SENATE RULES COMMITTEE AB 2313

Office of Senate Floor Analyses

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THIRD READING

Bill No: AB 2313

Author: Berman (D), et al.

Amended: 8/13/26 in Senate

Vote: 21

SENATE ENERGY, U. & C. COMMITTEE: 11-0, 6/30/26

AYES: Allen, Archuleta, Arreguín, Ashby, Becker, Gonzalez, McNerney, Reyes, Richardson, Stern, Wahab

NO VOTE RECORDED: Ochoa Bogh, Caballero, Dahle, Grove, Hurtado, Strickland

SENATE APPROPRIATIONS COMMITTEE: 5-2, 8/13/26

AYES: Cervantes, Cabaldon, Grayson, Richardson, Wahab

NOES: Seyarto, Dahle

ASSEMBLY FLOOR: 42-21, 5/28/26 - See last page for vote

SUBJECT: Gas corporations: gas distribution service line replacements: alternatives

SOURCE: Earthjustice
Natural Resource Defense Council

DIGEST: This bill establishes the Home Energy Choice Act, which requires 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.

ANALYSIS:

Existing law:

1) Establishes and vests the CPUC with regulatory authority over public utilities, including gas and electrical corporations. (Article XII of the California Constitution)

2) Requires the CPUC to require each gas corporation to provide bundled basic gas service to all core customers in its service territory unless the customer chooses or contracts to have natural gas purchased and supplied by another entity. (Public Utilities Code §328.2)

3) Requires every public utility to furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities, …as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public. (Public Utilities Code §451)

4) Authorizes a gas corporation to cease providing service in an area within its service territory where a pilot project, pursuant to Public Utilities Code §663, has been implemented and the CPUC determines that adequate substitute energy service is reasonably available to support the energy end uses of affected gas corporation customers. (Public Utilities Code §459)

5) Requires the CPUC, in consultation with the state's gas corporations, to establish a voluntary program to facilitate the cost-effective decarbonization of priority neighborhood decarbonization zones, not to exceed 30 pilot projects across the state. (Public Utilities Code §663)

6) Requires the CPUC to require each gas corporation to provide bundled basic gas service to all core customers in its service territory, unless the customer chooses or contracts to have natural gas purchased and supplied by another entity. (Public Utilities Code §963)

This bill:

1) Establishes the Home Energy Choice Act, which requires 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) Requires the CPUC to exempt from the program the emergency replacement of a gas distribution service line.

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

4) Requires 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) Limits customer enrollment in the program to no more than 1% of the utility's service territory, including customers enrolled in zonal neighborhood decarbonization program.

6) Repeals its provisions on January 1, 2035.

Background

Natural gas utility service. Natural gas is transported to California customers via a system of interstate and common carrier transmission and distribution pipelines, and underground storage fields. Most natural gas consumed in state is delivered from out-of-state sources. Approximately 77% of California's homes receive natural gas utility service (just over 11 million households of a total of 14.5 million); additionally, about 450,000 commercial customers and another nearly 36,000 industrial customers receive gas service, based on the data (2021) from the Energy Information Administration. Southern California Gas (SoCalGas) and Pacific Gas & Electric (PG&E) provide gas utility service to about 5.9 million and 4.5 million customer service connections, respectively, while San Diego Gas & Electric (SDG&E) provides service to over 800,000 customer service connections and a few additional smaller gas investor-owned utilities (IOUs) provide service, including Southwest Gas and West Coast Gas. Additionally, there are a few publicly owned (POU) gas utilities serving the cities of Coalinga, Long Beach, Susanville, and Vernon [who are not economically regulated by the CPUC].
The state's natural gas utilities operate over 100,000 miles of transmission and distribution pipelines, including what is referred to as the "back-bone," and thousands more miles of service lines. According to a 2021 CPUC Staff Proposal, most gas used by the residential sector is for space and water heating, with smaller percentages used for cooking, fireplaces, clothes drying, and a few other functions.

Dual fuel homes – those using both gas and electricity – are the dominant type of home in California. California is the state with the highest percentage of households using natural gas for cooking (70%), according to a 2020 analysis from the Energy Information Administration.

