Date of Hearing: April 22, 2026

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY
Cottie Petrie-Norris, Chair
AB 2313 (Berman) – As Amended April 13, 2026

SUBJECT: Gas corporations: gas distribution service line replacements: alternatives.

SUMMARY: Requires the California Public Utilities Commission (CPUC) to establish a program in which gas corporations must offer customers whose service lines are scheduled for planned replacement the option to instead receive a monetary incentive to replace their gas appliances with electric alternatives and permanently discontinue gas service. Specifically, **this bill**:

1) Makes several findings and declarations concerning declining natural gas demand in California and need for active planning and management of this reduced demand.

2) Defines "eligible gas customer" as a customer served by a gas distribution service line that will be replaced or is prioritized for replacement by the CPUC, based on characteristics such as age or material of the service line.

    a. Defines "gas distribution service line replacement alternatives" as measures to provide gas customers with energy service that do not require gas use, including replacement of gas appliances with electric alternatives, any wiring, panel upgrades, or necessary remediation for electric appliance installation, circuitry sharing or other devices that can avoid a panel upgrade, and energy efficiency.

3) Requires the CPUC, in a new or existing proceeding, to require each gas corporation to offer a "Gas Distribution Service Line Replacement Alternatives Program," on or before January 1, 2028. The CPUC must establish the following in administering the program:

    a. A mechanism to ensure gas customers benefit from the reduction in capital spending on gas distribution service lines that would otherwise have occurred in the absence of deployment of the program.

    b. A standard incentive equivalent to 85 percent of average lifetime cost of the avoided gas distribution service line replacement.

    c. An enhanced incentive equivalent to the total average lifetime cost of the avoided gas distribution service line replacement for eligible gas customers located in a disadvantaged community.

    d. A cost-recovery period of not more than 10 years for program implementation costs.

    e. A process for program design, development, and implementation, including, but not limited to:
        i. Notice requirements for eligible gas customers, including information about the climate and health benefits of zero-emission buildings, and potential availability of any additional incentives from other programs,

including those offered by community choice aggregators and renewable energy networks.
ii. Potential use of a third-party program administrator.
iii. Development of a list of contractors.
iv. Development of a program website through which gas customers can determine their eligibility for the program.
v. Communication of measures to prevent unnecessary electrical service or panel upsizing.
vi. Coordination and information sharing requirements with electrical corporations, local publicly owned electric utilities, community choice aggregators, and local governments.
vii. A requirement that for gas disconnection and gas meter removal as a condition of program participation.
viii. Additional outreach requirements for gas distribution service line replacements in disadvantaged communities.
ix. Coordination with low-income energy efficiency and electrification programs, as feasible, to maximize available incentives for low-income customers.

f. Requirements for service line decommissioning following implementation of Gas distribution service line replacement alternatives.

g. An exemption for emergency replacements of gas service lines.

EXISTING LAW:

1) Defines "disadvantaged community" as including, but not limited to, areas disproportionately affected by environmental pollution and other hazards that can lead to negative public health effects, exposure, or environmental degradation. Additionally, areas with concentrations of people that are of low income, high unemployment, low levels of homeownership, high rent burden, sensitive populations, or low levels of educational attainment. (Health and Safety Code § 39711)

2) Defines "emergency" as a sudden, unexpected occurrence, involving a clear and imminent danger, demanding immediate action to prevent or mitigate loss of, or damage to, life, health, property, or essential public services. "Emergency" includes such occurrences as fire, flood, earthquake, or other soil or geologic movements, as well as such occurrences as riot, accident, or sabotage. (Public Resources Code § 21060.3)

3) Defines "service line" as a distribution line that transports gas from a common source of supply to an individual customer, to two adjacent or adjoining residential or small commercial customers, or to multiple residential or small commercial customers served through a meter header or manifold. A service line ends at the outlet of the customer meter or at the connection to a customer's piping, whichever is further downstream, or at the connection to customer piping if there is no meter. (Code of Federal Regulations, Title 49 - Section 192.3)

