

Date of Hearing: August 20, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

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

Policy Committee:	Utilities and Energy	Vote:	11 - 5
	Natural Resources		9 - 4

Urgency: Yes State Mandated Local Program: Yes Reimbursable: No

SUMMARY:

This bill presents a variety of distinct measures affecting regulation and management of the state's electric and gas utilities. Very generally, these measures (1) create a program and fund to reimburse public and private electric utilities for the cost of measures that provide benefits to the general public; (2) create a public authority and fund to finance electric transmission projects; (3) modify wildfire risk mitigation requirements; (4) modify permitting processes and procedures for "clean" energy projects; (5) make requirements and restrictions regarding private utility spending, financing and rate increases; and (6) revise rules regarding dispersal to utility ratepayers of monies generated by sale of allowances to emit greenhouse gases, known as the California Climate Credit.

Specifically, this bill, among other things:

Funding Measures that Benefit the General Public

- 1) Directs the California Energy Commission (CEC), in consultation with the California Public Utilities Commission (CPUC), to develop and implement the Policy-Oriented and Wildfire Electric Reimbursement (POWER) Program to reduce costs to electric utility ratepayers by providing reimbursement to publicly owned electric utilities (POUs) and electric investor-owned utilities (IOUs) for expenditures driven by public policy goals that benefit the general public.
- 2) Establishes the POWER Fund, monies in which CEC is to expend, upon appropriation, for purposes of the POWER Program.
- 3) Directs CEC to annually adopt a POWER Program spending plan and allows CEC to use no more than 3% of monies appropriated to the program or \$5 million, whichever is less, for administration.
- 4) Prohibits an electrical IOU from including the proportion of any of the IOU's expenditure that is reimbursed by the POWER Program in the IOU's rate base, meaning the IOU will not receive a return on equity (profit) for the expenditure.

Public Authority and Fund to Finance Electric Transmission Projects

- 1) Establishes the Clean Energy Infrastructure Authority with a seven-member board, as follows: the president of the CPUC, the State Treasurer, the chair of CEC, the chair of the Air

Resources Board (ARB), the Secretary of the Natural Resources Agency, the Director of the Governor's Office of Business and Economic Development (GoBiz) and the president of the California Independent System Operator (CAISO).

- 2) Authorizes the authority to hire an executive director and other employees.
- 3) Provides the authority with numerous powers and charges it with proposing, planning for and developing new electrical transmission infrastructure, but only if the California balancing authority with control over the area in which the electrical transmission infrastructure will be developed has approved the project, and makes the authority the lead agency for any such project for purposes of the California Environmental Quality Act (CEQA).
- 4) Creates the Clean Energy Infrastructure Authority Fund to finance electrical transmission projects undertaken by the authority and their related costs.
- 5) Direct the Infrastructure Development Bank (I-Bank) to issue bonds upon request of the authority, with proceeds of the bonds to be placed in the fund.
- 6) Directs the Department of Finance (DOF) to monitor and oversee the authority's operations.
- 7) Directs the State Auditor to conduct an annual audit of the accounts of the authority.

Modifying Wildfire Risk Mitigation Requirements

- 1) Establishes new factors an IOU is to consider when managing its electrical lines and equipment in a way that minimizes the risk of catastrophic wildfire—namely, both (a) the time required to implement a proposed mitigation and (b) the amount of risk reduced for the cost and the amount of risk remaining—and requires each IOU's Wildfire Mitigation Plan (WMP) to include particular wildfire risk drivers the IOU can and will deploy within its service territory.
- 2) Assigns additional and specific responsibilities to the Office of Energy Infrastructure Safety (OEIS) regarding its oversight of electrical IOUs' MWP, including, among other things, development of performance metrics used to by an electrical IOU to develop its WMP and by OEIS to evaluate each electrical IOU's implementation of its WMP, development of a field audit and oversight program and retention of staff experts in wildfire, weather, climate change, emergency response and other relevant subject matters.
- 3) Decreases, from annually to once every four years, the frequency with which an IOU must submit a WMP to OEIS.
- 4) Beginning January 1, 2026, requires each IOU to submit to OIES a preliminary WMP at the earliest date of either one year before the filing of the IOU's general rate case with the CPUC or concurrent with the IOU's filing of its Risk Assessment Mitigation Phase (RAMP) with the CPUC, and requires an IOU's WMP to cover the same period as its general rate case period.
- 5) Directs OEIS to conduct a wildfire-focused safety culture assessment of each IOU at least every two years.

