

ASSEMBLY THIRD READING
AB 2313 (Berman)
As Amended May 22, 2026
Majority vote

SUMMARY

This bill requires the California Public Utilities Commission (CPUC) to establish a program in which gas corporations must offer residential customers whose service lines are scheduled for planned replacement the option to, instead, receive a monetary incentive to permanently discontinue gas service and update their home to energy service that does not require gas use.

Major Provisions

- 1) Defines "eligible gas customer" as *the owner of a residential property receiving gas service that is served by a gas distribution service line that is planned or forecasted for replacement during the next five years, or served by a gas distribution service line with characteristics identified by the CPUC as prioritized for replacement such as the age or material of the gas distribution service line.*
- 2) Requires the CPUC to establish, at least, the following with regards to the incentive level when developing the program:
 - a) An incentive level for eligible gas customers based on the avoided cost of the service line replacement and a mechanism to ensure gas customers benefit from the reduction in capital spending on the gas distribution service lines that would have otherwise occurred in the absence of the program.
 - b) An enhanced incentive level for eligible gas customers located in a disadvantaged community.
 - c) A mechanism to ensure that customers transitioning to electrical service bear an equitable share of unrecovered gas infrastructure costs attributable to their departure.
- 3) Requires the CPUC to annually review the program to determine whether adjustments should be made and report to the legislature, starting January 1, 2029, and annually thereafter, on the progress of each implemented program.
- 4) Sunsets the program for January 1, 2035.

COMMENTS

Electrification has been promoted as one of the primary strategies for California to achieve its clean energy goals. 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.

Given the limited understanding of real-world impacts to Californians of wide-spread decommissioning of the natural gas system, SB 1221 (Min, Chapter 602, Statutes of 2024) established pilot projects to provide learning and greater insight into the challenges of such system decarbonization. SB 1221 takes a zonal decarbonization approach, targeting the main line level of gas service. In January 2026, the CPUC defined priority neighborhood decarbonization zones to begin the implementation of SB 1221. In the coming months, the CPUC is set to establish the voluntary pilot project program.

This bill takes an individualized approach, called a non-pipeline alternative program, targeting the service line level of the distribution system. This bill incentivizes eligible customers (those identified as needing service line replacement) to cease 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). Both this bill and the SB 1221 program 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.

Additional questions remain about the logistics for implementation of this bill, such as how customers will receive the monetary incentive. This bill directs the CPUC to establish a standard and enhanced incentive for customers to use towards receiving energy service that does not require gas use. It is unclear if the monetary incentive will result in customers having appliances purchased for them by the gas corporation, contract with third parties themselves to use the incentive, or be given the incentive to use independently. Some utility providers offer both gas and electrical service (e.g., Pacific Gas and Electric (PG&E) and San Diego Gas and Electric (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. To this end, the bill does include language for coordination and information sharing across involved entities, but this process can take years, according to information shared by PG&E.

According to the Author

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 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."

Arguments in Support

This bill is co-sponsored by Earthjustice and Natural Resources Defense Council. These organizations assert the following:

"Service line replacements are among the least complex opportunities to deploy non-pipeline alternatives (NPA) since they typically involve a single customer and do not require the coordination and project-specific analysis associated with larger distribution alternatives. Offering a standardized incentive for residential customers avoids the need for case-by-case

analysis, enabling scalability and the opportunity to provide more customers the option to realize the health, safety, and comfort benefits of efficient electric appliances. Accordingly, the Service Line NPA Program required under AB 2313 is an important complement to SB 1221 pilots and other NPA programs that focus on more complicated projects that involve multiple property owners. The Home Energy Choice Act is inspired by a similar program that is being implemented by Consolidated Edison in New York."

Arguments in Opposition

Southern California Gas Company (SoCalGas) and SDG&E identify the following issues in opposition to this bill – safety and system integrity concerns, affordability and cost control risks, obligation-to-serve and legal ambiguity, and mandatory program structure and lack of utility discretion. Writing to safety and system integrity concerns, SoCalGas and SDG&E state, "The bill creates additional safety risks by introducing potentially thousands of additional approval layers into pipeline safety and reliability driven workflows, inevitably delaying or fragmenting projects during time-sensitive work undertaken to mitigate identified risks." Addressing the mandatory program structure and lack of utility discretion, SoCalGas and SDG&E state, "Unlike SB 1221, this language supersedes any meaningful utility discretion to determine whether, when, or how such a program is appropriate. In practice, the bill eliminates the voluntary framework that existed under SB 1221 and mandates gas utilities to implement and administer the program irrespective of cost-effectiveness, operational feasibility, or evolving system conditions."

FISCAL COMMENTS

According to the Assembly Committee on Appropriations, the CPUC estimates \$185,000 annually to create one permanent staff position for implementation of this bill.

VOTES

ASM UTILITIES AND ENERGY: 10-4-4

YES: Petrie-Norris, Boerner, Harabedian, Hart, Kalra, Papan, Rogers, Schiavo, Schultz, Zbur

NO: Patterson, Davies, Ta, Wallis

ABS, ABST OR NV: Calderon, Chen, Mark González, Irwin

ASM APPROPRIATIONS: 8-4-3

YES: Wicks, Aguiar-Curry, Caloza, Fong, Krell, Pellerin, Sharp-Collins, Solache

NO: Hoover, Dixon, Ta, Tangipa

ABS, ABST OR NV: Calderon, Mark González, Pacheco

UPDATED

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