



Existing state law—section 451 of the Public Resources Code—specifies the requirements of charges, such as rates, imposed by an IOU:

- a) All charges demanded or received by any public utility, or by any two or more public utilities, for any product or commodity furnished or to be furnished or any service rendered or to be rendered shall be just and reasonable. Every unjust or unreasonable charge demanded or received for such product or commodity or service is unlawful.
- b) Every public utility shall furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment and facilities, including telephone facilities as are necessary to promote the safety, health, comfort and convenience of its patrons, employees and the public.
- c) All rules made by a public utility affecting or pertaining to its charges or service to the public shall be just and reasonable.

It is the CPUC’s job to authorize an IOU to collect only those rates for service that are just and reasonable.

One of the main ways the CPUC reviews rates proposed by an IOU is through the general rate case (GRC), which is a proceeding to address the costs of operating and maintaining the utility system and the allocation of those costs among customer classes. A GRC involves thousands of pages of documents, invites adversarial multi-party input and concerns billions of dollars of revenue. Each of the state’s largest electrical IOUs—Pacific Gas and Electric (PG&E), Southern California Edison (SCE) and San Diego Gas and Electric (SDG&E)—must file a GRC application with the CPUC once every four years.

The author contends that “Under current California law, if the federal tax liability of an IOU is reduced in the middle of a GRC, the IOU can keep the savings rather than returning it to ratepayers” For this reason, the author describes AB 2589 as ensuring that “any money an investor-owned utility saves as a result of the corporate tax cuts in HR1 (2025) or any other changes to federal law is refunded to California ratepayers, rather than kept as additional profit for the utility.”

The CPUC concedes that current law does not explicitly require to claw back such “savings” from an IOU. The CPUC insists, however, current law provides it ample authority to review the effect of federal tax changes on IOU revenues to ensure those revenues remain just and reasonable and, indeed, that that is the CPUC practice.

- 2) **Support and Opposition.** This bill is opposed by Southern California Edison alone, which describes the bill as creating “duplicative processes for evaluating federal tax law, adding new administrative burdens without clear benefits.” The utility further asserts “adding bureaucracy to target a specific federal legislative item that will already be accounted for by existing regulatory structures does not improve transparency, affordability, or accountability, but instead has the potential to raise costs for taxpayers and ratepayers with administrative expenses.

There is no support registered for this bill.