Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 1359 (Stern) – As Amended June 29, 2026

Policy Committee: Utilities and Energy Vote: 12 - 5

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

SUMMARY:

This bill requires the California Public Utilities Commission (CPUC)—before it authorizes a gas corporation (also known as an investor-owned utility (IOU)) to recover from ratepayers the costs of gas distribution infrastructure replacement and upgrades—to consider whether cost-effective electrification alternatives or nonpipelined alternatives could reasonably avoid or reduce those costs.

The bill further directs the CPUC to evaluate whether depreciation schedules for gas distribution infrastructure replacement and upgrade projects appropriately reflect projected reductions in gas demand and to consider alternative depreciation methodologies that minimize future ratepayer exposure to stranded asset costs.

In addition, the bill requires each gas IOU to submit an annual report to the CPUC describing expenditures, during the pendency of the IOU's current general rate case (GRC) cycle, associated with gas distribution infrastructure replacement and upgrade projects, including any available electrification and nonpipeline alternatives.

FISCAL EFFECT:

This bill explicitly requires activity of the CPUC. Nonetheless, the CPUC asserts it will be able to absorb within existing resources any work created by this bill. This is because the CPUC views the work required by this bill as consistent with the work it would do, absent this bill, in reviewing a gas IOU's request to recover from ratepayers costs for gas distribution infrastructure replacement and upgrade.

COMMENTS:

1) **Purpose.** The author expresses concerns that California's gas IOUs "continue to spend billions of dollars for long-term infrastructure investments" that ratepayers will pay for decades, possibly after the infrastructure is no longer needed, given the state's decarbonization goals. The author describes this bill as ensuring the CPUC, consumer advocates and the public "have better information about planned gas distribution system investments and whether lower-cost alternatives could avoid future costs" and "that existing efforts to plan the long-term future of the state's gas system will get integrated into critical near-term investment decisionmaking."

2) **Background.** State law requires an IOU, including a gas IOU, to provide service to every customer in its service territory. In exchange for this obligation to serve, state law directs the CPUC to ensure the IOU is able to recover through rates the IOU charges to its customers the IOU's costs of providing the service.

   California has ambitious clean energy goals. Most notably, existing laws require California to achieve statewide carbon neutrality as soon as possible, and no later than 2045. This goal presents a challenge for the state gas IOUs, as their core business model—delivery of gas for combustion—necessarily results in the emission of carbon dioxide and other greenhouse gases.

   With these clean energy goals in mind, the state is planning its transition away from the use of natural gas. One such effort is the result of recently enacted legislation, SB 1221 (Min), which requires the CPUC to designate up to 30 zones to take part in pilot projects in which the relevant gas IOU may stop providing gas service, but only if adequate substitute energy service is reasonably available.

   As reported by the author, following last year's catastrophic fires in Southern California, Senators Allen and Stern, in February of 2025, asked the CPUC, in writing, how "the cost of restoring both gas and electric distribution systems in the burn areas compare to the cost of restoring the electric distribution system with adequate capacity to meet all pre-fire gas appliance demand." According to the author, the CPUC never responded to the letter.

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