UCLA School of Law
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NON-PIPELINE ALTERNATIVES TO ACCELERATE CALIFORNIA'S GAS TRANSITION

Evaluating the Home Energy Choice Act

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Evaluating the Home Energy Choice Act

Elias van Emmerick[†] & Maeve Anderson[††]

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† Emmett/Frankel Fellow, UCLA School of Law
†† J.D. Candidate, UCLA School of Law

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Introduction

IN OUR PREVIOUS REPORT, a Roadmap for Zonal Decarbonization in California, we discussed one facet of California's efforts to transition away from its aging gas distribution network.[1] Zonal decarbonization, in the form of SB 1221, is a pilot program to explore affirmative decommissioning of gas pipelines at the neighborhood level.[2] While the California Public Utilities Commission (CPUC) works to implement SB 1221, the California Legislature is exploring other avenues for decarbonization.

One promising initiative is the Home Energy Choice Act, an act that would require utilities to offer customers a voluntary monetary incentive to electrify their home and discontinue gas service whenever a customer faces a planned gas service line replacement.[3] The Act, proposed in AB 2313 (Berman, 2026), would codify a requirement to offer customers with a line in need of replacement a non-pipeline alternative, or NPA, to retaining their gas service. In so doing, AB 2313 would avoid the cost of repair or replacement of a gas service line by retiring the line and offering affected customers a voluntary payout instead, allowing them to transition to electrified alternatives. This would support incremental electrification: As pipelines age, they are gradually retired in favor of electrified alternatives.

This brief examines the potential of such an "avoided replacement" NPA. First, it describes the concept of non-pipeline alternatives generally. It then considers the potential and drawbacks of the solution proposed in AB 2313. The brief concludes by offering some recommendations for implementation of the bill.

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1 Elias van Emmerick, *A Roadmap for Zonal Decarbonization in California*, UCLA EMMETT INST., https://law.ucla.edu/sites/default/files/2026-01/Roadmap%20Report%20%285%29.pdf (Jan. 2026).

2 *See* SB 1221 (Min, 2024); *see also* CPUC, *Long-Term Gas Planning Proceeding,* Rulemaking R.24-09-012.

3 AB 2313 (Berman, 2026); *see* Marc Berman, *Assemblymember Berman Introduces Legislation to Electrify California Homes*, https://berman.asmdc.org/press-releases/20260219-assemblymember-berman-introduces-legislation-electrify-california-homes (Feb. 19, 2026)

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The Gas Transition

CALIFORNIA MUST REDUCE ITS CARBON EMISSIONS BY 40% below 1990 levels by 2030.[4] The state has set an even more ambitious goal for itself, aiming to achieve a 48% emissions reduction by 2030, and to achieve carbon neutrality by 2045.[5] It cannot reach these goals without phasing out the use of natural gas in home heating.[6] Yet utilities continue to invest in their gas distribution system, planning a combined $43 billion in expenses in the next twenty years.[7] These expenditures are recovered over long time periods: Gas service lines are depreciated over 55 to 60 years, for example.[8] Hence, ratepayers risk paying for stranded, unusable infrastructure for decades under the status quo.[9]

To avoid this, the CPUC has begun a planning procedure to map out the state's transition away from natural gas. The Commission set out three phases for its gas transition planning: Phase 1, Interim Actions; Phase 2, Long-Term Gas Transition Planning; and Phase 3, SB 1221 Implementation.[10] Phase 1 will consider specific actions that may be undertaken in the short and medium term to respond to anticipated risks and challenges of the gas transition. In Phase 2, the focus will be to develop a robust record to inform decision-making about the gas system, and, in particular, to develop pertinent information related to the gas transition for consideration in subsequent stages of the CPUC's proceedings. Avoiding service line repairs falls within the first two phases: It is both a near-term action that can lessen the risk of stranded gas assets and cost-effectively promote electrification, as well as a way to learn about what challenges are likely to arise when transitioning away from gas at scale.[11]

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4 This statutory requirement was set out in AB 32 (Núñez, 2006).
5 Cal. Air Res. Board, *2022 Scoping Plan for Achieving Carbon Neutrality* 3, https://ww2.arb.ca.gov/sites/default/files/2023-04/2022-sp.pdf (2022).
6 Which California recognizes, *see id.* at 1.
7 Sean Smillie et al., *Avoiding Gas Distribution Pipeline Replacement Through Targeted Electrification in California* 1, E3, (Jun. 2024).
8 *Prepared Direct Testimony of Matthew Vespa and Danielle Velez* 11, in Docket No. A.25-05-009
9 *Id.* ("[N]ew service lines pose significant stranded asset risks. A service line replaced in 2027 would not be fully depreciated until at least 2082.")
10 CPUC, *Long-Term Gas Planning Proceeding*, Rulemaking R.24-09-012 (Feb 13, 2026) (discussing the service life of pipeline assets as between 55-60 years).
11 See Joe Dammel et al., *Service Line NPAs: Unlocking Savings and Driving Electrification* 5, ROCKY MT. INST., https://rmi.org/service-line-npas-unlocking-savings-and-driving-electrification/ (Nov. 7, 2025).