- 6) Authorizes OEIS to conduct audits of an IOU's vegetation management work.
- 7) Decreases, from annually to once every four years, the frequency with which a publicly owned electrical utility must file a WMP with the Wildfire Safety Advisory Board.

Modifying Permitting Processes and Procedures for Clean Energy Projects

- 1) Directs CEC to prepare a program environmental impact report (PEIR) for certain infrastructure projects—generally, a solar photovoltaic or terrestrial wind electrical generating powerplant; an energy storage system; stationary electrical generating powerplant using any source of thermal energy other than fossil or nuclear fuel; certain facilities to manufacture, produce or assemble a system or component of or related to an energy storage system or renewable energy; certain electricity transmission lines; and a hydrogen production facility.
- 2) Authorizes a public agency to tier off CEC's PEIR—that is, incorporate by reference the discussion in CEC's PEIR—for the agency's consideration of approval of a facility of a type included in CEC's PEIR.
- 3) Lowers the capital investment threshold—from \$250 million to \$100 million—a project must surpass to be eligible for permitting by CEC's opt-in certification program (known as the AB 205 program) and extends CEC's permitting authority under the AB 205 program, from June 30, 2029, to June 30, 2034.
- 4) Requires an applicant for certification of a facility under the AB 205 program to include evidence the applicant has sufficient property rights to access, build and operate the proposed facility.
- 5) Directs CEC to establish clear project developer permit application requirements and establishes for CEC the goal of reducing to no more than 90 days the time for deeming applications complete.
- 6) Directs CEC, the California Coastal Commission and the San Francisco Bay Conservation and Development Commission (BCDC) to develop a plan that ensures timely consultation between the state agencies when making decisions on project applications.
- 7) Generally establishes a rebuttable presumption that the construction or operation of an energy storage facility under CEC's AB 205 authority will have an overall net positive economic benefit to the local government that would have otherwise had permitting authority over the site and related facility.
- 8) Requires the CEC, in coordination with the Office of Land Use and Climate Innovation (LUCI), to pilot the use of permitting management software to provide greater efficiency in the AB 205 certification process and report to the Legislature on the pilot.
- 9) Directs CEC to maintain a list of community-based organizations and other resources for use by an AB 205 applicant.
- 10) Requires CEC to report quarterly to the Legislature on AB 205 inquiries, application submissions and application and project status.

- 11) States that the CPUC's approval of a distribution infrastructure undergrounding plan under the expedited undergrounding program, created pursuant to existing law, is not a project for purposes of CEQA.

Requirements and Restrictions Regarding Utility Spending, Financing and Rate Increases

- 1) Prohibits each of the state's large electrical IOUs from including in its equity rate base its share of the \$10 billion the large electrical IOU first expended on energization as approved by the CPUC on or after January 1, 2025, which translates, for each of the large electrical IOUs, as follows: \$4.5 billion for Pacific Gas and Electric (PG&E), \$4.4 billion for Southern California Edison (SCE) and \$1.1 billion for San Diego Gas and Electric (SDGE).
- 2) Prohibits each of the state's large electrical IOUs from including in the IOU's rate base its share, as determined pursuant to existing law, \$5 billion that the IOUs collectively first expended on fire risk mitigation capital expenditures approved by the CPUC on or after January 1, 2025, and allows such an IOU to finance its share of these costs through a financing order, consistent with the requirements of existing law.
- 3) Requires the CPUC post on its 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 IOU, with 10 years of historical values.
- 4) Allows the CPUC to authorize an electrical or gas IOU expenditures in excess of the rate of inflation (defined as the projected social security beneficiary cost-of-living adjustment) only if the CPUC determines the IOU has provided clear and convincing evidence that a higher level of expenditure is necessary to ensure the safe and reliable operation of its system, and directs the CPUC to apply heightened scrutiny to any other IOU request that is likely to increase total systemwide expenditures beyond the rate of inflation.
- 5) Requires the CPUC to adopt formal public findings when it approves an electrical rate increase that include (a) an explanation of why the rate increase was approved and (b) what the rate increase will cost on the average customer bill, and directs the CPUC to annually include the public findings in each customer's monthly bill.
- 6) Authorizes an electrical IOU to file an application with the CPUC to request the CPUC to issue a financing order to authorize the recovery of the IOU's just and reasonable energization project costs, with the cost being recovered by a fixed charge on the IOU's ratepayer bills, except for the bills of ratepayers enrolled in certain low-income customer utility bill subsidy programs.
- 7) Adds to the information to be included in an existing CPUC annual report on IOU costs information regarding IOU assets, values, profits and taxes and a comparison of each IOU's actual mix of equity and debt capital to the mix authorized by the CPUC.

