Date of Hearing: May 13, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
AB 2088 (Papan) – As Amended April 27, 2026

Policy Committee: Utilities and Energy Vote: 17 - 0

Urgency: No State Mandated Local Program: Yes Reimbursable: No

SUMMARY:

This bill authorizes an investor-owned utility (IOU) to own and operate thermal energy service and directs regulatory agencies to establish the regulatory framework to allow the IOUs to do so.

Specifically, this bill, among other things:

1) Directs the California Energy Commission (CEC), by December 31, 2027, in consultation with the California Public Utilities Commission (CPUC), to develop technical standards for thermal energy networks—meaning a network of piped noncombustible fluids used for transferring heat into and out of buildings for purposes of providing zero-emission heating and cooling services—to ensure intersystem compatibility, energy efficiency, and the safety, and transparent operating and performance reporting, of thermal energy networks.

2) Requires the CPUC, by December 31, 2027, to initiate a proceeding to establish a regulatory framework for the provision of cost-effective thermal energy service by gas corporations or other public utilities determined by the CPUC to be appropriate to own or operate thermal energy networks.

3) Authorizes an IOU regulated by the CPUC to own and operate thermal energy service as a regulated utility service through a thermal energy network pursuant to the CPUC's regulatory framework.

FISCAL EFFECT:

1) This bill creates significant one-time analytical work for the CEC and, to a lesser extent, the CPUC, to develop technical standards for thermal energy networks. CEC has not done substantive work on this topic before, so it is likely it will need to contract with outside experts to develop the technical standards.

   CEC. The CEC estimates costs of approximately $1.4 million (Energy Resources Program Account (ERPA)) for $1 million to contract with an outside expert in mechanical, electrical and plumbing design and two internal positions—a mechanical engineer ($203,000) and an electric generation system specialist ($216,000) to establish standards and coordinate with other states and the US Department of Energy. The CEC describes the $1 million as one time and the approximately $400,000 as ongoing, though it is not clear why the CEC needs ongoing positions for what seems to be activity that seems primarily limited in time.

The CEC warns that the ERPA Fund faces an ongoing structural deficit and, for that reason, ERPA may not be an appropriate fund source for implementing this bill.

CPUC. The CPUC's cost to consult with the CEC should be minor and absorbable.

2) The bill also creates significant new regulatory and analytical work of the CPUC to establish a regulatory framework for the provision of cost-effective thermal energy service by gas corporations or other public utilities determined by the CPUC to be appropriate to own or operate thermal energy networks. The CPUC believes it can achieve this work through one new regulatory staff member, at a cost of $218,000 (Public Utilities Commission Utilities Reimbursement Account). It is reasonable to assume the CPUC will incur at least some of these costs ongoing, if an IOU or another entity chooses to own and operate thermal energy service as a regulated utility service.

COMMENTS:

Thermal energy networks, or "TENs," are, very generally a network of pipes filled with a medium—usually water—that connect multiple buildings to move heat in and out of those buildings by, for example, transferring to or from the ground. One well-publicized example of a TEN is operated in the City of Boise, Idaho, which describes its system as piping "geothermal water from underground to buildings, where it's used for heating. After heating the buildings, the geothermal water is piped back underground to be naturally reheated and used again, creating a closed-loop system."

While no state agency has done much work on TENs, specifically, the CEC reports that it, through CEC's regular development of the state's non-residential Buildings Standards, has developed performance requirements for large buildings with similar hot and cold water systems.

The author envisions this bill resulting in the state's natural gas IOUs building and operating TENs as part of their monopoly energy services. Afterall, both TENs and natural gas service rely on an interconnected series of pipes. As the author describes it:

> California has committed to achieving carbon neutrality by 2045 while also requiring utilities to provide safe and reliable service…However, utilities lack clear authority to deploy emerging energy infrastructure, such as thermal energy networks, as an alternative to natural gas systems…AB 2088 addresses this gap by authorizing utilities to provide thermal energy service, establishing a regulatory pathway for investment in modern energy infrastructure. The bill supports emissions reductions while maintaining reliable service, improving long-term system planning, and providing a practical alternative to continued investment in aging gas infrastructure.

Bill proponents agree. For example, the U.S. Green Building Council of California, which describes itself as sustainability and green building professionals with a strong commitment to addressing climate change and other local, state, and international environmental issues, asserts:

> AB 2088 offers a path for natural gas utilities to shift their business model over time to offer clean thermal energy from geothermal or industrial waste heat sources. And gas utilities are best positioned to build out the

underground pipes that will move heat most efficiently in thermal energy networks (TENs) from where it is plentiful to where it is needed.

There is no opposition registered against this bill.

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