PHOTO: TOUCANSTUDIOS

Non-Pipeline Alternatives & the Home Energy Choice Act

NPAS ENCOMPASS A BROAD CLASS OF SOLUTIONS meant to aid the transition away from natural gas.[12] The goals of an NPA are to either remove or reduce the need for further investments in gas delivery infrastructure.

a. NPAs in the service line context

Service line repairs or replacements are a promising area for NPA implementation. In the gas delivery system, gas flows from a central hub (the "gathering system") into the high-pressure gas transmission network.[13] Local utilities receive gas via these transmission pipelines, and reduce the pressure prior to moving gas into distribution lines. Service lines are the last link in the network, connecting customers with the distribution main. Each service line typically serves just one customer.[14] A utility must only offer an NPA in lieu of a service line replacement to that one customer, which eliminates potential hold-out problems inherent in larger-scale NPAs. As such, service lines are low-hanging fruit for NPAs—their replacement

12 We can differentiate between zero-gas NPAs and demand reduction NPAs—the former are meant to terminate gas service to a given area entirely, whereas the latter seek to reduce peak demand so as to avoid the need for capacity upgrades. *See* Dan Aas & Ari Gold-Parker, *A Planning Framework for Non-Pipeline Alternatives,* E3, https://www.ethree.com/npa-framework/ (Jul. 16, 2025).

13 Stephanie Neuscamman et al., *California Natural Gas Pipelines: A Brief Guide* 5, LAWRENCE LIVERMORE NAT'L. LAB., https://www.osti.gov/servlets/purl/1240050 (Jan. 22, 2013)

14 *Id.*

PHOTO: ALEX POTEMKIN

benefits a discrete customer, and the NPA similarly must only be accepted by that one customer. In addition, service line replacements have a relatively high cost relative to the benefit received by the customer, since the cost is not spread over multiple customers.[15]

That cost is particularly high in California. Across SoCalGas & SDG&E's service territory, a service line replacement cost on average $54,865.[16] In PG&E's territory, this was a lower but still substantial $35,081.[17] This compares to an average cost of just $7,000 in Colorado.[18] Note that, even if a customer chooses to discontinue gas service, the utility must still remove the service line in need of replacement, which comes with some costs. Nevertheless, advocates estimate that each avoided service line replacement saves ratepayers roughly $20,000 after taking the removal cost into account.[19]

b. The Home Energy Choice Act

In this brief, we specifically examine the potential of offering customers a choice between retaining gas service or receiving a standardized lump-sum payment set slightly below the average cost of a service line repair or replacement.

This is the form of NPA that was proposed by the California Legislature in AB 2313. The bill would require each utility to offer a "Gas Distribution Service Line Replacement Alternatives" program, which would provide customers with a monetary incentive to cease gas service and thereby avoid a planned or forecasted service line replacement.[20] Utilities would be allowed to use costs approved for service line replacements to fund these incentives, and recover them over a period no longer than ten years.[21]

The bill asks the CPUC to establish a standardized incentive level no greater than the average lifetime cost of a service line replacement. Thus, the standard incentive would be definitionally cost-effective, and gas ratepayers as a whole would be assured cost savings for every customer that takes up the offer. That incentive payment would then be used by

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15 *See Pacific Gas and Electric Company's (U 39 G) Response to Administrative Law Judges' Ruling Directing Gas Utilities to Provide Gas Distribution Cost Data* – Attachment A in Rulemaking R.24-09-012, https://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=586273755 (Nov. 5, 2025) (laying out cost of various infrastructure projects within PG&E's territory); *Joint Response of Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 G) on the Administrative Law Judges' Ruling Directing Gas Utilities to Provide Gas Distribution Cost Data* – Attachment A, in Rulemaking R.24-09-012, https://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=585820206 (Nov. 05, 2025) (showing the same for SoCalGas & SDG&E's service territories).

16 *Joint Response of Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U902 G) on the Administrative Law Judges' Ruling Directing Gas Utilities to Provide Gas Distribution Cost Data* – Attachment A, in Rulemaking R.24-09-012, https://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=585820206 (Nov. 05, 2025).

17 See *Pacific Gas and Electric Company's (U 39 G) Response to Administrative Law Judges' Ruling Directing Gas Utilities to Provide Gas Distribution Cost Data* – Attachment A in Rulemaking R.24-09-012, https://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=586273755 (Nov. 5, 2025)

18 *See Prepared Direct Testimony Of Matthew Vespa and Danielle Velez on Behalf of Sierra Club and Natural Resources Defense Council on the Application of Pacific Gas & Electric for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2027* 15 *in* Docket No. 25-A-0220G (Feb. 13, 2026).

19 Testimony of Matthew Vespa and Danielle Velez, *supra* note 8, at 3. This would be absent any incentive payment for a non-pipeline alternative.

