SENATE COMMITTEE ON ENERGY, UTILITIES AND COMMUNICATIONS
Senator Benjamin Allen, Chair
2025 - 2026 Regular

Bill No:	AB 2124	**Hearing Date:**	6/30/2026
Author:	Pacheco		
Version:	4/13/2026 Amended		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Nidia Bautista		

SUBJECT: Electricity and natural gas: legislation imposing mandated programs and requirements: third-party review

DIGEST: This bill requires the California Council on Science and Technology (CCST) to establish, on or before January 1, 2027, upon appropriation by the Legislature, a program to, upon request of the Legislature, analyze legislation that would establish a mandated requirement or program or otherwise affect electrical corporation or gas corporation ratepayers.

ANALYSIS:

Existing law:

1) Establishes and vests the California Public Utilities Commission (CPUC) with regulatory authority over public utilities, including electrical corporations and gas corporations. (Article XII of the California Constitution)

2) Authorizes the CPUC to fix the rates and charges for every public utility, including electrical and gas corporations, and requires that those rates and charges be just and reasonable. (Public Utilities Code §451)

3) Requires the CPUC, in establishing residential electric and natural gas utility rates, to ensure that the rates are sufficient to enable the electric or natural gas corporation to recover a just and reasonable amount of revenue. (Public Utilities Code §739)

4) Requires the CPUC to prepare a written report on the costs of programs and activities conducted by the four major electric and gas companies regulated by the CPUC. (Public Utilities Code §913.1)

5) Requires electric, gas, water, and telephone corporations to notify affected customers of proposed revenue changes that will impact their utility bill, by

displaying rate impacts of the proposed revenue change in dollars and percentage degree of change. (Public Utilities Code §454)

6) Requires the CPUC to require each electrical corporation to identify a separate rate component to collect the revenues used to fund certain programs. (Public Utilities Code §381)

7) Establishes a natural gas surcharge to fund cost-effective energy efficiency and other public purpose programs. (Public Utilities Code §§890-900)

8) Establishes that it is the policy of the state that eligible renewable energy resources and zero-carbon resources supply 100% of all retail sales of electricity to California end-use customers and 100% of electricity procured to serve all state agencies by December 31, 2045. (Public Utilities Code §454.53)

9) Finds and declares that the CCST was organized as a nonprofit corporation at the request of the Legislature for the specific purpose of offering expert advice to the state government on public policy issues significantly related to science and technology. (Government Code §8924.5)

10) Requests the CCST, every three years, to assess the infrastructure project types, scale, and pace necessary to achieve the state's energy, climate change, and air quality goals, as specified. (Health and Safety Code §38592.1)

This bill:

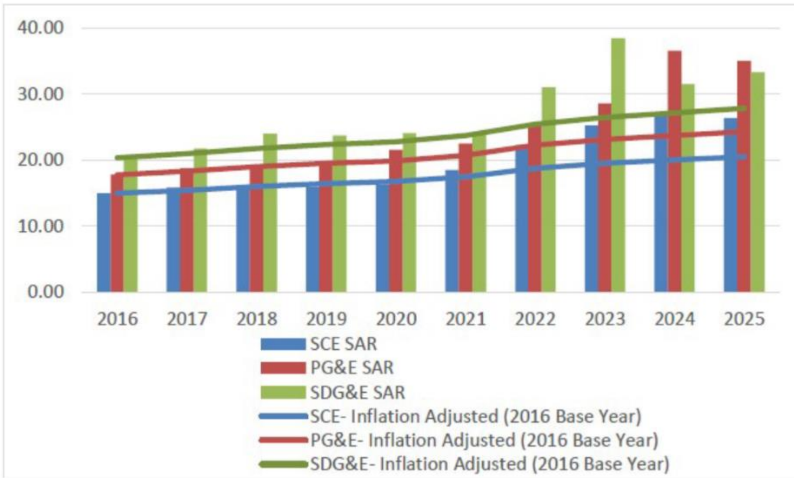
1) Requires the CCST to establish, on or before January 1, 2027, upon appropriation by the Legislature, a program to, upon request of the Legislature, analyze legislation that would establish a mandated requirement or program, as defined, or otherwise affect electrical corporation or gas corporation ratepayers, as specified.

2) Requires the CCST to develop and implement conflict-of-interest provisions to prohibit a person from participating in an analysis for which the person knows or has reasons to know that the person has a material financial interest. This bill would repeal these provisions on January 1, 2032.

