

CPUC in its current proceedings, in which the CPUC examines financial models and estimates market returns based on the record of information submitted to the CPUC by other parties, and not on independent CPUC financial modeling. According to the CPUC, this bill shifts the CPUC from adjudicator of competing expert testimony to an active financial modeler, which is a significant institutional change requiring new expertise and staff capacity.

COMMENTS:

The California Constitution establishes the CPUC to, among other things, fix the rates for all public utilities subject to its jurisdiction. Such public utilities are commonly referred to as IOUs.

Existing state law—section 451 of the Public Utilities Code—specifies the requirements of charges, such as rates, imposed by an IOU. It is the CPUC’s job to authorize an IOU to collect only those rates for service that are just and reasonable.

Among the rates proposed by an IOU and considered by the CPUC is a ROE, that is, profit on projects, such as new infrastructure, funded by the IOU’s shareholders. According to the CPUC, it sets an IOU’s ROE to (a) enable utilities to attract the investment needed to maintain a safe and reliable system and (b) protect customers from paying more than necessary for infrastructure. (See “CPUC Fact Sheet, CPUC Cost of Capital Decision,” dated December 18, 2025.)

The author describes this bill as a transparency measure, though, presumably, the author hopes this transparency might lead to lower electricity rates and lower utility bills. According to the author:

the decisions that set utility shareholder returns will have an increasingly significant impact on customer bills. AB 2463 ensures that the CPUC’s determinations of the authorized ROE are transparent, analytically grounded, and subject to meaningful public scrutiny.

The CPUC describes itself as being actively engaged on questions concerning IOU ROE, noting CPUC action last year that set ROE for the state’s three biggest IOU’s at just above or below 10%, depending on the IOU. The CPUC describes these returns levels as below levels the CPUC had previously authorized and consistent with national trends. The CPUC also points to its cost of capital mechanism, which allows the CPUC to automatically adjust IOU ROE between full CPUC proceedings if bond markets shift substantially.

The CPUC’s efforts notwithstanding, bill proponents contend this bill is needed. For example, the Environmental Defense Fund, writing in support of the bill, asserts “Transparency is the first step to aligning a more stable investment platform for the clean energy transition.”

There is no opposition registered against this bill. However, the Utility Wildfire Survivor Group urges the author to amend the bill to tie authorized ROE with wildfire safety performance, affordable energy rates and full, fair and timely restitution for victims of utility-caused fires.

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