Date of Hearing: April 8, 2026

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY
Cottie Petrie-Norris, Chair
AB 2508 (Hoover) – As Amended March 26, 2026

SUBJECT: Public Utilities Public Purpose Programs Fund

SUMMARY: Eliminates from electric investor-owned utility (IOU) rates the costs of various programs and instead establishes a Public Utilities Public Purpose Programs Fund (PUPPP Fund) in the State Treasury, funded by appropriations from the Greenhouse Gas Reduction Fund (GGRF). Specifically, **this bill**:

1) Defines "public purpose programs" as programs funded through an IOU's public purpose program rate component as of December 31, 2026, or other programs determined by the California Public Utilities Commission (CPUC) in an open proceeding. Explicitly excludes the Family Electric Rate Assistance (FERA) program and the California Alternate Rates for Energy (CARE) program from this definition.

2) Establishes the PUPPP Fund in the State Treasury; authorizes the Legislature to appropriate moneys from the GGRF to the Fund; requires the Controller to transfer appropriated amounts to the PUPPP Fund on July 1 of each fiscal year, commencing with the 2027-28 fiscal year; requires the CPUC, no later than January 1 of each year commencing January 1, 2027, to determine and publish the amount necessary to fund public purpose programs and programs administered by electrical regional energy networks for the following fiscal year, which the Legislature may consider when determining the appropriation amount; requires the CPUC to allocate all moneys in the PUPPP Fund, upon appropriation, to those programs consistent with Section 381; and requires the CPUC, in implementing these provisions, to consider continuity of public purpose programs and minimization of customer disruptions.

3) Mandates monies allocated from the PUPPP Fund shall be used to fund electrical efficiency, renewable energy, research, development, and demonstration projects, electric rate assistance to eligible food banks, and home insulation assistance program costs.

4) Requires the electric IOUs to establish an account for monies allocated from the PUPPP Fund.

5) Strikes the requirement that electric IOUs allow customers to voluntarily contribute through their electric bills to fund programs seeking the development of emerging renewable energy resources.

6) Mandates the CPUC to reimburse – through the PUPPP Fund – electric IOUs that participate in home insulation assistance and financing programs for all expenses related to implementing and administering the program that the CPUC finds reasonable.

7) Finds and declares, among other things, that electric rates are increasing and, therefore, providing rate relief by moving certain programs that benefit all taxpayers, not just utility customers, would be beneficial and equitable.

EXISTING LAW:

1) Mandates each electric and gas IOU to develop and implement a rate assistance program at a fixed percentage to eligible food banks, as specified. (Public Utilities Code § 739.3)

2) Requires electric and gas IOUs to provide weatherization assistance, and specifies that weatherization means attic insulation, caulking, weather-stripping, low flow showerhead, water heater blanket, and door and building envelope repairs to reduce air infiltration for low-income customers. This program is known as the Energy Savings Assistance Program (ESA). (Public Utilities Code § 2790(a), (b))

3) Creates a charge on electricity and natural gas consumption to fund cost-effective energy efficiency and conservation activities. (Public Utilities Code §§ 381, 890, and 1615)

FISCAL EFFECT: Unknown. This bill is keyed fiscal and will be referred to the Committee on Appropriations for its review.

BACKGROUND:

What's in a Utility Rate? – Costs that utilities can forecast with reasonable accuracy are examined and approved by the CPUC in general rate case (GRC) proceedings.[1] In these GRC proceedings, the CPUC determines the total amount the utility is authorized to collect (the "revenue requirement"). The utilities' authorized revenue requirements typically remain unchanged even if the utilities spend more or less than authorized by the CPUC.[2] Approximately 64% of the utilities' electric revenue requirements are set in GRCs at the CPUC and FERC;[3] the remaining 36% consists of pass-through of the costs of power procurement, Wildfire Fund and bond charges, nuclear decommissioning trusts, Public Purpose Programs (PPP), fees, and regulatory expenses approved by the CPUC.[4] The table on the following page shows the breakdown of the major components of the electric IOUs' 2024 revenue requirement, of which PPP is a small, but not insignificant amount.[5]

