SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 2124 (Pacheco) - Electricity and natural gas: legislation imposing mandated programs and requirements: third-party review

Version: July 2, 2026
Urgency: No
Hearing Date: August 3, 2026

Policy Vote: E., U. & C. 14 - 0
Mandate: No
Consultant: Ashley Ames

Bill Summary: This bill would require the California Council on Science and Technology (CCST) to establish, upon appropriation, 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.

Fiscal Impact:
- This bill will result in cost pressure of an unknown, but significant amount, to provide funding to the CCST for the program described by this bill (General Fund or some other funding source).

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.

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. 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.

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 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.

Proposed Law: This bill would:

1. Require the CCST to establish, on or before March 1, 2027, upon appropriation by the Legislature, a program to, upon request of the Legislature and in a manner and pursuant to a timeline agreed to by the Legislature and the council, analyze legislation that would establish a mandated requirement or program, as defined, or otherwise affect electrical corporation or gas corporation ratepayers, as specified.

2. Require 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 reason to know that the person has a material financial interest. Repeal these provisions on January 1, 2032.

Related Legislation:

AB 61 (Pacheco, 2025) contained nearly identical language, except the bill tasked the PAO with conducting the requested analysis. The bill died in this 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 to apply to the PAO. The bill died in this committee.

AB 1083 (Burke, 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, 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, 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.

Staff Comments: This proposal would allow 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, 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 October 2025, "The High Cost of Electricity in California." 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. 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.

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