

Date of Hearing: July 16, 2025

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY

Cottie Petrie-Norris, Chair

SB 254 (Becker) – As Amended May 28, 2025

SENATE VOTE: 29-10

SUBJECT: Electricity: wildfire mitigation: rate assistance: Policy-Oriented and Wildfire Electric Reimbursement (POWER) Program

SUMMARY: Proposes various policies affecting electrical and gas corporations, specifically measures to address rising utility bills, including adjustments to the wildfire mitigation plan (WMP) regulatory framework; reallocating of the Climate Credit; establishing a public financing mechanism for certain eligible projects; expediting permitting of clean energy infrastructure, including energy storage facilities; and prohibiting electrical corporations to include \$15 billion of capital investments in their rate base for purposes of earning equity returns. Specifically, **this bill:**

- 1) Relevant to wildfire mitigation by electrical corporations:
 - a. Repeals reference to the Wildfire Safety Division in relevant statutes.
 - b. Requires actions related to wildfire mitigation by electrical corporations to take into account the time required to implement proposed mitigations and the amount of risk reduced for the cost and risk remaining.
 - c. Requires each electrical corporation to submit a WMP to the Office of Energy Infrastructure Safety (Energy Safety) for review at least once every four years (instead of every three years).
 - d. Requires the Energy Safety to approve or deny a WMP submitted by an electrical corporation within nine months (instead of three months) of its submission.
 - e. Prohibits the CPUC from allowing a large electrical corporation to include in its equity rate base its share of the \$5 billion that the large electrical corporations collectively expend on fire risk mitigation capital expenditures approved by the CPUC after January 1, 2025.
 - f. Requires an electrical corporation, within 45 days of the CPUC's decision on whether the cost of implementing the electrical corporation's WMP is just and reasonable in the electrical corporation's GRC to submit to the Energy Safety a revised WMP that conforms to the CPUC's revenue authorization. Requires the Energy Safety to approve the revised WMP within two months of submission.
 - g. Specifies that the approval of a distribution infrastructure undergrounding plan under the expedited undergrounding program is not a project for purposes of the California Environmental Quality Act (CEQA).
 - h. Repeals provisions that require the Wildfire Safety Advisory Board (WSAB) to develop and make recommendations.
 - i. Requires, after January 1, 2026, local publicly owned electric utilities and electrical cooperatives to prepare and submit to the WSAB WMPs at least once every four years on a schedule determined by the WSAB.
- 2) Relevant to electrical and gas corporations general rate cases (GRCs):

- a. Requires the California Public Utilities Commission (CPUC) to require all electrical and gas corporations, as part of every GRC application, to submit an inflation-constrained rate case scenario in which cumulative increases in annual expenditures proposed do not exceed the projected federal social security beneficiary cost-of-living adjustment (COLA) and to compare that scenario with the primary rate case proposal submitted by the electrical or gas corporation.
 - b. Grants the CPUC authority to approve expenditures in excess of the inflation-constrained rate case scenario if the CPUC determines that the corporation has provided clear and convincing evidence that a higher level of expenditures is necessary to ensure the safe and reliable operation of its service.
- 3) Relevant to changes to the Climate Credit:
 - a. Requires the CPUC, after January 1, 2026, to require a larger credit be allocated to low-income eligible customers, and requires the credit to be excluded from any calculation of the average effective program discount. Requires the CPUC to direct the credit to be applied to customer bills during the months with the highest average electricity demand.
 - b. Strikes provisions of statute allowing the CPUC to direct up to 15% of electrical corporation revenues from the sale of greenhouse gas allocations to fund clean energy and energy efficiency projects, as specified. Requires, instead, that all revenues (including interest) be credited as part of the climate credit.
- 4) Relevant to creating the Clean Energy Infrastructure Authority (CEIA) for transmission infrastructure projects:
 - a. Creates the CEIA as a public instrumentality of the state for the purpose of leading the state's efforts to build critical clean energy infrastructure necessary to enable the state to transition to 100% clean energy.
 - b. Requires the CEIA to do any and all things necessary or proper to accomplish that purpose, including: establish electricity transmission corridors within and outside the state; finance, acquire, own, and plan electrical transmission infrastructure and related energy systems; exercise eminent domain; to act as CEQA lead agency.
 - c. Requires the CEIA to enter into a lease or other agreement with an electrical corporation to construct, operate, and maintain the electrical transmission infrastructure that will be connected to their infrastructure.
 - d. Authorizes the CEIA to propose and plan for new electrical transmission infrastructure, but prohibits developing the electrical transmission infrastructure unless the applicable California balancing authority (BA) has approved the project.
 - e. Provides that the CEIA is not subject to the supervision or control of the CPUC or any other board, bureau, department, or agency of the state, except as specifically provided.
 - f. Requires the California Infrastructure and Economic Development Bank (I-Bank), upon request by the CEIA, to issue taxable or tax-exempt revenue bonds on behalf of the authority.
 - g. Requires that information obtained by the CEIA that is proprietary technical or business information be confidential and not subject to inspection pursuant to the California Public Records Act.
- 5) Relevant to energization projects by electrical corporations:

