THIRD READING

Bill No: SB 1359
Author: Stern (D)
Amended: 5/14/26
Vote: 21

SENATE ENERGY, U. & C. COMMITTEE: 10-4, 4/21/26
AYES: Allen, Archuleta, Arreguín, Becker, Gonzalez, Hurtado, McNerney, Reyes, Stern, Wahab
NOES: Ochoa Bogh, Dahle, Grove, Strickland
NO VOTE RECORDED: Caballero, Richardson, Rubio

SENATE APPROPRIATIONS COMMITTEE: 5-2, 5/14/26
AYES: Cervantes, Cabaldon, Grayson, Richardson, Wahab
NOES: Seyarto, Dahle

SUBJECT: Gas Transition Responsibility and Electrification Act

SOURCE: Author

DIGEST: This bill requires the California Public Utilities Commission (CPUC) before approving any capital investment by a gas corporation for natural gas distribution infrastructure exceeding $10 million to determine that the proposed investment is consistent with the state's greenhouse gas emission reduction targets.

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 services 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) 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)

5) Authorizes the CPUC to supervise and regulate every public utility in the State and do all things, whether specifically designated in this part or in addition to, which are necessary and convenient in the exercise of such power and jurisdiction. (Public Utilities Code §701)

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)

7) Requires the CPUC, in order to achieve transparency and accountability for rate revenues and best value for ratepayers, to consider, among other things, providing revenues for all activities identified and required by certain rules and procedures governing the operation, maintenance, repair, and replacement of CPUC-regulated gas pipeline facilities, including any adjustment of allowance for lost and unaccounted for natural gas related to actual leakage volumes. (Public Utilities Code §977)

This bill:

1) Makes several findings and declarations regarding the need to manage the transition of the natural gas utility system and to direct the CPUC to prioritize electrification and nonpipelined alternatives and ensure the orderly retirement of portions of the natural gas system.

2) Requires the CPUC, before approving any capital investment by a gas corporation for natural gas distribution infrastructure exceeding $10 million to

determine that the proposed investment is consistent with the state's greenhouse gas emission reduction targets.

3) Requires a gas corporation seeking approval of an investment to provide evidence regarding specified factors.

   a) Electrification alternatives are infeasible or demonstrably more costly over the life cycle of the project.
   b) A nonpipeline alternative has been evaluated.
   c) The proposed investment appropriately considers potential stranded asset risk over the expected useful life of the asset.
   d) The investment is consistent with the state's climate policy framework.

4) Requires the CPUC to prioritize alternatives to investments that exceed $10 million if a nonpipeline alternative achieves equivalent or greater benefits at a lower life-cycle cost, unless the CPUC finds the investment is necessary to ensure safety, reliability, or compliance with legal obligations.

Background

About methane emissions. Methane is the primary component of natural gas and is also produced biologically under anaerobic conditions in animals with a four-part stomach (such as cattle and sheep), landfills, and waste handling. Methane is a short-lived climate pollutant with an atmospheric lifetime of about 12 years. Like other greenhouse gases (GHGs), methane warms the atmosphere by blocking infrared radiation (heat) that is re-emitted from the earth's surface from reaching space. Methane is a potent GHG, with roughly 28 times the warming power of carbon dioxide over a 100-year period and more than 80 times over a 20-year timespan.

Reducing GHGs from the building sector. The 2022 CARB 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 most recent Scoping Plan also noted:

> 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 proceeding related to long-term natural gas system planning. 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. The decision requires 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; or is located near a sensitive receptor (housing, school, health care facility) and the project requires a permit from the local air district in a non-attainment area for federal air quality standards. The decision also requires natural gas corporations to file annual reports detailing planned long-term infrastructure projects exceeding $50 million. *(D. 22-12-021 Order Instituting Rulemaking to Establish Policies, Processes, and Rules to Ensure Safe and Reliable Gas Systems in California and Perform Long-Term Gas System Planning.)*

Additionally, the CPUC has 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. The CPUC's intent is to eliminate these allowances in order to encourage builders to construct new buildings without gas utility service, essentially making them all-electric. (*D.22-09-26 Phase III Decision Eliminating Gas Line Extension Allowances, Ten-Year Refundable Payment Option, and Fifty Percent Discount Payment Option Under Gas Line Extension Rules).*

SB 1221 (Min, Chapter 602, Statutes of 2022) limited pilot projects within gas utility service territory. SB 1221 authorizes 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 would be 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 and sensitivity to the challenges that are likely to arise given the big changes for customers.