Reducing GHGs from the building sector. The California Air Resources Board *2022 Climate Change Scoping Plan* identifies actions to reduce GHG emissions from the building sector, including progressively improving building codes and standards, pursuing voluntary efforts to exceed code requirements, and completing existing building retrofits. The Scoping Plan also noted that "achieving carbon neutrality must include transitioning away from fossil gas in residential and commercial buildings, and will rely primarily on advancing energy efficiency while replacing gas appliances with non-combustion alternatives. This transition must include the goal of trimming back the 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 to support State's climate goals. California's agencies are taking steps toward achieving carbon neutrality by 2045 and meeting the state's ambitious 2030 GHG emissions reduction target, including with actions specific to reducing emissions from the building sector. The CPUC, in particular, has taken various actions to support the state's GHG reduction goals, while protecting ratepayers to ensure safe, reliable, and reliable natural gas utility sector, including:

- Eliminated financial subsidies available to builders to offset the costs of extending natural gas lines to serve new buildings, known as allowances which are funded by natural gas utility customers.
- Required natural gas investor-owned utilities (IOUs) to seek CPUC approval of projects via an application for a certificate of public convenience and necessity (CPCN) prior to commencing construction on any gas infrastructure project whose cost exceeds $75 million.
- Required natural gas corporations to file annual reports detailing planned long-term infrastructure projects exceeding $50 million.
- Reduced incentives for natural gas energy efficiency measures in residential and commercial new construction to align more closely with the state's GHG reduction, climate change mitigation, and decarbonization goals.

SB 1221 (Min, Chapter 602, Statutes of 2022) authorized limited pilot projects within gas utility service territory for neighborhood scale decarbonization. SB 1221 authorized up to 30 targeted pilot projects to provide learnings and greater understanding of the challenges to transition away from the natural gas utility system to electrification at the neighborhood level. The pilot projects are voluntary to natural gas utilities, require consent from a super-majority of affected customers (66.66%), and require the projects to be more cost-effective for ratepayers as compared to proposed upgrades needed on the natural gas system. SB 1221 also ensured that where a pilot project is implemented, the natural gas corporation can cease providing service with no continued obligation to serve, thereby protecting ratepayers from having to rebuild the system in the future. The CPUC has recently adopted maps for priority neighborhoods as required by SB 1221. The agency has required public workshops and is also actively pursuing efforts towards developing pilot projects with stakeholder participation.

Obligation to serve. The concept of a regulatory compact recognizes a set of mutual rights, obligations, and benefits between utilities and their customers. Utilities are granted exclusive service franchise (service territories), and in exchange accept the responsibility to serve everyone in the territory (obligation to serve everyone willing to pay) and submit to rate-regulation by an economic regulator (the CPUC) where the utility has the opportunity to earn a reasonable rate of return. A utility's obligation to serve is noted in various statues and Constitutional provisions, most notably, in Public Utilities Code §451 which requires utilities "to furnish and maintain… adequate, efficient, just, and reasonable service." A number of statutes also provide requirements for how a utility must discontinue service, including provisions related to nonpayment by a customer.

Comments

Need for this bill. 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 ratepayer dollars in coming years to replace aging gas service lines. AB 2313, the Home Energy Choice Act, will give homeowners with a planned service line replacement the option to instead discontinue their gas service and use a portion of those funds to electrify their home. This bill is focused on a subset of pipeline replacement projects, at a point where we can reduce costs for all utility customers, avoid stranded assets, and expand energy choices for Californians. 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.

Bill proposes to provide customers with the option to decline utility service line upgrades. This bill proposes to establish a Gas Distribution Service Line Replacement Alternatives Program, on or before January 1, 2028, to provide residential natural gas IOU customers served by a 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**.** The effort is modeled after a similar program being implemented in New York, the Home Energy Choice Act which require gas utilities to offer customers facing a service line replacement an incentive to instead replace their gas appliances with electric alternatives. The service line could then be decommissioned rather than replaced. The proponents note that in PG&E's service territory, roughly 15,000 service lines are upgraded each year. Given the long-lived asset life of these upgrades, they contend alternative options can be provided to customers on a voluntary basis that would decommission the utility service line from the home to the main line. They argue that such an effort is complementary to the SB 1221 Neighborhood Decarbonization efforts, as these projects would be on an individual customer-by-customer basis, as opposed to a neighborhood scale.