4) 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 is commonly referred to as the utility's "obligation to serve." (Public Utilities Code § 451)

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) Requires the CPUC to ensure that rates are sufficient to enable IOUs to recover a just and reasonable amount of revenue from residential customers as a class, while observing the principle that electricity and gas services are necessities, for which a low, affordable rate is desirable and while observing the principle that conservation is desirable in order to maintain an affordable bill. (Public Utilities Code § 739)

7) Requires the CPUC to establish rates using cost allocation principles that fairly and reasonably assign to different customer classes the costs of providing service to those customer classes, consistent with the policies of affordability and conservation. (Public Utilities Code § 739.6)

8) Requires 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.)

9) Requires the CPUC to designate priority neighborhood decarbonization zones and establish a voluntary program to facilitate the pilot program. Specifies that the program does not exceed 30 pilot projects across the state and does not affect more than 1% of each gas corporation's customers within their service territory. (Public Utilities Code § 660 et seq.)

FISCAL EFFECT: Unknown. This bill is keyed fiscal and will be referred to the Assembly Committee on Appropriations for its review.

BACKGROUND:

Natural gas in California – California's natural gas utilities provide service to over 11 million gas meters. Southern California Gas Company (SoCalGas) and Pacific Gas & Electric (PG&E) provide service to about 5.9 million and 4.3 million customers, respectively, while San Diego Gas & Electric (SDG&E) provides service to over 800,000 customers. The overwhelming majority of natural gas utility customers in California are residential and small commercial customers, referred to as "core" customers. Larger volume gas customers, like electric generators and industrial customers, are called "noncore" customers. Although very small in number relative to core customers, noncore customers consume about 65% of the natural gas delivered by the state's natural gas utilities, while core customers consume about 35%.[1] Specifically for

[1] Customers and Volumes, CPUC, https://www.cpuc.ca.gov/industries-and-topics/natural-gas/natural-gas-and-california

residential customers, about 91% of California homes are connected to the gas system (compared to 65% of homes nationally).[2] Natural gas is predominantly used for water and space heating, but also other home appliances such as gas stoves, clothes dryers, and fireplaces.[3] Despite the prevalence of natural gas in Californian homes, use of natural gas has been on the decline, driven in part by energy efficiency and fuel substitution.[4,5]

The gas distribution system – Imported gas (nearly 90% of California's supply)[6] is transported through interstate pipelines until it is delivered to the utilities' high-pressure transmission system and then onto the lower-pressure distribution system. This system makes up over 100,000 miles of transmission and distribution pipelines,[7] including what is referred to as the "back-bone" system. Most customers receive gas through service lines that connect distribution mains to the customer's meter; these service lines add thousands more miles of lines that must be maintained. Despite a decrease in natural gas use, gas infrastructure must be maintained to meet rigorous safety and reliability standards. Capital related transportation costs are included in the "rate base," and each utility receives a rate of return on this amount. Gas infrastructure makes up a significant fraction of the revenue requirement (73% in 2021).[8] Gas rates can increase if the revenue requirement goes up, but they can also increase if the utility's costs stay the same, but the units of gas delivered go down. Therefore, as gas customers reduce their gas use and electrify their homes, gas rates may rise.

California's decarbonization goals – Achieving California's ambitious climate targets requires a shift away from natural gas. The challenge lies in balancing many priorities to create a path to a clean, affordable, safe, reliable, and equitable gas system. Because gas infrastructure and gas-consuming equipment have decades-long lifespans, a comprehensive transition away from natural gas requires a combination of near-term actions and long-term strategies. The CPUC has begun a planning procedure to this end.[9] The proceeding has three phases for gas transition planning: Phase 1, Interim Actions; Phase 2, Long-Term Gas Transition Planning; and Phase 3, SB 1221 Implementation. Phase 1 will consider specific actions that may be undertaken in the short and medium term to respond to anticipated risks and challenges of the gas transition. In Phase 2, the focus will be to develop a robust record to inform decision-making about the gas system, and, in particular, to develop pertinent information related to the gas transition for consideration in subsequent stages of the CPUC's proceedings. Phase 3 implementation will require the CPUC to establish a voluntary pilot project program for zonal decarbonization. The