20 AB 2313 § 3(b).

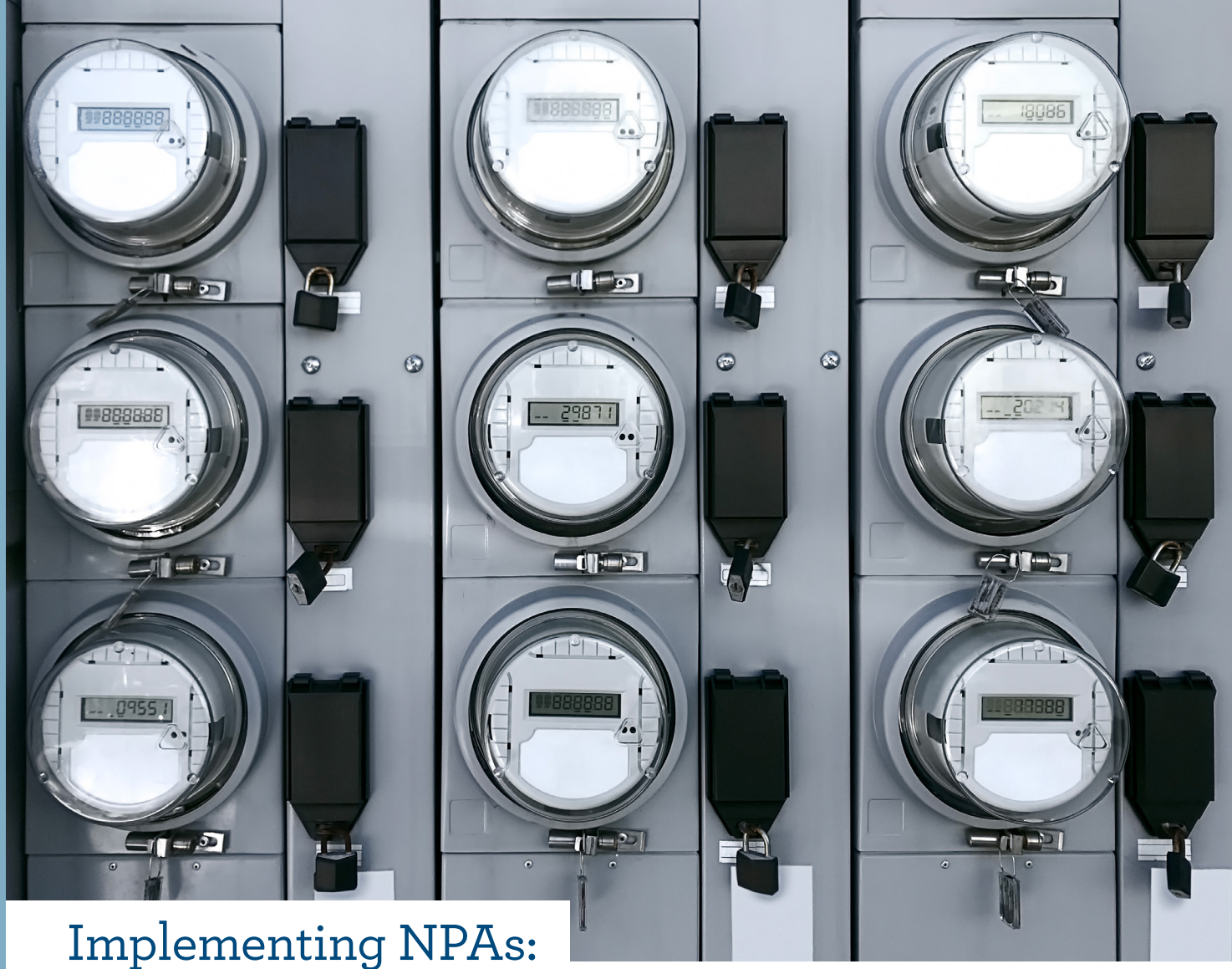
21 AB 2313 § 3(c).

customers to electrify their home and subsidize investments necessary for them to transition away from gas. It also asks the Commission to establish specific notice requirements utilities must follow to inform eligible customers about the NPA option. The bill lays out some information that must be included in the notice—including the climate and health benefits of electrification, as well as the availability of additional incentives the customer could be eligible for—but leaves the Commission with a fair amount of discretion as to how to implement this. The bill further requires the CPUC to institute additional outreach requirements for service line replacements in disadvantaged communities.

As compared to the strategy set forth in SB 1221, this approach is more incremental. It would apply whenever a service line repair is needed, rather than proactively seeking out communities to electrify. It is worth noting that the program would heavily depend on a utility being proactive and effective in communicating the benefits of electrification to the affected customers. We could imagine the CPUC playing a role in ensuring compliance, but without strong incentives for utilities this would run into traditional principal-agent problems—utilities simply don't face the same incentives to achieve electrification that the CPUC does. The bill lays out potential processes that could be implemented, including the use of a third-party program administrator, but does not require this.[22] As we discuss in our Recommendations, a rate of return offered on NPA expenses could go some way towards alleviating this concern.[23] This strategy would also only require the consent of the affected customer, given the utility's ongoing interpretation of its obligation to serve. By contrast, 67% of customers in a neighborhood decarbonization zone must consent to an SB 1221 project before it can move ahead.

Even with those caveats in mind, NPAs for service line repairs are a promising way to avoid unnecessary and costly investments, and would require relatively little effort on the utility's part to implement. They would save customers money, advance decarbonization goals, and prevent a generation of ratepayers from being charged for stranded assets. As such, we believe a service line NPA program is an unambiguous improvement over the status quo. Nevertheless, the design of the program will determine the magnitude of benefits the program can generate. To that end, we look at a similar program offered in New York, and attempt to draw some lessons from that experience.

22 AB 2313 § 3(d)(3).
23 *See infra.*



Implementing NPAs: Learning from New York

AB 2313 WOULD MAKE CALIFORNIA THE FIRST STATE to legislatively require NPAs to be offered by all IOUs. However, other states have already experimented with this form of NPA to varying degrees. In New York, for example, the PSC has required Consolidated Edison (ConEd) to offer voluntary payouts to customers in lieu of service line repairs since 2022.[24] ConEd is the largest investor-owned utility in the state, and serves some 1.1 million gas customers.[25] ConEd's program, titled "Energy Exchange," covers a hundred percent of home electrification costs, up to $10,000, for customers whose service line needs repair but choose to forego gas service. Additional funds are available for disadvantaged communities and multi-unit buildings, up to a total of $20,000.

24 New York Public Service Commission, *Order Adopting Gas System Planning Process* 40-43 in Case 20-G-0131 (May 12, 2022).
25 Con Edison, *Company History and Statistical Information*, https://www.coned.com/en/about-us/corporate-facts (n.d.).