Comments

Need for this bill. According to the author:

> SB 1359 ensures California's transition away from fossil fuels is cost-effective, equitable, and aligned with state policy. This bill protects consumers, reduces emissions, and avoids costly mistakes that could burden the state and ratepayers for decades. This bill will take the first steps to ensure that the natural gas corporations do not saddle Californians with billions in liabilities by prioritizing electrification, limiting unnecessary infrastructure investment, and ensuring that shareholders bear an appropriate share of financial risk associated with the transition.

Bill shifts threshold by which natural gas corporation investments are reviewed and approved. As noted above, the CPUC requires any construction project over $75 million by the natural gas corporation to undergo additional requirements, including an application for a CPCN prior to commencing construction, or for projects near a sensitive receptor. The CPCN process provides an additional layer of scrutiny to ensure the proposed project is necessary. The CPUC also requires reporting by natural gas corporations for projects that exceed $50 million. However, this bill would adjust that requirement to a $10 million threshold at which point alternatives would need to be considered. It is unclear whether this is a reasonable threshold or how the volume of projects that would need to undergo additional requirements that could result in delays for needed safety upgrades on the natural gas utility system.

Concerns that safety and reliability will be jeopardized. Supporters of this bill desire state policy that prioritizes electrification as the primary pathway to reduce GHG emissions from applications currently fueled by the natural gas utility system. They are likely frustrated with the pace of changes at the CPUC and the continued investments in the natural gas utility system, even as the CPUC has instituted several reforms (noted above). Opponents of this bill raise concerns about jeopardizing the reliability and safety of the natural gas utility system by requiring the additional considerations for a lower threshold of projects which could delay or impede on needed safety and reliability investments of the natural gas utility infrastructure.

Related/Prior Legislation

AB 2313 (Berman) of 2026, requires the CPUC to require each gas corporation to offer a Gas Distribution Service Line Replacement Alternatives Program, on or before January 1, 2028. 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:

- Ongoing costs, potentially in the hundreds of thousands of dollars annually (ratepayer funds), for the CPUC to develop and implement a statewide natural gas transition framework, evaluate and restrict distribution infrastructure investments in every general rate case cycle, oversee new reporting and decommissioning trusts, and modify ratemaking practices to limit recovery of certain gas-related costs.
- To the extent that this bill impacts energy rates, it could result in costs or savings to the state as an energy utility ratepayer. The State of California is a natural gas and electricity customer, purchasing roughly four percent of the state’s natural gas and one percent of its electricity. As such, the state incurs costs when rates increase and realizes cost savings if rates go down (various funds).

SUPPORT: (Verified 5/14/26)

350 Bay Area Action
350 Humboldt
350 Sacramento
350 Silicon Valley
Active San Gabriel Valley
All-Electric California
Building Decarbonization Coalition Action Fund

California Environmental Voters
Carbon Free Palo Alto
Carbon Free Silicon Valley
Center for Environmental Health
CleanEarth4kids.org
Climate Action California
Elders Climate Action, NorCal
Elders Climate Action, SoCal
Environmental Protection Information Center
Los Angeles Climate Reality Project
Lutheran Office of Public Policy - California
Natural Resources Defense Council
Physicians for Social Responsibility - San Francisco Bay
QuitCarbon
Resilient Palisades
SanDiego350
San Diego Building Electrification Coalition
San Francisco Baykeeper
Sierra Club California
The Climate Center
Vector Green Power

OPPOSITION: (Verified 5/14/26)

Supervisor Chris Parlier, Kern County District 2
Supervisor Amy Shuklian, Tulare County District 3
Agricultural Energy Consumers Association
American Gas Association
Anaergia
Anita's Mexican Food
Antelope Valley Economic Development & Growth
Asians in Energy
Association of California Cities – Orange County
Bio-Tronic Energy
Bioenergy Association of California
BizFed Central Valley
BizFed LA County
BOMA California
Boys and Girls Republic
BSD Builders

