projects in the service territory (for PG&E roughly under 49K customers, for SoCalGas roughly under 59K customers, and for SDG&E roughly under 8K customers).*
- *Include intent language as to the Legislature’s intent to limit the program and expectations for learnings from the pilot projects.*
- *Authorize the CPUC to provide for the recovery of costs that are just and reasonable.*
- *Require coordination with electrical corporations, electric publicly owned utilities, load-serving entities, core-transport agents, and local governments.*
- *Require a threshold of no less than 2/3 of customers in the affected area provide consent to participate in the pilot project.*
- *Require the CPUC to provide guidelines for affected master-metered properties and the appropriate engagement with tenants.*
- *Prohibit behind-the-meter costs from receiving capital asset recovery by the utility.*
- *Recast the changes to the obligation to serve language to encompass only the authorized limited pilot projects.*
- *Require projects are less than the avoided gas asset replacement, repair, or operational costs.*
- *Delete Section 3 of this bill that removes the obligation to serve permanently for gas corporations without reference to pilot programs.*
- *Clarify that the changes to obligation to serve are only in reference to the pilot projects authorized by this bill.*
- *Recast the language in Section 5 of this bill that requires the gas corporations to develop maps, but recast the remaining language in the section to authorize limited and targeted pilot project, delete language related to long-term gas decommissioning beyond the limited pilot projects and delete language related to labor/workforce provisions, costs/benefits of thermal energy networks, authorization for other pilot projects or other alternatives.*
- *Require the nonenergy benefits may be considered to prioritize projects but not to calculate cost-effectiveness.*
- *Clarify the findings and declarations.*
- *Require a sunset for the program of January 1, 2030.*
- *Require a report to the Legislature that includes details on the projects funded, challenges, opportunities, findings, learnings.*

Dual Referral. Should this bill be approved by this committee, it will be re-referred to the Senate Committee on Labor, Public Employment and Retirement.

Prior/Related Legislation

SB 527 (Min, 2023) would have required the CPUC, in consultation with gas corporations, to develop and supervise the administration of the Neighborhood Decarbonization Program to cease providing gas utility service in an area within its service territory if the CPUC determines that adequate substitute energy service is reasonably available to support the energy end use of affected gas customers. The bill was held in the Senate Committee on Appropriations.

SB 48 (Becker, Chapter 378, Statutes of 2023) required the CEC along with other agencies, to develop to a state strategy to achieve State goals for energy and GHG emissions from existing buildings, and authorized the CEC to implement the strategy, upon appropriation, including authorizing establishing Building Performance Standards for existing commercial buildings to require reductions in energy usage and GHG emissions.

SB 306 (Caballero, Chapter 387, Statutes of 2023) made changes to the direct install program approved in the 2022 budget as part of the Equitable Building Decarbonization Program and codifies the Extreme Heat Action Plan.

AB 209 (Committee on Budget, Chapter 251, Statutes of 2022) among its many provisions, established the Equitable Building Decarbonization Program, including a direct install program to fund the installation of measures to reduce GHGs from buildings.

AB 179 (Ting, Chapter 249, Statutes of 2022) Budget Act of 2022 appropriated \$1.12 billion for the Equitable Building Decarbonization Program.

SB 1477 (Stern, Chapter 378, Statutes of 2018) required the CEC to develop a statewide market transformation initiative to transform the state's market for low-emission space and water heating equipment for new and existing residential and nonresidential buildings and to develop an incentive program to fund near-zero emission technology for new residential and commercial buildings.

AB 3232 (Friedman, Chapter 373, Statutes of 2018) required the CEC to assess the potential for the state to achieve the goal of reducing the emissions of GHGs by the state's residential and commercial building stock by at least 40 percent below the 1990 levels by January 1, 2030.

AB 1279 (Muratsuchi, Chapter 337, Statutes of 2022) established the policy of the state to achieve carbon neutrality as soon as possible, but no later than 2045.

SB 32 (Pavley, Chapter 249, Statutes of 2016) required the CARB to reduce statewide GHG emissions to at least 40 percent below the 1990 emissions level by 2030.

AB 32 (Nuñez/Pavley, Chapter 488, Statutes of 2006) required CARB to adopt policies to reduce statewide GHG emissions to 1990 levels by 2020.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

SUPPORT:

Building Decarbonization Coalition, Co-sponsor
Earthjustice, Co-sponsor
Natural Resources Defense Council, Co-sponsor
Active San Gabriel Valley
Advanced Energy United
Asian Pacific Environmental Network
California Environmental Voters
Carbon Zero Buildings
Climate Action California
Community Water Center
Design AVenues
Environmental Defense Fund
FutureFit Partners
Marin Clean Energy
Project Green Home
QuitCarbon
Rewiring America
SAFE Cities at Stand.earth
Sierra Club of California
Sonoma Clean Power
Sustainable Silicon Valley
UndauntedK12
US Green Building Council California
Vote Solar
An Individual

OPPOSITION:

California State Association of Electrical Workers
California State Pipe Trades Council
Coalition of California Utility Employees
Southern California Gas Company

ARGUMENTS IN SUPPORT: The sponsors of this bill, the Natural Resources Defense Council, Building Decarbonization Coalition, and Earthjustice state:

SB 1221 will allow regulators and utilities to consider zero-emission alternatives to pipeline replacements when they are the most affordable option. With average pipeline replacement costs over \$3 million per mile, ZEAs can be more cost-effective than many planned gas distribution pipeline investments. SB 1221 enables gas utilities to pursue cost-effective ZEA pilot projects, while ensuring that workers and environmental justice communities are prioritized for the resulting environmental health and economic benefits. ZEA pilot projects would impact a very small percentage of gas customers but would provide significant affordability benefits to the gas customer-base as a whole and would create high-road jobs working on neighborhood-scale decarbonization. Further, the bill provides guidance to the CPUC's ongoing Long-Term Gas Planning Rulemaking including guardrails such as requirements for bill and rental protections for low-income customers when ZEAs are implemented.

ARGUMENTS IN OPPOSITION: In opposition to this bill, the Coalition of California Utility Employees, the California State Association of Electrical Workers and the California State Pipe Trades Council state:

The aforementioned unions were neutral on the author's very similar bill, SB 527, from last year with the amendments taken in Senate Energy. If SB 1221 were to be amended to comport with SB 527 as it left Senate Energy, we would once again be neutral on the bill. Specifically, we adamantly object to eliminating the obligation to serve by gas companies in California. This is a reckless step that potentially leaves millions of Californians who rely on natural gas for cooking and heating their homes stranded and facing tens of thousands of dollars in home upgrades. The arbitrary cap in SB 1221 is loosely drafted and gives us little comfort. ... While we appreciate the author's gesture of including workforce protections for workers performing electrification work, none of the workforce protections in the bill would assist a single gas worker displaced by his bill.

-- END --