PHOTO: GERENME

a. Program Details

In order to participate in the program, customers are required to "provide a commitment allowing the Company to abandon their gas service line."[26] Like California, New York has a statutory "obligation to serve," requiring utilities to provide service to any customer requesting it. The customer's commitment to forego gas service is insufficient to overcome that obligation, and customers remain legally able to request reconnection of gas service. To disincentivize customers from doing so, ConEd instituted a fifteen-year recourse period. If a customer chooses to reconnect service during that period, they may be held financially liable for the electrification investments paid for by ConEd.[27] Nevertheless, nothing prevents a new customer from moving into an electrified property and requesting reconnection of gas service. They could do so with no financial penalty. This creates cost uncertainty for the utility, especially if electrification were to occur at scale.

ConEd is allowed to amortize NPA costs over twenty years, double the ten-year period proposed in California's AB 2313. That makes the program more appealing to the utility, but simultaneously more costly to ratepayers. Since ConEd receives an annual rate of return on its NPA expenditures similar to other regulatory assets, it earns relatively more the longer the period an item is amortized over. The utility receives the same return on NPAs as it does on traditional capital investments.[28]

An additional incentive is awarded based on the net benefits an NPA generates: ConEd is allowed to recover 30% of the net benefits an NPA project generates, based on a societal cost test.[29] For larger NPA projects, an individualized cost assessment is conducted. The cost for replacing service lines, on the other hand, is based on a portfolio average of about $28,000 per line.[30] This simplifies cost-benefit calculations—the program is always cost-effective, since incentive payments cannot exceed $20,000. The incentive payment is based on this average cost minus the actual cost of the incentive, which varies by customer. ConEd is allowed to start collecting the incentive once 70% of its NPA portfolio is operational.[31]

The incentive payment structure helps make NPA projects more attractive to the utility, and brings them closer to parity with capital expenditures. Even though ConEd receives the same rate of return on NPAs as it does on regular capital investments, an NPA's cost will

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26 Con Edison, *Non-Pipes Alternatives Annual Expenditures & Program Report* 9. November 2025.

27 Con Edison, *Energy Exchange FAQ*s, https://www.coned.com/en/save-money/rebates-incentives-tax-credits/rebates-incentives-tax-credits-for-residential-customers/energy-exchange/faqs (n.d.)

28 Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plan with Additional Requirements 333 in Case 22-G-0065 (July 20, 2023) (setting rate of return at 6.79% in both 2024 and 2025.)

29 New York Public Service Commission, *Order Approving Non-Pipes Alternative Projects Amortization Period and Shareholder Incentive Mechanism for Specified Projects* 10-13 *in Case* 19-G-0066 (Jun. 17, 2022) (hereinafter "June 2022 NY NPA Order"). An additional incentive is awarded if actual costs of implementing the NPA come in lower than projected; the base incentive is reduced if costs are greater than projected.

30 Con Edison, *Benefit Cost Analysis: Non-Pipes Alternative to Gas Service Replacements* 5, (Jul. 2024).

31 *June 2022 NY NPA Order, supra* note 29, at 29.

always be lower than that of a corresponding capital investment. If this was not the case, the NPA would not be cost-effective and should not have been implemented. Since absolute returns are a function of the base investment amount, a utility can expect to receive lower absolute returns on NPAs even as it receives the same rate of return as it would for capital investments. The incentive payment resolves this disparity to a degree.

b. Program Results

Despite the utility's incentive to push its NPA program, ConEd's program has suffered from low uptake rates. As of October 2025, the company had conducted outreach to roughly 10,000 eligible buildings. Of those, just 37 buildings electrified, and another 19 submitted applications—an uptake rate of only 0.6%.[32] To do so, it spent $743,000 on the program altogether, averaging about $20,000 per participant—on track to be cost-effective, even at a small scale.[33]

These numbers are encouraging for California. Despite the fact that lower uptake rates increase outreach and administrative costs due to an absence of economies of scale, the New York program was still cost-effective. This suggests that an NPA program as proposed under AB 2313 will be a net benefit for ratepayers, regardless of how high the uptake rate is.

Even though ConEd received the same rate of return on NPAs as it does on regular capital investments, an NPA's cost will always be lower than that of a corresponding capital investment.

c. Lessons from ConEd's Experience

California can draw a few lessons from New York's experience implementing service line NPAs. First and foremost, ConEd's program shows that this form of NPA is viable and can be cost-effective, even at a very modest scale. Outreach and administrative costs were not sufficient to outweigh the benefits of implementing the NPA, even though uptake rates were below 1%.[34]

The second lesson is that participation will be the major challenge for any program of this sort. Understanding why customers decline, and adapting messaging and program details accordingly, will be essential to overcoming this hurdle. ConEd has attempted to do so by collecting detailed feedback from customers who rejected outreach offers.[35] Robust data collection of this sort should be implemented if this policy is rolled out in California.

32 Con Edison, *Non-Pipes Alternatives Annual Expenditures & Program Report* 11 (Nov. 2025).
33 *Id.* at 4.
34 *Id.* at 3.
35 *See id.* at 10-11.

Further, California should avoid New York's lack of regulatory clarity regarding the utility's ongoing obligation to serve. Participants in the New York program do not actually renounce their obligation to be served, and the utility has no guarantee that future residents will not request reconnection.[36] This creates uncertainty regarding the long-run costs of the program, and the utility's liabilities in connection therewith. California has an opportunity to clarify this in its iteration of an NPA program, similar to how SB 1221 abrogated utilities' obligation to serve within participating communities.[37]

Finally, the financial incentive structure of ConEd's program bears examining. New York's incentive payment allows ConEd to capture some of the cost savings its NPA program generates, which should make the NPA program more attractive to the utility and its shareholders.[38] Since the program's success is so dependent on how it is implemented and marketed by the utility, this alignment of incentives seems like a wise choice. California may wish to adopt a similar incentive payment structure to motivate utilities. However, the conditions attached to the incentive—namely, that the incentive can only be collected once 70% or more of the utility's portfolio of NPA projects has been implemented—are overly stringent. Given these programs' low uptake rates, a more realistic target should be set to motivate utilities to pursue electrification.

