SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 2313 (Berman) - Gas corporations: gas distribution service line replacements: alternatives

Version: July 2, 2026
Urgency: No
Hearing Date: August 3, 2026

Policy Vote: E., U. & C. 11 - 0
Mandate: Yes
Consultant: Ashley Ames

Bill Summary: This bill would establish the Home Energy Choice Act, which would require the California Public Utilities Commission (CPUC) to solicit proposals for, and require each gas corporation to offer, a Gas Distribution Service Line Replacement Alternatives Program, on or before January 1, 2028, to provide certain residential gas customers served by a gas distribution service line that will be replaced with a monetary incentive to deploy gas distribution service line replacement alternatives and cease gas service to avoid the gas distribution service line replacement.

Fiscal Impact:

- The CPUC estimates ongoing costs of about $185,000 annually (ratepayer funds) to staff the proceeding needed to create a Gas Distribution Service Line Replacement Alternatives Program for each utility, provide advisory support for determining cost-effective incentives and program design, oversee implementation and potential revisions to the program, and prepare annual reports to the Legislature — among other things.
- To the extent that this bill impacts energy rates, it could result in costs or savings to the state as a ratepayer. The State of California is a natural gas customer, purchasing roughly four percent of the gas sold by the state's utilities. As such, the state incurs costs when rates increase, and realizes cost savings if rates go down (various funds).

Background:

Natural gas utility service. Approximately 77% of California's homes receive natural gas utility service — just over 11 million of 14.5 million households. SoCalGas and PG&E serve about 5.9 million and 4.5 million customer service connections respectively, SDG&E serves over 800,000, and smaller gas IOUs including Southwest Gas and West Coast Gas serve the remainder. The state's natural gas utilities operate over 100,000 miles of transmission and distribution pipelines and thousands more miles of service lines.

Reducing GHGs from the building sector. CARB's 2022 Climate Change Scoping Plan states that achieving carbon neutrality must include transitioning away from fossil gas in residential and commercial buildings, relying primarily on advancing energy efficiency while replacing gas appliances with non-combustion alternatives, and that the transition must include the goal of trimming back existing gas infrastructure "so pockets of gas-fueled residential and commercial buildings do not require ongoing maintenance of the entire limb for gas delivery."

CPUC actions on gas infrastructure investment. In December 2022, the CPUC adopted a decision to comprehensively review natural gas utility infrastructure investments in order to help the state transition away from natural gas-fueled technologies and avoid stranded assets in the gas system, requiring gas IOUs to seek a certificate of public convenience and necessity before commencing construction on projects exceeding $75 million or located near sensitive receptors in federal non-attainment areas, and to file annual reports detailing planned long-term infrastructure projects exceeding $50 million (D.22-12-021).

Obligation to serve. The regulatory compact grants utilities exclusive service territories in exchange for the responsibility to serve everyone in the territory willing to pay, and submission to rate regulation. Public Utilities Code §451 requires utilities to furnish and maintain adequate, efficient, just, and reasonable service. A number of statutes also govern how a utility must discontinue service.

SB 1221 (Min, 2024). SB 1221 authorized up to 30 voluntary pilot projects for neighborhood-scale decarbonization within gas utility service territory, requiring consent from a supermajority of affected customers (66.66%) and requiring the projects to be more cost-effective for ratepayers than proposed upgrades to the gas system. Critically, SB 1221 ensured that where a pilot project is implemented, the gas corporation can cease providing service with no continued obligation to serve, protecting ratepayers from having to rebuild the system in the future. The CPUC has adopted maps for priority neighborhoods as required by SB 1221 and is pursuing pilot project development with stakeholder participation.

CPUC long-term gas system planning. The CPUC has been considering zonal decarbonization with concurrent decommissioning in its long-term natural gas system planning proceeding, soliciting comments on a staff proposal to establish criteria and prioritize geographic tranches of the gas system for cost-effective decommissioning while ensuring protections for remaining customers. That work has migrated to a new rulemaking (R.24-09-012), which also implements SB 1221. Separately, PG&E had applied to pilot a zonal electrification project at California State University Monterey Bay, converting 391 of 484 services to all-electric instead of pursuing planned pipeline replacement projects, but has since decided not to pursue it.

Proposed Law: This bill would:

1. Establish the Home Energy Choice Act, which would require the CPUC, in a new or existing proceeding, to solicit proposals for, and require each gas corporation to offer, a Gas Distribution Service Line Replacement Alternatives Program, on or before January 1, 2028, to provide certain residential gas customers served by a gas distribution service line that will be replaced with a monetary incentive to deploy gas distribution service line replacement alternatives, as defined, and cease gas service to avoid the gas distribution service line replacement, as specified.

2. Require the CPUC to exempt from the program the emergency replacement of a gas distribution service line.

3. Require the CPUC to annually review the program to determine whether adjustments should be made to program design to increase program participation.

4. Require the CPUC, on or before January 1, 2029, and annually thereafter, to report to the Legislature on the progress of each implemented program, as provided.

5. Repeal its provisions on January 1, 2035.

Related Legislation:

SB 1359 (Stern, 2025) would require gas corporations to submit annual reports to the CPUC detailing expenditures on gas distribution infrastructure replacement and upgrade projects, and would impose new requirements on the CPUC governing cost recovery and depreciation for such projects.

SB 1221 (Min, 2024) authorized 30 pilot projects where cost-effective decarbonization of priority neighborhoods meeting specified criteria can be implemented, if the CPUC determines adequate substitute energy is available, among other requirements. The bill also required specified mapping of the natural gas utility distribution system and the identification of priority decarbonization neighborhood zones, and authorized gas corporations to cease providing service within the 30 pilot projects, among other provisions.

SB 527 (Min, 2023) would have required the CPUC, in consultation with gas corporations, to develop and supervise the administration of the Neighborhood Decarbonization Program to cease providing gas utility service in an area within its service territory if the CPUC determined that adequate substitute energy service was reasonably available to support the energy end use of affected gas customers. The bill died in this committee.

SB 1441 (Leno, 2016) would have prohibited, to the extent feasible, the CPUC from allowing gas corporations to seek or receive cost recovery from ratepayers for the value of natural gas lost to the atmosphere from certain natural gas facilities when establishing rates in an individual rulemaking proceeding or in GRCs. The bill failed passage on the Assembly Floor.

SB 1371 (Leno, 2014) required the CPUC to open a proceeding to adopt rules and procedures that minimize natural gas leaks from natural gas corporations' pipeline facilities, with the goal of reducing GHG emissions.

Staff Comments: This bill would provide customers who elect to decline a natural gas utility service upgrade with the opportunity to receive financial incentives to electrify, including funding for electric appliances based on the avoided cost of the gas distribution service line replacement. The Utility Workers Union of America Locals 132, 483, and 522 raises concerns that removing an individual service line may not provide meaningful cost savings given that these projects are embedded within large projects whose primary costs (such as engineering, permitting, traffic control) remain unchanged. They contend such approaches would saddle other customers with costs to implement the program, particularly as it is likely customers with greater financial resources are more likely to take advantage of electrification opportunities. This bill would require the CPUC to make these determinations, while requiring a mechanism to ensure that customers transitioning to electrical service bear an equitable share of unrecovered gas infrastructure costs attributed to their departure, further requiring that remaining customers are held indifferent to the departure of these customers.

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