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[1] In January 2020, the major utilities were directed by the CPUC to transition from a three-year GRC cycle to a four-year GRC cycle. D.20-01-002.
[2] The exception to this occurs in operations covered by balancing and/or memorandum accounts which can adjust the authorized revenue requirement based on actual spending, upon CPUC approval.
[3] FERC sets the revenue requirement for transmission assets.
[4] Pg. 29, CPUC, *2024 California Electric and Gas Utility Costs Report: AB 67 Annual Report to the Governor and Legislature*, published September 2025.
[5] Pg. 26, 2024 AB 67 Report.

Table 2.1: 2024 Electric IOU Authorized Revenue Requirements ($000)

Revenue Component	PG&E	SCE	SDG&E
Generation / Energy Procurement	5,053,954	5,069,512	1,001,227
Purchased Power	2,358,098	4,048,229	243,417
Utility Owned Generation Fuel	592,031	268,102	599,983
General Rate Case	2,103,825	753,182	157,828
Distribution – General Rate Case	8,741,084	8,937,477	1,722,187
Transmission	2,663,244	1,116,093	685,245
Demand Side Management and Public Purpose Programs	812,954	1,038,436	608,973
Bonds and Fees	752,674	595,351	84,674
Wildfire Costs[25]	5,404,304	2,930,405	413,873
Total 2024 Revenue Requirement[26]	**20,341,236**	**17,530,066**	**4,233,072**

PPP costs include energy efficiency, energy savings assistance, and CARE, among other programs. From 2023 to 2024, the PPP decreased for PG&E, SCE, and SDG&E. A primary driver of the decrease in PPP costs for all three utilities was a decrease in energy efficiency program-related collections.

Independent Research and Oversight Findings – A growing body of independent research, oversight findings, and state body reports support the premise that PPP costs currently embedded in electricity rates should be evaluated for migration to alternative funding sources.

- Energy Institute at Haas, UC Berkeley (2021, 2022): PPPs are candidates for migration off rates; doing so "would increase equity and improve efficiency because it would reduce the effective electricity tax," and shifting such costs to the state budget "would increase the progressivity of funding these expenses."[6]

- Legislative Analyst's Office (2022): Identified reducing retail electricity rates as an appropriate use of GGRF discretionary spending, recommending the Legislature consider using GGRF funds for this purpose.[7]

- Little Hoover Commission, Report #290 (October 2025): Called on the state to require a feasibility study and establish a criteria-based framework for determining which costs currently embedded in electricity rates could appropriately be moved to non-ratepayer

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[6] Borenstein, S., Fowlie, M., and Sallee, J., Energy Institute at Haas, UC Berkeley: *Designing Electricity Rates for an Equitable Energy Transition*, WP-314, February 2021; *Paying for Electricity in California: How Residential Rate Design Impacts Equity and Electrification*, WP-330, September 2022.
[7] Brown, R., Legislative Analyst's Office: *The 2022-23 Budget: Cap-and-Trade Expenditure Plan*, January 2022.

funding sources, explicitly naming the General Fund and the GGRF as potential alternative vehicles.[8]

- CPUC Public Advocates Office (2025): Stated that "relying solely on funding through surcharges on utility bills would be both regressive and inequitable" and that "electric and natural gas ratepayers cannot and should not bear the full or even a substantial cost" of the programs and policies currently embedded in electricity rates.[9]

- CPUC Response to Executive Order N-5-24 (February 2025): Stated that "most electricity programs could be funded through non-ratepayer funds" and identified as a core strategy: "Fund today's and future cost-shifting programs from non-ratepayer sources."[10]

COMMENTS:

1) *Author's Statement*. According to the author, "Californians face the highest cost of living in the nation and rising energy bills are one item making it harder for them to keep up. These high energy costs are driven in part by public purpose programs (PPP) paid for by customers of the state's investor-owned utilities (IOUs), including low-income assistance and energy efficiency programs that provide broad public benefit. It is neither equitable nor sustainable for these programs to be funded by the customers of electric IOUs. For SDG&E, public purpose program costs have more than doubled since 2021, representing $9 of an average residential customer's monthly bill in 2025. AB 2508 will help to reduce customers' energy bills by providing funding for PPP through more appropriate sources, such as the GGRF or General Fund."

