Date of Hearing: June 24, 2026

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY
Cottie Petrie-Norris, Chair
SB 1295 (Stern) – As Amended April 28, 2026

SENATE VOTE: 34-5

SUBJECT: Electrical corporations: distributed energy storage systems and nonwire alternatives

SUMMARY: Requires an electrical corporation, for any proposed distribution or transmission infrastructure investment above a threshold established by the California Public Utilities Commission (CPUC), to evaluate whether distributed energy storage systems (such as batteries) or other nonwire alternatives can meet identified reliability or capacity need. Specifically, **this bill**:

1) Provides that the evaluation must compare total system costs, including the following:
   a) The cost of the proposed infrastructure investment.
   b) The cost of procuring or deploying distributed energy storage systems or other nonwire alternatives.
   c) Avoided or deferred infrastructure costs.
   d) Reliability and operational benefits.

2) Prohibits CPUC from approving rate recovery for a proposed infrastructure investment unless the electrical corporation demonstrates that nonwire alternatives are either not feasible within the required timeframe or not cost effective.

3) Authorizes an electrical corporation to procure, own, or enter into long-term contracts for distribution-connected distributed energy storage systems to meet identified reliability or capacity needs.

4) Requires CPUC to authorize an electrical corporation to recover costs and earn a return on distributed energy storage systems and contracts determined to be cost effective.

5) Clarifies that the bill does not limit the ability of third-party providers to develop distributed energy storage systems or other nonwire alternatives to meet identified system needs.

6) Requires an electrical corporation to conduct a competitive solicitation or other transparent process to evaluate third-party solutions if it determines that a nonwire alternative may be feasible.

EXISTING LAW:

1) Authorizes the CPUC, among other things, to establish its own procedures, subject to statute and due process, and to fix rates and establish rules for all public utilities, subject to control by the Legislature. (California Constitution, Article XII, §§2,3, 5, and 6)

2) Defines load-serving entity (LSE), for that purpose, as an electrical corporation, electric service provider (ESP), or community choice aggregator (CCA). (Public Utilities Code §380)

3) Establishes it is the policy of the state that each electrical corporation continue to operate its electric distribution grid in its service territory and to do so in a safe, reliable, efficient, and cost-effective manner. (Public Utilities Code §399.2)

4) Authorizes the CPUC to fix the rates and charges for every public utility, including electrical and gas corporations, and requires that those rates and charges be just and reasonable. (Public Utilities Code §451)

5) Defines "distributed resources" to mean distributed renewable generation resources, energy efficiency, energy storage, electric vehicles, and demand response technologies. (Public Utilities Code §769)

6) Requires the CPUC, on or before February 1, 2023, and biennially thereafter, to report to the Legislature and the Governor on the progress toward modernizing the state's distribution and transmission grid and the impacts of distributed energy resources. (Public Utilities Code §913.6(a)

7) Requires the CPUC to determine appropriate targets, if any, for each LSE to procure viable and cost-effective energy storage systems to be achieved by December 31, 2020. (Public Utilities Code §2836)

8) Requires the CPUC to direct the state's three largest electrical corporations to file applications for programs and investments to accelerate the widespread deployment of distributed energy storage systems. (Public Utilities Code Section 2838.2)

FISCAL EFFECT: According to the Senate Appropriations Committee, this bill would result in unknown, but likely significant, one-time and ongoing costs to the CPUC, likely in the hundreds of thousands of dollars annually, funded by utility ratepayers. These costs are associated with establishing the investment threshold for required evaluations and reviewing proposed infrastructure investments and related rate recovery requests.

