

To: Honorable Mayor and Members of the City Council
From: Berkeley Environment and Climate Commission (ECC)
Submitted by: Alison LaBonte, Chairperson, ECC
Subject: Supporting a Neighborhood Decarbonization Pilot Project in Berkeley

RECOMMENDATION

The Berkeley Environment and Climate Commission recommends that the City Council adopt the attached Resolution Supporting a Neighborhood Decarbonization Pilot Project in the City of Berkeley, which would:

- Express the City's formal support for a neighborhood decarbonization pilot in Berkeley under Senate Bill 1221 (2024), with the goal of modeling equitable whole-home electrification for a neighborhood zone;
- Commit the City to being an active partner in pilot implementation, directing the City Manager to designate at least one staff member to participate in regular coordination meetings and support collaboration across relevant City departments; and
- Affirm the City's intent to work collaboratively with PG&E, community organizations, Community Choice Aggregators, public health advocates, workforce development partners, and regional agencies to advance a pilot and help secure resources for its success.

The Commission recommends that Council acts swiftly to pass this resolution. PG&E is expected to begin active collaboration with local governments and community organizations as early as July 2026 following the CPUC's ~~anticipated final~~ Decision on SB 1221 implementation issued July 10, 2026.

FISCAL IMPACTS OF RECOMMENDATION

Adoption of this resolution does not require a new appropriation. The primary fiscal commitment is staff time for one City staff member to participate in coordination meetings with PG&E and community partners. Under SB 1221, essential pilot costs, including zero-emission equipment and installation for participating properties, are funded through avoided gas infrastructure replacement costs, and the resolution conditions Berkeley's participation on the pilot being no additional cost to participating customers.

The fiscal opportunity for Berkeley securing an SB 1221 pilot is significant, potentially over \$20000 of utility funds per household are spent to switch the household to a zero-emission alternative from the avoided cost of replacing gas pipeline at a cost of \$3M per mile.¹

¹ California state Senator Dave Min (D), SB 1221's author, stated "pipeline replacements.. can cost ratepayers over \$3 million per mile" during an April 2024 hearing in Sacramento, available at

CURRENT SITUATION AND ITS EFFECTS

Senate Bill 1221, signed into law in 2024, directs the California Public Utilities Commission (CPUC) to establish a voluntary zonal building decarbonization program. Under SB 1221, a gas utility may, instead of replacing a gas line that is due for replacement, use the money saved to offer participating properties zero-emission alternatives such as the electrification of all properties served by that line. Up to 30 neighborhood pilot projects may be designated statewide.²

The CPUC's ~~proposed decision, subject to change,~~ sets the following parameters: PG&E may receive approval ~~apply~~ for up to 14 of the 30 statewide pilot slots (7 in the first application period and 7 at the second the following submission deadline~~December~~); PG&E may submit up to three additional proposals in anticipation of attrition; the first application deadline is April ~~December~~ 15, 2027~~6~~; and applications must provide evidence supporting it is reasonable to expect achieving the required~~demonstrate non-binding expressions of~~ consent from at least 67% of property owners with natural gas service within the proposed pilot boundary.³

Berkeley is a strong candidate for one of these pilot slots. The CPUC has already designated several Berkeley census blocks as initial priority neighborhood decarbonization zones in an earlier decision and as shown on PG&E's SB 1221 map portal.^{4,5} Because Berkeley has among the strongest building electrification policies in the state, Berkeley residents are more likely than those in other communities to understand and embrace electrification. Resident support of a pilot project well over the 67% consent threshold is likely, and would position a PG&E application for a pilot in the City of Berkeley highly.

SB 1221 requires the Commission to establish a preference for pilot projects that provide prevailing wage and use high road job programs. Berkeley also recognizes that the clean energy transition must deliver equitable economic opportunity alongside emissions reductions. Berkeley, through the Just Transition Residential Electrification Pilot Program completed in July~~June~~ 2026, piloted advancing high-road, family-sustaining jobs in the residential building decarbonization sector ~~through including Alameda County prevailing wages, apprenticeship and Multi-Craft Core Curriculum graduate hiring, employee medical benefit coverage, and focused hiring from priority worker populations.~~

<https://calmatters.digitaldemocracy.org/hearings/257885#t=1052&f=097d5bea8096d67ab0da80e4017d8cf2>

²California Public Utilities Commission Proposed Decision (D.) 26-07-030 Establishing Application Process for SB1221 Neighborhood Decarbonization Pilot Program issued June 9, 2026 on Rulemaking 24-09-012 available at

https://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=610760591https://apps.cpuc.ca.gov/apex/f?p=401:56:::RP,57,RIR:P5_PROCEEDING_SELECT:R2409012

³<https://www.cpuc.ca.gov/industries-and-topics/natural-gas/SB-1221-implementation>