- a. Authorizes the electrical corporation, if it submits an application for recovery of costs and expenses for energization projects and the CPUC finds that some or all of the costs and expenses are just and reasonable to request the CPUC to issue a financing order to authorize the recovery of those just and reasonable costs and expenses through the issuance of bonds by the electrical corporation that are secured by a rate component, as provided.
 - b. Prohibits, except as provided, the CPUC from allowing a large electrical corporation, as defined, to include in its equity rate base its share of \$10 billion that the large electrical corporations collectively first expend on energization capital expenditures approved by the CPUC on or after January 1, 2025.
 - c. Authorizes an electrical corporation's energization capital expenditures and the debt financing costs of these energization capital expenditures to be financed through a financing order for the recovery of costs and expenses for energization projects.
- 6) Relevant to reporting to the Legislature on large electrical corporations' rates and costs:
 - a. Requires the report to the Legislature, regarding recommendations to limit and reduce rate increases by electrical and gas corporations, to include additional information on the transmission assets, distribution assets, and generation assets of each large electrical corporation.
 - b. Requires the CPUC to post on its internet website the authorized and the actual return on equity amounts and the authorized and the actual mix of debt and equity capital for each large electrical corporation with 10 years of historical values.
- 7) Relevant to the Policy-Oriented and Wildfire Electric Reimbursement (POWER) Program:
 - a. Requires the CEC, in consultation with the CPUC, to develop and implement the POWER Program to reduce the costs to ratepayers by providing reimbursement to electric utilities for expenditures driven by public policy goals that provide a benefit to the general public.
 - b. Establishes the POWER Fund in the State Treasury and requires that moneys in the fund, upon appropriation by the Legislature, be expended by the CEC for purposes of the program.
 - c. Requires the CEC, when developing and implementing the POWER Program, to establish guidance and criteria for allocating reimbursements from the fund that require that the proportion of any expenditures by an electrical corporation that are reimbursed pursuant to the POWER Program are excluded from the electrical corporations rate base and any asset funded by those reimbursed expenditures be funded without return on equity.
 - d. Requires the CEC to annually report to the Legislature actual utility bill impacts in order to ensure the mechanism is helping to reduce electric utility costs for ratepayers.
- 8) Relevant to the AB 205 Opt-in Certification at the CEC for clean energy infrastructure projects:
 - a. Lowers the amount for CEC Opt-in certification eligibility for a project from \$250 million to \$100 million. Extends, by five years, the date by when a person proposing an eligible facility is authorized to apply to June 30, 2034.

- b. Explicitly authorizes the CEC to require certain supporting information. Requires the application to include evidence that the applicant has sufficient real property rights to the proposed location to build and operate the proposed facility. Requires that any further requests by the executive director for additional information be made within 30 days of receipt of information provided by the applicant.
 - c. Requires the CEC, the California Coastal Commission, and the San Francisco Bay Conservation and Development Commission to develop a plan that ensures timely and effective consultation between them, as provided.
 - d. Establishes a rebuttable presumption that the construction or operation of the facility will have an overall net positive economic benefit to the local government that would have had permitting authority over the site and related facility for a project for an energy storage system if the energy storage system is proposed to be adjacent to an operating utility substation or gas power plant.
 - e. Requires the CEC, in coordination with the Office of Land Use and Climate Innovation, to pilot the use of permitting management software to provide greater efficiency in the opt-in certification process.
- 9) Relevant to establishing a program environmental impact report (PEIR) for energy storage facilities:
- a. Authorizes the CEC to prepare a PEIR to analyze the development of a class or classes of facility related to clean energy infrastructure, specifically an energy storage system that is capable of storing 200 megawatt hours or more of energy. Authorizes a public agency to tier from that PEIR when considering the approval of a specific facility that is within a class of facilities within the PEIR.

EXISTING LAW:

- 1) Establishes and vests the California Public Utilities Commission (CPUC) with regulatory authority over public utilities, including electric IOUs. Authorizes the CPUC to fix the rates and charges for every public utility and requires that those rates and charges be just and reasonable. (Article XII of the California Constitution and Public Utilities Code § 451)
- 2) Authorizes the CPUC to supervise and regulate every public utility in the state and do all things, whether specifically designated in this part or in addition thereto, which are necessary and convenient in the exercise of such power and jurisdiction. (Public Utilities Code § 701)
- 3) Declares the legislative intent that the CPUC reduce rates for electricity and natural gas to the lowest amount possible. (Public Utilities Code § 747)
- 4) Establishes the CEC and requires the CEC to assess trends in energy consumption and analyze the social, economic, and environmental consequences of trends. (Public Resources Code § 25200 et seq.)
- 5) Establishes Energy Safety within the Natural Resources Agency, which, as of July 1, 2021, subsumed the Wildfire Safety Division (WSD) responsibilities at the CPUC, including to review the WMPs of IOUs. (Government Code §§ 15740 et seq. and 15475.6, Public Utilities Code §§ 326 and 8385)

- 6) Establishes the California Independent System Operator as a nonprofit, public benefit corporation to manage the transmission grid and related energy markets, as provided. (Public Utilities Code §§ 345, et seq.)
- 7) Establishes the Cap-and-Trade Program, a market-based compliance mechanism administered by the California Air Resources Board (CARB) to enforce greenhouse gas (GHG) emissions limits and achieve specified, cost-effective reductions. Existing law requires CARB to adopt a Scoping Plan outlining strategies to meet these targets and to update the plan at least once every five years. (Health and Safety Code §§ 38500, et seq.)
- 8) Establishes the allocation of revenues received by electrical corporations from the direct allocation of GHG allowances. Specifically it directs the CPUC, except as provided, to require that all such revenues, including any accrued interest, be credited directly to residential, small business, and emissions-intensive trade-exposed retail customers. This credit is commonly known as the California Climate Credit. (Public Utilities Code § 748.5)
- 9) Authorizes the CPUC to allocate 15% of these revenues, including any accrued interest, received by an electrical corporation from the direct allocation of GHG allowances to electrical distribution utilities for clean energy and energy efficiency projects established pursuant to statute, provided they are not otherwise funded by another source. (Public Utilities Code § 748.5 (c))
- 10) Establishes the policy (100% Clean Energy Policy, or SB 100 Policy) of the state that eligible renewable energy resources and zero-carbon resources supply 90% of all retail sales of electricity to California end-use customers by December 31, 2035, 95% of all retail sales of electricity to California end-use customers by December 31, 2040, 100% of all retail sales of electricity to California end-use customers by December 31, 2045, and 100% of electricity procured to serve all state agencies by December 31, 2035. (Public Utilities Code § 454.53)
- 11) Permits the California Public Utilities Commission (CPUC) to allow for the recovery of costs and expenses arising from a covered wildfire occurring after January 1, 2019, if the CPUC finds the costs and expenses just and reasonable. Establishes a standard of reasonable conduct of an IOU, for purposes of cost recovery, based on whether a reasonable utility would have undertaken the action in good faith under similar circumstances. Specifies the IOU bears the burden to demonstrate that its conduct was reasonable, unless it has a valid safety certificate; at which point, the IOU's conduct is deemed reasonable unless a third party creates serious doubt as to the reasonableness of the IOU's conduct. (Public Utilities Code § 451.1)
- 12) Authorizes an IOU to request the CPUC issue a financing order to authorize the recovery, through securitization, of costs and expenses related to a catastrophic wildfire (with an ignition date in 2017 or after January 1, 2019) or undercollection amounts accrued in 2020. (Public Utilities Code § 850)
- 13) Authorizes an IOU to request securitization to finance its share of the first \$5 billion of approved wildfire mitigation capital expenditures and the debt financing costs of those

expenditures. Prohibits the CPUC from allowing the large IOUs to earn a return on equity on the mandated fire risk mitigation capital expenditures. (Public Utilities Code § 8386.3)