BACKGROUND:

Planning for Distributed Resources- California has established utility planning requirements to support the deployment of distributed energy resources (DERs) and identify opportunities to meet grid needs using alternatives to traditional infrastructure investments. SB 17 (Padilla, Chapter 327, Statutes of 2009) required investor-owned electrical corporations (IOUs) to develop smart grid deployment plans. Building on those efforts, AB 327 (Perea, Chapter 611, Statutes of 2013) required IOUs to submit Distribution Resources Plans to identify optimal locations for distributed resources and evaluate their costs, benefits, and ability to defer or avoid traditional distribution investments. The CPUC has also established the Distribution Investment Deferral Framework (DIDF) to evaluate DERs, including energy storage, and other nonwire alternatives that may defer utility distribution infrastructure investments. Through these planning processes, utilities assess opportunities to use DERs and other nonwire alternatives to meet grid needs.

Distribution Investment Deferral Framework- In 2018, the CPUC established the Distribution Investment Deferral Framework (DIDF) to identify opportunities for DERs and other nonwire alternatives to defer or avoid traditional distribution infrastructure investments.[1] The framework is part of the CPUC's broader distribution planning process and focuses on identifying locations where nonwire alternatives may be able to address projected distribution system needs in lieu of conventional grid upgrades. As part of the DIDF process, IOUs prepare annual Grid Needs Assessments (GNAs) that specify projected distribution system needs and Distribution Deferral Opportunity Reports (DDORs) that identify locations where nonwire alternatives could address those needs. The CPUC's Distribution Planning Advisory Group reviews the reports, which inform utility procurement of DER solutions through a transparent process for selected deferral opportunities.[2]

Despite this structure, DIDF deferral projects have faced persistent implementation challenges, including interconnection delays, contracting difficulties, changes in identified grid needs, and developer performance issues. The CPUC has revised the DIDF several times since its adoption through utility filings and stakeholder input. In Decision 24-10-030, issued in October 2024, the CPUC directed IOUs to eliminate distribution investment deferral solicitations and focus on improving transparency in the distribution planning process. The decision also retained other planning and reporting components, including the Distribution Planning Advisory Group and Grid Needs Assessment.

COMMENTS:

1) *Author's Statement.* "California is leading the way in building a cleaner, more reliable electric grid—but in this era of affordability and protecting ratepayers—more refinement to ensure lower-cost resources are deployed is still critical. This bill takes the next step of refining the process of deploying more distributed energy resources in the distribution grid system as opposed to traditional poles and wires. Instead of defaulting to costly infrastructure upgrades, we refine how utilities plan to deploy smarter, faster, and more affordable distributed energy solutions right where the grid needs them most."

2) *This Bill.* California may face significant distribution grid investment needs as electricity demand grows. A CPUC study estimated that approximately $50 billion in distribution grid investments could be required by 2035 under high electrification scenarios if new loads are not managed to reduce peak demand.[3] The California Public Advocates Office, however, estimated that those costs could be reduced to approximately $15 billion to $20 billion through more effective demand management.[4] According to the author, distributed energy storage systems offer another tool to reduce or defer costly distribution infrastructure investments while maintaining grid reliability. According to the author,

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[1] CPUC Decision 18-02-004
[2] CPUC: Distribution Planning; https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/infrastructure/distribution-planning
[3] Kevala, "*Electrification Impacts Study Part 1: Bottom-Up Load Forecasting and System-Level Electrification Impacts Cost Estimates*," prepared for the California Public Utilities Commission, May 2023; https://www.kevala.com/resources/electrification-impacts-study-part-1
[4] California Public Advocates Office, *"The Costs of Upgrading the Distribution Grid for Electrification,* June 14, 2023, https://www.publicadvocates.cpuc.ca.gov/-/media/cal-advocates-website/files/press-room/reports-and-analyses/230614-cal-advocates-distribution-grid-impacts-study-fact-sheet.pdf

DERs may provide a lower-cost means of meeting certain reliability and capacity needs. To achieve that goal, SB 1295 would require utilities to evaluate these resources before pursuing certain traditional distribution infrastructure investments.

