BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

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Application of the California Market Transformation Administrator (U-1399-E) for Approval of the Second Tranche of Statewide Energy Efficiency Market Transformation Initiatives.	A. 26-07-004 (Filed July 7, 2026)

REPLY OF THE CALIFORNIA MARKET TRANSFORMATION ADMINISTRATOR (U-1399-E) TO RESPONSES AND PROTEST TO APPLICATION

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August 17, 2026

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Application of the California Market Transformation Administrator (U-1399-E) for Approval of the Second Tranche of Statewide Energy Efficiency Market Transformation Initiatives.	A. 26-07-004 (Filed July 7, 2026)

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CALIFORNIA MARKET TRANSFORMATION ADMINISTRATOR (U-1399-E)
TO RESPONSES AND PROTEST TO APPLICATION

The California Market Transformation Administrator (CalMTA) respectfully replies to the 10 responses and 1 protest to Application (A.) 26-07-004 (CalMTA Second Tranche of Statewide Energy Efficiency Market Transformation Initiatives (MTIs)) that were timely filed in this proceeding between July 31 and August 7, 2026. This Reply is timely filed and served pursuant to Rule 2.6(e) of the California Public Utilities Commission (Commission or CPUC) Rules of Practice and Procedure.

I.
SUMMARY

Responses to this Application were filed by the following 10 parties: California Environmental Justice Alliance (CEJA), the Center for Energy and the Environment (MN CEE), the California Efficiency + Demand Management Council (CEDMC), Natural Resources Defense Council (NRDC), Northwest Energy Efficiency Alliance (NEEA), The Utility Reform Network (TURN), Small Business Utility Advocates (SBUA), Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and Southern California Gas Company (SoCalGas). The sole Protest to the Application was filed by the Public Advocates Office (CalAdvocates).

Collectively, these responses and the protest demonstrate that CalMTA has appropriately followed and implemented the Commission's directions and guidelines in soliciting, reviewing, selecting, and proposing a Second Tranche of three robust MTIs that will advance market transformation in the energy efficiency sector "to increase market penetration of selected efficiency and low-carbon solutions" with "lasting benefits."[1] Many of the responses provide unqualified support for the proposed MTIs. The other responses, including the protest, do not object to the Application, but rather ask for review or evaluation that ensures that each proposed MTI achieves the objectives, cost-effectiveness standards, and benefits required for approval.

CalMTA appreciates this significant support of its proposed MTIs. The Application and its supporting documents, including attachments and testimony, demonstrate that each of the proposed MTIs complies with the Commission's Market Transformation Framework, targets significant and persistent market barriers suitable for market transformation intervention, are supported by rigorous cost-effectiveness and benefits analyses, and should be approved by the Commission in furtherance of its Market Transformation program.

II.
REPLY TO RESPONSES TO THE APPLICATION

Of the 10 responses received, six parties, including TURN, CEJA, NRDC, NEEA, MN CEE, and CEDMC, expressed support for the approval of all proposed MTIs and associated funding. Four of these parties (CEDMC, NRDC, NEEA, and MN CEE) expressly supported the proposed Tier 2 Advice Letter process as well, while TURN supported its consideration in this proceeding and CEJA did not address the proposal in its response. The support for the Application provided by these six parties is significant because it comes from organizations with

[1] Decision (D.) 25-11-023, at pp. 4-5.

directly relevant expertise in market transformation, ratepayer advocacy, related industries, environmental justice, or clean energy transition efforts.

Collectively, the responses filed by these parties express the views that the proposed Residential Heat Pump Water Heating (Residential HPWH); Commercial Replacement and Attachment Window Solutions (CRAWS), and Commercial Rooftop Units (CRTUs) MTIs are well researched, strategically sound, consistent with the Commission-adopted Market Transformation Framework, and appropriately designed to complement existing programs by addressing structural market barriers that traditional incentives and program delivery are not positioned to fully resolve.[2] These positions are well-supported by the proposals, modeling, and analyses detailed in the MTI Plans and CalMTA's testimony.[3]

In their responses, SBUA and SCE also recognize the value of market transformation and the proposed MTIs, but seek further review of their cost effectiveness, customer benefits, and coordination with existing utility programs.[4] These issues are among those CalMTA has included for resolution in its Application.[5]

SoCalGas in its response similarly expresses support for measurable market transformation outcomes but raises concerns regarding the proposed cost allocation for electrification-focused MTIs. CalMTA believes that this issue is one that has already been addressed by the Commission in D.25-11-023, on the initial tranche of MTIs, that included the

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[2] TURN Response, at pp 2-7; CEJA Response, at pp. 2-5; NRDC Response, at pp. 2-4; NEEA Response, at pp. 2-6; MN CEE Response, at pp. 3-7; CEDMC Response, at pp. 2-4.
[3] Application, Attachments 1 – 3, Appendix B (of each MTI Plan); Ex. MTA-02 and Ex. MTA-03
[4] SBUA Response, at p.2; SCE Response, at pp. 2-3.
[5] Application, at pp. 22-23.