- 14) Requires the CPUC to create an expedited program for undergrounding utility distribution infrastructure to reduce wildfire risk. Only large electrical corporations can participate. To join, a utility must submit a detailed 10-year undergrounding plan to the Office of Energy Infrastructure Safety (Energy Safety), prioritizing projects in high fire-risk areas and justifying undergrounding over other mitigation methods. If Energy Safety approves the plan, the IOU must then seek the CPUC's conditional approval of the plan's costs and targets. Once approved, the utility must regularly report progress, hire an independent monitor to oversee compliance, and apply for external funding to offset costs to ratepayers. The office and CPUC have the authority to require corrections or impose penalties if the utility fails to meet its plan objectives. (Public Utilities Code § 8388.5)
- 15) Requires each IOU to annually prepare and submit to Energy Safety a WMP for review and approval. Requires the WMP to include a description of preventative strategies and programs to minimize the risk of catastrophic wildfire, including consideration of dynamic climate change risk; a description of the metrics used to evaluate the plan's performance and underlying assumptions for the use of those metrics; and a list that identifies, describes, and prioritizes all wildfire risks and drivers of those risks throughout the IOU's service territory. (Public Utilities Code § 8386)

FISCAL EFFECT: According to the Senate Committee on Appropriations, this bill will result in unknown, but significant, ongoing costs to the CEIA, Department of Finance, State Auditor, CEC, and the CPUC. These various costs are estimated to total into the tens of millions annually. Should the POWER program contemplated under this measure be funded, significantly larger costs would arise and be borne by the state.

CONSUMER COST IMPACTS: This measure seeks to provide a suite of tools to reduce overall cost to electric ratepayers. The full impact of these efforts is unknown to this committee.

BACKGROUND:

Ballooning Utility Costs – According to a recent report by the Legislative Analyst's Office, residential electricity rates in California are nearly twice the national average, largely due to high charges by the state's three major IOUs.¹ These rates have been rising quickly, outpacing both inflation and rate growth in other states, and this upward trend is expected to continue.

While the exact contributions of each factor are hard to quantify, according to an analysis by the Public Advocates Office, the primary drivers for these cost increases arise from wildfire mitigation work, transmission and distribution investments, and rooftop solar incentives.² A 2023 report by the State Auditor had similar findings.³ Wildfire costs, including insurance, was noted

¹ Helen Kerstein, Legislative Analyst's Office; *Assessing California's Climate Policies – Residential Electricity Rates in California*; January 2025; <https://lao.ca.gov/reports/2025/4950/Residential-Electricity-Rates-010725.pdf>

² Slide 6, PAO slidedeck "Q4 2023 Electric Rates Report;" January 19, 2024; <https://www.publicadvocates.cpuc.ca.gov/-/media/cal-advocates-website/files/press-room/reports-and-analyses/240119-caladvocates-q4-2023-quarterly-rate-report.pdf>

³ State Auditor, 2023; *Ibid*.

as a key factor in increased utility expenses. Decreasing electricity sales due to solar system adoption was noted to have led to IOUs raising rates to recover fixed costs. Further, the 2023 audit found increases in IOU operating costs, which may be inclusive of these other categories, as contributing to increased rates; specifically distribution costs for Pacific Gas & Electric (PG&E), administrative costs for Southern California Edison (SCE), and higher property and non-income taxes for San Diego Gas & Electric (SDG&E).⁴ These factors tend to affect IOU customers more than those served by POUs. Additionally, within a single utility, residential rates can vary significantly due to subsidies for low-income households and rooftop solar users; costs that are passed on to other ratepayers.

Rising electricity rates place growing financial pressure on households, especially those with lower incomes or those living in hotter parts of the state. These high costs also undermine California’s climate goals by discouraging people from switching to electric vehicles and appliances, slowing the transition away from fossil fuels.

Several emerging challenges could push rates even higher, including more aggressive GHG targets, increased electricity demand, and escalating wildfire-related expenses. Higher rates would add to the cost burden on Californians and make electrification – key to meeting the state’s climate goals – more difficult. As a result, the Legislature faces tough decisions about how to manage electricity rates while advancing affordability, resilience, and climate policy objectives.

*Wildfire Spending*⁵ – Over the last five years⁶ \$16 billion of wildfire mitigation costs have been authorized to be collected from customers, in addition to approximately \$11 billion for wildfire insurance premiums and catastrophic event costs.⁷ Collectively, these “wildfire-related” costs resulted in over \$5 billion per year over the last 5 years, when averaged amongst the three largest IOUs.⁸ These wildfire-related costs have amounted to roughly 18% of overall system costs⁹ for PG&E, 12% for SCE, and 9% for SDG&E,¹⁰ as of 2023, as shown in Figure 1. For residential customers, these wildfire-related costs have led to a monthly \$24 increase on the average 2023 bill for PG&E, a \$18 increase for SCE, and a \$13 increase for SDG&E; comprising between 7-12% of total monthly bills.¹¹

While wildfire-related operating expenses, such as vegetation management and liability insurance coverage, make up the majority of these recent cost increases, wildfire-related capital expenses are anticipated to grow in time. Capital-related expenses, such as installing covered conductors or undergrounding portions of a distribution system, have a larger cumulative impact

⁴ Pg. 1; State Auditor, 2023; *Ibid*.

