Date of Hearing: April 20, 2026

ASSEMBLY COMMITTEE ON NATURAL RESOURCES
Isaac G. Bryan, Chair
AB 2182 (Irwin) – As Amended April 13, 2026

SUBJECT: Electrical corporations: Industrial Decarbonization and Energy Efficiency Program

SUMMARY: Requires each large electrical corporation, on or before August 1, 2027, to file a Tier 2 advice letter with the California Public Utilities Commission (CPUC) to establish an Industrial Decarbonization and Energy Efficiency Program (Program) with funding from energy efficiency charges collected from eligible facilities to fund eligible projects, including, energy efficiency projects, industrial process heat recovery, and carbon capture technologies.

EXISTING LAW:

1) Requires California Air Resources Board (ARB) to prepare and approve a Scoping Plan for achieving the maximum technologically feasible and cost-effective reductions in greenhouse gas (GHG) emissions and to update the Scoping Plan at least every five years. (Health and Safety Code (HSC) 38561)

2) Vests the CPUC with regulatory authority over public utilities, including electrical corporations. (California Constitution, Article XII)

3) Requires the CPUC to administer ratepayer-funded energy efficiency programs and authorizes the collection of funds through a separate rate component. (Public Utilities Code (PUC) 381)

4) Authorizes third parties to administer energy efficiency programs, subject to CPUC approval. (PUC 381.1)

5) Requires the California Energy Commission to establish various clean energy programs, including the industrial grid support and decarbonization program, to provide financial incentives for the implementation of projects at industrial facilities that provide significant benefits to the electrical grid, reduce GHG emissions, and achieve the state's clean energy goals. (Public Resources Code 25662-25665.1)

THIS BILL:

1) Requires each large electrical corporation, on or before August 1, 2027, to file a Tier 2 advice letter with CPUC to establish a Program with funding from energy efficiency charges collected from eligible facilities.

2) Requires each large electrical corporation to allocate an amount for its program equal to the amount it would otherwise collect from eligible facilities for energy efficiency pursuant to CPUC approved tariffs.

3) Requires CPUC to act on the Tier 2 advice letters on or before November 1, 2027.

4) Requires each Program to award grants to eligible facilities for eligible projects, and to prioritize projects that:

    a) Deliver durable and verifiable reduced GHG emissions;
    b) Reduce overall electricity or fuel consumption; and,
    c) Improve electrical grid efficiency or reduce peak demand impacts.

5) Requires each large electrical corporation to administer the Program, including by establishing eligible project intake and data validation requirements, evaluating the eligibility of facilities and projects, and administering grant payments.

6) Requires the Governor's Office of Business and Economic Development (GO-Biz) to provide independent review and approval of grants awarded pursuant to a Program. Authorizes GO-Biz to clarify eligibility criteria for each Program to ensure it serves eligible facilities with significant potential for energy savings and reduced GHG emissions.

7) Specifies that grants awarded by a Program fund up to, but not to exceed, 50% of the documented costs of the eligible project. Limits each facility's cumulative grant awards to the total amount collected from the eligible facility pursuant to the allocation from energy efficiency charges.

8) Specifies that moneys that have not been awarded to an eligible project within five years may be made available to other eligible projects on a "first-ready, first-served" basis.

9) Defines terms used in the bill, including:

    a) "Eligible facility" as an industrial or manufacturing facility that meets all of the following:

        i) Takes bundled, direct access, or community choice aggregation electrical service within the service territory of a large electrical corporation;
        ii) Is enrolled in a medium or large energy customer electric tariff, as specified;
        iii) Meets a minimum peak load requirement of 500 kilowatts or more; and,
        iv) Is not identified as a residential, state, or local government customer.

    b) "Eligible project" as including, but not limited to, the following projects:

        i) Energy efficiency projects using commercially available technology that reduce energy consumption by at least 20 % compared to the replaced technology and result in reduced GHG emissions;
        ii) Projects for industrial process heat recovery, as specified; and,
        iii) Carbon capture technologies, subject to any limitations or eligibility criteria established by the large electrical corporation to ensure cost-effectiveness and reduced GHG emissions that are sited, installed, or expanded at the eligible facility.

    c) "Large electrical corporation" as an electrical corporation with more than 3 million customer accounts in California.

FISCAL EFFECT: Unknown

COMMENTS:

1) **Energy efficiency**. In 2003, the state adopted the Energy Action Plan, which established the "loading order," prioritizing energy efficiency and demand reduction ahead of new generation. This policy was later reinforced by AB 2021 (Levine), Chapter 734, Statutes of 2006, which requires utilities to meet unmet energy needs with all available energy efficiency and demand reduction resources that are cost-effective, reliable, and feasible. The CPUC subsequently developed a more formal structure for administering these programs.