Building Industry Association of Southern California
C4 USA
California Bioenergy
California Building Industry Association
California Business Properties Association
California Contract Cities Association
California for Property Rights
California Hydrogen Business Council
California Metals Coalition
California Renewable Transportation Alliance
California State Pipe Trades Council
Central City Association of Los Angeles
Central Valley Business Federation (BizFed)
Cespira
Chambers of Commerce: Black Chamber of Orange County, Brea, Century City, Chino Valley, Crenshaw, Dana Point, Fontana, Garden Grove, Greater Bakersfield, Greater Coachella Valley, Greater Conejo Valley, Greater High Desert, Greater Irvine, Huntington Beach, Imperial Valley Regional, Lake Elsinore Valley, Menifee Valley, Moreno Valley, Murrieta & Wildomar, Norco Area, Orange County Hispanic, Paramount, Redlands, Redondo Beach, Regional San Gabriel Valley, San Pedro, Santa Ana, Santa Clarita Valley, Santa Maria Valley, Temecula, Torrence Area, Tulare Kings Hispanic, and Wilmington
City of Corona
City of Simi Valley
Clean Energy
Coalition of California Utility Employees
Coalition of Labor, Agriculture & Business Santa Barbara
Continental Heat Treating
County of Fresno
County of Kern
CR&R Environmental Services
Doty Bros Construction Company
Earth Foundries
Econ Alliance
Economic Development Coalition
Economic Development Coalition of Southwest Riverside County
EDC Southern California Wine Country
El Concilio Family Services
Florence Firestone Merchants Association

Gateway Chambers Alliance
Golden State Natural Gas Systems
Greater Ontario Business Council
Harbor Association of Industry & Commerce
Harrison Industries
Herman Weissker
HW Power
Imperial Energy Partners
Inland Action
J.D. Heiskell Holdings
Kern County Taxpayers Association
Kern Economic Development Corporation
La Reina
Law Offices of Chantel Hunte Mah
Los Angeles County Business Federation (BizFed)
Mainspring Energy
MCA
Meruelo Enterprises
Monterey One Water
Mt. San Jacinto College
NAIOP California
National Association of Royalty Owners California
Newton Heat Treating Co.
Omega Flex, Inc.
Orange County Business Council
Pacific Auto Recycling Center
Pacific Gas and Electric Company
Pyramid Flowers
Quality Heat Treating
SanDiego 350 Climate Action
San Diego Gas and Electric Company
San Gabriel Valley Economic Partnership
Scientific Integrity Institute
Sierra Alloys
South Bay Association of Chambers of Commerce
South Montebello Irrigation District
South Orange County Economic Coalition
Southern California Gas Company
Southern California Wine Country
Southwest California Legislative Council

Stater Bros. Markets
Steamfitters, Welders & Refrigeration, UA Local Union 250
Teknor Apex
The Arc Los Angeles and Orange Counties
The Dixie Group
The Transport Project
Tri-J Metal Heat Treating
TSS Consultants
Tulare County Economic Development Corporation
Tulare County Resource Management Agency
United Way of Tulare County
USA Water and Power
Utility Workers Union of America
Valley Industry and Commerce Association
Valley Industry Association of Santa Clarita
Ventura County Coalition of Labor, Agriculture and Business
Ventura County Economic Development Association
Ventura County Taxpayers Association
Waste Management
West Ventura County Business Alliance
Westside Council of Chambers of Commerce
Western States Trucking Association
WireTech, Inc
Yosemite Clean Energy
Five Individuals

ARGUMENTS IN SUPPORT: A coalition of organizations in support of the bill, including the Building Decarbonization Coalition Action Fund, California Environmental Voters, and the Natural Resources Defense Council states:

> SB 1359 establishes an essential guardrail: before approving major gas infrastructure investments, the CPUC must ensure those investments are consistent with the state's greenhouse gas reduction targets and do not create stranded asset risk. Continuing to invest billions into long-lived gas assets without evaluating electrification and non-pipeline alternatives is not only inconsistent with state policy, it is financially irresponsible. … SB 1359 begins to shift that trajectory by encouraging smarter, forward-looking investments that prioritize clean alternatives and reduce unnecessary system costs over time.

ARGUMENTS IN OPPOSITION: According to Los Angeles County Business Federation (Biz-Fed):

> This bill puts safety and reliability at risk by restricting investment in gas infrastructure needed to maintain and modernize existing systems. Tying safety-critical upgrades to policy thresholds will delay necessary work and increase the risk of service disruptions. SB 1359 (Stern) would also harm businesses by enabling the retirement of gas infrastructure and the loss of service many employers depend on to operate. Restaurants, manufacturers, hospitals, and small businesses rely on natural gas for affordability, reliability, and resilience.

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