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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on California Advanced Electric Rate Design.	Rulemaking 26-04-009

ADMINISTRATIVE LAW JUDGE'S RULING DIRECTING JOINT INVESTOR-OWNED UTILITIES PROPOSAL ON ASSEMBLY BILL 2109 REQUIREMENTS

This ruling directs Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison to file and serve a joint investor-owned proposal (Joint IOU Proposal) addressing the requirements of Assembly Bill (AB) 2109 (Carillo, September 27, 2024) within 45 days of this ruling.

This ruling also requests party comments based on supplemental questions. Opening comments are due within 30 days after the submission of the Joint IOU Proposal, and reply comments are due within 15 days of opening comments.

1. Background

AB 2109, as codified in Public Utilities Code (Pub. Util. Code) Section 451.7, establishes requirements for the implementation of the Industrial Process Heat Recovery (IPHR) technology[1] customer exemption from certain

[1] Pub. Util. Code Section 451.7 (d) (1) "Industrial process heat recovery" refers to a process that captures and reuses heat that would otherwise not be used, without any-additional fuel input or supplemental firing, thereby reducing the electrical consumption of the industrial process.

nonbypassable charges.[2] It requires the Commission to establish a cap on customers eligible for the exemptions from nonbypassable charges and to minimize the cost impacts to all non-participating customers that are directly attributable to the nonbypassable charge exemption. AB 2109 also establishes specific technology eligibility requirements for customers to receive the exemption in Pub. Util. Code Section 451.7(b).

On December 12, 2025, Energy Division convened a technical workshop on AB 2109 requirements, incentives for the utilization of IPHR, and potential ways to implement the exemption to certain nonbypassable charges. This workshop featured panel discussions with subject matter experts from IPHR technology customers; and participation from the investor-owned utilities (IOUs), residential consumer advocates, the California Large Energy Consumers Association, and other parties.

On April 9, 2026, the Commission opened Rulemaking (R.)26-04-009 on California Advanced Electric Rate Design. In advance of the prehearing conference (PHC), the Administrative Law Judge sent a procedural email to the service list and interested parties with a proposed proceeding schedule including a joint utility proposal for AB 2109. At the PHC, held on June 18, 2026, Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE) were generally supportive of the proposed schedule.

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[2] Pub. Util. Code Section 451.7 (a) (1) nonbypassable or departing load surcharges, as defined by the commission, shall not apply to a reduction in kilowatt-hours of electricity that an electrical corporation customer consumes from the electrical grid in a metered interval due to industrial process heat recovery technology, up to a cap established by the commission.

2. Joint IOU Proposal and Party Comments

We direct PG&E, SCE, and SDG&E to file and serve a Joint IOU Proposal addressing the requirements of AB 2109 within 45 days of this ruling. The Joint IOU Proposal should include:

A. A list of nonbypassable charges that IPHR customers should and should not be exempt from and a justification for each;[3]

B. Technology eligibility requirements should be clearly enumerated, in compliance with Pub. Util. Code Sections 451.7 (a) and (b);

C. A program participation cap,

   1. based on a methodology such as total aggregate megawatt or customer count,

   2. analysis of estimated rate and bill impacts to illustrate the potential cost shift to non-participants segmented by customer class,4 and

   3. proposed participation cap share for each utility (e.g., 40% for SCE, 20% PG&E, and 20% for SDG&E);

D. Compliance requirements for exemption from nonbypassable charges, such as specific metering requirements, reporting on technology, etc.; and

E. Additional strategies to minimize the cost impacts on non-participating customers, such as setting limits on the exemption from nonbypassable charges.

3. Supplemental Questions for Party Comments

We request that parties address the following questions related to AB 2109:

[3] This is not detailed in Pub. Util. Code Section 451.7.

[4] This is not detailed in Pub. Util. Code Section 451.7.

1. Please respond to the Joint IOU Proposal including whether it comprehensively addresses the requirements of AB 2109, as prompted in the proposal requirements under Section 2 a-e.

2. Should additional non-participating customer protections be considered? If so, what?

3. Are there alternatives to the Joint IOU Proposal that satisfy the requirements of AB 2109 that the Commission should consider? If so, please describe.

IT IS SO RULED.

Dated September 3, 2026, at San Francisco, California.

/s/ JOANNA PEREZ-GREEN
Joanna Perez-Green
Administrative Law Judge