Concerns that safety and reliability will be jeopardized. Opponents of this bill raise concerns about jeopardizing the existing natural gas utility system, including reliability and safety, as well as costs to customers. Opponents of this bill, including the Utility Workers Union of America Locals 132, 483, and 522, who represent thousands of natural gas utility skilled workers raise concerns that this bill does not reflect how gas infrastructure work is performed in the field, and how it is generally planned and sequenced. Therefore, customer service line replacements are not standalone activities, as they are typically performed as part of larger, coordinated infrastructure projects which can be driven by federal safety requirements, including those under the U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration. The bill attempts to address safety concerns by exempting emergency service line replacements from the voluntary customer program established by the bill in order to ensure safety upgrades are conducted on these emergency projects. Opponents contend these protections are not sufficient to address safety concerns.

Protecting Ratepayers. 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. Similar to SB 1221, this bill limits the customer enrollment to no more than 1% of the natural gas IOU's customers in its service territory (including those in the SB 1221 neighborhood zonal decarbonization pilot projects).

Prior/Related Legislation

SB 1359 (Stern, 2025) requires the CPUC, before authorizing recovery of costs associated with a gas distribution infrastructure replacement and upgrade project, to consider whether cost-effective electrification alternatives or nonpipeline alternatives could reasonably avoid or reduce the costs. The bill is pending in the Assembly.

SB 1221 (Min, Chapter 602, Statutes of 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 requires the identification of priority decarbonization neighborhood zones, authorizes gas corporations to cease providing service within the 30 pilot projects, among other provisions.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Senate Appropriations Committee:

- Unknown ongoing costs, likely in the hundreds of thousands of dollars annually (ratepayer funds), for the CPUC 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).

SUPPORT: (Verified 8/21/26)

Earthjustice (Co-source)
Natural Resource Defense Council (Co-source)
Vice-Mayor Igor Tregub, City of Berkeley
350: Berkeley Hub, Conejo / San Fernando Valley, Humboldt: Grass Roots Climate Action, Sacramento, San Diego, Santa Barbara, South Bay Los Angeles, So Cal Climate Action and Southland Legislative Alliance
Acterra: Action for a Healthy Planet
Active San Gabriel Valley
Advanced Energy United
All-Electric California
Alliance of Nurses for Healthy Environments
American Lung Association
Asian Pacific Environmental Network Action
Ban Single Use Plastic
Breathe California of Los Angeles County
Building Decarbonization Coalition Action Fund
California Community Choice Association
California Democratic Party
California Environmental Justice Alliance Action
California Environmental Voters
California Green New Deal Coalition
California Interfaith Power & Light
California Nurses for Environmental Health and Justice
California Public Interest Research Group
Carbon Free Palo Alto
Carbon Free Silicon Valley
Center for Biological Diversity Action Fund
Center for Community Action & Environmental Justice
Central California Asthma Collaborative
Chris Duncan Architect
City and County of San Francisco
City of Berkley

City of San Jose
City of San Luis Obispo
City of Sunnyvale
City/County Association of Governments of San Mateo County
CleanEarth4Kids.org
Clean Power Alliance
Climate Action California
Climate Action Campaign
Climate Future California
Climate Health Now Action Fund
Coalition for Clean Air
College Democrats at UC Irvine
Cool the Earth
County of Marin
County of Santa Clara
Courage California
Democrats of Greater Irvine
E2
Efficiency First California
Elders Climate Action
Electrify the Rebuild Resilient Palisades
Fallbrook Climate Action Team
Friends Committee on Legislation of California
Green Change
GRID Alternatives
Harvest Thermal
HED
Irvine Valley College Democrats
Leadership Council for Justice and Accountability
LIFT Economy
Local Government Climate Alliance
Local Government Sustainable Energy Coalition
Marin Electrification Council
Marin Clean Energy
Menlo Spark
National Association of Pediatric Nurse Practitioners - San Francisco Bay Area and Orange County Chapters
Peninsula Clean Energy
Physicians for Social Responsibility/Sacramento
QuitCarbon