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[2] U.S. Census Bureau, 2021 American Housing Survey. https://www.census.gov/programs-surveys/ahs/data/interactive/ahstablecreator.html.
[3] Palmgren, Claire, Miriam Goldberg, Ph.D., Bob Ramirez, Craig Williamson, and DNV GL Energy Insights USA, Inc. 2019. 2019 California Residential Appliance Saturation Study. California Energy Commission. Publication Number: CEC-200-2021-005. https://www.energy.ca.gov/publications/2021/2019-california-residential-appliance-saturationstudy-rass
[4] https://www.eia.gov/todayinenergy/detail.php?id=66704
[5] 2024 Joint Agency Staff Paper: Progress Towards a Gas Transition, https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M525/K660/525660391.PDF
[6] Supply and Demand of Natural Gas in California, CEC, https://www.energy.ca.gov/data-reports/energy-almanac/californias-natural-gas-market/supply-and-demand-natural-gas-california#:~:text=Natural%20gas%20continues%20to%20play,plants%20rely%20on%20this%20fuel.
[7] https://www.socalgas.com/documents/news-room/fact-sheets/PipelineBasics.pdf#:~:text=Most%20of%20the%20natural%20gas%20consumed%20by,Southern%20California%20from%20onshore%20and%20offshore%20fields.
[8] Joint Agency Staff Report, *Ibid*.
[9] CPUC, *Long-Term Gas Planning Proceeding*, Rulemaking R.24-09-012

CPUC is set to adopt guidelines for the Phase 3 pilot program later this year.[10] Table 1 outlines the proposed timeline for CPUC decisions from these phases.[11] Altogether, this proceeding will hopefully allow for a smooth transition away from natural gas that minimizes the risks of stranded gas assets and cost-effectively promotes alternative energy sources.

Table 1: Schedule for the 3 Phases of the CPUC's proceeding regarding Long-Term Gas System Planning.[12]

	Event	Date
Phase 1: Interim Actions	Proposed Decision(s)	TBD but no earlier than Q3 of 2026
	Final Decision(s)	No earlier than 30 days after the Proposed Decision has been issued
Phase 2: Long-Term Gas Transition Planning	Track 1: Consideration of Foundational Data and Analytics issues	Beginning in Q3 2026
	Track 2: Consideration of Long-Term Gas Planning Scenario issues	Beginning in Q3 2026
	Track 2: Proposed Decision(s)	TBD
	Track 2: Final Decision(s)	TBD
Phase 3: SB 1221 Requirements	Track 2: Gas Utilities respond to Data Ruling	November 5, 2025
	Track 3: Opening comments on Pilot Program questions in Appendix A	December 3, 2025
	Track 3: Reply comments on Pilot Program questions in Appendix A	December 17, 2025
	Track 3: Proposed decision	May 2026
	Track 3: Commission decision	June 2026
	Track 4: Consideration of Remaining SB 1221 Issues	Beginning in Q2 2027

COMMENTS:

1) *Author's Statement.* According to the author, "If we're going to meet our goal of creating a more affordable and sustainable California, we need to encourage electrification and

[10] SB 1221 Implementation, CPUC, https://www.cpuc.ca.gov/industries-and-topics/natural-gas/sb-1221-implementation
[11] p. 8, SECOND AMENDED ASSIGNED COMMISSIONER'S SCOPING MEMO AND RULING REQUESTING COMMENTS ON PILOT PROGRAM, CPUC, https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M583/K959/583959017.PDF
[12] *Ibid*, #11.

ease the economic barriers to clean energy. Gas utilities plan to spend millions of dollars in the coming years to replace aging gas service lines. AB 2313, the Home Energy Choice Act, will give homeowners the option to instead receive an incentive to electrify their home. By redirecting funds that utilities would otherwise spend on fossil fuel infrastructure, the Home Energy Choice Act will protect the environment, promote public health, and provide long-term savings for all ratepayers."