3) *Rate Recovery Conditioned on Nonwire Alternatives*. SB 1295 would prohibit the CPUC from approving rate recovery for certain distribution or transmission infrastructure investments unless an electrical corporation demonstrates that nonwire alternatives are either not feasible or not cost effective. The bill would make that demonstration a prerequisite to rate recovery but does not specify how the requirement would interact with existing CPUC planning processes used to evaluate nonwire alternatives. For example, it is unclear whether evaluations conducted through existing distribution planning processes would satisfy the requirement or whether utilities would be required to conduct an additional review before obtaining rate recovery for a proposed investment. This could then create uncertainty regarding when infrastructure investments are eligible for recovery and also potentially delay projects intended to address identified reliability and capacity needs. *As such, the committee recommends deleting the provisions prohibiting the CPUC from approving rate recovery unless an electrical corporation demonstrates that nonwire alternatives are not feasible or not cost effective.*

4) *A Competitor with a Guaranteed Return.* This measure would authorize utility ownership of distributed energy storage systems and require the CPUC to authorize cost recovery and a return on investment for cost-effective projects. The bill also requires a competitive solicitation or other transparent process to evaluate third-party solutions when a nonwire alternative may be feasible. However, the CPUC already reviews utility investments in energy storage and determines whether utility ownership is appropriate and whether the associated costs are eligible for recovery from ratepayers. It is therefore unclear how the provisions authorizing utility ownership and cost recovery would interact with the CPUC's existing review and approval processes. *Therefore, the committee recommends deleting the provisions authorizing utility ownership of distributed energy storage systems and the related authorization for cost recovery.*

5) *Distribution Planning Process.* As written, the bill would require an electrical corporation to evaluate distributed energy storage systems and other nonwire alternatives whenever it proposes a distribution or transmission infrastructure investment above a specified threshold. Utility planning is the process through which grid needs are identified, and potential solutions are evaluated. Requiring that evaluation only after a specific infrastructure project has been identified could require utilities to repeat the analysis of potential solutions that was already conducted during the planning process, adding delay and cost. *Given that alternatives are most appropriately considered when evaluating options to address a grid need, the committee recommends revising the bill to require consideration of distributed energy storage systems as part of the distribution planning process.*

6) *Customer Energization Timelines.* This bill is intended to ensure that IOUs consider whether distributed energy storage systems can meet identified reliability or capacity needs before investing in traditional infrastructure. However, the Joint Utilities (PG&E and SCE) contend that, absent clarification, the bill's requirement to evaluate distributed energy storage systems as an alternative could be applied after a project has already been selected for development, potentially delaying project implementation and the

energization of customers awaiting service. *To address this concern, the committee recommends a provision to clarify that the evaluation required by the bill is not intended to impede timely customer energization.*

7) *Legislative findings and declarations.* This measure includes findings and declarations regarding the benefits of distributed energy storage systems and their role in grid planning and infrastructure deferral. *Consistent with the committee's recommendation to narrow the bill's scope, the committee further recommends deleting the legislative findings and declarations.*

8) *Related Legislation.*

SB 913 (Becker) of 2026 proposes several policy changes to authorize and expand the use of aggregated DERs to satisfy RA requirements. Status: Pending hearing in the Assembly Committee on Utilities and Energy

9) *Prior Legislation.*

AB 740 (Harabedian) of 2025 would have required the CEC, in the next update to the biennial integrated energy policy report after January 1, 2027, and subject to available funding, to adopt a virtual power plant deployment plan. Status: Vetoed by the Governor.

AB 44 (Schultz) of 2025, would have required the CEC, on or before December 1, 2026, and in consultation with LSEs and resource aggregators, to define and publicize methodologies for load modification protocols by which a LSE may reduce or modify its electrical demand forecast upon aggregated system operation of behind-the-meter load modifying technologies and programmatic measures deemed to reliably reduce or modify the LSE's electrical demand. Status: Vetoed by the Governor.