Reclaim Our Power!
Redwood Energy
Regional Asthma Management and Prevention
Resource Renewal Institute
Rewiring America
Rising Sun Center for Opportunity
San Diego Building Electrification Coalition
San Diego Community Power
San Francisco Bay Area Chapter Physicians for Social Responsibility
San Francisco Climate Emergency Coalition
San Jose Clean Energy
Sierra Club California
Silicon Valley Clean Energy
Solano County Democratic Center Committee
Sonoma Clean Power
Sonoma County Transportation and Climate Authorities
South Bay Progressive Alliance
Southern California Edison
SPUR
StopWaste
Sunrise Movement Orange County
Sustainable Mill Valley
The Climate Center
The Climate Reality Project: Los Angeles, San Francisco Bay Area, San Fernando Valley Chapters
Union of Concerned Scientists
Unitarian Universalist Church of Palo Alto
Urban Environmentalists
USGBC California
Vote Solar
Women for American Values and Ethics
2 Individuals

OPPOSITION: (Verified 8/21/26)
BOMA California
California Business Properties Association
Coalition of California Utility Employees
Commercial Real Estate Development Association
Engineers and Scientists of California, Local 20 IFPTE

Institute of Real Estate Management
San Diego Gas and Electric Company
Southern California Gas Company
Southwest Gas
Utility Workers Union of America Locals 132, 483, and 522

ARGUMENTS IN SUPPORT: A coalition of organizations, including the Building Decarbonization Coalition Action Fund, Earthjustice, and NRDC, state:

> By redirecting funds that gas utilities would otherwise spend on replacing gas service lines, the Home Energy Choice Act will reduce barriers to electrification, further California's public health, air quality and climate objectives, and reduce risk for all gas customers. Gas service lines are the pipelines that connect a gas main pipeline running down a street to individual buildings. Pacific Gas & Electric (PG&E) replaces approximately 15,000 gas service lines each year, the vast majority of which connect to a single home. Utilities profit off of gas service line replacements, the costs of which are paid for by all gas customers in their gas bills over 55 to 60 years. This means that a gas service line replaced today would not be paid off until after 2080, decades after California's 2045 carbon neutrality target, creating significant risks the pipeline will no longer be needed before it is fully paid off. Participation is entirely voluntary. Eligible gas customers would simply have the option to take advantage of monetary incentives to help them upgrade their home with modern electric appliances like heat pumps and realize the health and safety benefits of improved indoor air quality and access to cooling. All gas customers would benefit by avoiding the significant stranded asset risks of continued long-term capital investments in the gas system.

ARGUMENTS IN OPPOSITION: San Diego Gas & Electric and Southern California Gas Company state:

> The bill takes considerations for granted. AB 2313 proposes redirecting pipeline safety funding toward home electrification subsidies, even though gas service line replacements are typically larger, federally mandated (49 CFR Part 192) projects that rely on risk-based planning, coordinated construction, and regulatory certainty to address safety risks efficiently. By adding new approval layers and procedural requirements, the bill risks disrupting these safety-driven workflows, introducing delays and fragmenting projects designed to mitigate known risks. …AB 2313 attempts to address cost-shifting through a vaguely defined "mechanism," but does not clearly explain how it would work or ensure

> that remaining customers are held harmless. …AB 2313 establishes a program framework before California has the data needed to design it responsibly. …California should not establish a programmatic framework for customer gas service disconnection and electrification incentives before the State has the benefit of data from existing pilot efforts, before equity, and affordability issues are resolve, and before statutory safeguards clearly ensure that nonparticipating customers are protected.

ASSEMBLY FLOOR: 42-21, 5/28/26
AYES: Addis, Aguiar-Curry, Ahrens, Alvarez, Arambula, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Caloza, Connolly, Elhawary, Fong, Gabriel, Garcia, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Muratsuchi, Ortega, Papan, Pellerin, Petrie-Norris, Ransom, Rogers, Schiavo, Schultz, Stefani, Ward, Wicks, Wilson, Zbur, Rivas
NOES: Alanis, Ávila Farías, Castillo, Chen, Davies, DeMaio, Dixon, Ellis, Flora, Gallagher, Jeff Gonzalez, Hadwick, Hoover, Johnson, Lackey, Macedo, Patterson, Sanchez, Ta, Tangipa, Wallis
NO VOTE RECORDED: Bains, Calderon, Carrillo, Gipson, Mark González, Nguyen, Pacheco, Patel, Quirk-Silva, Ramos, Celeste Rodriguez, Michelle Rodriguez, Blanca Rubio, Sharp-Collins, Solache, Soria, Valencia

Prepared by: Nidia Bautista / E., U. & C. / (916) 651-4107
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