2) *Purpose of Bill.* AB 2313 will require gas utilities under CPUC jurisdiction to offer customers a monetary incentive to cease gas service and electrify if there is a planned replacement of their service line. The goal of this legislation is to redirect funds that would have been spent on gas service line replacements to the resources needed (like appliances) for customers to electrify their spaces and cease gas use.

   Electrification has been promoted as one of the primary strategies for California to achieve its clean energy and greenhouse gas (GHG) reduction goals. However, home electrification can be expensive, and many Californians are unlikely to be able to afford the upfront costs of replacing gas appliances with electric appliances – as well as potentially upgrading electric panels or re-wiring a building. The approach to date to switch from natural gas to electricity in the building sector has largely relied on individual financial incentives to encourage adoption. The consequence of such an approach is the potential for existing infrastructure to become stranded if the consumption of natural gas declines rapidly. This may leave an ever-shrinking portion of ratepayers having to bear the cost of maintaining a system built for a much larger customer pool, likely disproportionately impacting ratepayers least able to transition off gas.[13]

   While still an individualized approach, this bill seeks to prevent new gas infrastructure costs by incentivizing eligible customers (those identified as needing service line replacement) to cease their gas service and electrify. The idea is that this incentive program can play a part in the gas transition by avoiding new long-term investments in the gas delivery system, providing a benefit to both the participating customer (via the monetary incentive) and the nonparticipating customer (via avoided cost of new gas infrastructure).

3) *SB 1221.* As noted above, SB 1221 (Min, 2024)[14] takes a different approach than individualized incentives and instead provides a path for zonal decarbonization. This bill's proponents argue that the individualized, non-pipeline alternative (NPA) approach in this bill and the zonal decarbonization program via SB 1221 that is currently underway are complementary. The idea is that the NPAs support incremental electrification and minimize the investment in potentially unnecessary gas infrastructure, while zonal decarbonization promises a greater reduction in emissions and less uncertainty around how and when customers will transition off the gas system.

   Given the limited, if non-existent, understanding of real-world impacts to Californians of wide-spread decommissioning of the natural gas system, SB 1221 took a more

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[13] L. Davis and C. Hausman, "Who Will Pay for Legacy Utility Costs?" *Energy Institute White Paper 317*, June 2021.
[14] Chapter 602, Statutes of 2024

conservative approach by establishing pilot projects to provide learning and greater insight into the challenges of such system decarbonization. The SB 1221 program has barely begun. In January 2026, the CPUC defined priority neighborhood decarbonization zones. In the coming months, the CPUC is set to establish the voluntary pilot project program.[15] Despite this bill's proponents suggesting that NPA programs will complement the SB 1221 process, opposition to this bill sees it as "jumping ahead" of data and analysis that would be available following SB 1221 implementation. Both programs attempt to move the State towards its decarbonization goals, but a clear understanding of how these two directives would simultaneously play out and impact ratepayers remains unknown. Below is a table comparing SB 1221 to AB 2313 (as currently proposed) implementation.

Table 2: Comparison of SB 1221 and AB 2313 program considerations.

Topic	SB 1221	AB 2313
Approach	Pilot Program for zonal decarbonization – targeting the main line level of service	Individualized – Non-pipeline Alternative Program (NPA) – targeting the service line level of service
Utility	Gas corporations, affecting no more than 1% of each corporation's customers within service territory	Gas corporations
Participation	67% approval from customers in designated pilot area, 30 total pilot projects	Voluntary, dependent on service line replacement
Transition	Zero-emission alternative	Electrification
Customer monetary incentive	No	Yes
Cost	CPUC will determine how pilot programs are funded, must be "cost-effective," meaning the zero-emission alternative must cost less than replacing, repairing, or continuing to operate the gas asset	Cost recovery period of 10 years for program implementation. Bill is silent as to whether a gas corporation could earn a rate of return on this cost recovery; however, the bill's proponents note that is the intent.

