Office of Senate Floor Analyses
(916) 651-4171

UNFINISHED BUSINESS

Bill No: SB 1359
Author: Stern (D)
Amended: 8/21/26
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

SENATE FLOOR: 23-13, 5/27/26
AYES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Cervantes, Cortese, Gonzalez, Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Reyes, Stern, Umberg, Wahab, Weber Pierson, Wiener
NOES: Alvarado-Gil, Caballero, Choi, Grayson, Grove, Hurtado, Jones, Niello, Ochoa Bogh, Rubio, Seyarto, Strickland, Valladares
NO VOTE RECORDED: Dahle, Durazo, Richardson, Smallwood-Cuevas

ASSEMBLY FLOOR: Passed, 8/26/26

SUBJECT: Natural Gas Ratepayer Protection Act

SOURCE: Author

DIGEST: This bill requires the California Public Utilities Commission (CPUC) to consider a framework for the depreciation of gas distribution infrastructure that reflects reasonably foreseeable changes in gas demand and requires the CPUC to provide specified annual reporting regarding expenditures associated with gas distribution infrastructure projects.

Assembly Amendments delete the previous contents and recast this bill to require the CPUC to provide specified reporting and consider developing a framework for the depreciation of gas distribution infrastructure.

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 and 963)

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, beginning July 1, 2025, and each year until at least December 31, 2029, each gas corporation to submit to the CPUC a map that includes the location of all potential gas distribution line replacement projects identified in its distribution integrity management plan and any foreseeable gas distribution pipeline replacements, as provided. (Public Utilities Code §661)

5) Requires the CPUC to provide an annual report to the Legislature that contains specified information. (Public Utilities Code §910)

6) 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) Requires each gas corporation to submit an annual report to the CPUC that describes its expenditures, status (e.g. initiated, completed, etc.), material changes, available electrification and nonpipeline alternatives, and other information associated with gas distribution infrastructure replacement and upgrade projects.

2) Requires the CPUC, as part of its long-term gas planning rulemaking or a successor proceeding, to consider a framework for the depreciation of gas distribution infrastructure that reflects reasonably foreseeable changes in gas demand and is designed to minimize future ratepayer exposure to stranded asset costs.

3) Authorizes the CPUC to apply the framework in evaluating the depreciation of, and cost recovery for, gas distribution infrastructure replacements and upgrades.

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 (SoCal Gas) 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.

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 greenhouse gases (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 proceeding related to long-term natural gas system planning. 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. 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 IOUs to seek CPUC approval of projects via an application for a certificate of public convenience and necessity 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) 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.

Comments

Need for this bill. According to the author:

> SB 1359 ensures that California applies fiscal discipline and new transparency to natural gas infrastructure investment decisions. This bill takes the first steps to ensure that the natural gas corporations do not saddle Californians with billions in liabilities by ensuring more regular reporting about establishing new depreciation schedules to guard against stranded assets.

Author sought information about comparative costs of electrification and rebuilding natural gas utility infrastructure in fire-burned areas. In February 2025, after the devastating Eaton and Palisades Fires in Southern California, the bill's author and Senator Allen wrote to the CPUC requesting information about 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," 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 a more systematic considerations of these options.

Bill requires the CPUC to provide annual reporting of specified information and consideration of a framework for the depreciation of gas distribution infrastructure. This bill is intended to provide more systematic transparency and oversight 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 author is motivated by concerns that long-term gas planning efforts have not been sufficiently integrated into near-term natural gas utility infrastructure investment decisions, leaving ratepayers exposed to the risk of paying for assets that may no longer be needed. 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).

Related/Prior Legislation

AB 2313 (Berman, 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 before the full Senate.

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 Assembly Appropriations Committee (based on the June 29, 2026, version), 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.