Background

Electric utility rates outpace growth of inflation. Californians generally enjoyed lower energy bills when compared to the rest of the country, largely due to milder weather and investments in energy efficiency, even as electric rates have been higher than many other states. However, in more recent years, these trends have been changing as California's higher energy rates are also resulting in higher electricity utility bills. As such, there are growing concerns about the affordability of utility bills on household budgets and commercial and industrial entities' balance sheets.

PG&E, SCE, and SDG&E January 1 Bundled System Average Rate, Nominal and Inflation-Adjusted Comparison[1]



Source: California Public Utilities Commission. Energy Division analysis. *SB 695 Report (published September 2025)*
Note: The chart displays total system average rates which reflect total authorized revenue requirement and total forecasted sales for bundled customers.

Drivers affecting energy utility bills. Several drivers are increasing costs within IOU electricity bills. According to the CPUC's 2025 Annual SB 695 Report (published September 2025), since 2016, bundled residential average rates have increased at an annual average rate greater than the rate of inflation: about ten percent for PG&E, 8 percent for SCE, and 6 percent for SDG&E.[2] The primary drivers include wildfire mitigation investments, and transmission and distribution costs. The following chart is from the SB 695 Report showing the combined authorized electric revenue requirement for the three large investor-owned utilities (IOUs) – Pacific Gas & Electric (PG&E), San Diego Gas & Electric (SDG&E), Southern California Edison (SCE). According to the report, the distribution costs – both for wildfire and others – are a significant driver of increased utility bills. This includes expenses related to replacement of poles and powerlines, transformers and other equipment, as well as vegetation management, wildfire insurance, and infrastructure hardening.

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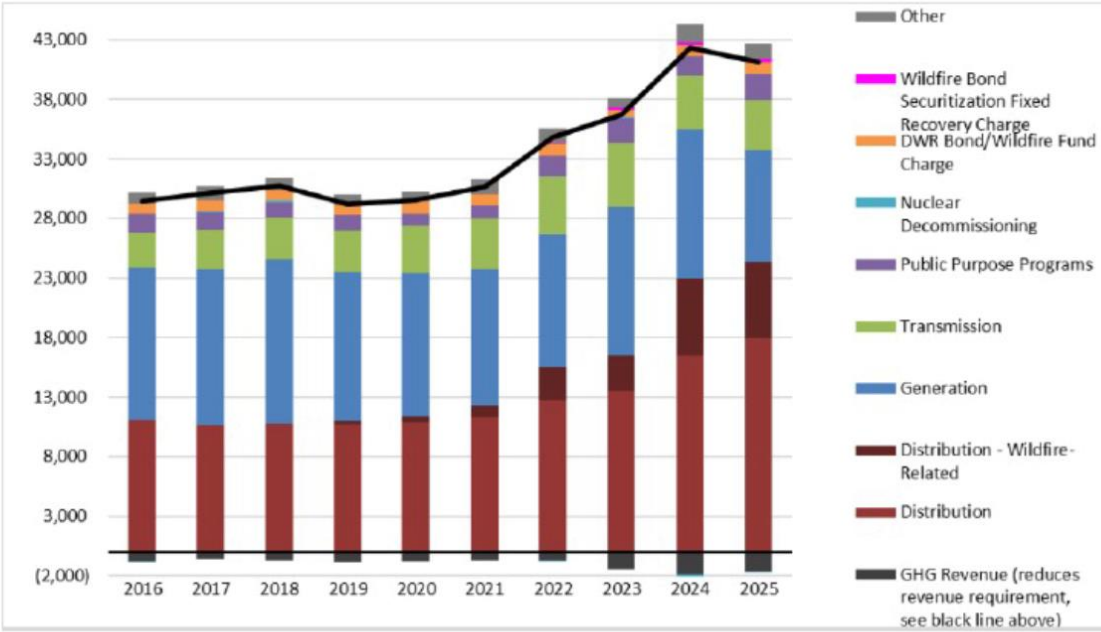
[1] Ibid., p. 19
[2] CPUC "2025 Senate Bill 695 Report," September 2025. https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2025/2025-sb-695-report_093025.pdf

PG&E, SCE, and SDG&E Combined Authorized Electric Revenue Requirement, by Rate Component Category (January 1, $Millions)[3]



