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# SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair  
2025 - 2026 Regular Session

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## SB 1233 (Allen) - Public utilities: rates

**Version:** April 27, 2026

**Urgency:** No

**Hearing Date:** May 11, 2026

**Policy Vote:** E., U. & C. 13 - 4

**Mandate:** Yes

**Consultant:** Ashley Ames

**Bill Summary:** This bill would require specific actions related to 'cost of capital' for electrical and gas corporation rate changes.

### Fiscal Impact:

- Unknown, potentially significant one-time costs, possibly in the low hundreds of thousands of dollars (ratepayer funds), for the California Public Utilities Commission (CPUC), in approving a rate change, to take into account and make specific findings related to an electrical corporation's wildfire risk reduction efforts.

**Background:** Separate from the general rate case (GRC), but informing the GRC, is the cost of capital proceeding at the CPUC. An investor-owned utilities' (IOUs') rate of return, or cost of capital, is the weighted average cost of debt, preferred equity, and common stock the IOU has issued to finance its capital investments. Cost of debt is determined by weighted average interest rates on long-term debt issuances. The cost of common stock, expressed as the return on equity (ROE), represents the financial return to shareholders that invest in common stock and is expressed as a percentage. The CPUC says it "attempts to set the authorized ROE at a level that is adequate to enable the IOU to attract investors to finance the replacement and expansion of its facilities so it can fulfill its public utility service obligation." The CPUC determines the ROE through the cost of capital proceeding which they undergo every three years to examine various financial models and estimate market returns on investments for other companies with similar levels of risk.

**Proposed Law:** This bill would require specific actions related to cost of capital for electrical and gas corporation rate changes. Specifically, it would:

1. Require an electrical corporation or gas corporation proposing to change a rate or other action that would result in a new rate, based on its request for return on invested capital, to include specified information showing:
  - a. the amount of internally generated cash available to self-fund investment needed to provide safe and reliable public utility services, including deferred taxes, depreciation, and amortization, and the extent of the need to acquire external investment
  - b. the relationship between capital structure and return on equity that minimizes the overall revenue requirement, including taxes
2. Require the CPUC, in approving the rate change, to take into account, and make specific findings related to wildfire risk reduction efforts taken by the electrical corporation.

**Related Legislation:**

SB 905 (Becker) of 2026, among other changes, would remove certain expenditures from the authorized ROE.

SB 1098 (Perez) of 2026 would require the CPUC to reduce the rate of return for capital expenses in balancing and memorandum accounts.

AB 1677 (Boerner) of 2026 contains similar financial disclosures but also would include a cap for ROE.

AB 2463 (Petrie-Norris) of 2026) would require the CPUC to identify the models used when determining ROE.

AB 2710 (Bauer Kahan) of 2026 would create limits on ROE in certain circumstances.

AB 1017 (Boerner, Chapter 177, Statutes of 2025) required disclosure of the authorized and actual ROE during GRC proceedings.

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