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36 Con Edison, *Energy Exchange FAQs*, https://www.coned.com/en/save-money/rebates-incentives-tax-credits/rebates-incentives-tax-credits-for-residential-customers/energy-exchange/faqs (n.d.)

37 SB 1221 § 3 (2025), codified at Cal. P.U.C. § 663(c) ("if the commission approves a pilot project proposed by a gas corporation pursuant to subdivision (a), the commission shall . . . relieve the gas corporation of its obligation to provide service within the pilot project boundary.")

38 *June 2022 NY NPA Order*, *supra* note 29, at 10-13.

PHOTO: ZOSHUA COLAH/UNSPLASH

Benefits and Drawbacks of Voluntary Payouts

A LUMP-SUM PAYMENT in lieu of spending on service line replacements offers a distinct set of advantages. Most importantly, this form of NPA is definitionally cost-effective. The lump sum amount would be set below the average cost of a service line replacement. That means that every customer who takes up the NPA offer generates net savings for a utility's customer base as a whole. Further, the administrative cost of implementing this program is relatively low. Utilities are already required to collect data on the average cost of service line replacements.[39] The payouts would be determined at the aggregate level, so utilities would not have to undertake costly individualized assessments of replacement costs. Nor would the utility be required to estimate the cost of electrifying individual customers' homes. The program would operate on a voluntary basis, so customers can individually determine whether the benefit of accepting the payment outweighs the cost of giving up gas service. This voluntary approach privileges ratepayers' knowledge of their own situation and allows them to decide whether electrification makes financial and practical sense in their case.

39 *See supra* note 15 (citing cost reporting from PG&E, SoCalGas, and SDG&E).

PHOTO: ANDREYPOPOV

An additional advantage of this solution is unique to the California context: The high cost of service line replacements in the state allows high customer payouts to remain cost-effective. Energy-consulting firm E3 estimated the cost of whole-home electrification in California at around $13,000 in 2019.[40] Using actual installation data, SoCalREN in 2024 found that upfront HVAC electrification costs averaged $18,000[41] and heat-pump water heater electrification costs averaged $7,000.[42] The cost of an electric stove and electric dryer, replacements for two other commonly gas-powered appliances, is another $1,000-$2,000, combined.[43] The cost of electrification is also trending downwards as technologies like heat pumps become more affordable. In 2022, RMI estimated that the upfront cost to build an all-electric home was at parity with or less expensive than a mixed-fuel home in all nine major metro areas they studied.[44] Cost savings are heightened over time, as operating costs for an electrified home are lower than those of a mixed-fuel home.[45]

At the same time, the average cost of a service line replacement in both SDG&E/SoCalGas and PG&E's service territories is particularly high. Earthjustice, a co-sponsor of AB 2313, estimated the lifetime cost to gas customers of replacing a service line connected to a single residential gas meter as part of larger distribution main replacement programs

In 2022, RMI estimated that the upfront cost to build an all-electric home was at parity with or less expensive than a mixed-fuel home in all nine major metro areas they studied.

at slightly more than $20,000. AB 2313 would require an incentive set somewhat below that cost so as to be cost-effective, which advocates propose should be a base $15,000 incentive, and a $20,000 incentive for households in Disadvantaged Communities.[46] The high cost of service line replacements would enable giving customers a generous budget to pursue electrification while still saving ratepayers as a whole money. Compare this to a state like Colorado, where service line replacements average $7,000: In states with lower replacement costs, offering a generous and simultaneously cost-effective incentive to support electrification is less straightforward. In contrast, due to its higher infrastructure replacement costs, California is a good state to pilot a program offering lump-sum payouts in lieu of service line replacements.

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40 Amber Mahone et al., *Residential Building Electrification in California*, E3, https://www.ethree.com/wp-content/uploads/2019/04/E3_Residential_Building_Electrification_in_California_April_2019.pdf (Apr. 2019).

41 Tessa Charnofsky, Jennifer Mitchell-Jackson & Mary Sutter, *SoCalREN Electrification Research – Early Insights on Local Government Policies*, SoCalREN, https://pda.energydataweb.com/api/view/3933/SoCalREN%20Electrification%20Report%20-%202024_0228.pdf (Feb. 14, 2024). Note that costs of HVAC electrification vary widely, from $7,400-$33,000, averaging around $18,000.

42 *Id.* Again, costs varied widely, from $4,000 to $12,800.

43 Based on current costs of electric stoves and dryers commercially available at big-box stores as of February 2026.

44 Mohammad Hassan Fathollahzadeh et al., *The Economics of Electrifying Buildings* 9-10, Rocky Mt. Inst., https://rmi.org/wp-content/uploads/dlm_uploads/2022/12/rmi_economics_electrifying_buildings_residential_new_construction.pdf (Dec. 2022).

45 *Id.*

46 AB 2313 § 3; *Testimony of Matthew Vespa & Danielle Velez, supra* note 18.

An additional advantage of this NPA program is the individualized nature of it. Service lines typically connect just one customer to a main distribution line, and therefore just one customer needs to choose whether or not to retain gas service. This should speed up decision-making and avoid hold-out problems, at least as compared to zonal decarbonization pursuant to SB 1221.