State Auditor's Report. In August 2023, the State Auditor released an audit report, *Electricity and Natural Gas Rates: The California Public Utilities Commission and Cal Advocates [PAO] Can Better Ensure That Rate Increases Are Necessary.* The audit focused on electricity and natural gas rate increases of four large utilities – PG&E, SDG&E, SCE, and Southern California Gas Company (SoCalGas) – and the oversight conducted by the CPUC and the PAO. The report noted several factors have contributed to increases in electricity and natural gas rates for the four utilities. These include:

- Utilities' operating costs have been increasing, though the largest category of increases vary by utility: distribution costs for PG&E, administrative costs for SCE, and higher property and non-income taxes for SDG&E.
- Wildfire costs, including insurance, has also been a key factor in increased utility expenses.
- Decreasing electricity sales due to installation of solar power systems has required utilities to raise rates to recover fixed costs.
- Market forces have contributed to rising natural gas rates.

California Council on Science and Technology. CCST is operated as a 501(c)(3) nonprofit governed by a Board of Directors composed of representatives from academic institutions, the corporate and business community, and the philanthropic community. CCST convenes experts from California's academic and research

[3] Ibid., p. 16

institutions to provide impartial advice and analysis in response to requests from the Governor, Legislature and other state entities on policy issues affecting the State of California relating to science and technology. Its core funding is provided by higher-educational institutions, research centers, and national laboratories.

Comments

Need for this bill. According to the author:

> Californians are struggling with soaring costs of goods and services, and low-income customers are disproportionately burdened. The monthly strain created by utility bills is more pronounced than ever before. According to the January 2025 Legislative Analyst's Office (LAO) report on residential electricity rates, California's residential electricity rates are now the second highest in the nation, nearly double the national average. Rates have surged in California by about 47 percent from 2019 to 2023, far outpacing the overall 18 percent increase in consumer prices. AB 2124 requires the California Council on Science and Technology (CCST) to conduct a review of every legislative proposal that mandates or requires services or programs that result in increased costs for electrical or natural gas corporation customers. The CCST would prepare a written analysis with relevant data on the efficacy, cost impact and overall effect of each proposed mandate before a vote in legislative policy committees.

Continued focus on affordability. As electricity rates, and consequently utility bills, have risen and trend above inflation, there is a continued desire for opportunities to reduce utility bills. Last year, in response to an executive order by the Governor[4], the CPUC and California Energy Commission, presented their recommendations for opportunities to reduce costs on electricity utility bills at this committee's hearing focused on affordability.[5] Additionally, both at the hearing and during the legislative session there were many proposals considered, including those that culminated into a negotiated agreement in the waning days of the legislative session by the Governor, Assembly leadership and Senate leadership which are reflected in the passage of SB 254 (Becker, Chapter 119, Statutes of 2025). Among the myriads of policies in the bill are several to address utility wildfire mitigation costs by requiring a cost-efficiency framework to more judiciously consider costs shouldered by utility customers, limitations on the ability of electric IOUs to earn a profit on an additional $6 billion of wildfire mitigation (adding to the $5 billion of

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[4] https://seuc.senate.ca.gov/system/files/2025-02/2-19-25-governor-newsom-energy-eo-10-30-24.pdf

[5] See Senate Energy, Utilities, and Communications Committee hearing on February 19, 2025. https://seuc.senate.ca.gov/system/files/2025-05/cpuc-response-to-eo-n-5-24_0.pdf and https://seuc.senate.ca.gov/system/files/2025-05/cec-response-to-eo-n-5-24-ada.pdf.

expenses included in AB 1054 (Holden, Chapter 79, Statutes of 2019) that were also prohibited from a return on equity), as well as, opportunities for public financing of transmission projects. Additionally, the bill removed a requirement that IOUs utilize mechanisms (memorandum accounts) to recover wildfire mitigation costs. Instead, the bill defers to the CPUC to determine their necessity thereby allowing these costs to be folded into the IOUs general rate case. The bill also included policies addressing wildfire liabilities for utility equipment-ignited wildfires, including authorizing an extension of the Wildfire Fund (should it be depleted) and authorizing financing of liabilities for fires post January 1, 2025. As part of the broader negotiation, there was a related bill on the Cap-and-Invest program, AB 1207 (Irwin, Chapter 117, Statutes of 2025) that included provisions to direct five percent of the electric IOUs' allowance revenue over five years for transmission financing and makes adjustments to the Climate Credit provided to utility customers, including directing their distribution to the high-bill months of the year. These policies are in various stages of being implemented by the responsible agencies. There continue to be new proposals to help address utility costs, including those this session focused on reducing the electric utility's return on equity – a growing concern that utility profits increase as customers struggle to pay utility bills.

