SENATE THIRD READING
SB 1359 (Stern)
As Amended August 21, 2026
Majority vote

SUMMARY

Requires gas corporations to submit annual reports to the California Public Utilities Commission (CPUC) detailing expenditures on gas distribution infrastructure replacement and upgrade projects and imposes new requirements on the CPUC governing cost recovery and depreciation for such projects.

Major Provisions

1) Requires each gas corporation to submit an annual report to the CPUC describing expenditures, during the *corporation's* general rate *case* (GRC) cycle, associated with gas distribution infrastructure replacement and upgrade projects, including: planned and forecasted expenditures; project status, specifically the status of projects planned, initiated, completed, deferred, or canceled since the gas corporation's *immediately preceding* GRC decision; estimated remaining costs and projected completion dates for ongoing projects; wildfire-related memorandum account expenditures (specifically, expenditures recorded in any catastrophic event memorandum account, wildfire memorandum account, or other memorandum or balancing account used to recover costs associated with wildfire response, recovery, or gas distribution system); material changes in customer counts, gas throughput, or other assumptions used to justify projects, including an assessment of stranded asset risk *and the distributional impacts of stranded assets on remaining gas ratepayers*; and available electrification and nonpipeline alternatives.

2) Authorizes the CPUC to require the annual report to be submitted in a format that facilitates public review and comparison of authorized versus actual expenditures.

3) *Authorizes the CPUC to specify requirements for the annual report that reduces duplication and aligns timelines with other reports.*

4) *Requires the CPUC to consider developing a framework for the depreciation of gas distribution infrastructure that reflects reasonably foreseeable changes in gas demand and is designed to minimize future ratepayer stranded costs. Authorizes the CPUC to apply the framework, once developed.*

COMMENTS

This is a transparency and oversight measure to ensure that the CPUC, ratepayer advocates, and the public have better and more timely information about planned gas distribution infrastructure investments as California transitions away from natural gas. The bill does two things: it requires gas corporations to submit annual reports on the status, cost, and projected completion of gas distribution infrastructure projects, including changes in assumptions and stranded asset risk; and it directs the CPUC to consider electrification and non-pipeline alternatives before authorizing cost recovery and to evaluate whether depreciation schedules appropriately reflect projected reductions in gas demand. While the CPUC already receives some of this information through existing mechanisms, proponents argue there is value in a single aggregated annual report focused solely on gas distribution infrastructure. The bill is motivated by concern that long-term gas planning efforts have not been sufficiently integrated into near-term infrastructure investment decisions, leaving ratepayers exposed to the risk of paying for assets that may no longer be needed.

In February 2025, the bill's author and Senator Allen wrote to the CPUC requesting information on, among other things, how "the cost of restoring both gas and electric distribution systems in the burn areas [of the January 2025 Southern California fires] compare to the cost of restoring the electric distribution system with adequate capacity to meet all pre-fire gas appliance demand," and whether the CPUC had "assessed these neighborhoods' likely rate of gas consumption once rebuilt." The letter also asked the CPUC to consider whether "repair or reconstruction of the gas distribution network will actually be the most cost-efficient option" before committing ratepayer funds to restoration of a system that "may no longer serve the public convenience or necessity." According to the author's office, the CPUC has not yet responded to the letter, and the author views this bill's transparency and cost recovery requirements as a step toward ensuring that questions like these are more systematically considered in gas infrastructure investment decisions.

According to the Author
"California's gas utilities continue to spend billions of dollars for long-term infrastructure investments that ratepayers may still be paying for decades from now. SB 1359 ensures that the Public Utilities Commission, consumer advocates, and the public have better information about planned gas distribution system investments and whether lower-cost alternatives could avoid future costs. This bill is about transparency, accountability, and protecting ratepayers from being left with the bill for infrastructure that may no longer be needed in the years ahead, all while not sacrificing safety or reliability. SB 1359 will ensure that existing efforts to plan the long-term future of the state's gas system will get integrated into critical near-term investment decisionmaking."

Arguments in Support
Supporters argue that the benefits of SB 1139 include: "avoiding unnecessary investments in new gas infrastructure, thereby reducing the risk of stranded assets and future ratepayer cost increases; expanding the use of clean energy sources such as space heating, water heating and cooking; preventing ratepayers from subsidizing new gas infrastructure and future costs of decommissioning systems as they reach their end of life; and aligning utility infrastructure planning with California's climate goals and the transition to electrification across all sectors."

Arguments in Opposition
Opponents argue that SB 1359 duplicates existing CPUC oversight mechanisms while adding ratepayer-funded administrative cost without meaningful new benefit, and that requiring alternatives-consideration before cost recovery creates a mandate to evaluate options with no framework, cost allocation, or authority to act once one is found preferable. They warn the bill could sweep in commercial/industrial projects that customers already fully fund themselves, creating needless regulatory uncertainty for business investment, and that its depreciation provisions risk functioning as a mandate for accelerated depreciation that raises near-term rates.

FISCAL COMMENTS

According to the Assembly Committee on Appropriations, 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.

VOTES

SENATE FLOOR: 23-13-4
YES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Cervantes, Cortese, Gonzalez, Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Reyes, Stern, Umberg, Wahab, Weber Pierson, Wiener
NO: Alvarado-Gil, Caballero, Choi, Grayson, Grove, Hurtado, Jones, Niello, Ochoa Bogh, Rubio, Seyarto, Strickland, Valladares
ABS, ABST OR NV: Dahle, Durazo, Richardson, Smallwood-Cuevas

ASM UTILITIES AND ENERGY: 12-5-1
YES: Petrie-Norris, Boerner, Calderon, Harabedian, Hart, Irwin, Kalra, Papan, Rogers, Schiavo, Schultz, Zbur
NO: Patterson, Chen, Davies, Ta, Wallis
ABS, ABST OR NV: Mark González

ASM APPROPRIATIONS: 9-4-2
YES: Wicks, Arambula, Calderon, Caloza, Fong, Mark González, Krell, Pellerin, Solache
NO: Hoover, Dixon, Ta, Tangipa
ABS, ABST OR NV: Pacheco, Sharp-Collins

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