On the flipside, the individualized nature of the NPA program may increase transaction costs associated with the program. Outreach and communication must be done on an individualized basis, which could become costly at scale. This is particularly relevant given the importance of outreach to a program's success. Prior experiences with electrification have shown that uptake rates of these programs are low due to a combination of status quo bias, mistrust of the offering party, and lack of information.[47] Individualized outreach is essential to generate higher take-up rates, but can be costly. This is problematic especially because the NPA is designed to be cost-effective on its own, but may not be once outreach and implementation costs are added. That complicates things for the Commission, which is under pressure to deliver on energy affordability. Utilities will need to be judicious in pursuing high-impact, low-cost outreach initiatives to maximize the value of the program. This could take the form of combining communication around NPAs with existing outreach programs, such as those for SB 1221 or utilities' own energy efficiency rebate programs.

Another potential downside of the program remains that, at $15,000 for the average residential ratepayer, the proposed NPA incentive would not be sufficient to cover whole home electrification in most cases. And while electrified homes save ratepayers money over time, those savings take some time to materialize. A recent estimate by Silicon Valley Clean Energy, which focused on single-family homes in the Bay Area, found that a home saves about $30/month by switching all heating methods from gas to heat pumps.[48] A small-sample study of real customer bills within Peninsula Clean Energy's service territory found that fully electrified homes averaged savings of about $60/month.[49] While not insignificant, these cost savings would take time to make up for the upfront cost of home electrification. However, as we will discuss in the section on Electrification in Practice,[50] customers could layer additional incentives to close the gap between electrification costs and the NPA incentive offered by AB 2313. Communicating the availability of those additional incentives clearly, and streamlining their application processes where possible, could greatly improve the appeal of the NPA program.

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47 See PG&E, *Utility Perspectives on Procedures for Facilitating Non-Pipeline Alternatives* (Sep. 22, 2025) (noting that, "on average, ~25% of customers engaged by [the Alternative Energy Program (AEP)] and [Zonal Equity Electrification Program (ZEEP)] have agreed to retire their gas service").

48 Peter Mustacich, *Bill Impacts of Home Electrification* 4, SILICON VALLEY CLEAN ENERGY, https://svcleanenergy.org/wp-content/uploads/Bill-Impacts-of-Home-Electrification-Feb-2025.pdf (Feb. 2025).

49 *Id.* at 9.

50 *See infra.*

The program's success may also be hampered by the fact that natural gas rates have been more stable in California than electricity rates have been, at least in recent years. That state of affairs is likely to continue given the uncertain outlook for electricity rates in California as a result of increasing wildfire risk and ballooning mitigation costs, and the national upward trend in electricity rates driven by datacenter buildout.[51] Both are structural factors expected to drive electricity rates higher. Natural gas is not facing the same pressures: while natural gas prices used to closely track those of electricity, that correlation has broken down in recent years.[52] These price trends make the return on electrification investments less certain for ratepayers, and increase the importance of lowering the upfront cost to drive uptake rates.

A final, related drawback is the perceived reliability of natural gas over that of electricity. Natural gas pipelines are placed underground, where they are relatively unaffected by extreme weather events like wildfires or storms. Electricity transmission and distribution lines, on the other hand, can and have been impacted by natural disasters and extreme weather. As extreme weather events become more common in California as a result of anthropogenic climate change, the reliability delta between natural gas and electricity could increase. Aside from earthquakes—which can and do damage pipelines—[53] gas lines are relatively insulated from natural phenomena. Reliability has proven to be a salient concern for ratepayers—in New York, Orange and Rockland Utilities had to respond to reliability concerns by offering some customers generators they could use if electricity service was interrupted in order to implement their NPA program.[54] That said, California's grid has become increasingly able to handle load surges due to the installation of distributed energy resources.[55] Fire mitigation investments will further increase the reliability of the grid.

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51 See Cameron Wade et al., *Electricity Grid Impacts of Rising Demand from Data Centers and Cryptocurrency Mining Operations* 2, OPEN ENERGY OUTLOOK INITIATIVE, https://energy.cmu.edu/_files/documents/electricity-grid-impacts-of-rising-demand-from-data-centers-and-cryptocurrency-mining-operations.pdf (Jun. 2025); David Michael Tinsley, *Is the AI revolution raising consumers' utility bills?* 3, BANK OF AM. INST., https://institute.bankofamerica.com/content/dam/economic-insights/utility-spending.pdf (Oct. 17, 2025) (arguing that "rising demand for electricity from both data center development and manufacturing growth is already being reflected" in residential rates, and that "there is likely further upside [to rate growth] ahead").

52 Alexander Bick & Kevin Bloodworth, The divergence of electricity and natural gas prices, FED. RES. BANK OF ST. LOUIS, https://fredblog.stlouisfed.org/2025/12/the-divergence-of-electricity-and-natural-gas-prices/ (Dec. 4, 2025).

53 See Christopher A. Bain, Thomas D. O'Rourke & Jonathan D. Bray, *Pipeline Response to Seismic Displacement at Balboa Boulevard during the 1994 Northridge Earthquake*, 150 J. GEOTECH. & GEOENVT'L. ENG. (2023) (discussing the impact the 1994 Northridge earthquake had on natural gas pipelines).

54 Orange And Rockland Utilities, Inc., *Non-Pipe Alternatives Annual Report.* (Jan. 31, 2025)

55 Brad Plumer, *Grids Are Surviving the Storm. But the Next 5 Years Could Be Rough*, N.Y. TIMES, https://www.nytimes.com/2026/01/30/climate/winter-storm-power-grid-us-canada.html (Jan. 30, 2026).

Electrification in Practice – Tracing Available Incentives

AB 2313 ASKS UTILITIES TO INCLUDE INFORMATION about the climate and health benefits of zero-emission buildings, and the potential availability of additional incentives from other gas corporation and nongas corporation programs. Layering incentives is an essential way to reduce the upfront cost of electrification. Widespread availability of additional electrification incentives in California means that the effective cost to transition away from gas will be even lower for most customers.