⁴California Public Utilities Commission Decision 25-12-042 Designating Initial Priority Neighborhood Decarbonization Zones on Rulemaking 24-09-012 available at https://apps.cpuc.ca.gov/apex/f?p=401:56:::RP,57,RIR:P5_PROCEEDING_SELECT:R2409012

⁵<https://sb1221.pge.com/>

PG&E is expected to begin active engagement with local governments and community-based organizations [starting in July 2026](#), following the CPUC's final decision [issued July 10, 2026](#). Cities that have demonstrated institutional commitment through formal resolutions and designated staff contacts will be better positioned to shape pilot design and secure selection. San Francisco took this step in December 2025, when its Board of Supervisors unanimously adopted a resolution affirming support for an SB 1221 pilot and committing City staff to coordination.⁶

At the [Insert Meeting Date] meeting, the commission took the following action:

Action: M/S/C ([Commissioner #1 Last Name]/[Commissioner #2 Last Name]) [Insert text of motion].

Vote: Ayes – [Ayes by last name]; Noes – [Noes by last name, or "None"]; Abstain – [Abstentions by last name, or "None"]; Absent – [Absences by last name, or "None"].

BACKGROUND

Berkeley has been a national leader in building decarbonization for over a decade, passing a first-in-the-nation ban on natural gas in new construction in 2019. In 2021, Council adopted the Berkeley Existing Buildings Electrification Strategy, which explicitly identified neighborhood-scale electrification as a key implementation pathway⁷. A successful SB 1221 pilot would be a direct expression of that strategy.

SB 1221 addresses a structural challenge in the transition away from gas: the cost of maintaining aging gas infrastructure for a shrinking customer base. By allowing utilities to use avoided gas line replacement costs to fund electrification of all properties on a given line, SB 1221 offers a pathway to managed, cost-effective decommissioning of gas infrastructure, as an alternative to indefinite maintenance.

Today, neighborhood-scale pilots in California require unanimous consent. The lower 67% threshold under SB 1221, combined with Berkeley's electrification-aware population, brings neighborhood scale electrification well within the realm of possibility.

Community engagement will be essential. Broad-based outreach—particularly to renters, lower-income households, and residents less familiar with electrification technologies will be necessary to ensure the pilot is equitable and the consent process genuinely informed. The City's commitment to staff coordination is a prerequisite to this work happening well.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

A successful neighborhood decarbonization pilot in Berkeley would:

⁶San Francisco Board of Supervisors Resolution No. 590-25 (File No. 251192), adopted December 9, 2025. <https://sfgov.legistar.com/View.ashx?M=F&ID=15043538&GUID=CE645F46-8E6A-422C-A60A-3163C32259DC>

⁷<https://berkeleyca.gov/sites/default/files/2022-01/Berkeley-Existing-Buildings-Electrification-Strategy.pdf>

- Meaningfully reduce building-sector greenhouse gas emissions across a full neighborhood zone, advancing the City's 2045 carbon neutrality goal;
- Improve indoor air quality by eliminating gas combustion pollutants — nitrogen oxides, carbon monoxide, and others linked to respiratory illness and asthma — at the point of origin, particularly benefiting children, the elderly, and other vulnerable residents;
- Reduce methane leak risk and system-wide maintenance costs by decommissioning aging gas lines rather than replacing them;
- Improve climate resilience, as all-electric homes with modern heat pumps better maintain comfort during extreme heat events; and
- Create local workforce opportunities for trained electrification contractors in Berkeley and the East Bay.

The pilot would also demonstrate to the state and other cities that neighborhood-scale decarbonization is achievable and replicable.

EQUITY CONSIDERATIONS

Because the resolution conditions Berkeley's participation on the pilot being no additional cost to participating customers, whole-home electrification under the pilot reaches households that could not otherwise afford heat pumps, necessary electrical upgrades, stove, pans compatible with induction stoves, and appliance replacement. This will deliver improved home comfort, healthier indoor air, and modern all-electric service regardless of income.

Furthermore, retiring entire gas lines rather than a scattering of geographically-dispersed affluent households from gas service, reduces the total miles of gas infrastructure requiring repair, maintenance, and eventual replacement. Every decommissioned line shrinks the cost base that all remaining gas customers must fund. A neighborhood-scale pilot therefore delivers meaningful equity benefits wherever in Berkeley it is located.

Equity is embedded in pilot selection by statute. Public Utilities Code Section 662(a), subsections (1) through (4), directs the CPUC to consider factors including the presence of disadvantaged or low-income communities in high- or low-temperature climate zones that disproportionately lack cooling or heating; the presence of environmental and social justice communities as defined in the CPUC's Environmental and Social Justice Action Plan; the availability of supportive local government or community partners; and the concentration of gas distribution line replacement projects. The City does not need to construct its own site-selection criteria — the statutory framework ensures equity factors are weighed in every application. Berkeley's most valuable contribution is to maximize the one factor squarely within its control: demonstrating a supportive local government, ready to partner, ~~before the application window opens~~.

