ASSEMBLY THIRD READING
AB 1787 (Schultz)
As Amended May 19, 2026
Majority vote

SUMMARY

This bill requires the California Public Utilities Commission (CPUC) to require large electrical corporations (those with 100,000 or more service connections in California), to offer a dynamic rate *option* to customers if the CPUC has approved upgrades to the corporation's smart meter infrastructure on or after January 1, 2027.

Major Provisions
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COMMENTS

There are several ways to price electricity used by the customers of an electric utility. Traditionally, the utilities have relied on flat rates, that is, charges for each unit of electricity that do not vary with time. However, the conditions that drive the cost of each unit of electricity vary based on several factors, such as the demand for electricity at a given moment. To account for these time-varying costs in pricing, the investor-owned utilities (IOUs) have more recently offered their customers time-of-use (TOU) rates, according to which the per-unit price of electricity varies by blocks of time—from 4:00 p.m. to 9:00 p.m. in the summer, for example, when the weather tends to be hottest and demand for electricity the greatest.

Since nearly the beginning of electrical utility service, utilities have measured their customers' electricity consumption through measurement via analog, mechanical meters that rotate in response to electricity use. More recently, many utilities have deployed what are commonly referred to as "smart meters," digital devices that measure electricity consumption in real-time, or something close to it, and capable of transmitting information to the utility or to the customer. Many see smart meters as key to empowering customers to manage their own electricity use, for, as the CPUC describes it, "Smart Meters enable a utility to provide customers with detailed information about their energy usage at different times of the day, which in turn enables customers to manage their energy use more proactively." The potential benefits include allowing the utility and the customer to better respond to changing conditions, which, when combined with time-varying electricity rates, can reduce a customer's electricity costs.

With these benefits in mind, the CPUC authorized the large IOUs to install millions of smart meters. As a result, almost all customers of the large IOUs have smart meters. Large IOUs are the ones subject to the requirements of this bill and include Pacific Gas and Electric (PG&E), San Diego Gas and Electric (SDG&E) and Southern California Edison (SCE). More recently, these IOUs have requested the CPUC allow upgrades to their smart meter infrastructure. The CPUC is considering these requests. In addition, the CPUC ordered the large IOUs to each implement pilot programs that include dynamic pricing of electricity based on changing conditions and, more recently, to propose dynamic pricing tariffs.

This bill seeks to capitalize on planned smart meter infrastructure upgrades from IOUs by mandating a dynamic rate *option* to accompany the approval and deployment of those upgrades.

Specifically, if the CPUC approves a request for smart meter infrastructure upgrades for an IOU and associated rate recovery, the IOU must also provide customers with a dynamic rate *option.*

One goal of dynamic rates is to increase participating customers' demand flexibility. Renewables produce varying amounts of power in California based on when the sun is shining or the wind is blowing. Demand flexibility, or "load management," helps people adjust their energy use to better match the availability of clean electricity. For both residential and business consumers, load management has the potential to provide electricity bill savings when consumers opt in to using automated load-shifting devices such as smart thermostats, electric vehicle chargers, and appliances. The implementation of dynamic prices to harness these technologies and possible savings is largely still in pilot phases at the IOUs. This bill would require the IOUs to offer a dynamic rate *option* to all customers following updates to smart meter infrastructure, moving these rates from the pilot phase to broad application.

According to the Author
According to the author, "To address California's electricity affordability and grid resiliency challenges, AB 1787 requires investor-owned utilities to offer at least one dynamic pricing option and real-time data access as a requirement of their next smart meter and system upgrade. By aligning consumer retail rates with dynamic hourly wholesale costs, the bill encourages consumers to save money by reducing or shifting usage during time periods of abundant, low-cost renewable and carbon-free energy, which lowers bills for participating customers with flexible demand, and reduces overall grid stress and costs for all customers. Crucially, the legislation ensures these new rate designs are implemented without shifting costs between different customer classes."

Arguments in Support
According to a coalition in support of the bill that includes, Alliance for Retail Energy Markets, California Efficiency and Demand Management Council, NRG Energy, Inc., and Sierra Club California, this bill "would ensure accountability with regards to any future smart meter upgrade expenditure, and reward electricity customers for shifting electricity usage to low-cost periods when carbon-free and renewable energy is cheap and abundant." Furthermore, the coalition writes that this bill "would ensure that any customer who is obliged to pay for any smart meter upgrade be provided with their own near real-time usage data from the meter so both utility and ratepayer benefits can be realized."

Arguments in Opposition
In opposition to the bill, PG&E writes that this bill "wrongfully ties cost recovery for advanced metering infrastructure (AMI) and billing system upgrades to offering dynamic rates to all customers" and that infrastructure "upgrades are needed to perform critical billing functions and customer services benefits." PG&E also writes that the "CPUC's ongoing rate-setting proceedings are already providing robust opportunities to gather important data and incorporate feedback from a wide range of key stakeholders including ratepayer advocates, load management providers, utilities, and community choice aggregators [CCAs]" and this bill "circumvents this process by prescribing specific rate structures and requiring program expansion before feasibility, CCA participation, and affordability have been demonstrated."

FISCAL COMMENTS

According to the Assembly Committee on Appropriations, the CPUC estimates this bill to result in ongoing costs of $694,000 for three new permanent positions.

VOTES

ASM UTILITIES AND ENERGY: 13-0-5

YES: Petrie-Norris, Patterson, Boerner, Calderon, Mark González, Harabedian, Hart, Kalra, Papan, Rogers, Schiavo, Schultz, Zbur
ABS, ABST OR NV: Chen, Davies, Irwin, Ta, Wallis

ASM APPROPRIATIONS: 11-0-4
YES: Wicks, Aguiar-Curry, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache
ABS, ABST OR NV: Hoover, Dixon, Ta, Tangipa

UPDATED

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