2) *Purpose of the Bill*. Current law requires customers of electrical corporations to fund various public purpose programs – including energy efficiency, renewable energy, research and development, and low-income bill assistance programs – through charges embedded in their electricity rates. This bill establishes the PUPPP Fund in the State Treasury, to be funded through transfers from the GGRF, and directs that monies from the PUPPP Fund, upon appropriation by the Legislature, be used to finance PPPs previously funded through electric IOU rates. The bill makes conforming changes to various provisions of the Public Utilities Code and the Public Resources Code to reflect this shift in funding source.

3) *Ratepayers vs. Greenhouse Gas Reduction Fund.* This bill proposes to use the state's GGRF – funded by cap-and-trade auction proceeds – to pay for existing ratepayer-funded programs (excluding CARE and FERA). Migrating these programs out of rates would reduce the electricity cost that disproportionately burdens lower-income households, who spend a larger share of income on energy, while higher-income households that have reduced grid usage through rooftop solar or on-site batteries pay far less of these costs.

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[8] Little Hoover Commission: *The High Cost of Electricity in California*, Report #290, October 2025. Full report: https://lhc.ca.gov/wp-content/uploads/LHC-Report-290-The-High-Cost-of-Electricity-in-California-FINAL-1.pdf.
[9] Public Advocates Office, CPUC: *Advancing Affordable Electricity in California: Policy Levers to Address Rising Rates*, December 13, 2024; *Framework for Affordable Electrification in California*, April 2025.
[10] California Public Utilities Commission: *Response to Executive Order N-5-24*, February 18, 2025.

However, the equity improvement provided by this bill is not complete. Unlike General Fund revenues raised through progressive income and sales taxes – which Haas researchers specifically identified as the basis for the equity gains they envisioned – GGRF proceeds derive from cap-and-trade auctions. To the extent those costs are passed through to consumers in the form of higher energy and goods prices, GGRF funding may itself carry some regressive characteristics, partially offsetting the anticipated equity benefit.

Funding reliability presents an additional concern. Under the current system, PPPs are funded through a stable, non-bypassable charge on customer bills. Under this bill, funding would depend on an annual legislative appropriation from the GGRF – a fund that is finite, subject to competing priorities, and subject to year-to-year variability in auction proceeds. The Little Hoover Commission specifically cited these fiscal and volatility concerns as reasons to study cost transfers carefully before enacting permanent programmatic changes. Program continuity and minimization of customer disruption – values the bill itself recognizes – could be at risk if appropriations fall short in any given year. However, there is certainly merit in evaluating historic ratepayer-funded programs, as this bill does, and interrogating whether it is reasonable and equitable for their costs to be borne by ratepayers versus the GGRF.

4) *Opposition to moving Energy Efficiency program (EE program) funding off rates.* A broad coalition of governments, community choice aggregators, regional energy networks, and environmental organizations have raised concerns about proposals to move EE program funding out of rates and into alternative sources such as the General Fund or GGRF.[11] The coalition contends that EE programs are not a significant driver of the affordability crisis – noting that EE represented only 1.5% of IOU revenue collected from ratepayers in 2024, down from 2.2% the prior year, and that program costs have declined 32% on an inflation-adjusted basis over the past decade. The coalition further argues that eliminating or defunding these programs would undermine affordability rather than improve it, as EE is one of the primary tools available to customers – particularly low-income customers – to reduce their own bills, and that the programs' grid demand-reduction benefits lower procurement costs for all ratepayers. On the question of funding source, the coalition specifically cautioned that neither the General Fund nor the GGRF can provide the reliable, multi-year funding certainty that EE programs require to remain cost-effective and maintain the workforce and contractor infrastructure needed to deliver them.