RATIONALE FOR RECOMMENDATION

1. Timing is critical. The first application deadline for PG&E pilot submissions, pending final Commission Decision on the pilot program guidelines, is ~~April 1, 2027~~
~~December 15, 2026~~, and PG&E will begin engaging local partners as soon as July 2026. A

resolution adopted now positions Berkeley to [participate with certainty](#)~~be part of that process from the start.~~

2. Berkeley is uniquely positioned to succeed. Existing electrification policy, CPUC-designated candidate census blocks, and a resident population with high electrification awareness give Berkeley a strong potential for exceeding the 67% consent threshold.

3. Staff designation is the minimum necessary commitment. Without a designated City contact, PG&E and community organizations lack a consistent partner for the engagement and planning work that must precede a pilot application. Staff support is the foundation on which everything else is built.

ALTERNATIVE ACTIONS CONSIDERED

n/a

CITY MANAGER

The City Manager [TYPE ONE] concurs with / takes no position on the content and recommendations of the Commission's Report. [OR] Refer to the budget process.

Note: If the City Manager does not (a) concur, (b) takes any other position, or (c) refer to the budget process, a council action report must be prepared. Indicate under the CITY MANAGER heading, "See companion report."

CONTACT PERSON

Alison LaBonte, Chairperson, ECC

RESOLUTION NO. ##,###-N.S.

Supporting a Neighborhood Decarbonization Pilot Project in the City of Berkeley

WHEREAS, the City of Berkeley has long recognized that climate change poses an existential threat to public health, environmental quality, and community resilience, and has committed to achieving carbon neutrality by 2045; and

WHEREAS, natural gas combustion in buildings is a significant source of greenhouse gas (GHG) emissions and indoor air pollution, including nitrogen oxides (NOx) and particulate matter, which pose known risks to public health; and

WHEREAS, as customers transition off gas, remaining customers will bear a disproportionate burden of gas infrastructure costs unless this upward pressure on gas rates is managed through systematic decommissioning and reduction of miles of gas lines requiring repair and maintenance; and

WHEREAS, the Berkeley Existing Buildings Electrification Strategy, adopted by Council in 2021, identified neighborhood-scale electrification as a key implementation pathway, and a zonal pilot would directly advance that strategy; and

WHEREAS, the state legislature in 2024 through Senate Bill 1221 directed the allowance for up to 30 neighborhood decarbonization zone pilot projects in California, where a gas utility can, instead of replacing a gas line due for replacement, offer zero-emission alternatives such as electrifying all properties served by the gas line, using the money saved from avoided gas line replacement; and

WHEREAS, community engagement is critical to obtaining community consent for a zonal decarbonization project, as SB 1221 requires that no less than 67% of property owners with natural gas service within a pilot project boundary consent to participation; and

WHEREAS, SB 1221 requires the California Public Utilities Commission (CPUC) to review and approve neighborhood decarbonization pilot projects with a preference for projects that provide prevailing wages and use high-road jobs programs; and

WHEREAS, the City of Berkeley is well-positioned to meet this SB 1221 priority, having implemented the Just Transition Residential Electrification Pilot Program which established a direct installation program for residential electrification measures in existing affordable housing buildings and for low-to-moderate income households, and which required all participating contractors to meet rigorous labor standards; and

WHEREAS, a neighborhood decarbonization pilot in Berkeley would deliver multiple benefits including elimination of NOx emissions, improved home comfort, local workforce opportunities, greenhouse gas reduction, and ensuring Berkeley residents are among the first to benefit from a zero-emission alternative

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City hereby expresses its support for a neighborhood decarbonization pilot project in Berkeley under SB 1221, with the stated goal of modeling equitable whole-home electrification for an entire neighborhood zone that will eliminate NOx emissions, improve home comfort, add local workforce opportunities, and ensure Berkeley residents are among the first to benefit from a zero-emission alternative; and

BE IT FURTHER RESOLVED that the City of Berkeley commits to being an active and avid partner in supporting successful implementation of a zonal decarbonization pilot provided the pilot is designed to be no additional cost to participating customers, and directs the City Manager to identify at least one staff member to participate in regular coordination meetings and to support collaboration across relevant City departments; and

BE IT FURTHER RESOLVED that the City of Berkeley affirms its intent to work collaboratively with Pacific Gas and Electric Company, community organizations, Community Choice Aggregators, public health advocates, workforce development partners, and regional agencies to advance a neighborhood decarbonization pilot, and to help secure resources to support these efforts; and

BE IT FURTHER RESOLVED that the City Clerk shall certify the adoption of this resolution and enter it into the official records of the City of Berkeley.