[15] D.25-12-042

4) *Logistical uncertainty*. There are many unanswered questions that remain about how the program established by this bill would feasibly play out. The author may want to consider addressing these outstanding questions and ensuring appropriate direction is given to the CPUC for implementation.

    a. *Customer decision process.* There is no direction in the bill for how the offering of this program would work. The bill language notes that eligible customers are those with a planned or prioritized service live replacement and that notice requirements should be established by the CPUC. However, questions remain about the logistics for this process, such as, how long customers will have to decide about program participation after being notified. An adequate timeline will need to be established so as not to delay or disrupt planned work. It is also unclear how customers will indicate their interest in program implementation. Will they be required to submit an interest form, as is the case with a similar program in New York?[16] These questions, and likely others, will need to be addressed by the CPUC (or author) for adequate program implementation.

    b. *Departing gas service*. Some utility providers offer both gas and electrical service (e.g., PG&E and SDG&E), while others, such as Sacramento Municipal Utility District (SMUD), provide only electrical service. If a PG&E customer decided to participate in this program, but lived in SMUD territory, they would be departing PG&E service entirely and becoming a SMUD customer. A departure paid for by PG&E gas ratepayers. To the committee's knowledge, this is an unprecedented usage of a utility's rate base, and operates effectively as a customer buyout.

    PG&E has shared a single example where they have facilitated such a transition under their Alternative Energy Program (AEP), which is an umbrella program with several options for customers to transition from natural gas service to renewable energy sources. PG&E transitioned a non-residential customer from PG&E to SMUD service. But it took over 2 years of logistics and programming between the utilities for this transition to occur. Details on why the transition was so long are unavailable, but the example highlights the uncertainty of how utilities would efficiently facilitate these transitions for customers under the larger program envisioned in this bill. To this end, the bill does include language for coordination and information sharing across involved entities. But as reported by PG&E to the committee, the conversion of the nonresidential customer from PG&E to SMUD was facilitated without any major hiccups or significant delays.

    c. *Customer Incentive.* As currently written, the bill directs the CPUC to establish a standard and enhanced incentive to customers to use towards electrification of their home, including replacing gas appliances with electric alternatives, panel upgrades, or other remediation necessary for electric appliance installation. Under the AEP from PG&E mentioned above, PG&E buys the appliances necessary for the electrification of the home. In a similar New York program, customers work with designated contractors to complete the work and submit proof of installation. It is unclear in the present bill whether customers will have appliances purchased

[16] https://www.coned.com/en/save-money/rebates-incentives-tax-credits/rebates-incentives-tax-credits-for-residential-customers/energy-exchange

for them by the gas corporation, contract with third parties themselves to use the incentive, or be given the incentive to use independently. Each possibility comes with unique challenges and considerations that should be examined for feasibility of program implementation.

5) *Residential specific.* As the name of the bill suggests, the "Home Energy Choice Act," the goal of the program is to offer an incentive for gas customers to electrify their homes. As currently written, the bill does not restrict participation of the program to just residential customers, meaning commercial and industrial customers could also participate. While industrial decarbonization is a crucial step for California meeting clean energy goals, restricting the scope of the bill to residential customers prioritizes electrification for customers for whom it would otherwise be potentially out of reach. While the program is constrained by limiting program participation to those customers scheduled to have their service line replaced, the likeliest customers to agree to receive the incentive and go off gas service will be those who can afford any additional expense that may arise beyond the incentive level. Such dynamics raise equity concerns with program participation. The author seeks to partially address this by establishing an enhanced incentive level for customers located in disadvantaged communities. However, further limitations to the program scope to target it to its intended customers are warranted. Therefore, *the committee recommends allowing only residential gas customers, who are the property owners of the location receiving service, to participate in the program.*