For example, a low-income single-family homeowner in California in SCE's service territory—who would currently be served by SoCalGas for gas service—can layer multiple federal, state, utility, and air-district incentives to significantly offset the upfront cost of full home electrification. The homeowner could receive up to $8,200 for an HVAC heat pump through a federal rebate program,[56] along with an additional $3,000 HVAC heat pump incentive from the South Coast Air Quality Management District's Go Zero program.[57] On top of that, SCE's Home Performance Plus program[58] may provide $1,350 for a qualifying heat

56 High-Efficiency Electric Home Rebate Act (HEEHRA). https://incentives.switchison.org/node/978?view=residents&origin=directory&state=CA. Note that as of February 24, 2026, HEEHRA Phase I rebates for single-family home retrofits are fully reserved statewide. Homeowners looking to obtain this incentive will need to apply as part of Phase II, which is currently under development.

57 South Coast Air Quality Management District Go Zero Program. https://www.aqmd.gov/go-zero. Note that this program is not accepting new applications as of February 2026.

58 SCE Home Performance Plus program. https://homeperformanceplusca.com/sce/resources/

PHOTO: BURITORA

pump and $424 for an electric stove.[59] An additional $4,200 is available for electric panel upgrades through SCE's Charge Ready program. In this example, a customer could be eligible for upwards of $17,000 in total incentives. Together with the $15,000 proposed incentive for discontinuing gas service, a customer could fully fund the average cost of electrification.[60] We offer these numbers merely to indicate that generous incentives are available that can bridge the gap between the payout offered by an NPA and the upfront cost of electrification.

Moreover, the existence of robust incentive programs in California may make customers more receptive to the NPA program to begin with. The idea of utilities paying for certain upgrades is not foreign to California ratepayers. On the utility side, their experience with implementing these incentive programs, and communicating their benefits, can be leveraged to hone messaging around NPAs.

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Thus, the widespread availability of well-established incentive programs provides a solid launching pad for AB 2313's NPA program. The additional funds can lower upfront costs to near-zero, and the communication infrastructure that's been laid to implement existing incentive programs should lower the effective cost of promoting an NPA program. Customers will also be more familiar with the concept of utility-funded upgrades, which may avoid the skepticism NPA programs have been met with in other states.[61]

59 *Id.*

60 *See*, e.g., James Ford, *All-new appliances for free? How a new Con Ed program provides them*, PIX11 https://pix11.com/news/local-news/bronx/all-new-appliances-for-free-how-a-new-con-ed-program-provides-them/ (Jul. 10, 2024) (showing customer skepticism to the offer of "free" appliances in New York).

Recommendations

AN "ALL OF THE ABOVE" APPROACH TO ELECTRIFICATION holds the most promise at this time. Zonal electrification under SB 1221—as discussed in our previous brief—and avoided service line replacements through NPAs can be implemented concurrently, and lessons learned through each program are likely transferable to other electrification programs. The two programs would complement one another, and each fill separate niches in the road to decarbonization.

The Home Energy Choice Act is undoubtedly a step in the right direction for affected customers—who would have a no-regrets, voluntary electrification option available under the bill—and for the state, which cannot meet its decarbonization goals without retiring the gas system. The Act also benefits ratepayers writ large. Every customer who foregoes a service line replacement in favor of a voluntary payout saves ratepayers as a whole roughly $5,000 in avoided replacement costs if payouts are set at $15,000.[62] The Act is undoubtedly an improvement over the status quo.

62 *See supra* note 18, at 3. Amount in nominal dollars.

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To most effectively implement the Act, we recommend the following:

Utility-oriented Recommendations

- ***Set the rate of return on NPA projects at an adequate level to incentivize utility participation.*** As we discussed in our brief on SB 1221,[63] the CPUC should examine the incentives faced by utilities during this transition period. Active buy-in by gas and dual-fuel utilities will be critical to a successful electrification strategy. Offering a sufficient rate of return on NPA projects is one way of aligning utility incentives with those of policymakers and consumers. The Act proposes treating NPA costs as a regulatory asset with a "reasonable rate of return," to be depreciated over ten years. This is the correct approach, and the rate of return should be set at a rate sufficient to incentivize utilities to participate in the programs. Legislators may be hesitant to award additional profits to utilities amidst historically high energy rates. While understandable, the rate of return offered on NPAs must be viewed relative to the status quo: Without an NPA, the utility will be given a rate of return on a (more expensive) capital investment to replace the aging service line. That capital investment would also be depreciated over a far longer time. Due to the high rates of return given to utilities in California, which far exceed inflation, that timeframe ensures that utilities recover a far bigger payout in real terms for each dollar spent on pipeline replacements than they would for investments in NPAs.[64] The cost of implementing an NPA must not be seen in isolation, but against the backdrop of this alternative. Offering a rate of return on NPA investments encourages utilities to participate in a program that would reduce costs for all ratepayers. Without that incentive, utilities are unlikely to commit fully to the program.

- ***Offer an additional incentive for utilities to participate.*** We believe an additional incentive, set at a percentage of total social benefits generated by each NPA, could be implemented to further encourage utilities to pursue this program. Such an incentive would distribute the benefits NPAs generate between ratepayers and utility shareholders, and would shrink the gap in profitability between NPAs and ordinary capital expenditures faced by utilities. Given the vast social benefits attached to

63 Elias van Emmerick, *supra* note 1, at 9.

64 Melody Petersen, *State regulators vote to keep utility profits high, angering customers across California,* L.A. TIMES, https://www.latimes.com/environment/story/2025-12-18/state-regulators-vote-to-keep-utility-profits-high-angering-customers (Dec. 18, 2025) (discussing rates of return on equity for California utilities as around 10%, as compared to the 6% consumer advocates believe would be appropriate); U.S. Bureau of Labor Stats., *Consumer Price Index Summary,* https://www.bls.gov/news.release/cpi.nr0.htm (Feb. 13, 2026) (showing 12-month inflation for period ending in Jan. 2026 at 2.4%).

decarbonization, we believe it is worth offering this incentive if it helps speed up our transition away from gas. Nor would California be an outlier if it did so—as we discussed above, New York's ConEd already receives 30% of the net social benefit generated by its NPA program, with some strings attached.[65] If California decides to implement such an incentive, it would be beneficial to not attach overly stringent eligibility conditions, as regulators did in New York.