⁵ Much of this section is taken from the CPUC’s 2024 SB 695 Report (citation #30), starting on pg. 47; Figure 2 is Figure 22 on pg. 53 of this CPUC 2024 SB 695 Report. <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2024/2024-sb-695-report.pdf>

⁶ 2019 to Q4 2023; pg. 49, CPUC; 2024 *Senate Bill 695 Report*; July 2024; <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2024/2024-sb-695-report.pdf>

⁷ Pg. 50, Table 6; CPUC; 2024 *Senate Bill 695 Report*; July 2024; <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2024/2024-sb-695-report.pdf>

⁸ PG&E, SCE, and SDG&E

⁹ “system costs” means revenue requirement

¹⁰ Pg. 52; *Ibid*.

¹¹ Table 8, pg. 53; *Ibid*.

on rates relative to operating expenses, as capital costs are recovered over a much longer time horizon during which the IOUs also earn an authorized profit.

Ratepayers have been shielded from some of the cost impacts of these capital expenses due to two provisions of AB 1054 (Holden, Chapter 79, Statutes of 2019): 1) the first \$5 billion of capital spending is excluded from earning a Return on Equity (i.e. shareholder profit); and 2) the first \$5 billion of capital spending may also be securitized through a CPUC financing order rather than through more traditional unsecured bond offerings. The equity rate base exclusion of #1 is estimated to save ratepayers as much as \$2 billion over the life of those capital assets.¹² The securitization of #2 benefits ratepayers by allowing the IOUs to finance wildfire-related capital projects with lower interest rates than would otherwise be available;¹³ the overall anticipated savings from this securitization is currently unknown by this Committee.

Utilities and the Cap-and-Trade Program — The cap-and-trade program is designed to reduce statewide greenhouse gas (GHG) emissions in the most cost-effective manner.¹⁴ Facilities which emit more than 25,000 metric tons¹⁵ of carbon dioxide equivalent (CO₂e) per year fall under the program's jurisdiction. Nearly 400 facilities in the state fall under this threshold,¹⁶ including oil refineries, electricity generators and importers, and large industrial manufacturers.¹⁷ Collectively, these facilities are responsible for over 80% of California's total GHG emissions.¹⁸ Importantly, CARB determines (a) which types of emissions are covered under the program and (b) the emissions thresholds that generally apply to larger facilities. As a result, not all industrial emissions are subject to the program requirements. For instance, emissions from the energy used to power a dairy processing facility are covered, but methane emissions from the dairy cows themselves are not covered.¹⁹

CARB sets an annual "cap" for the total emissions allowed from all entities covered by the program. This cap declines over time to ensure continuous reductions in GHG emissions.²⁰ To

¹² Finding of Fact 2 of each CPUC Financing Order states the estimated Net Present Value (NPV) savings of each bond issuance authorized. D.20-11-007: \$173 million; D.21-06-030: \$633 million; D.21-10-025: \$403 million; D.22-08-004: \$659 million; D.23-02-023: \$493 million; D.24-02-011: \$465 million. The CPUC also approved SDG&E AL 4078-E that demonstrated \$84.3 million NPV savings.

¹³ D.21-06-030 approved PG&E's first AB 1054 financing order requesting \$1.2 billion in AB 1054 CapEx, of which bonds representing about \$850 million were issued, D.22-08-004 approved its second AB 1054 financing order totaling about \$1.4 billion in AB 1054 CapEx, of which bonds representing about \$975 million were issued; and D.24-02-011 approved PG&E's request to securitize the remaining \$1.385 billion AB 1054 CapEx---the bonds have not yet been issued at this time. D.20-11-007, D.21-10-025 and D.23-02-023 approved SCE's first, second and third (final) AB 1054 financing orders totaling about \$1.575 billion in AB 1054 CapEx of which bonds representing the same amount of CapEx were issued. Recovery bond financing costs apply to all AB 1054 securitizations.

¹⁴ LAO, "California's Cap-and-Trade Program: Frequently Asked Questions"; <https://lao.ca.gov/Publications/Report/4811>; Accessed April 9, 2025

¹⁵ CARB, "Staff Report: PUBLIC HEARING TO CONSIDER THE PROPOSED AMENDMENTS TO THE CALIFORNIA CAP ON GREENHOUSE GAS EMISSIONS AND MARKET-BASED COMPLIANCE MECHANISMS"; September 2016

¹⁶ CARB, "Cap-and-Trade Program Quick Facts."; January 2025; Accessed April 9, 2025

¹⁷ LAO, "California's Cap-and-Trade Program: Frequently Asked Questions"; <https://lao.ca.gov/Publications/Report/4811>; October 24, 2023; Accessed April 9, 2025

¹⁸ CARB, "Cap-and-Trade Program Quick Facts." January 2025; Accessed April 9, 2025

¹⁹ LAO, "California's Cap-and-Trade Program: Frequently Asked Questions"; <https://lao.ca.gov/Publications/Report/4811>; October 24, 2023; Accessed April 9, 2025

²⁰ CARB, "cap-and-trade program"; <https://ww2.arb.ca.gov/our-work/programs/cap-and-trade-program/about>; Accessed April 9, 2025

implement the cap, CARB issues a limited number of emission allowances²¹ – each permitting the emission of one metric ton of carbon dioxide equivalent (MTCO₂e)²² – in an amount equal to the annual cap. Facilities covered under the cap-and-trade program can obtain allowances through quarterly auctions, limited free allocation (for eligible entities), or by trading with other entities in the program; forming the “trade” component of the program.²³

CARB issues a set number of allowances annually, in accordance with the overall emissions cap, and allocates 23% to 30% to electric utilities for ratepayer protection. Investor-owned utilities (IOUs) must sell these allowances and return the proceeds to customers in the form of the California Climate Credit. Separately, IOUs are required to purchase allowances for program compliance, such as covering emissions from natural gas-fired power plants. While the associated compliance costs are generally passed on to ratepayers, the Climate Credit is intended to help offset these impacts.²⁴ Publicly owned electric utilities are not required to immediately sell their allocated allowances, affording them greater flexibility in using allowances to meet compliance obligations.