Revising Rules Regarding Dispersal of the California Climate Credit

- 1) Directs the CPUC to require an IOU to credit all revenue the IOU receives from direct allocation of greenhouse gas allowances directly to the IOU's residential, small business and emissions-intensive trade-exposed retail customers during months with the highest average

electricity demand, and with a larger credit to customers enrolled in certain low-income customer utility bill subsidy programs.

- 2) Directs the CPUC to require each electrical IOU to adopt a customer outreach plan to obtain the maximum feasible public awareness of the crediting of greenhouse gas allowance revenues to help reduce monthly household bills.

FISCAL EFFECT:

This bill's various measures create significant new costs for several state agencies, in particular the CPUC and CEC, as well as substantial cost pressure. The sections below, organized by the bill's major provisions, as in the summary above, list the bill's cost drivers and the affected entities and give a sense of the magnitude of each.

The CPUC provided the committee with an estimate of its costs to implement the bill—\$2.9 million ongoing for 12 positions (Public Utilities Commission Utilities Reimbursement Account (PUCURA)).

CEC had not provided the committee with its estimate of cost by the time this analysis was prepared. Nonetheless, CEC's costs will be significant. CEC's main funding sources, the Energy Resources Programs Account (ERPA), faces an ongoing structural deficit and is likely not an appropriate funding source for implementation of this bill.

The OEIS maintains it could absorb within existing resources new or modified work required by this bill.

Funding Measures that Benefit the General Public

- 1) One-time costs to CEC to establish the POWER Program and Fund and minor costs to the CPUC to consult.
- 2) Ongoing costs to CEC to annually adopt a POWER Program spending plan. The bill limits CEC's administrative costs to no more than 3% of monies appropriated to the program or \$5 million, whichever is less. However, to the extent CEC's administrative costs to implement the bill exceeds this amount, the bill will create cost pressure in that amount (ERPA).
- 3) Cost pressure in the tens of millions to hundreds of millions of dollars (General Fund (GF), bond funds and special funds) to provide funding for the POWER Fund.

Public Authority to Fund and Finance Electric Transmission Projects

- 1) Cost pressure of an unknown, but significant amount, to establish, staff and administer the Clean Energy Infrastructure Authority (GF and special funds).
- 2) Cost pressure in the tens of millions to hundreds of millions of dollars (GF, bond funds and special funds) to provide funding for the Clean Energy Infrastructure Authority Fund.
- 3) Potential costs of an unknown but significant amount to the I-Bank to issue bonds (GF).

- 4) Significant ongoing costs, likely in the hundreds of thousands of dollars annually, to DOF to monitor and oversee the authority's operations (GF).
- 5) Significant ongoing costs, likely in the hundreds of thousands of dollars annually, to the State Auditor to conduct an annual audit of the accounts of the authority (GF).

Modifying Wildfire Risk Mitigation Measures

While this section modifies the work of OEIS in reviewing and approving WMPS, OEIS nonetheless contends it could absorb the work with existing resources.

The CPUC concludes it will need two regulatory analysts, at a combined cost of \$403,000 annually (PUCURA), to integrate OEIS cost inputs into its ratemaking proceedings.

