


May 11, 2026

TO: Senate Appropriations Committee

FROM: Jonathan Kendrick, Policy Advocate 

**SUBJECT: SB 1359 (STERN) Gas Transition Responsibility and Electrification Act.
OPPOSE – AMENDED ON APRIL 13, 2026**

Dear Chair Cervantes and Members of the Committee,

The California Chamber of Commerce respectfully **OPPOSES SB 1359 (Stern)**, which would establish a new statutory framework directing the California Public Utilities Commission (CPUC) to accelerate the transition away from natural gas distribution infrastructure, prioritize electrification and nonpipeline alternatives, create processes for gas system retirement, require shareholder-funded decommissioning trusts, and alter long-standing utility service obligations.

CalChamber appreciates the importance of long-term energy planning and the need to evaluate how California's natural gas system may evolve over time. However, **SB 1359** moves beyond planning and analysis by placing a statutory thumb on the scale against continued gas infrastructure investment and service before the state has fully evaluated the cost, reliability, feasibility, workforce, customer, and economic impacts of such a transition.

At a time when California households and businesses are already facing significant energy affordability challenges, the Legislature should not impose broad new mandates that could increase costs, reduce customer choice, and complicate reliability planning.

SB 1359 Prejudges an Ongoing CPUC Proceeding

SB 1359 acknowledges that the CPUC is currently undertaking a long-term gas planning rulemaking to examine gas decarbonization while supporting equity, safety, affordability, and reliability. That proceeding is the appropriate venue to develop a factual record, evaluate system-specific needs, consider regional differences, assess customer impacts, and determine how best to manage any long-term changes to the gas system.

Rather than allowing that proceeding to develop fully, **SB 1359** would direct the CPUC toward a predetermined outcome. The bill instructs the Commission to prioritize electrification and nonpipeline alternatives, identify electrification priority zones, create a process for retiring gas infrastructure in those zones, and evaluate depreciation practices in light of updated demand forecasts.

Those issues should be resolved through a careful evidentiary process, not through statutory direction that risks narrowing the CPUC's discretion before the record is complete.

SB 1359 Risks Increasing Energy Costs During an Affordability Crisis

The bill directs the CPUC to evaluate stranded asset exposure, depreciation practices, natural gas demand forecasts, infrastructure retirement, decommissioning, environmental remediation, and workforce transition programs. These are significant cost categories, and the bill does not provide a clear answer for how those costs will be managed without increasing costs for customers.

The bill attempts to assign certain risks and costs to utility shareholders, including by requiring each gas corporation to establish a Gas Infrastructure Decommissioning Trust funded through shareholder contributions and prohibiting recovery of those contributions from ratepayers. But simply labeling costs as

shareholder-funded does not make them disappear. Imposing broad new financial obligations on utilities can increase financial risk, affect creditworthiness, raise the cost of capital, and ultimately increase the cost of providing essential utility service.

California should be focused on reducing pressure on customer bills, not creating new statutory mandates that could increase the cost of financing, maintaining, and transitioning critical energy infrastructure.

The Bill Could Undermine Reliability and Necessary Infrastructure Investment

SB 1359 would require the CPUC, before approving any gas distribution infrastructure investment exceeding \$10 million, to determine that the investment is consistent with the state's greenhouse gas reduction targets. The bill also requires the utility to provide evidence that electrification alternatives are infeasible or more costly, that a nonpipeline alternative has been evaluated, and that the investment considers stranded asset risk and climate policy.

CalChamber is concerned that this framework creates a presumption against gas infrastructure investment even where continued investment may be necessary to maintain safe and reliable service. California's gas system continues to serve homes, businesses, restaurants, manufacturers, hospitals, schools, and other critical facilities. Many customers do not have practical or cost-effective alternatives today. **SB 1359** risks creating uncertainty and litigation over investments needed to maintain the existing system.

Forced Electrification Raises Practical and Customer Choice Concerns

SB 1359 would require the CPUC to identify "electrification priority zones" and develop a process for retiring gas infrastructure in those zones. The bill provides for a minimum notice period of five years before discontinuation of service.

For many customers, five years may not be sufficient. Electrification can require costly appliance replacement, electrical panel upgrades, wiring upgrades, service upgrades, tenant coordination, building retrofits, and operational changes. These challenges can be especially significant for small businesses, multifamily housing, restaurants, industrial facilities, low-income customers, and older buildings.

A responsible energy transition should preserve flexibility and avoid forcing customers into costly changes before alternatives are affordable, available, and reliable.

SB 1359 Creates Uncertainty Around the Utility Obligation to Serve

SB 1359 would amend Public Utilities Code section 451 to provide that a gas corporation's obligation to furnish service must be interpreted consistent with greenhouse gas mandates and policies promoting building electrification. Amending Section 451 in this way risks creating conflicting mandates for utilities, where the statutory duty to provide safe, reliable service is placed at odds with decarbonization targets.

This language creates significant uncertainty around long-standing utility service obligations. Customers and businesses make long-term investment decisions based on the expectation that essential utility service will remain available. Any changes to the duty to serve should be narrow, carefully studied, and grounded in a clear record demonstrating that reliability, affordability, and customer impacts have been fully addressed.

The Leakage Cost Disallowance Provisions Are Overbroad

CalChamber supports efforts to reduce methane leakage and ensure prudent utility maintenance practices. However, **SB 1359** would add broad statutory cost-disallowance provisions related to avoidable natural gas leakage and, beginning in 2030, would prohibit rate recovery for the value of natural gas lost to the atmosphere from facilities under a gas corporation's control, except for acts of God.

These provisions could become punitive and difficult to administer. Determining what constitutes "avoidable" leakage may invite disputes and litigation, particularly where utilities are already subject to extensive safety, maintenance, leak detection, and emissions-reduction requirements. The Legislature should avoid creating rigid disallowance rules that could complicate prudent system operations or duplicate existing regulatory oversight.

California needs thoughtful, evidence-based long-term gas planning. But **SB 1359** moves too quickly from planning to statutory direction in way that risks increasing energy costs, reducing customer choice, complicating reliability planning, undermining necessary infrastructure investment, and prejudging issues already under consideration at the CPUC.

For these reasons, CalChamber respectfully **OPPOSES SB 1359**

cc: Legislative Affairs, Office of the Governor
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