fuel-specific cost allocation guidance set forth in Table 4 of the decision, which would also apply to this Application.[6]

SoCalGas, however, opposes CalMTA's proposed Tier 2 Advice Letter filing for future MTIs that meet specified criteria. It is CalMTA's position that this objection rests on a misplaced comparison to energy efficiency program approvals. In contrast, the MTIs that would qualify for Tier 2 Advice Letter review and approval are subject to, and will be required to comply with, the Commission-authorized market transformation framework and funding allocation established in prior Commission decisions and do not constitute a new funding mechanism or an increase in the authorized budget.[7]

In its response, PG&E raises two discrete concerns: whether the Residential HPWH MTI has demonstrated a distinct, incremental role given existing market activity and whether future MTIs should be reviewed through Tier 3 Advice Letters rather than CalMTA's proposed Tier 2 Advice Letter process. As to the first concern, PG&E improperly equates the existence of HPWH-related programs with the absence of a remaining market transformation opportunity.[8] Instead, as demonstrated by the Application and supporting documents, the Residential HPWH MTI is designed to accelerate market adoption by influencing product development, aggregating demand, and building a consistent statewide market infrastructure that addresses identified market needs and increases the impact of existing California investments that, as many respondents confirm, is not addressed by current efforts.[9]

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[6] D.25-11-023, Table 4. Cost Allocation for Budget Categories to Utility Customers by Fuel Type, at p. 63.
[7] Application, at pp. 17-18.
[8] PG&E Response, at pp. 2-3.
[9] NRDC Response, at p. 3; CEDMC Response, at pp. 2-3; CEJA Response, at p.3; NEEA Response, at pp.4-5; TURN Response, at pp. 3-4.

As to its second concern, PG&E includes a Tier 3 Advice Letter proposal that is unnecessary.[10] CalMTA's proposed Tier 2 Advice Letter process is wholly appropriate where it applies only to future MTIs that meet Commission-approved eligibility criteria, including cost effectiveness; remains subject to technical documentation; and ensures stakeholder engagement, MTAB review, notice, protest rights, and Energy Division oversight. By contrast, the Tier 3 Advice Letter process would unnecessarily add delay and cost without materially improving accountability for initiatives already within the approved framework.

III.
PROTEST TO THE APPLICATION

The only submission labeled a "protest" to the Application was filed by CalAdvocates. However, by its protest, CalAdvocates has expressed positions regarding this Application that are not dissimilar to those raised by certain responses and has referred to issues that will be addressed in the course of this Application.

Namely, CalAdvocates does not oppose any of the proposed MTIs on the merits at this stage and instead requests a comprehensive review of the MTIs' compliance with the Market Transformation Framework and D.19-12-021, their cost-effectiveness and projected benefits, the reasonableness of CalMTA's proposed budget, non-ratepayer funding, sensitivity analyses, and the proposed Tier 2 process for review of future MTIs.[11] Again, CalMTA's Application confirms that these are issues to be addressed and resolved in this Application.[12]

However, CalMTA does not believe that resolution of those issues requires the significant addition of time to CalMTA's proposed schedule that is requested by CalAdvocates.[13]

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[10] PG&E Response, at p.4.
[11] CalAdvocates Protest, at pp. 1, 3-4.
[12] Application, at pp. 22-23.
[13] CalAdvocates Protest, at pp. 5-7.

As stated in the Application, "expeditious" review of the MTIs is important to ensure that "MTI interventions remain aligned with current market conditions, barriers, and decision points."[14] This circumstance was understood by the Commission when it issued its decision on CalMTA's First Tranche of MTIs (D.25-11-023) within 11 months of the filing of that application. It was on that basis that CalMTA offered its proposed schedule. To that end, if there is an extension of CalMTA's proposed schedule, CalMTA urges that it result in a final decision issued in no more than 12 months from the filing of this Application.

IV.
CONCLUSION

The responses to this Application have been very positive and demonstrate the timeliness and value of the Second Tranche of MTIs that CalMTA has proposed. The targeted concerns raised by certain responses and the protest have been fully addressed in CalMTA's Application, the MTI Plans, and supporting testimony.

Specifically, the proposed MTIs meet the Commission's market transformation criteria, are distinct from and complementary to existing efforts, and include appropriate safeguards to support transparent review, accountable implementation, and timely market intervention. CalMTA, therefore, urges the Commission to proceed with the timely review and approval of this Application to allow the three proposed MTIs to move forward promptly with appropriate funding for their implementation, and to approve CalMTA's proposed Tier 2 Advice Letter process for future qualifying MTIs.

[14] Application, at p. 23.

Respectfully submitted this 17th day of August 2026, at San Francisco, California.

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