Modifying Permitting Processes and Procedures for Clean Energy Projects

CEC will face substantial one-time costs, likely in the hundreds of thousands to low millions of dollars, to develop the PEIR, as well as significant costs to (a) establish clear project development application requirements and to meet the 90-day goal for deeming applications complete, (b) develop a plan that ensures timely consultation between the state agencies when making decisions on project applications, (c) pilot the use of permitting management software and report to the Legislature, (d) maintain a list of community-based organizations and (e) report quarterly to the Legislature on AB 205 inquiries, application submissions and application and project status (ERPA).

Similarly, the Coastal Commission and BCDC will each face significant one-time costs, likely in the hundreds of thousands of dollars each (special funds), to develop a plan that ensures timely consultation between the state agencies when making decisions on project applications, and LCI will incur costs, likely minor and absorbable, to coordinate with CEC on the piloting of permitting management software.

Requirements and Restrictions Regarding Private Utility Spending, Financing and Rate Increases

This section will require substantive analytical and legal work of the CPUC. The CPUC estimates ongoing annual costs of \$750,000 (PUCURA)

Revising Rules Regarding Dispersal of the California Climate Credit

The CPUC will need to develop and conduct a rulemaking to modify the climate credit dispersal, which the CPUC estimates will require one-time costs of \$490,000—\$370,000 for 1.5 staff members and \$120,000 in travel (PUCURA).

COMMENTS:

Background and Purpose. Traditionally, the rates charged by California's electric IOUs have been higher than the average rates charged by electric utilities nationally; however, the average bill paid by a customer of a California electric IOU has been lower than the national average. Nonetheless, rates have increased considerably over the past decade. According the Public Advocates Office, the rates for electricity charged by PG&E, SCE and SDG&E have increased

over the past ten years by 127%, 91% and 72%, respectively. Similarly, many IOU customers have seen their electric utility bills increase, in some cases dramatically from month to month and year to year.

Electric bill increases are, in part, an effect of electric rate increases, which the Public Advocate attributes, in large part, to wildfire mitigation and transmission and distribution investments, though the Public Advocate also notes higher bills often coincide with increased electricity use, such as greater reliance on air conditioning. In addition, the Public Advocate identifies rooftop solar incentives as causing a substantial shift of costs from the bills of some IOU customers to the bills of other IOU customers.

In any case, the higher cost of electricity, and the jump in monthly electric bills, has led to concerns over affordability and the ability of the state to meet its climate goals through widespread electrification (electric vehicle adoption and installation of heat pumps, for example). Some of the principal cost drivers of rate increases are legislative mandates, such as the requirement that IOUs procure greater amounts of renewable energy (though the cost to procure electricity generated by renewable resources is now oftentimes comparable to, or lower than, that of electricity produced by air-polluting resources).

The author describes this bill as comprised of nine major provisions “to rein in the cost of electricity bills” and as part of the Senate’s “Investing in Your California Dream” bill package. The author contends SB 254’s disparate provisions will “eventually save ratepayers billions of dollars every year.”

This committee has never considered some of the bill’s many proposals. Others the committee has considered, and rejected. For example, this bill proposes to tie approval of an IOU rate increase to the rate of inflation. Specifically, the bill allows the CPUC to authorize an electrical or gas IOU expenditures in excess of the rate of inflation (defined as the projected social security beneficiary cost-of-living adjustment) only if the CPUC determines the IOU has provided clear and convincing evidence that a higher level of expenditure is necessary to ensure the safe and reliable operation of its system. This approach is similar to that of AB 99 (Ta) of this legislative session, which would have prohibited an electrical IOU from proposing as part of its general rate case a rate increase above the rate of inflation. The committee analysis of AB 99 noted:

Implicit to this bill is the conclusion that IOU rate increases that outpace the rate of inflation are inherently unjust and unreasonable, or at least are suspect of being so.... If the CPUC is doing its job, those costs will appear in IOU rates only to the extent they are just and reasonable, regardless of whether, or not, those costs outpace the rate of inflation.

This committee held AB 99 on its suspense file.

Another provision—that an IOU must consider the time required to implement a proposed mitigation and the amount of risk reduced for the cost and the amount of risk remaining—was previously proposed by SB 1003 (Dodd), of the 2023-24 Legislative Session. This committee approved SB 1003 unanimously, though the bill ultimately failed to pass the Legislature.

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