

## ASSEMBLY THIRD READING

AB 2182 (Irwin)

As Amended April 13, 2026

Majority vote

**SUMMARY**

Requires each large electrical corporation, as defined, on or before August 1, 2027, to file a Tier 2 advice letter with the California Public Utilities Commission (CPUC) establishing an Industrial Decarbonization and Energy Efficiency Program with funding from energy efficiency charges collected from industrial or manufacturing facilities that meet specified requirements.

**Major Provisions**

- 1) Defines:
  - a) 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.
  - b) An eligible project, as a project that includes, but is not limited to, all of the following:
    - i) Energy efficiency projects using commercially available technology that reduce energy consumption by at least 20% compared to the replaced technology, and result in greenhouse gas (GHG) emissions.
    - ii) Projects for industrial process heat recovery.
    - 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.
- 2) Requires the CPUC to act on a Tier 2 advice letter filed on or before November 1, 2027.
- 3) Requires each large electrical corporation to allocate an amount for its program equal to the amount it collects from eligible facilities for energy efficiency pursuant to CPUC approved tariffs.
- 4) Requires each program to prioritize grants for eligible projects that:
  - a) Deliver durable, verifiable reductions in greenhouse gas emissions
  - b) Reduce overall electricity or fuel consumption
  - c) Improve electrical grid efficiency or reduce peak demand impacts.
- 5) Requires each large electrical corporation to administer the program, including 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 each program and authorizes GO-Biz to clarify eligibility criteria to ensure the program serves eligible facilities with significant potential for energy savings and reductions in greenhouse gas emissions.

- 7) Requires that grants shall fund up to, but not to exceed 50 percent of the documented costs of the eligible project.
- 8) Provides that each eligible facility's cumulative grant awards shall not exceed the total amount collected from the eligible facility.
- 9) Specifies that moneys not awarded to an eligible project within five years may be made available to other eligible facilities on a first-ready, first-served basis.

## COMMENTS

*Energy Efficiency as a Planning Priority.* California's energy efficiency (EE) programs originated in the 1970s, when investor-owned utilities (IOUs) began implementing demand-side management (DSM) programs in response to the 1970s energy crises. By the early 1990s, DSM programs grew rapidly and were used to reduce demand and defer the need for new generation resources. In 2003, California adopted the Energy Action Plan, which established the "loading order," prioritizing energy efficiency and demand reduction ahead of new generation. That policy was later reinforced by AB 2021 (Levine), Chapter 734, Statutes of 2006, which requires IOUs to meet unmet energy needs through all available cost effective, reliable, and feasible energy efficiency and demand reduction measures.

*Energy Efficiency Portfolios.* In 2009, the CPUC adopted Decision 09-09-047, which shifted energy efficiency program evaluation from reviewing individual programs to evaluating utility portfolios as a whole. Under this approach, utilities could adjust individual programs within an overall approved portfolio budget, while still being required to meet established energy savings and cost effectiveness standards at the portfolio level. To evaluate proposed portfolios, the CPUC used projected savings values, known as *ex ante* estimates, to determine whether the portfolios were expected to achieve savings targets and pass applicable cost effectiveness tests.

*Energy Savings Estimation.* Energy savings are generally calculated by comparing a project's expected energy use after an upgrade against an established baseline, which may reflect the performance of existing equipment, standard industry practice, or applicable code requirements. To support more consistent savings estimates across common technologies, the CPUC uses the Database for Energy Efficient Resources (DEER), which contains standardized assumptions and projected savings values for measures such as lighting or HVAC upgrades.

For projects that are more customized or not covered by DEER, program administrators must develop project specific baseline assumptions and savings calculations and document them in technical workpapers submitted to CPUC Energy Division staff for review. These projected savings values, can work well for simpler and more standardized projects, but may not fully capture the operational differences, process variability, associated with more complex industrial facilities.

