

Date of Hearing: May 13, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 2182 (Irwin) – As Amended April 13, 2026

Policy Committee:	Utilities and Energy	Vote:	18 - 0
	Natural Resources		14 - 0

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

**SUMMARY:**

This bill creates the Industrial Decarbonization and Energy Efficiency Program (IDEE Program) through which energy-intensive industrial and commercial customers of the state’s largest electrical utilities (IOUs)—in effect, just Pacific Gas and Electric (PG&E) and Southern California Edison (SCE)—may fund projects for energy efficiency, process heat recovery and carbon capture.

Specifically, this bill, among other things:

- 1) Requires each of the state’s largest electrical IOUs, by August 1, 2027, file a Tier 2 advice letter with the California Public Utilities Commission (CPUC) to establish an IDEE Program at each IOU to fund projects at eligible facilities, and requires the CPUC to act on such an advice letter by November 1, 2027.
- 2) Defines an eligible facility as an industrial or manufacturing facility enrolled in a medium or large energy customer electric tariff (schedule of charges), as specified, and that both meets a minimum peak load requirement of 500 kilowatts or more and is not a residential, state or local government customer.
- 3) State that each IOU is to provide IDEE Program funding in an amount equal to what the IOU would have collected from eligible facilities for energy efficiency pursuant to CPUC-approved tariffs.
- 4) Directs each IOU to administer its IDEE Program by, among other things, awarding grants to eligible customers and to prioritize grants for projects that (a) deliver durable and verifiable reduced emissions of greenhouse gases, (b) reduce overall electricity or fuel consumption and (c) improve electrical grid efficiency or reduce peak demand impacts.
- 5) Provides that (a) IDEE Program grants are to fund no more than 50% of the documented costs of an eligible project, (b) each eligible facility’s cumulative grant awards are not to exceed the total amount the IOU would have collected from the eligible facility for energy efficiency pursuant to CPUC-approved tariffs and (c) moneys that have not been awarded to an eligible project within five years may be made available to other eligible facilities on a first-ready, first-served basis, and that such money is to be excluded from the maximum allowable cumulative grant award limit.

- 6) Directs the Governor's Office of Business and Economic Development (GO-Biz) to provide independent review and approval of IDEE Program grants and authorizes GO-Biz to clarify eligibility criteria for each program to ensure the program serves eligible facilities with significant potential for energy savings and reduced emissions of GHGs.

**FISCAL EFFECT:**

This bill creates significant new analytical and administrative work for GO-Biz to provide independent review and approval of IDEE Program grants and significant cost pressure to clarify eligibility criteria for each program. The dollar amount of such costs is uncertain at this time, but likely to be at least in the mid to high hundreds of thousands of dollars annually, at least (General Fund).

The Legislative Analyst's Office recently warned of General Fund structural deficits of around \$35 billion per year in the 2027-28 fiscal year and ongoing.

**COMMENTS:**

Existing law directs the CPUC to direct the state's IOUs to collect monies from their customers to fund, among other things, cost-effective energy efficiency and conservation activities. To this end, the CPUC has adopted complex program rules governing the design, administration and evaluation of IOU energy efficiency programs. The IOUs, collectively, administer several billion dollars' worth of energy efficiency portfolios over each three-year program cycle.

Large industrial IOU customers have long complained that the CPUC's methods of valuing their energy efficiency investments are overly complex and ignore the true energy efficiency value of those investments. For this reason, the California Large Energy Consumers Association (CLECA) sponsored this bill. CLECA characterizes the current valuation framework as one in which:

industrial custom energy efficiency projects must demonstrate savings against a "standard practice baseline" – a hypothetical construct that assumes a facility will replace its existing equipment with the most efficient modern technology in the absence of incentives. However, many CLECA member facilities operate long-lived assets, such as boilers, furnaces, kilns, motors, and compressed air systems, that have been in service for decades. The realistic counterfactual for these facilities is not "replace with new standard equipment," but rather "continue running the existing equipment indefinitely," defer capital investment, or in the worst case, close or relocate the facility altogether.

The current baseline framework ignores this reality and creates several interrelated problems for EITE manufacturers. First, the standard practice baseline assumes a hypothetical modern replacement that does not reflect actual industrial decision-making; many facilities will run aging equipment until it fails, meaning incentives calculated against an "industry standard" baseline dramatically understate the true value of the project. Second, the framework does not recognize facility closure or out-of-state relocation as a legitimate counterfactual, even when it is the most

economically plausible outcome for a trade-exposed facility, resulting in zero or minimal incentives for projects with the highest emissions leakage risk. Third, deep retrofits are undervalued: comprehensive modernization of legacy industrial equipment often receives little or no incentive because savings above the hypothetical baseline are small, even when absolute savings compared to actual existing equipment are enormous. Finally, baseline documentation, engineering justification, and dispute resolution impose significant transaction costs on both utilities and customers, raising the barrier to participation and channeling incentives toward facilities with sufficient administrative capacity rather than those with the greatest efficiency potential.

CLECA accurately notes the energy efficiency program monies affected by this bill are limited to program funds contributed by eligible industrial facilities themselves. Or as CLECA put it, “in effect, CLECA members would be spending their own ratepayer contributions, not drawing on funds collected from other customer classes.”

There is no opposition registered against this bill.

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