- ***Clarify that utilities are relieved of the obligation to serve when a customer elects to participate in an NPA program.*** In enacting NPA legislation, California should offer regulatory clarity regarding utilities' obligation to serve. In order to reduce liability, utilities should be relieved of their obligation to serve customers who choose to participate in a voluntary payout program. This creates certainty about future costs for utilities, and has the added benefit of ensuring that a household remains electrified—something that should be a policy priority for the state. In the alternative, the CPUC could clarify that participants in the NPA program could restore their gas service only if they themselves cover the cost of a new service line and meter installation. This, too, would offer cost certainty for the utility and ensure that savings generated for ratepayers remain intact.

Customer-oriented Recommendations

- ***Ensure effective communication with customers by leveraging existing resources.*** Attempts at introducing a similar policy in New York have shown that effective communication is critical to ensuring uptake.[66] The CPUC should require utilities to proactively educate customers on the benefits of electrification and the rebates for which customers are eligible, so as to lower the barrier to entry as much as possible. Further, utilities should be encouraged to work with trusted local messengers, such as community groups, to inform customers about the possibility of participating in the program. This serves a dual benefit. It both increases uptake rates today, and lays the groundwork for future electrification efforts by familiarizing ratepayers with the benefits of electrifying.

California has a number of avenues for communicating with ratepayers that are unique to the state, and it should leverage these. For example, California had 25 Community Choice Aggregation (CCA) programs[67] serving customers across more than 200 cities and counties as of 2025.[68] These programs already provide a link between utilities

65 *See supra* Section 4.a.

66 *See* Ford, *supra* note 61.

67 Community choice aggregation programs have the procurement autonomy to facilitate the wholesale purchase and retail sale of electricity on behalf of their customers. IOUs continue to provide distribution and transmission grid services, as well as consolidated billing and other customer services to ratepayers. In this way, CCAs can choose which electricity generation resources to invest in. See J.R. DeShazo, Julien Gattaciecca & Kelly Trumbull, *The Promises and Challenges of Community Choice Aggregation in California* 9-10, UCLA Luskin Ctr.

68 California Community Choice Association, *California CCAs Achieve Procurement Milestone – Secure 21+ Gigawatts of New-Build Clean Energy Resources,* https://cal-cca.org/california-ccas-achieve-procurement-milestone-secure-21-gigawatts-of-new-build-clean-energy-resources/ (Nov. 19, 2025).

and local communities, and are ideally positioned to be trusted messengers about the benefits of NPAs. The community interest generated by SB 1221, too, should be leveraged to the maximum extent possible. Currently, community groups across the state are discussing the possibility of zonal decarbonization in their local area as part of the SB 1221 pilot program.[69] While not all these areas will end up participating in the pilot program, community groups and utilities could introduce the NPA program as an alternative to customers within these areas that did express an interest in discontinuing gas service.

- ***Emphasize that the program is voluntary and reliable.*** In communicating with customers, utilities should emphasize the voluntary nature of the program. In New York, customers participating in NPA programs responded positively to the flexibility of the incentive offered, especially to the ability to choose their own appliances.[70] Further, different messaging strategies to counter potential perceived reliability concerns should be tested. Utilities may also wish to prioritize implementation in areas that have faced fewer electric reliability concerns in previous years.

- ***Connect customers with additional home electrification incentives to increase program uptake.*** Utilities should be encouraged to inform customers of additional electrification incentives they might be eligible for, and develop systems that proactively estimate the total payout a customer may receive if they opt in to an NPA program. To do so, utilities may wish to streamline and simplify their incentive offerings, and harmonize eligibility requirements to reduce administrative friction. For example, a single application could be implemented that customers fill out and that captures the information needed to evaluate their eligibility for all incentive programs a utility offers. The CPUC should play a role in encouraging utilities to adopt such systems.

With these recommendations in mind, the CPUC can use the Home Energy Choice Act as another arrow in its quiver to promote electrification. If implemented properly, the Act would create meaningful savings for ratepayers, offer customers a no-regrets option to modernize and electrify their homes, and aid California in achieving its ambitious climate goals. We encourage the CPUC to work proactively with utilities to ensure that the benefits of NPA programs are clearly explained to stakeholders, and to align on what level of incentives for both program participants and utilities themselves would best support widespread electrification under the program. The Home Energy Choice Act is a great step forward that gives California a chance to lead the nation in climate policy. The state should take that chance.

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69 Cal. Pub. Util. Comm'n., *Decision Designating Initial Priority Neighborhood Decarbonization Zones* 10-18, *in Rulemaking* R.24-09-012, https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M587/K210/587210797.PDF (Nov. 13, 2025) (discussing community interest in participating in zonal decarbonization pilot projects from various community organizations).

70 Orange And Rockland Utilities, Inc., *Non-Pipe Alternatives Annual Report*. (Jan. 31, 2025).

UCLA School of Law
Emmett Institute on Climate Change & the Environment

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@uclalawemmett.bsky.social

@uclalawemmett

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