CPUC Response to Governor Executive Order N-5-24 – On October 30, 2024, Governor Newsom issued Executive Order N-5-24 to address California’s rising electricity costs and broader affordability concerns.²⁵ The order directed the CPUC and the CEC to conduct a comprehensive review of all electric ratepayer-funded programs under their jurisdiction, identifying those that drive up rates without delivering proportional benefits. It also calls for immediate action to sunset or modify underperforming or underutilized programs and return unused funds to ratepayers through bill credits. Additionally, the order instructs the CPUC and the California Air Resources Board (CARB) to propose improvements to the California Climate Credit, particularly for low-income customers, and requires Energy Safety and the CPUC to recommend adjustments to wildfire oversight processes to improve cost-effectiveness. All agencies were directed to report their findings and proposed actions to the Governor by January 1, 2025.

In February, the CPUC’s response the EO N-5-24 was released.²⁶ The CPUC’s report noted three areas as “opportunities to control costs and reduce electricity bills.” These included 1) controlling the growth in utility spending; 2) finding cost-sharing opportunities; and 3) implementing equitable rates to recover wildfire, public purpose program, and fixed costs. The report concluded with seven specific strategies:

- 1) All energy-related mandates should be assessed for overall cost-effectiveness;
- 2) Wildfire and emergency response costs should be paid for by non-ratepayer sources;
- 3) Integrate WMP strategies more fully into General Rate Case processes;
- 4) Refine Net Energy Metering;

²¹ An allowance is a tradable permit to emit one metric ton of a carbon dioxide equivalent greenhouse gas emission

²² CARB; “Cap-and-Trade Program: Allowance Distribution Factsheet”;

<https://ww2.arb.ca.gov/resources/documents/cap-and-trade-program-allowance-distribution-factsheet>; Accessed April 9, 2025

²³ CARB; “Cap-and-Trade Program: Frequently Asked Questions”; September 1, 2022; Accessed April 16, 2025

²⁴ LAO; “Assessing California’s Climate Policies — Residential Electricity Rates in California”; January 2025; <https://lao.ca.gov/reports/2025/4950/Residential-Electricity-Rates-010725.pdf>

²⁵ <https://www.gov.ca.gov/wp-content/uploads/2024/10/energy-EO-10-30-24.pdf>

²⁶ <https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/reports/cpuc-response-to-executive-order-n-5-24.pdf>

- 5) Redistribute the Climate Credit volumetrically;
- 6) Fund cost-shifting programs from non-ratepayer sources; and
- 7) Ensure programs benefitting all electric customers are supported by all customers, including POU customers.

COMMENTS:

- 1) *Author's Statement.* According to the author, "According to the non-partisan Legislative Analyst Office (LAO), 'California electricity rates also have been increasing rapidly in recent years—not only growing faster than inflation but also outpacing growth in other states.' The California Energy Modernization and Affordability Act is California's most ambitious effort yet to rein in these rising energy costs and put ratepayers first. This bill ensures wildfire mitigation dollars are spent where they have the greatest impact and sharpens scrutiny of utility budgets through stronger laws that will help control excessive profits and rate increases. It uses financing innovations, such as securitization and public financing of infrastructure, to lower long-term costs, and it streamlines clean energy permitting so we can build clean projects faster and more affordably. It adjusts the way utility Cap & Trade revenues are returned to customers as a "climate credit" so that 100% of the money available is used to lower bills at the highest cost times of year. It also sets up a new mechanism, the POWER Fund, by which some public purpose costs can be paid for by taxpayer funds or GGRF revenues rather than through electricity bills. There is no silver bullet that can immediately lower electricity bills, but collectively these provisions, once fully implemented, can reduce the cost to ratepayers by billions of dollars annually."
- 2) *Purpose of Bill.* According to the CPUC, "inequitable rate structures and the need for unprecedented climate impact related investments have created a perfect storm driving electricity rate increases."²⁷ The CPUC notes, as part of its annual SB 695 report, that one of the biggest drivers of rate increases in recent years has been the growth in spending to address wildfire mitigation.²⁸ The CPUC also notes that energization and energy-transition related investments in transmission and distribution infrastructure are also putting upward pressure on rates.²⁹ This bill seeks to tackle both short- and long-term rate stability, in moving specific capital projects outside of the equity ratebase; establishing a new transmission authority to pay for infrastructure projects; establishing the POWER Program to provide reimbursement to electric utilities for expenditures driven by public policy goals; and modifying and clarifying the roles between the CPUC and Energy Safety in authorizing electrical corporations' WMP filings and approvals. In so doing, this bill seeks to take action on the various policies to address electric affordability, many put forward by the CPUC in their February response to Executive Order N-5-24.
- 3) *Inflation-limited rate proposals.* This bill requires electric and gas utilities to include in their rate case applications to the CPUC an alternative scenario where rate increases are capped at the federal Social Security cost-of-living adjustment (COLA). The goal is to let

²⁷ Pg. 4, CPUC Response to Executive Order N-5-24; <https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/reports/cpuc-response-to-executive-order-n-5-24.pdf>

²⁸ CPUC, *2024 Senate Bill 695 Report*; July 2024; <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2024/2024-sb-695-report.pdf>

²⁹ Pg. 4, CPUC Response to EO N-5-24; *Ibid.*

the CPUC and other parties compare this lower-cost option with the utility's main proposal, making it easier to evaluate tradeoffs.

Opponents argue this could limit needed investments in safety or clean energy. However, the bill doesn't ban those investments; it requires utilities to clearly justify them if they would raise rates above the inflation-capped scenario, and it requires the CPUC to explain any such approval. Utility worker groups are concerned that the Social Security COLA may not be a good fit for this purpose because it is backward-looking, while rate cases are based on future projections. The IOUs have noted that setting an arbitrary limitation on their GRC budgeting, constrained to inflation, does not reflect how a utility incurs costs, which is based on needed safety and reliability investments. Due to this argument, both the IOUs and specifically gas utility unions have cited safety concerns arising from the GRC treatment proposed by this bill, even though the bill specifically allows for "higher level of expenditures" outside of the inflation-limited proposal "to ensure safe ...operations."