Modeled after the California Health Benefits Review Program (CHBRP). This bill is modeled after the CHBRP which was established in 2002 and responds to requests from the Legislature to provide independent analysis of the medical, financial, and public health impacts of proposed health insurance benefit mandates and repeals. AB 1996 (Thomson, Chapter 795 Statutes of 2002) required a review of the impacts on health insurance related legislation to help inform legislative decisions.

Third times a charm? This proposal requires the Legislature to request an analysis by CCST on proposed legislation. CCST would need to analyze the utility bill impacts, along with several other criteria, including impacts on jobs, the economy and disadvantaged communities. While such analysis could be useful, its likely legislative timelines may not allow for a timely comprehensive analysis, particularly as legislation is amended frequently. The Little Hoover Commission also proposed recommendations to address affordability in a report released in released in October 2025, "The High Cost of Electricity in California."[6] The report includes ten recommendations, including one to require a feasibility study and criteria-based framework for shifting some costs to non-ratepayer funding sources.

[6] Milton Marks "Little Hoover" Commission on California State Government Organization and Economy, "The High Cost of Electricity in California," Report #290: October 2025. https://lhc.ca.gov/wp-content/uploads/LHC-Report-290-The-High-Cost-of-Electricity-in-California-FINAL-1.pdf

CCST or another academic institution, such as the Energy Institute at Haas Business School, may be well-suited to provide such a study to the Legislature which could inform future legislative proposals and criteria for consideration of future proposals that might seek cost recovery from energy utility bills.

Need for amendments. The author and committee may wish to amend this bill to adjust the date by when the CCST must establish the program from January 1, 2027 to March 31, 2027 or later.

Prior/Related Legislation

AB 61 (Pacheco, 2025) contained nearly identical language, except the bill tasked the PAO with conducting the requested analysis. The bill was held by the Senate Appropriations Committee.

AB 1912 (Pacheco, 2024) contained nearly identical language as this bill. However, an early version would have requested the CCST to conduct the study, though the bill was amended in the Senate apply to PAO. The bill was held by the Senate Committee on Appropriations.

AB 1083 (Burke, Chapter 818, Statutes of 2019) authorized the CCST, until January 1, 2023, to conduct independent analyses of energy-related legislation upon request of specified legislative leaders and committees, with analyses to be completed within 60 days. However, the program was contingent on the availability of funding, which was never appropriated by the Legislature.

SB 695 (Kehoe, Chapter 337, Statutes of 2009) required the CPUC to annually report on recommendations for actions that can be undertaken during the succeeding 12 months to limit utility cost and rate increases, consistent with the state's energy and environmental goals.

AB 67 (Levine, Chapter 562, Statutes of 2005) required the CPUC to prepare a written report on the costs of programs and activities conducted by the four major electric and gas companies regulated by the CPUC.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

SUPPORT:

San Diego Gas and Electric Company (Sponsor)
California Chamber of Commerce
California Council for Environmental and Economic Balance

California Large Energy Consumers Association
California State Association of Electrical Workers
Coalition of California Utility Employees
Pacific Gas and Electric Company
Southern California Edison
Southern California Gas Company
Southern California Rental Housing Association

OPPOSITION:

None received

ARGUMENTS IN SUPPORT: According to San Diego Gas & Electric and Southern California Gas Company:

> Based on several other bills introduced this session that required some form of cost analysis prior to adoption of new mandates or regulations, there appears to be broad interest in better understanding the true impacts that legislative mandates have on customers. AB 2124 is the vehicle that can provide this transparency. Today, when an average electric customer pays their bill, roughly 37 cents of every dollar pays for state mandates and public programs that are unrelated to the electric service they receive. That translates to more than $825 per year for the average household. Notably, costs for public purpose programs (PPP), a subset of these mandated costs, have skyrocketed at an unsustainable pace, growing by 130% since 2012.
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> AB 2124 creates a simple solution modeled after the successful process established by the Legislature in 2003 for healthcare costs.4 Upon request from the Legislature, the California Council on Science and Technology (CCST) will analyze proposed mandates before they become law, answering critical questions:

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