6) *Cost recovery.* As part of the direction to the CPUC in administering the program, the bill sets the cost-recovery period for program implementation costs to no more than 10 years. This is based on an analysis from the bill's sponsors that suggests a 10-year cost recovery maximizes the avoided cost benefits to nonparticipating customers.[17] However, it is unclear exactly what costs the utilities will be authorized to recover. It is possible, for example, that the gas corporations would be authorized to collect a rate of return on the appliances purchased for home electrification through program implementation. Related to appliances, this program will be playing out on an individual basis, meaning each customer's needs for home electrification will be different. To ensure that the CPUC has the flexibility to implement this program in a way that is the most cost-effective and beneficial to ratepayers, *the committee recommends removing language regarding using the incentive to purchase electric appliances and the explicit direction on a cost recovery period for implementation costs. The committee also recommends clarifying that gas corporations cannot use ratepayer funds for the cost of program implementation if they are covered by other incentives under federal, state, or local laws.*

7) *Another program?* The program outlined in this bill is being considered in PG&E's ongoing General Rate Case before the CPUC.[18] Indeed, the same contours of this bill were proposed by the sponsors in this ongoing GRC.[19] To ensure that there is not duplicative work and that program implementation is not delayed, *the committee recommends adding clarification that a substantially similar program offered by a gas*

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[17] Prepared Direct Testimony of Matthew Vespa and Danielle Velez in Docket No. A.25-05-009
[18] A.25-05-009
[19] Vespa and Velez, *Ibid*.

corporation that has been approved by the commission shall not be required to update their program until January 1, 2031.

8) *Service line replacements.* As noted above, maintaining the aging gas system in California requires considerable work. The focus of this work is often to address reliability and safety concerns. For example, PG&E has three programs focused on these goals: MAT 50B – Reliability Service Replacement Program, MAT 14A – Gas Pipeline Replacement Program, and MAT 14D – Plastic Pipe Replacement Program. All three of these are capital programs that address different considerations, and all three may involve service line replacements. However, only the MAT 50B program explicitly tracks individual service line replacements. Broadly, the majority of service line work for the gas distribution system is associated with the "main." This was confirmed by data provided to the committee from SoCalGas on service line replacements in 2024. SoCalGas reported completing over 10,000 services, with 7,600 of those being planned work that was associated with the main replacement project. An additional 3,900 services were reactive – meaning they were driven by field-found conditions and required standalone/isolated replacements. In opposition to the bill, SoCalGas, along with the Coalition of California Utility Employees and Utility Workers Union of America Locals 132, 483, and 522, echo this point that service line replacements are rarely standalone activities and raise concerns that pulling individualized service work out of coordinated projects may lead to increased costs and safety risk. The bill language does specify the program is not offered during emergency situations, but to ensure the incentive is an accurate reflection of the costs associated with the departing customer*, the committee recommends that the incentive level be based on the avoided cost of the service line replacement but not include any costs associated with the gas distribution main line.*

9) *Nonparticipating customer protections.* This incentive program will not be available to all customers. Eligibility will be determined based on the status of the gas service line to an individual's property. Moreover, even with the possibility of an enhanced incentive, the costs of electrification may still be out of reach for some customers. While the goal of the program is to reduce unnecessary investment in the gas system, which will benefit all gas customers with lower costs to be paid over the lifetime of the investment, there are still costs that must be paid. If Customer A has the opportunity to participate in the program due to the age of their service line, but Customer B doesn't, is it fair for Customer B to pay for Customer A to electrify their home? Proponents of the bill argue that Customer B would be paying those costs regardless and that they will actually be paying less as a result of program participation (because there will be less infrastructure to pay for). However, opponents to the bill highlight that other costs, such as fixed charges, will now be paid by a smaller pool of customers, thus likely increasing rates for remaining gas customers. Balancing the impact on gas customers will always be a challenge on a dwindling gas system, but it is critical that in implementation of the program, risks to nonparticipating customers are minimized. This is consistent with the author's intent for the incentive program to benefit remaining gas customers. Therefore, *the committee recommends clarifications to the incentive level considerations, ensuring that the deduction in capital spending benefits remaining gas customers and customers who do participate bear an equitable share of unrecovered gas infrastructure costs that are attributable to their departure.*

