

ASSEMBLY THIRD READING
AB 2589 (Irwin)
As Introduced February 20, 2026
Majority vote

SUMMARY

This bill requires the California Public Utilities Commission (CPUC) to evaluate the effect of all federal legislation that becomes law, including federal House Resolution 1 (Public Law 119-21) on the expenses and tax liabilities incurred by public utilities for payment of federal taxes. If the CPUC determines that the projected expenses and tax liabilities for federal taxes are affected, it would require the CPUC to adjust the rates of the utility, as appropriate.

Major Provisions

COMMENTS

This bill expands on previously passed legislation, SB 1028 (Hill, Chapter 411, Statutes of 2018), to ensure the CPUC not only monitors the federal expense and tax liabilities of utilities but also makes appropriate adjustments to rates to reflect any changes. SB 1028 ensured the CPUC adjusted rates after the corporate tax cuts provided by Federal House Resolution 1 (Public Law 115-97), also known as the Tax Cuts and Jobs Act. The present bill expands the scope of SB 1028 to apply to all federal legislation, including the recently passed Federal House Resolution 1 (Public Law 119-21), also known as the One Big Beautiful Bill Act. By applying to all federal legislation, this bill directs the CPUC to monitor changes in federal tax liability and ensure rates are adjusted to accurately reflect changes in projected expenses and liabilities, therefore codifying that any savings received by utilities are passed along to ratepayers.

According to the Author

According to the author, "In recent years, federal tax laws have reduced the federal tax liability of an investor-owned utility, causing the IOU's overall costs to be lower than what it was authorized by the CPUC to collect through rates. However, there is no ongoing requirement in California law that any money that an IOU saves from reduced federal tax liability be returned to ratepayers. AB 2589 will ensure that any money an IOU saves as a result of the second term Trump tax bill in 2025, or any other changes to federal law, is refunded to California ratepayers rather than kept as additional profit for the utility. This mirrors SB 1028 (Hill), which the Legislature passed in response to the first Trump Administration tax cuts in 2017 and which returned more than \$1 billion to ratepayers from the IOUs' reduced federal tax liability."

Arguments in Support

None on file

Arguments in Opposition

This bill is opposed by Southern California Edison (SCE), which describes the bill as creating "duplicative processes for evaluating federal tax law, adding new administrative burdens without clear benefits." SCE 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."

FISCAL COMMENTS

According to the Assembly Committee on Appropriations, the CPUC estimates costs of approximately \$1.3 million for two years and \$1 million ongoing thereafter. However, the CPUC reports that, acting under existing legal authority, the CPUC already considers the effects of federal tax and legislative changes as part of the CPUC's review of each IOU's general rate case (GRC). Therefore, it would be reasonable to assume, at first look, that this bill creates no new costs at the CPUC. The CPUC counters this assumption, sharing that the bill goes well beyond the work it currently undertakes by (1) broadening the scope of the CPUC's work to encompass all federal legislation that becomes law and (2) by requiring the CPUC to reopen prior GRC proceedings to reconsider already-approved revenue requirements.

VOTES**ASM UTILITIES AND ENERGY: 18-0-0**

YES: Petrie-Norris, Patterson, Boerner, Calderon, Chen, Davies, Mark González, Harabedian, Hart, Irwin, Kalra, Papan, Rogers, Schiavo, Schultz, Ta, Wallis, Zbur

ASM APPROPRIATIONS: 15-0-0

YES: Wicks, Hoover, Aguiar-Curry, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipa

UPDATED

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