5) *Other programs to be considered.* Many other ratepayer-funded programs beyond the PPPs addressed in this bill add significantly to rates and have been increasing in recent years. The broader universe of cost drivers includes wildfire mitigation, grid hardening, transmission costs, transportation electrification, and decarbonization efforts, among others. The desire to consider these broader cost drivers, however, is not without its

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[11] Joint Comments on Oversight Hearing to Address Electricity Utility Bill Affordability While Advancing the State's Clean Energy Goals: Energy Efficiency Programs are Vital to an Equitable Clean Energy Transition and Maintaining Grid Reliability, submitted to Senator Josh Becker, Chair, Senate Committee on Energy, Utilities and Communications (March 21, 2025).

challenges, as untangling ownership, liability, and profit considerations surrounding state funding of traditionally utility-owned assets may take time.

6) *Related Legislation*.

AB 2700 (Gallagher) requires the CPUC to generate a report outlining recommendations to decrease the kilowatt-per-hour rate for electricity charged to ratepayers by not less than 30% by January 1, 2028. As part of generating the report, it requires CPUC to review each public purpose program that is not cost effective and evaluate each public purpose program that the CPUC has not yet evaluated for cost-effectiveness. Status: Set for hearing before the Assembly Committee on Utilities and Energy on April 8, 2026.

SB 905 (Becker) is a broad utility reform bill that, among other provisions, requires the CPUC to establish the Policy-Oriented and Wildfire Electric Reimbursement (POWER) Program to reimburse utilities for public-policy-driven expenditures and requires that reimbursement from the fund be used entirely to reduce ratepayer costs. Status: Pending in Committee – Senate Energy, Utilities and Communications.

7) *Prior Legislation.*

AB 982 (Villapudua, 2023), largely the same bill as this measure, eliminated funding for certain public purpose programs from the rates paid by customers of the state's IOUs, except for funding for specific programs to subsidize costs borne by low-income ratepayers, and instead provided for program funding from the state's General Fund. Status: Assembly – Died – Appropriations.

AB 2765 (Santiago, 2022), largely the same bill as this measure, eliminated funding for certain public purpose programs from the rates paid by customers of the state's IOUs, except for funding for specific programs to subsidize costs borne by low-income ratepayers, and instead provided for program funding from the state's General Fund. Status: Assembly – Died – Appropriations.

AB 205 (Committee on Budget), among its many provisions, provided an additional $1.2 billion to cover outstanding energy utility arrears accrued during the COVID-19 pandemic, and made other programmatic changes. Additionally, mandated the CPUC to establish an income-graduated fixed charge for default residential rates by July 1, 2024, with no fewer than three income thresholds, so that low-income ratepayers would realize lower average monthly bills. Status: Chapter 61, Statutes of 2022.

AB 135 (Committee on Budget), among its many provisions, established the California Arrearage Payment Program and appropriated almost $1 billion to cover outstanding energy utility arrears accrued during the COVID-19 pandemic. Status: Chapter 85, Statutes of 2021.

REGISTERED SUPPORT / OPPOSITION:

Support

Climate Future California
Coalition of California Utility Employees
Edison International and Affiliates, Including Southern California Edison
Pacific Gas and Electric Company
Pacific Gas and Electric Company and its Affiliated Entities
San Diego Gas and Electric Company
Southern California Edison

Opposition

Brightline Action
California Efficiency + Demand Management Council
Climate Action Campaign
Community Energy & Equity Resources
Environmental Innovations
Local Government Sustainable Energy Coalition
Marin Clean Energy (MCE)
Natural Resources Defense Council (NRDC)
Northern Rural Energy Network (NREN)
Peninsula Clean Energy
Rising Sun Center for Opportunity
San Diego Community Power
Sierra Business Council
The Energy Coalition
Western Riverside Council of Governments (WRCOG)
Yolo County Board of Supervisors

Oppose Unless Amended

The Utility Reform Network (TURN)
The Utility Wildfire Survivor Coalition

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