   CPUC's *Energy Efficiency Policy Manual* establishes rules governing the design, administration, and evaluation of utility energy efficiency programs. It outlines expectations for cost-effectiveness, program eligibility, evaluation, measurement, and verification, and clarifies the roles of utilities and other program administrators. It also establishes requirements for program planning, approval, and reporting, providing a consistent plan for administering and overseeing ratepayer-funded energy efficiency activities across different utilities.

   Energy efficiency programs are partially funded by the Public Purpose Program rate component, which is a state-mandated surcharge on California utility bills. The Public Purpose Program provides funding for projects benefiting society as a whole, including low-income assistance, energy efficiency, and renewable energy.

2) **Carbon capture**. Carbon capture and storage (CCS) refers to technologies that remove carbon dioxide (CO_2) from large point sources, such as power plants or industrial facilities, and permanently store the CO_2 or use it for commercial purposes. CCS has the potential to reduce emissions from chemical reactions and high-temperature processes that are difficult and expensive to decarbonize. The most widespread technologies involve chemical absorption of CO_2 into a solvent or the physical separation CO_2 from other gasses. In some limited cases, this captured CO_2 is used on-site in commercial applications such as water treatment or chemical production. The captured CO_2 can also be compressed and transported by pipeline, ship, rail, or truck to be used in off-site commercial applications, or injected into deep geological formations (including depleted oil and gas reservoirs or saline formations) which trap the CO_2 for long-term storage. Over 81% of the CO_2 captured to date has been used for oil extraction. Questions remain about how effective CCS technologies are in real world conditions, especially given that there are few full-scale facilities in operation.

3) **Go-Biz**. GO-Biz is intended to provide support for job growth, economic development, and business assistance efforts. The office administers programs such as the Cal Competes Tax Credit, a tax credit is a different mechanism than a direct grant and incentive program requiring technical evaluation of energy savings and emissions impacts, but GO-Biz does not typically administer ratepayer-funded energy programs, which are subject to specific requirements related to cost-effectiveness, oversight, and alignment with state energy planning goals.

4) **Tier 2 Advice Letters**. The CPUC advice letter process is governed by General Order 96 B, which establishes three tiers of review: Tier 1 advice letters are effective upon filing, subject to protest; Tier 2 advice letters are subject to CPUC staff review and typically become effective after a 30 day review period unless suspended; and, Tier 3 advice letters require CPUC approval through a formal resolution. Tier 2 advice letters are generally used for

matters requiring staff review that do not require a full CPUC proceeding. While they allow for protest and potential evidentiary hearings, Tier 2 advice letters are generally resolved through CPUC staff disposition and are intended for more limited updates or implementation of previously authorized programs.

5) **This bill**. AB 2182 requires each large electrical corporation, particularly PG&E and Southern California Edison, to file a Tier 2 advice letter with the CPUC to establish a Program. The bill specifies that the Program is to be funded from existing energy efficiency (Public Purpose Program) charges collected from eligible industrial or manufacturing facilities, as provided, and redirects those funds into a Program dedicated to that same customer class. The bill's eligibility criteria capture large industrial energy users, including large manufacturers and processors (such as food, beverage, chemical, cement, glass, and metals production), refineries, paper and pulp mills, semiconductor fabrication plants, industrial-classified data centers, and large distribution or cold storage warehouses. While this bill avoids concerns raised relating to the use of public funds for CCS projects by using the funds collected from large customers back to those customers to fund eligible projects, the diversion of these funds away from other purposes may reduce funding availability for other customer programs.

6) **Author's statement**:

> The industrial energy efficiency program administered by the CPUC is misaligned with the decarbonization needs of large industrial and manufacturing facilities. The metrics used to evaluate projects do not accurately reflect much of the older equipment currently used in California's industrial facilities and therefore underrepresent the potential benefits of energy efficiency upgrade projects. Realigning the program could accelerate energy efficiency and decarbonization projects at industrial facilities, delivering significant emissions reductions and helping to support California-based businesses. AB 2182 restructures the industrial energy efficiency program to better support upgrades and decarbonization projects for large industrial customers using only funding contributed by those same customers. Energy efficiency improvements and decarbonization investments by California's largest electricity users would deliver significant emissions reductions, free up grid capacity needed to meet growing electricity demand, and help maintain the competitiveness of California-based manufacturers.

7) **Double referral**. This bill passed the Assembly Utilities and Energy Committee on April 8th, 18-0.

REGISTERED SUPPORT / OPPOSITION:

Support

Clean Air Task Force
California Efficiency + Demand Management Council (if amended)

Opposition

None on file

Analysis Prepared by: Elizabeth MacMillan / NAT. RES. /