SUPPORT: (Verified 8/26/26)

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
City of San Diego
CleanEarth4kids.org
Climate Action California
County of San Diego
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
San Diego 350
San Diego Building Electrification Coalition
San Francisco Baykeeper
Sierra Club California
The Climate Center
Vector Green Power

OPPOSITION: (Verified 8/26/26)

Supervisor Chris Parlier, Kern County District 2
Supervisor Amy Shuklian, Tulare County District 3
Abound Food Care

Agricultural Energy Consumers Association
American Gas Association
Anita's Mexican Food
Antelope Valley Economic Development & Growth
Arrowhead United Way
Asians in Energy
Association of California Cities – Orange County
Associated Builders and Contractors of California
BizFed Central Valley
BizFed Los Angles County
BOMA California
Boys and Girls Republic
BSD Builders
Building Industry Association of Southern California
Building Owners & Managers Association of: California, Greater Los Angeles, and Orange County
Bynum, Inc.
C4 USA/CC Industry, LLC
California Business Properties Association
California Central City Association of Los Angeles
California Commercial Real Estate Development Association
California Contract Cities Association
California for Property Rights
California Metals Coalition
California Multicultural Business Alliance
California Restaurant Association
California State Pipe Trades Council
California Steel
Californians for Property Rights
Central City Association of Los Angeles
Central Valley Business Federation (BizFed)
Chambers of Commerce: Bakersfield, Beverly Hills, Black Chamber of Orange County, Brea, Century City, Chino Valley, Colton, Corona, Crenshaw, Dana Point, Fontana, Garden Grove, Greater Bakersfield, Greater Coachella Valley, Greater Conejo Valley, Greater High Desert, Greater Irvine, Hollywood, Huntington Beach, Imperial Valley Regional, Kern County Hispanic, Lake Elsinore Valley, Los Angeles Area, Menifee Valley, Moorpark, Moreno Valley, Morro Bay, 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, South Bay Association, Temecula Valley, Torrence Area, Tulare Kings Hispanic, Westside Council, and Wilmington
City of Bakersfield
City of Simi Valley
Coalition of California Utility Employees
Coalition of Labor, Agriculture & Business Santa Barbara
Continental Heat Treating
Cornerstone Engineering Advisors
County of Fresno
County of Kings
Doty Bros Construction Company
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
Greater Ontario Business Council
Harbor Association of Industry & Commerce
Harrison Industries
Hathaway, LLC
Herman Weissker, Inc.
Home Builders Association of Kern County
HW Power
Imperial Energy Partners
Inland Action
Inland Empire Economic Partnership
Institute of Real Estate Management
J.D. Heiskell Holdings
Kern Citizens for Energy
Kern County Taxpayers Association
Kern Economic Development Corporation
La Reina
Law Offices of Chantel Hunte Mah
Los Angeles County Business Federation (BizFed)
Los Angeles County Taxpayers Association
MCA Superior Clay Roof Tile
Meruelo Enterprises
Mt. San Jacinto College/Pass EDA

NAIOP California
National Association of Royalty Owners California
Newton Heat Treating Co.
Omega Flex
Orange County Taxpayers Association
Pacific Auto Recycling Center
Pyramid Flowers
Quality Heat Treating
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 Wine Country
Southwest California Legislative Council
Stater Bros. Markets
Steamfitters, Welders & Refrigeration, UA Local Union 250
Teknor Apex
TELACU
The ARC Los Angeles & Orange Counties
The Dixie Group
The Greater Ontario Business Council
Tri-J Metal Heat Treating
TST, Inc.
Tulare County Economic Development Corporation
Tulare County Resource Management Agency
United Way of Tulare County
Utility Workers Union of America
Valley Industry and Commerce Association
Valley Industry Association of Santa Clarita
Valley Metal Treating, Inc.
Ventura County Coalition of Labor, Agriculture and Business
Ventura County Economic Development Association
Ventura County Taxpayers Association
Vista Metals
West Kern Water District
West Ventura County Business Alliance
Western United States Clean Energy
Wire Tech, Inc

Young Visionaries
5 Individuals

ARGUMENTS IN SUPPORT: A coalition of organizations in support of this bill [based on June 29th version], 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 California State Pipe Trades Council, based on a previous version of this bill, "hasty divestment of gas distribution infrastructures is unsafe, irresponsible and unacceptable." They raise concerns that as gas use declines, there needs to be assurances that gas utilities have adequate funding to maintain the safety and reliability of their systems. They further state: "There are significant costs associated with maintaining a safe and reliable gas system that do not disappear as more ratepayers electrify." They contend that "…without a just transition, gas workers would lose jobs."

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8/26/26 17:01:28

****** END ******