This bill would establish a separate Industrial Decarbonization and Energy Efficiency Program for certain large industrial customers of the state's largest IOUs. Unlike the state's traditional utility administered EE portfolios, the bill proposes a new program focused on industrial decarbonization and efficiency projects at eligible manufacturing and industrial facilities. In doing so, the bill raises questions about how California's existing EE structure, including cost

effectiveness requirements, portfolio oversight rules, would apply to large industrial projects that often involve customized processes.

*GO-Biz.* This bill requires GO-Biz to provide independent review and approval of grants awarded under the new program. While GO-Biz administers programs such as the Cal Competes Tax Credit, the new program proposed by this bill would involve direct grants for industrial energy efficiency and decarbonization projects that may require technical evaluation of energy savings, emissions impacts, and potential effects on electrical load. Because the bill would establish a ratepayer funded program, questions may arise regarding how program oversight, performance tracking, and technical evaluation responsibilities would be coordinated among GO-Biz, the CPUC, and the California Energy Commission, which already oversee related energy efficiency and decarbonization activities.

*Tier 2 Advice Letters.* AB 2182 requires utilities to establish the proposed program through a Tier 2 advice letter process under CPUC General Order 96-B. Tier 2 advice letters are generally used for issues reviewed by CPUC staff that do not require a full CPUC proceeding and are commonly used for more limited program changes or implementation activities. This bill would redirect existing energy efficiency portfolio funds to create a new industrial-focused program. The bill would implement these changes through a Tier 2 advice letter process rather than through a formal CPUC proceeding, noting that the latter is more commonly associated with broader program changes of this kind.

### **According to the Author**

According to the author, "The industrial energy efficiency program administered by the CPUC is misaligned with the decarbonization needs of large industrial facilities and often underrepresents the potential benefits of energy efficiency upgrades. AB 2182 restructures the program to better support energy efficiency upgrades and decarbonization projects for large industrial customers using only funding contributed by those same customers, accelerating significant emissions reductions and helping to support California-based businesses."

### **Arguments in Support**

AB 2182 is supported by environmental organizations, industrial customers, and sustainability advocates who contend that California's existing energy efficiency programs are not well suited for large industrial and manufacturing facilities that often rely on long lived equipment and customized industrial processes. Supporters argue that this bill would help incentivize industrial decarbonization and efficiency investments, reduce emissions from one of the state's largest emitting sectors, and support modernization of industrial facilities while maintaining competitiveness.

The California Efficiency + Demand Management Council (CEDMC), supports the bill if amended to ensure that the portfolio remains "cost effective". CEDMC states that industrial energy efficiency projects can provide significant system and ratepayer benefits, but emphasizes states that industrial energy efficiency projects can provide significant system and ratepayer benefits, but notes that expanded industrial program funding should continue to comply with existing cost effectiveness requirements.

### **Arguments in Opposition**

None on file.

**FISCAL COMMENTS**

According to the Assembly Committee on Appropriations, this bill would create significant new analytical and administrative responsibilities for GO-Biz related to grant review, approval, and eligibility determinations under the proposed Industrial Decarbonization and Energy Efficiency Program. These responsibilities would result in ongoing General Fund significant cost pressures likely in the mid to high hundreds of thousands of dollars annually. At the same time, the Legislative Analyst's Office has also projected ongoing General Fund structural deficits of approximately \$35 billion annually beginning in 2027-28 fiscal year and ongoing.

**VOTES****ASM UTILITIES AND ENERGY: 18-0-0**

**YES:** Petrie-Norris, Patterson, Boerner, Calderon, Chen, Davies, Mark González, Harabedian, Hart, Irwin, Kalra, Papan, Rogers, Schiavo, Schultz, Ta, Wallis, Zbur

**ASM NATURAL RESOURCES: 14-0-0**

**YES:** Bryan, Ellis, Alanis, Connolly, Garcia, Haney, Hoover, Kalra, Macedo, Muratsuchi, Pellerin, Schultz, Wicks, Zbur

**ASM APPROPRIATIONS: 15-0-0**

**YES:** Wicks, Hoover, Aguiar-Curry, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipa

**UPDATED**

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