



SB 1221 Neighborhood Decarbonization Program Design

Upcoming Information Sessions and Program

The California Public Utilities Commission (CPUC) is seeking public input on what neighborhoods to define as “priority neighborhood decarbonization zones” (decarbonization zones), with a particular focus on equity. Decarbonization zones are geographic areas in which the CPUC may focus cost-effective building decarbonization programs. Gas utilities will host information sessions this spring, and public input from those sessions will inform the CPUC as it updates the zones later this year. The upcoming neighborhood decarbonization pilot program is likely to focus on cost-effective home electrification for selected neighborhoods located within these zones.

Background: Neighborhood Decarbonization Pilot Projects Directed by SB 1221

In Senate Bill (SB) 1221, adopted in 2024, the California Legislature recognized that natural gas use in residential buildings contributes to California’s greenhouse gas emissions. The Legislature also noted that cost-effective, zero-emission alternatives to pipeline replacement projects can reduce gas system costs, which are paid by gas customers. As such, SB 1221 authorizes the CPUC to approve up to 30 pilot projects that facilitate cost-effective decarbonization in priority neighborhood decarbonization zones, constituting up to 1 percent of each utility’s customers. The CPUC may only approve locations that receive consent from at least 67 percent of property owners with natural gas service in the project boundary area. Projects where all customers consent do not count towards the 30-project limit. If a project is successfully implemented, SB 1221 gives the CPUC authority to relieve the gas utility of its obligation to provide natural gas service to the project area.



Networked geothermal piping at Santa Rosa Junior College, an example technology that could be used for neighborhood decarbonization

Background: Priority Neighborhood Decarbonization Zones

Priority neighborhood decarbonization zones are geographic areas defined by the CPUC to target neighborhood decarbonization pilot projects in places where they will be most beneficial and cost-effective. Not all zones will receive decarbonization pilot projects, and decarbonization locations are expected to be much smaller than zones. Being in a zone can mean being prioritized for cost-effective projects to replace gas appliances.

To request a 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. For more detailed directions, see <https://www.cpuc.ca.gov/industries-and-topics/natural-gas/sb-1221-implementation/consideration-for-a-neighborhood-decarbonization-zone>. The CPUC will take these requests into consideration when updating zones.



Zone Designation to Date and Requesting Zones

In December 2025, the CPUC designated initial zones by 2020 census tract using the following criteria:

- a local government or organization requested to participate, and also
- 10 percent or more of the gas distribution main pipelines in the area are expected to be replaced by the gas utility in the coming decade, reflecting the potential opportunity for cost savings.

Initial zones were also capped at 25 tracts per county, except that census tracts with high CalEnviroScreen scores (reflecting disadvantaged communities)¹ were not subjected to the cap. This process resulted in 151 census tracts designated as initial zones statewide. The CPUC anticipates adding to or revising these zone designations by December 31, 2026, and may do so earlier.

Where to Find Maps and Related Information

Information related to the priority neighborhood decarbonization zones can be found at <https://www.cpuc.ca.gov/industries-and-topics/natural-gas/sb-1221-implementation> and includes: links to information sessions; guidance on how to request to be considered for a neighborhood decarbonization zone; links to each gas utility's map of its distribution system, including the initial zones; gas distribution replacement cost data, which may represent potential cost savings; and additional program updates from the CPUC.

Additional information related to the CPUC's Long-Term Gas Planning Rulemaking, which includes SB 1221 implementation, is posted at <https://www.cpuc.ca.gov/industries-and-topics/natural-gas/long-term-gas-planning-rulemaking>. This page includes proceeding documents from December 18 showing a list of the preliminary zones, a static statewide map, and the decision adopting the preliminary zones.

Spring 2026 Utility-Hosted Information Sessions

The CPUC has directed PG&E, SoCalGas, SDG&E, and Southwest Gas to each host and record one virtual SB 1221 information session for government representatives, community organizations, and members of the public in their service territory between January 15 and March 15, 2026. The purpose of these sessions is to hear comments related to the designation of decarbonization zones in specific areas and to solicit feedback on SB 1221's equity considerations. These considerations include the ability of homes and small businesses in the community to access heating and/or cooling, local environmental hazards, health considerations, and community barriers to decarbonization. Gas utilities will provide links to these sessions on their SB 1221 webpages and will record them and post the recordings to their webpages. Translation services will be provided as needed. Gas utilities will summarize the information sessions in a report due to the CPUC by April 1, 2026.

After These Information Sessions, What Happens Next?

The intent of the information sessions report is to inform revisions to the decarbonization zones. The CPUC will update the zones by December 31, 2026, and may do so earlier. By July 1, 2026, the CPUC will adopt the SB 1221 neighborhood decarbonization pilot program requirements, including a process for gas corporations to determine and submit pilot projects for approval. After the CPUC establishes the program requirements, gas utilities may propose potential pilot projects for approval.

For more information, contact gaspolicy@cpuc.ca.gov.

¹ CalEnviroScreen scores combine pollution and population data to show cumulative environmental pollution impacts by census tract. Data and maps are at California OEHHA, "Cal Enviro Screen 4.0," <https://oehha.ca.gov/calenviroscreen/report/calenviroscreen-40>.