

Date of Hearing: May 13, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 2516 (Petrie-Norris) – As Amended April 13, 2026

Policy Committee:	Utilities and Energy	Vote:	15 - 1
	Economic Development, Growth, and		7 - 0
	Household Impact		

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

**SUMMARY:**

This bill creates the California Grid Manufacturing (CGM) Initiative to aggregate demand for and centralize procurement of critical electricity grid components and to provide financial assistance to projects that manufacture such components in California.

More specifically, this bill, among other things:

- 1) Defines critical electricity grid components to mean electricity grid components—equipment materials or devices used in the transmission, distribution or storage of electricity for which supply constraints, extended lead times, elevated costs or other limitations to procurement are causing delays to the construction, upgrade or maintenance of transmission and distribution infrastructure.
- 2) Creates the Energy Unit within the Governor’s Office of Business and Economic Development (GO-Biz) to establish, in coordination with other energy agencies and what the bill calls “public utilities,” which, for purposes of this bill, refers to both investor-owned utilities and municipal utilities, the CGM Initiative to procure critical electricity grid components on behalf of public utilities.
- 3) Authorizes the Energy Unit to provide financial assistance to projects that establish or expand manufacturing capacity in California for electricity grid components and to enter into production joint ventures with private suppliers to provide (a) shared ownership, equity stakes or other legally permissible participation by the state, establishment or expansion of manufacturing facilities within California and lower cost for finished products as compared to prevailing market prices.
- 4) Authorizes the California Infrastructure and Economic Development Bank (IBank) to issue revenue bonds on behalf of the Energy Unit to finance procurement of manufacturing of electricity grid components.
- 5) Provides the California Public Utilities Commission (CPUC) to authorize recovery of CGM Initiative costs, to the extent such costs are just and reasonable.
- 6) Requires the Energy Unit to submit an annual report on the CGI Initiative to the Legislature.

**FISCAL EFFECT:**

- 1) **GO-Biz Energy Unit.** The Energy Unit notes it has neither experience with nor expertise in the type of program this bill directs it to create. The Energy Unit identifies one-time costs unique to the first year as a \$2 million (General Fund (GF)) contract with an outside consultant to assess short-term and long-term needs for critical grid components, develop a study of the industry and market, and make recommendations. In addition, the Energy Unit anticipates costs in that first year and each year thereafter of \$960,000 (GF) for seven positions—a manager, five program analysts and an attorney—and a contract with an outside market advisor.
- 2) **IBank.** The IBank notes it does not know the size of the market for electricity grid components procurement or manufacturing this bill authorizes it to finance. For this reason, IBank provides a low-end estimate of annual implementation costs, \$1.62 million (GF) for seven positions, and a high-end estimate of those costs, \$2.88 million (GF) for 13 positions.

The IBank concludes it will also incur one-time costs of \$1.5 million (GF) for a contract with an outside consultant to study the current California manufacturing base and out-of-state manufacturers that might be establish operations in California in response to the CGM Initiative.

In addition, the IBank concludes it will need to obtain an initial funding appropriation of \$500 million to \$1 billion (GF or some other source) to be used as leverage to secure outside funding or for direct loans.

**COMMENTS:**

California has ambitious clean energy goals. Achievement of those goals will take tremendous investment in all aspects of the electrical grid—generation, transmission, distribution and storage. The state has begun this expansion, however, utilities report delays resulting from supply constraints and shortfalls, as well as price increase for critical electricity components.

The rationale behind this bill is that the state can identify collective demand for these components across utilities and industries, aggregate that demand and then coordinate their procurement, which, the author and bill proponents contend, will reduce costs and incentivize in-state production of those components. The logic, as described by the author:

National and global bottlenecks for essential grid equipment, particularly transformers, have caused lead times to stretch from weeks to years and prices to spike as much as 95 percent. These cost increases are passed directly to ratepayers and will continue to compound for decades. AB 2516 establishes the California Grid Manufacturing Initiative to aggregate statewide demand for grid components, coordinate procurement to achieve economies of scale, and incentivize in-state manufacturing through public-private joint ventures, thereby lowering costs, creating thousands of high-road manufacturing jobs, and positioning California as a national leader in building the grid infrastructure our clean energy future demands.

Or, as a coalition consisting mainly of labor groups and environmental advocates puts it:

First, CGMI will conduct a statewide assessment of grid equipment needs and aggregate demand across utilities and agencies in consultation with key energy institutions...Second, the initiative authorizes the state to pursue public-private joint ventures when supply shortages or excessive costs persist... Third, CGMI utilizes a self-sustaining financing model that leverages lower-cost public financing tools while protecting the state's General Fund. Through structured procurement agreements and preferred supplier arrangements, the initiative can recycle revenues and maintain long-term operational stability.

These descriptions notwithstanding, the IBank asserts it is not clear what will be the source of repayment for the bonds the bill authorizes the IBank to issue. If the bonds are to be repaid by the sale of electricity grid components, then, in IBank's assessment, the bonds would simply be an aggregation of corporate sales, which, IBank warns, would likely be viewed as speculative. IBank believes, if such is the case, it will be difficult to sell bonds.

In any case, the bill is opposed by the state's three largest electrical investor-owned utilities. For example, San Diego Gas and Electric objects by writing:

The legislative findings...assert that shortages of transformers and other grid components warrant a shift to statewide centralized procurement. However, it is unclear what evidence supports this conclusion, as a mandatory, state controlled procurement structure has not been demonstrated to be an effective or efficient solution to supply chain constraints.

Similarly, writing jointly, Pacific Gas and Electric and Southern California Edison bluntly assert "Right Problem, Wrong Solution" and elaborate "the bill's centralized procurement and mandatory offtake requirements would add unnecessary costs and complexity for customers."

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