10) *Termination of service.* Under the "regulatory compact," a utility is granted an exclusive service territory (franchise), in exchange for accepting the responsibility to serve everyone in that territory and submitting to rate-regulation by an economic regulator (a public utilities commission), where the utility has the opportunity to earn a rate of return. This acceptance of serving everyone in the territory is known as the utility's obligation to serve. The obligation to serve is articulated in various Constitutional provisions, CPUC decisions, and statutes; 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. The obligation to serve applies to both gas and electric service within a given boundary, even when a single utility – such as PG&E – offers both. In other words, the obligation to serve – at least as currently applied – compels offerings of both electric and gas service to customers, even if a customer's full energy needs could be met by only one resource. As it is the goal of this program for a customer to cease gas use, *the committee recommends adding a requirement for gas disconnection, gas meter removal, and acknowledgement from the participating customer that waives their obligation to be served by the gas corporation as a condition of program participation.* Otherwise, the remaining gas customers carry the risk that they pay for a customer's exit from gas service, only to have that customer return to gas service – now with new capital costs needed for the reconnection – in a few years.

11) *Program accountability.* As noted by a recent report from the University of California, Los Angeles on this bill, California would be the first state to require an NPA to be offered by all gas corporations in the state.[20] And while other states, such as New York, have implemented a similar program with one of their service providers – Con Edison[21]– there is much to be learned from the design, development, and implementation of this program in California. Therefore, *the committee recommends clarifying that in establishing the incentive level, the CPUC has the authority to take other factors under consideration and shall conduct an annual review of the program to address any adjustments that need to be made. The committee also recommends that the CPUC report to the legislature, starting January 1, 2029, on the progress of each implemented program, including the number of customers that have participated, program implementation costs, and impacts to nonparticipating customers.*

12) *Program implementation. The committee recommends minor changes to the direction of the CPUC for program implementation. Specifically, that notifications to customers include availability of additional incentives - not just from other gas or nongas corporations, changing "renewable" energy networks to "regional," and ensuring customers have a means through which to determine eligibility for the program. Additionally, the committee recommends adding a sunset date of 2035, unless acted upon or amended by subsequent statute.*

13) *Findings and declarations*. *The committee recommends minor changes to the findings and declarations. This includes adding that alternatives to new capital investment in the*

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[20] Emmerick and Anderson, Non-Pipeline Alternatives to Accelerate California's Gas Transition, April 2026, https://law.ucla.edu/sites/default/files/NonPipeline%20Report%20v11_final.pdf
[21] New York Public Service Commission, *Order Adopting Gas System Planning Process* 40-43 in Case 20-G-0131

gas system should be pursued when safe, clarifying that the cost recovery for gas distribution service line costs often exceeds 50 years, and removing (a)(7) as it is repetitive of the intent described in (b) for the incentive program.

14) *Related Legislation.*

AB 2088 (Papan) authorizes gas corporations and other utilities regulated by the CPUC to own and operate thermal energy service as a regulated utility service through thermal energy networks (TENs), directs the CEC to develop technical standards for TENs, and requires the CPUC to initiate a proceeding to establish a regulatory framework for TENs deployment. Status: set for hearing in this committee on April 22nd.

SB 1359 (Stern) establishes the Gas Transition Responsibility and Electrification Act, directing the CPUC to prioritize electrification and nonpipelined alternatives to capital investment for natural gas distribution infrastructure. The bill requires the CPUC to develop a framework for the orderly and equitable transition of the natural gas distribution system, including minimizing ratepayer impacts. Status: Set for hearing on April 21st in the Senate Committee on Energy, Utilities and Communications.

