SENATE THIRD READING
SB 254 (Becker and Wahab)
As Amended May 28, 2025
2/3 vote. Urgency

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 renewable energy, energy storage, and manufacturing facilities; and prohibiting the inclusion of $15 billion of capital investments in electrical corporations' rate base for purposes of earning equity returns.

Major Provisions

1) Modifying wildfire risk mitigation requirements:

    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) Repeals provisions that require the Wildfire Safety Advisory Board (WSAB) to develop and make recommendations.

    d) 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).

    e) 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.

    f) 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.

    g) 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.

    h) Requires an electrical corporation, within 45 days of the California Public Utilities Commission's (CPUC) 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.

   i) 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).

2) Requires all electrical and gas corporations, as part of every GRC, 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. Allows CPUC to adjust based on clear and convincing evidence.

3) Revising the Climate Credit Dispersal:
   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) Public Financing of Electric Transmission Projects: the Clean Energy Infrastructure Authority (CEIA):

   a) Creates the CEIA as a public instrumentality of the state to build critical clean energy infrastructure, and 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.

   b) 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.

   c) 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.

   d) 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.

   e) 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.

   f) 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) Requiring lower-cost financing for electrical corporation energization projects:

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) Updated 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) Funding Public Benefit Measures: 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) 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) Modifying 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) Establishing a program environmental impact report (PEIR) for energy storage facilities prepared at the CEC.

COMMENTS

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 to 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.

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." 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. The CPUC also notes that energization and energy-transition related investments in transmission and distribution infrastructure are also putting upward pressure on rates.

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 Governor Newsom's Executive Order N-5-24.

According to the Author
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."

Arguments in Support
This bill is supported by a coalition of clean energy, climate, and ratepayer organizations. The Utility Reform Network (TURN) notes their appreciation of "the comprehensive nature" of the bill, and the inclusion of many initiatives to drive down rates.

Arguments in Opposition
This bill is opposed (or opposed unless amended) by a coalition of investor-owned utilities, businesses groups and chambers, wood products manufacturers, labor representatives, local governments, and the California Farm Bureau. Each of these groups have specific issues they highlight as concerning, given the broad scope of this measure. Broadly, the California Chamber of Commerce notes the bill "is framed as a "rate-payer relief and wildfire-safety" omnibus," but would "merely shift, rather than reduce, costs while introducing additional compliance burden." The IOUs raise a number of issues, but are specifically concerns with the equity ratebase exclusions impacting their investment outlook.

FISCAL COMMENTS

According to the Assembly Committee on Appropriations, this bill will result in significant, ongoing costs for several state agencies, including 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.

VOTES

SENATE FLOOR: 29-10-1
YES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Durazo, Gonzalez, Grayson, Hurtado, Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Richardson, Rubio, Smallwood-Cuevas, Stern, Umberg, Wahab, Weber Pierson, Wiener
NO: Alvarado-Gil, Choi, Dahle, Grove, Jones, Niello, Ochoa Bogh, Seyarto, Strickland, Valladares
ABS, ABST OR NV: Reyes

ASM UTILITIES AND ENERGY: 11-5-2
YES: Petrie-Norris, Boerner, Mark González, Harabedian, Hart, Irwin, Kalra, Papan, Rogers, Schiavo, Schultz
NO: Patterson, Chen, Davies, Ta, Wallis
ABS, ABST OR NV: Calderon, Zbur

ASM NATURAL RESOURCES: 9-4-1
YES: Bryan, Connolly, Garcia, Haney, Kalra, Muratsuchi, Pellerin, Schultz, Wicks
NO: Alanis, Ellis, Flora, Hoover
ABS, ABST OR NV: Zbur

ASM APPROPRIATIONS: 9-4-2
YES: Wicks, Arambula, Caloza, Elhawary, Fong, Mark González, Ahrens, Pellerin, Solache
NO: Sanchez, Dixon, Ta, Tangipa
ABS, ABST OR NV: Calderon, Pacheco

UPDATED

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