- 4) *Equity Ratebase Exclusions.* This bill follows a similar approach as AB 1054 (Holden, Chapter 79, Statutes of 2019), which granted IOUs the ability to securitize specified wildfire expenditures and barred them from including \$5 billion of those costs in their rate base. This new bill goes further by prohibiting rate basing an additional \$5 billion for wildfire mitigation and \$10 billion for grid energization projects. By excluding these capital costs from the equity portion of the rate base, utilities cannot earn a return on equity (ROE) or charge associated income taxes on them. Instead, the bill encourages cheaper debt financing, through securitization of these capital expenditures, which typically carries lower investor borrowing cost. The author aims to reduce customer rates by these lower financing costs.

IOUs oppose the bill, warning the ratebase exclusions might violate constitutional protections (specifically against "takings") and deter investment by reducing potential returns. They also argue it could raise their overall cost of capital, ultimately leading to higher rates and an elimination of any potential savings enjoyed by the lower borrowing costs of securitization and reduction in ROE and taxes. Notably, while AB 1054 included similar provisions related to equity exclusions, that measure was also packaged with other wildfire-related proposals, including the Wildfire Fund, that investors likely viewed favorably.

This measure includes both new wildfire spending, as well as energization costs in the category of costs both eligible for securitization as well as excluded from utility ROE. The author notes the extensive future work anticipated for both of these categories of capital expenditures, and seeks this avenue for project financing to limit ratepayer impacts. However, the ratebase exclusion in the wildfire category is limited to those expenditures "approved by the commission on or after January 1, 2025." The date stamp in this bill may inadvertently run afoul of retroactive ratemaking principles, where an IOU could be approved by the CPUC for certain wildfire costs – including their authorized ROE – prior to this bill's passage, but then risk that approval – or specifically that financing structure – should this bill be chaptered. At minimum, the committee recommends the author consider moving the date included in this measure to the date this bill were to become law.

Moreover, while the CPUC anticipates both energization and wildfire capital expenditures to grow in the coming years, it is wildfire expenditures that has already been highlighted as contributing greatly to rising customer bills. As indicated in the background above, those increases due to wildfire spending are unlikely to decline in the near future. Rather, with IOUs moving toward more capital-intensive wildfire investment, such as undergrounding,³⁰ and away from operational investments like enhanced vegetation management,³¹ the pace and duration of investments may grow. The CPUC estimates undergrounding distribution lines at \$2.3-\$5.6 million per mile, while transmission lines are approximately \$140 million per mile.³² With costs ranging from \$92-\$224 billion to underground every IOU distribution line in high fire threat areas,³³ opportunities to reduce costs to ratepayers will be critical. Even if such extensive undergrounding work is unlikely and unnecessary,³⁴ some degree of undergrounding will be part of IOUs' long-term wildfire mitigation strategy, as noted in the recent examples for PG&E and SCE. The committee therefore recommends the author consider limiting the securitization and equity ratebase exclusion provisions of this measure to only wildfire capital expenditures, with a the potential for a specific subset exclusively for utility undergrounding work. Notably, SB 256 (Perez, 2025) and AB 825 (Petrie-Norris, 2025) include (or included) similar provisions, both focused on wildfire work; though AB 825 is specific to undergrounding. Such changes to this measure will help better align its proposals with those found in other bills this session.

- 5) *Restructuring the California Climate Credit.* Currently, the California Climate Credit is distributed to electric residential customers of IOUs, regardless of income or geographic location, twice per year, typically in April and October, and to residential gas customers during April of each year. This distribution schedule was initially established by the CPUC with the intent to avoid muting energy price signals that encourage conservation during peak demand periods: during summer for electricity and winter for natural gas. It is likely prudent to revisit the electric climate credit allocation given the state's adoption of electrification as a climate strategy. As customers consume more electricity to meet their housing and transportation needs, customer bills will increase. Reallocating the electric climate credit to periods of high consumption may help encourage – or at least buffer the cost of – electrification.

This bill proposes such an adjustment for electric customers during the months with the “highest average electricity demand.” This is likely to be the summer months, at least for residential customers, due to increased air conditioning demand during peak summer heat. The bill requires all the revenues from the IOU GHG allowances to be returned to retail customers, striking provisions in existing law that allow the CPUC to use up to 15% of the allowance revenues for customer clean energy or energy efficiency programs.

³⁰ Pursuant to SB 884 (McGuire, Chapter 819, Statutes of 2022) large IOUs may submit a 10-year distribution infrastructure undergrounding plan to Energy Safety for review.

³¹ See cost-comparisons across different categories of utility fire spend in Energy Institute at Haas, UC Berkeley; “Risk-Cost Tradeoffs in Power Sector Wildfire Prevention”; February 2024.

³² Pg. 23; CPUC; *Response to Executive Order N-5-24*; February 18, 2025; <https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/reports/cpuc-response-to-executive-order-n-5-24.pdf>

³³ Pg. 23; CPUC; *Response to Executive Order N-5-24*; February 18, 2025; <https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/reports/cpuc-response-to-executive-order-n-5-24.pdf>

³⁴ Fowlie, Meredith. “Fighting Fires in the Power Sector” *Energy Institute Blog, UC Berkeley*, February 20, 2024, <https://energyathaas.wordpress.com/2024/02/20/fighting-fires-in-the-power-sector/>

Proponents of those programs, principally the Solar on Multifamily Affordable Housing (SOMAH) program, have raised concern with the immediate revocation of their funding created by this provision, and have requested amendments to at least allow that program to continue until its statutory authorization to receive funds ends in June 2026.³⁵

Moreover, this bill requires a larger Climate Credit allocation to low-income customers, as well as specific language on customer outreach and marketing of the credit to boost customer awareness. As a result, this bill is implicated in larger discussions, not just on electric bill affordability, but the future structure of California's Cap and Trade program. Assembly measures, including AB 745 (Irwin, 2025), AB 729 (Zbur, 2025), and AB 942 (Calderon, 2025), have sought redistribution or changes to the Climate Credit and which customers might benefit. Given these larger discussions, the committee recommends the author consider removing the provisions of this bill related to the California Climate Credit to allow for better coordination and strategy, and to ensure electric affordability solutions are harmonized with, rather than isolated from, larger Cap and Trade program reforms.