SB 541 (Becker) of 2025 would have required the CEC, in consultation with specified entities, to analyze the cost-effectiveness of specific load flexibility programs and other types of load-shifting interventions and identify both the approximate amount of load shifting and the cost-effectiveness of each type of load-shifting intervention in the next update to the biennial integrated energy policy report after January 1, 2027, as provided. The bill would have required the CEC, as part of each integrated energy policy report, to estimate each retail supplier's load-shifting potential, giving consideration to certain factors, as specified. The bill would have required the CEC, on or before July 1, 2028, and biennially thereafter, to analyze and publish the amount of load shifting that each retail supplier achieved in the prior calendar year. Status: Vetoed by the Governor.

AB 50 (Wood) required the CPUC, by July 1, 2025, to determine the criteria for customers to receive timely electricity service when requesting new service connections or upgraded service, known as "energization." The bill proposed several policies to address delays in connecting customers to the electrical grid, including improved information sharing with local governments, reporting by electric IOUs, and other measures. Status: Chapter 317, Statutes of 2023

SB 410 (Becker) required the CPUC to establish by September 30, 2024, reasonable average and maximum target energization time periods in order to connect new

customers and upgrade the service of existing customers to the electrical grid. The bill also requires reporting by electrical corporations and authorizes specified annual cost-recovery, subject to a cap. Status: Chapter 394, Statutes of 2023.

SB 1347 (Stern) of 2017 would have required the CPUC, by January 1, 2020, to consider procurement strategies for the installation of up to 2,000 megawatts of energy storage systems and, as part of that consideration, consider appropriate storage procurement targets and other strategies applicable to the state's LSEs, meaning IOUs, CCAs, and ESPs. The bill directs the CPUC to reconsider procurement strategies every three years. Status: Died in the Assembly.

AB 2514 (Skinner) required the CPUC to determine appropriate targets, if any, for LSEs to procure energy storage systems. The bill required LSEs to meet any targets adopted by the CPUC by 2015 and 2020. The bill required POUs to set their own targets for the procurement of energy storage and then meet those targets by 2016 and 2021. Status: Chapter 469, Statutes of 2010

AB 1373 (E. Garcia) made numerous changes to electricity policy, most notably, authorized the Department of Water Resources (DWR) to serve as a central procurement entity to procure energy resources in order to help the state meet its renewable and zero-carbon energy resources and reliability goals. The bill also included numerous related and additional provisions. Status: Chapter Statutes of 2023

AB 205 (Committee on Budget), among other things, authorized the DWR to contract for, purchase, finance, or otherwise secure electrical generation to create additional capacity during extreme energy grid events, and established the Strategic Reliability Reserve to fund these actions, including the Demand Side Grid Support program at the CEC. Status: Chapter 61, Statutes of 2022

SB 1158 (Becker), among its provisions, required the CPUC, as part of the RA program, to require every LSE to annually report information regarding the sources of electricity and the emissions of greenhouse gases associated with those sources of electricity for RA requirements. Status: Chapter 367, Statutes of 2022

SB 1136 (Hertzberg) revised existing statute that required the CPUC, in consultation with the CAISO, to establish RA requirements for the state's LSEs. Status: Chapter 851, Statutes of 2018

SB 618 (Bradford) required, explicitly, the IRPs of all LSEs to contribute to a diverse and balanced portfolio of resources needed to ensure a reliable electricity supply, meet certain environmental goals, and prevent cost shifting among LSEs. Status: Chapter 431, Statutes of 2017

SB 350 (De León), among other things, increased the renewable portfolio standards and directed the CPUC to develop a process by which LSEs submit IRPs to the CPUC for review or for certification. Status: Chapter 737, Statutes of 2015

SB 1414 (Wolk) required utilities and regulators to include demand response in RA plans. Status: Chapter 627, Statutes of 2014

AB 380 (Nuñez) codified the CPUC's authority to establish RA standards for electric utilities and other LSEs. Chapter 367, Statutes of 2005

REGISTERED SUPPORT / OPPOSITION:

Support

Clean Energy Buyers Association
Climate Action California (UNREG)

Support If Amended

San Diego Community Power

Oppose

Pacific Gas and Electric Company
San Diego Gas and Electric Company
Southern California Edison

Analysis Prepared by: Lina V. Malova / U. & E. / (916) 319-2083