SENATE COMMITTEE ON APPROPRIATIONS
Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 61 (Pacheco) - Electricity and natural gas: legislation imposing mandated programs and requirements: third-party review

Version: July 10, 2025
Urgency: No
Hearing Date: August 18, 2025

Policy Vote: E., U. & C. 15 - 0
Mandate: No
Consultant: Ashley Ames

Bill Summary: This bill would require the Public Advocates Office (PAO) at the California Public Utilities Commission (CPUC) to establish, by January 1, 2027, a program to, upon request of the Legislature, analyze legislation that would establish a mandated requirement or program or otherwise affect electrical or gas ratepayers.

Fiscal Impact:
- The Public Advocates Office estimates ongoing costs of about $3 million per year (ratepayer funds or other funds) to implement the provisions of this bill.

Background:

Energy utility costs. Californians have historically 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 energy utility bills, both electricity and natural gas. As such, there are growing concerns about the affordability of utility bills on household budgets and commercial and industrial entities' balance sheets. Many Californians have also struggled to overcome economic challenges, including impacts from the COVID-19 pandemic. Low-income and fixed-income residents have fallen behind on paying their bills, including the utility debt accumulated over the time of the pandemic. The Legislature and Governor helped alleviate these concerns by appropriating over $2 billion in funding to address energy utility bill arrearages and another $1 billion to address water utility bill arrearages. Nonetheless, the growing costs for goods and services due to inflation and supply shortages has also affected the cost of utility bills and the ability for Californians to manage their household budgets. Utility bill affordability has been a topic of three hearings by this committee within the past three years, and continues to be an area of concern and of great interest.

According to the CPUC's 2024 annual SB 695 Report, beginning in 2021, rate increases for all of the three major electric investor-owned utilities (IOUs) bundled customers began to outpace inflation for the first time, particularly affecting bundled residential customers. The report finds that electric rates are expected to continue increasing above inflation through 2027. Additionally, the report found that average annual electric rate increases are forecasted to be 10.8% for Pacific, Gas & Electric (PG&E), 6.8% for Southern California Edison (SCE), and 5.6% for San Diego Gas & Electric (SDG&E), compared to an assumed inflation rate of 2.6%. By 2027, residential average rates are forecast to be approximately 80% higher than they would have been if rates for PG&E and SDG&E had grown at the rate of inflation since 2013, and 50% higher for SCE. The report identifies the primary significant drivers of the increasing costs as wildfire mitigation investments and net energy metering. In 2021, significant wildfire-related operating expenses, including vegetation management efforts and wildfire liability insurance coverage, began to push up rates. Wildfire costs are now a significant portion of the utilities' total revenue. At year-end 2023, wildfire-related costs make up 18% of PG&E's total revenue requirement, 12% of SCE's total revenue requirement, and 9% of SDG&E's total revenue requirement. On the natural gas side of the equation, Californians have seen a rise in natural gas utility costs, partly associated with safety improvements in response to the tragic and deadly explosion in San Bruno in 2008. Additionally, in recent years, Californians experienced significant price spikes compared to most parts of the country as the commodity price of natural gas increased significantly, most acutely in California and other West Coast states.

Utility bill affordability concerns are exacerbated by the interest to adopt policies to reduce the state's greenhouse gas (GHG) emissions by shifting away from fossil fuels towards alternatives, including electrification in the transportation and building sectors. Such a transition relies on changing customer behaviors, in addition to policies. However, Californians may be reluctant to switch fuels if utility costs are unaffordable, thereby potentially slowing progress towards the state's climate goals.

Proposed Law: This bill would require the office to establish, by January 1, 2027, a program to, upon request of the Legislature, analyze legislation that would establish a mandated requirement or program or otherwise affect electrical or gas ratepayers, as specified. The bill would require the office to develop and implement conflict-of-interest provisions to prohibit a person from participating in an analysis for which the person knows or has reasons to know that the person has a material financial interest. The bill would repeal these provisions on January 1, 2032.

Related Legislation:

AB 1912 (Pacheco) of 2024, would have authorized a third-party review, upon request of the Legislature to the PAO, of pending legislation that could affect energy ratepayers, which would have been funded by a fee on all large electrical and gas corporations, thereby creating a tax. The bill was held in the Senate Appropriations Committee.

AB 2462 (Calderon, Chapter 569, Statutes of 2024) required additional information in the SB 695 annual report regarding costs of electricity and natural gas utility bills, including recommendations for reducing utility bills.

SB 1083 (Burke, Chapter 818, Statutes of 2019) requested the CCST, if they determine they have sufficient funds, to undertake and complete an analysis of the effects of legislation proposing to mandate procurement of electricity products, upon request.

SB 695 (Kehoe, Chapter 337, Statutes of 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, Chapter 562, Statutes of 2005) required the CPUC to annually report on the costs of programs and activities conducted by an electrical corporation or gas corporation that have more than 1,000,000 and 500,000 retail customers, respectively, in California, including activities conducted to comply with their duty to serve.

Staff Comments: This bill is partly modeled after the California Health Benefits Review Program (CHBRP), which was established by AB 1996 (Thomson, Chapter 795, Statutes of 2002) and required the University of California to respond to requests from the Legislature to provide independent analysis of the medical, financial, and public health impacts of proposed health insurance benefit mandates and repeals. This bill would require PAO to provide this analysis if requested by the Chair of the relevant policy or fiscal legislative committees or the Speaker or pro Tem.

Unlike AB 1912, which required shareholders of large electric IOUs, and not ratepayers, to not exceed $2 million annually, to fund the required analysis, this bill does not identify a funding source nor require a state appropriation for the requested analyses.

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