- 6) *Finding the Perfect Transmission Authority.* This bill proposes the creation of a new authority, the CEIA, to build transmission via public ownership and financing. This language largely reflects SB 1032 (Becker, 2021), which would have sought a similar authority, largely replicating a model established in New Mexico. A related bill, SB 330 (Padilla, 2025), also proposes public financing and public ownership, but provides the Governor with the authority to determine which projects from among the California Independent System Operator's (CAISO) identified policy projects in the transmission planning process. Finally, AB 825 (Petrie-Norris, 2025) establishes a Public Transmission Financing Program, managed by the I-Bank, to support public agencies, local governments, tribal organizations, and joint powers authorities to finance and build transmission projects. AB 825 also revives and expands the role of the California Consumer Power and Conservation Financing Authority to focus its efforts on transmission infrastructure, rather than electricity generation as it was originally established.

The various models for financing and public ownership of transmission were discussed at an affordability oversight hearing of this committee on March 26, 2025.³⁶ These multiple efforts signal the Legislature's intent to address future utility costs, a significant driver of which is transmission which currently accounts for about 30% of a utility's revenue base. This share from transmission is expected to grow in the coming years. Moreover, the transmission access charge is projected to rise by 350% over the 2024 rate. Given these trends, identifying alternative, cost-effective approaches to financing transmission infrastructure will be critical to advancing California's decarbonization goals while minimizing additional costs to ratepayers. The three proposals all seek, to different extents, to leverage the borrowing power of the state to cause lower costs to ratepayers, as the cost to borrow is lower, the financing is often tax-free, and the state receives no ROE on their investments. However, the electric IOUs raise concerns about all three

³⁵ PUC § 2870 (c)

³⁶ See Committee's background report, "Strategies to Reduce California's Transmission Costs," here: <https://autl.assembly.ca.gov/system/files/2025-03/background-on-transmission-hearing-3.26-final.pdf>

approaches, suggesting the savings intended may not materialize, and that some models undercut their financing structures more than others. In addition, outstanding concerns about workforce impacts or displacement as well as liability and safety requirements for these publicly financed transmission projects remain, with some bills offering potential solutions while others leaving them unaddressed. Given these varied approaches, the committee recommends the author consider removing the provisions in this bill related to CEIA and alternative transmission financing, to allow for larger discussion and collaboration on the preferred models for this transmission development.

- 7) *POWER Adjustments.* This bill requires the CEC, in consultation with the CPUC, to develop and implement the POWER Program to reduce the costs to ratepayers by providing reimbursement to electric utilities for expenditures driven by public policy goals that provide a benefit to the general public. It additionally requires that the proportion of any expenditures by an IOU that are reimbursed pursuant to the POWER Program be excluded from the electrical IOU's rate base and any asset funded by those reimbursed expenditures be funded without return on equity. This effort largely reflects earlier legislative proposals seeking to move certain utility costs out of rates and onto the more progressive state tax base;³⁷ however, those efforts largely sought to move operational expenses out while this effort is inclusive of both operational and capital expenditures. This bill includes a broad list of possible utility-related activities that could be funded, such as wildfire mitigation, transportation electrification, and public purpose programs, among others, to help reduce electric customer bills. While using alternative funding streams to pay for existing ratepayer-funded programs may be more equitable, it does introduce volatility (from the General Fund or GGFRF) into the payment structure for many of these long-standing, ratepayer-funded expenditures. Publicly owned electric utilities and electric cooperatives have asked for further clarity in this section to ensure their customers' eligibility, given that monies would be allocated from all taxpayers of the state. They have also sought to add transmission financing to the list of eligible project types, and to ensure the spending plans the CEC must establish are developed in consultation with them. The committee recommends the author consider incorporating all of these changes.
- 8) *Audit Activities.* This bill would require the California State Auditor to conduct a new annual financial and legal audit of the newly created CEIA. This new audit would be in addition to the Auditor's current responsibilities, which include both audits approved by the Joint Legislative Audit Committee (JLAC) and a wide range of existing statutory audit requirements. The State Auditor is already required to perform recurring audits such as the Clery Act every three years, annual audits of the state's financial reporting systems and cash counts, and periodic audits of the Judicial Council, State Bar, and Tobacco Tax programs. Because these required audits are tied to statutory deadlines, they often take priority, which can delay the start of new JLAC-approved audits by several months. Adding a new, open-ended annual audit without removing any existing obligations would further reduce the Auditor's ability to take on new JLAC requests. The author may wish to consider an alternative mechanism for reviewing CEIA activities, so as not to overly impact State Auditor resources.

³⁷ For instance, and earlier version of SB 1020 (Laird, Chapter 361, Statutes of 2022) or AB 982 (Villapudua, 2023) and AB 2765 (Santiago, 2022).

- 9) *Resources Provisions.* In addition, this bill has numerous provisions related to the CEC's AB 205 (Committee on Budget, Chapter 61, Statutes of 2022) Opt-in Certification for clean energy infrastructure projects, and the establishment of a program environmental impact report (PEIR) for energy storage facilities. These include proposals such as expanding the criteria for project eligibility to projects costing \$100 million, rather than \$250 million, including for manufacturing facilities; establishing a rebuttable presumption that the construction or operation of the facility will have an overall net positive economic benefit to the local government that would have had permitting authority over the site; and authorizing permitting software pilots. This bill is double referred to the Assembly Committee on Natural Resources where the impact of these provisions may be evaluated in depth.

10) *Related Legislation.*

AB 99 (Ta, 2025) prohibited an electrical corporation from proposing, as part of its GRC, a rate increase above the rate of inflation. Status: *Held* – Assembly Committee on Appropriations.