15) *Prior Legislation.*

SB 1221 (Min, 2024) authorizes 30 pilot projects where cost-effective decarbonization of priority neighborhoods meeting specified criteria can be implemented, with 67% support, if CPUC determines adequate substitute energy is available, among other requirements. The bill also requires specified mapping of the natural gas utility distribution system and requires the identification of priority decarbonization neighborhood zones and authorizes gas corporations to cease providing service within the 30 pilot projects, among other provisions. Status: Chapter 602, Statutes of 2024.

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. Status: Held in the Senate Committee on Appropriations.

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

AB 209 (Committee on Budget), 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. Status: Chapter 251, Statutes of 2022.

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

SB 1477 (Stern) 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. Status: Chapter 378, Statutes of 2018.

AB 3232 (Friedman) 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. Status: Chapter 373, Statutes of 2018.

REGISTERED SUPPORT / OPPOSITION:

Support

350 Berkeley Hub
350 Conejo
350 Conejo / San Fernando Valley
350 Humboldt
350 Santa Barbara
350 South Bay LA
350 South Bay Los Angeles
350 Southland Legislative Alliance
Acterra: Action for a Healthy Planet
Active San Gabriel Valley
All-electric California
Alliance of Nurses for Healthy Environments
American Lung Association
Asian Pacific Environmental Network
Ban Single Use Plastic (SUP)
Ban Sup (single Use Plastics)
Building Decarbonization Action Fund
Building Decarbonization Coalition
CA Coalition for Clean Air
California Community Choice Association
California Environmental Voters
California Green New Deal Coalition
California Nurses for Environmental Health & Justice
Carbon Free Palo Alto
Carbon Free Silicon Valley
Center for Biological Diversity
Center for Community Action & Environmental Justice
Center for Community Action and Environmental Justice (CCAEJ)
Central California Asthma Collaborative
Chris Duncan Architect
City and County of San Francisco
City of San Jose
City of San Leandro

Clean Earth 4 Kids
Climate Action California
Climate Action Campaign
Climate Future California
Climate Health Now Action Fund
Climate Reality Project Bay Area Chapter
College Democrats At UC Irvine
Courage California
Democrats of Greater Irvine
Earthjustice
Edison International and Affiliates, Including Southern California Edison
Efficiency First California
Elders Climate Action
Elders Climate Action Socal Chapter
Electrify the Rebuild Resilient Palisades
Fallbrook Climate Action Team
Friends Committee on Legislation of California
Green Sanctuary Committee of the Unitarian Universalist Church of Palo Alto
Grid Alternatives
Hed
Irvine Valley College Democrats
Leadership Council for Justice and Accountability
Lift Economy
Marin Clean Energy (MCE)
Menlo Spark
National Association of Pediatric Nurse Practitioners - San Francisco Bay Area Chapter
National Association of Pediatric Nurse Practitioners, Orange County Chapter
Natural Resources Defense Council
Peninsula Clean Energy
Physicians for Social Responsibility - Sacramento Chapter
Physicians for Social Responsibility - San Francisco Bay Area Chapter
Quitcarbon
Redwood Energy
Regional Asthma Management and Prevention (RAMP)
Resilient Palisades
Resource Renewal Institute
Rewiring America
Rising Sun Center for Opportunity
San Diego 350
San Diego Building Electrification Coalition
San Diego Community Power
San Francisco Bay Area Physicians for Social Responsibility
San Francisco Climate Emergency Coalition
Sierra Club California
Silicon Valley Clean Energy
Socal 350 Climate Action
Sonoma Clean Power
Sonoma County Transportation and Climate Authorities
Spur

Stopwaste
Sunrise Movement Orange County
The Climate Center
U.S. Green Building Council, California
Usgbc California
Women for American Values and Ethics (WAVE)
Women for American Values and Ethics Action Fund

Oppose

Coalition of California Utility Employees
San Diego Gas and Electric Company
Southern California Gas Company
Southwest Gas Corporation
Utility Workers Union of America, Local 132
Utility Workers Union of America, Local 483
Utility Workers Union of America, Local 522

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