AB 745 (Irwin, 2025) an earlier version of this measure would have authorized IOUs to finance undergrounding costs through a fixed charge on customers' electric utility bills, also known as "securitization," and sunsets this authorization in ten years. Also prohibited IOUs from including in their equity rate base any undergrounding activities. The bill has been significantly amended and now is related to the electric California Climate Credit, and specifically requires the credit to be provided volumetrically in July, August, and September. Status: *set for hearing* in the Senate Committee on Energy, Utilities, and Communications on July 15, 2025.

AB 825 (Petrie-Norris, 2025) substantially similar to this bill, with key differences. Proposes a range of policies affecting electrical corporations, specifically measures to address rising utility bills, including a prohibition on allowing electrical corporations to include \$15 billion in undergrounding capital investments in their rate base for purposes of earning equity returns; establishing a public financing mechanism to reduce costs associated with the development of eligible transmission projects; establishing a task force to review various customer demand side management programs; creating a local permitting program to provide incentives and a pool of experts to aide local agencies in siting clean energy projects; and revising wildfire mitigation planning. Status: *set for hearing* in the Senate Committees on Business, Professions, and Economic Development (July 14, 2025) and on Energy, Utilities, and Communications (July 15, 2025).

SB 256 (Pérez, 2025) requires a number of additional provisions to be included in IOU and POU WMPs. The bill also requires the removal of abandoned electrical facilities, as well as improved coordination efforts between utilities and local emergency response agencies. An earlier version of the measure would have prohibited IOUs from including \$5 billion in wildfire mitigation related capital expenditures from their equity rate base. Status: *set for hearing* in the Assembly Committee on Emergency Management on July 14, 2025, after passage in this committee on July 9, 2025, on a 13-4-1 vote.

SB 330 (Padilla, 2025) would authorize the Governor to establish one or more pilot projects to develop, finance, or operate electrical transmission infrastructure that meet the specified criteria, including, among other things, that the transmission line is identified by the CAISO in its transmission planning process as necessary to support clean energy generation to meet the state's clean energy goals. Status: *set for hearing* in this committee on July 16, 2025.

SB 769 (Caballero, 2025) would establish the Golden State Infrastructure Corporation (Corporation) within the State Treasurer's Office as a not-for-profit corporation for the purpose of financing infrastructure projects. Status: in the Assembly Committee on Appropriations, following passage in the Assembly Committee on Economic Development, Growth, and Household Impact on July 8, 2025, on a 6-0-2 vote.

11) *Prior Legislation.*

AB 3264 (Petrie-Norris) requires a suite of actions by the CPUC to help address energy costs, including developing a total energy framework to be used to evaluate IOU spending requests; requiring IOUs to publish visual representations of certain cost categories; studying alternative financing for transmission infrastructure; and broadening the triennial CPUC report on energy efficiency and conservation programs to include specified metrics and criteria. Status: Chapter 762, Statutes of 2024.

SB 1003 (Dodd, 2024) modified timelines relevant to the submission and approval of wildfire mitigation plans (WMPs) by IOUs to the Office of Energy Infrastructure Safety and the CPUC. Requires IOUs to take into account, in their WMP, both the time required to implement an action and the amount of risk reduced for the cost and risk remaining. Status: Died – Assembly, 3rd Reading.

AB 205 (Committee on Budget), among its many provisions, includes the creation of the Opt-in Certification program at the CEC, which makes the CEC the lead CEQA agency and lead for permitting specified projects, largely clean energy and manufacturing projects. Status: Chapter 61, Statutes of 2022.

SB 1032 (Becker, 2022) creates the Clean Energy Infrastructure Authority as a public instrumentality of the state for the purpose of leading the state's efforts to build critical electrical transmission infrastructure necessary to enable the state to transition to 100 percent clean energy, as specified. Status: Held under submission in the Assembly Committee on Appropriations.

SB 1020 (Laird) establishes interim targets to the statewide 100% clean energy policy. Additionally requires state agencies to accelerate their 100% clean energy policy goal by 10 years. An early version of the bill sought to establish the California Affordable Decarbonization Authority as a nonprofit public benefit organization as a mechanism to help fund various electric utility-related programs and activities. Status: Chapter 361, Statutes of 2022.

SB 100 (De León) established the 100 Percent Clean Energy Act of 2018 which increases the RPS requirement from 50 percent by 2030 to 60 percent, and created the policy of planning to meet all of the state's retail electricity supply with a mix of RPS-eligible and

zero-carbon resources by December 31, 2045, for a total of 100 percent clean energy.
Status: Chapter 312, Statutes of 2018.

AB 1954 (Skinner) authorizes the CPUC to approve in advance the recovery through electricity rates of the costs of a transmission project proposed to meet the state's RPS goals. The bill provides that ultimate rate recovery is still subject to review by the CPUC to ensure that the utility incurred the costs reasonably and prudently. Status: Chapter 460, Statutes of 2010.

12) *Double Referral*. This bill is double referred. Upon passage in this committee, it will be referred to the Assembly Committee on Natural Resources for its review.

REGISTERED SUPPORT / OPPOSITION:

Support

350 Humboldt: Grass Roots Climate Action
350 Sacramento
Ava Community Energy Authority
California Climate Action
California Community Choice Association
California Large Energy Consumers Association
California Wind Energy Association
Clean Air Task Force
Net-zero California
Nextgen California
The Climate Reality Project: Silicon Valley
The Utility Reform Network (TURN)

Support If Amended

California Environmental Justice Alliance (CEJA) Action
California Municipal Utilities Association (CMUA)
Northern California Power Agency
Southern California Public Power Authority (SCPPA)

Oppose

CalChamber
North American Wood Pole Council
PacifiCorp
Treated Wood Council
Western Wood Preservers Institute

Oppose Unless Amended

Association for Energy Affordability, INC.
California Center for Sustainable Energy
California Farm Bureau Federation

City of Morro Bay
County of Fresno
Pacific Gas and Electric Company and its Affiliated Entities
San Diego Gas and Electric Company
Southern California Gas Company

Other

California African American Chamber of Commerce
California Asian Pacific Chamber of Commerce
California Hispanic Chambers of Commerce

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