Date of Hearing: September 12, 2025

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY
Cottie Petrie-Norris, Chair
SB 254 (Becker) – As Amended September 10, 2025

SENATE VOTE: 29-10

SUBJECT: Energy

SUMMARY: Proposes extensive policies affecting regulation, management, and ratepayer costs of the state's electric and gas utilities (i.e., investor-owned utilities or IOUs). These measures include: (1) continuation of the electric IOU Wildfire Fund, including an extension for 10 additional years of an existing ratepayer charge; (2) creation of the California Transmission Accelerator (Accelerator) at the Governor's Office of Business and Economic Development (Go-Biz); (3) a prohibition on electrical corporations including $6 billion in wildfire risk mitigation investments in their rate base for purposes of earning profit and authorizing securitization of those costs;(4) additional authorization of securitization for costs arising from 2025 wildfire liabilities if they are in excess of the existing Wildfire Fund, with a possibility for IOU shareholders repaying costs, as specified; (5) modifications to permitting processes and procedures for "clean" energy projects; (6) modifications on wildfire risk mitigation requirements and conformity of oversight responsibilities between the Office of Energy Infrastructure Safety (Energy Safety) and the California Public Utilities Commission (CPUC); (7) streamlining of planning and design information of infrastructure projects at the California Underground Safety Board (USB); and (8) other reporting and auditing requirements, as detailed below.

Note to Readers: Given the significant and extensive energy policy contained in this bill, this analysis will organize the details, existing law, background, and comments by major provision, rather than combining those sections to cover bill as a whole, as is the usual practice.

MAJOR PROVISIONS:

1) CONTINUATION of the IOU WILDFIRE FUND

   Summary: Creates an $18 billion "Continuation Account," separate from the Wildfire Fund, with contributions split 50:50 between ratepayers and shareholders ($9b each) to cover electric IOU wildfire liabilities. Ratepayer contributions begin in 2036, extending an existing surcharge set to expire in 2035. Additionally tasks the administrator of the Wildfire Fund with evaluating by April 1, 2026, new models or approaches to "responsibly and equitably allocate the burdens from natural catastrophes," to complement or replace the Fund. Provides a preferential right for IOUs to purchase insurance subrogation claims for wildfires, as specified, to create a faster resolution process between insurers and electric IOUs.

   Estimated cost savings: Largely characterized as "cost-avoided" due to the stability the continuation may provide for IOU investor confidence. The Newsom Administration notes avoided rate increases from this proposal could range from approximately $5 month to significantly higher (in the case of an IOU bankruptcy). They note every 1% increase in the cost of IOU financing – which is expected to go up absent a Fund continuation – results in a ~$5 per month rate increase. Additionally, while the Continuation Account will receive approximately $9b in ratepayer contributions, the monthly bills customers receive should not increase given that this proposal extends, not increases, a charge set to expire in 2035.

Major Provisions:

a) Requires the administrator of the Wildfire Fund, on or before April 1, 2026, to prepare and submit to the Legislature and to the Governor, a report that evaluates and sets forth recommendations on new models or approaches that mitigate damage, accelerate recovery, and responsibly and equitably allocate the burdens from natural catastrophes, across stakeholders, to complement or replace the fund, as specified.

b) Creates the Continuation Account within the Wildfire Fund, which is separate and distinct from moneys in the fund, to be administered by the administrator, and continuously appropriates moneys in the account for purposes of payment of eligible claims arising from wildfires ignited on or after the effective date of the bill, as provided, thereby making an appropriation.

c) Requires each large electrical corporation, within 15 days of the effective date of this bill, to provide to the CPUC a written notification of its election to participate, or not to participate, in the account.

d) Specifies that the election by participating electrical corporations to participate in the account constitutes an agreement of the large electrical corporations to certain matters, including a revision of how the large electrical corporations are required to reimburse the fund for any costs and expenses arising from a wildfire that are not found to be just and reasonable and limiting the obligation of the fund to provide payments for eligible claims arising from wildfires ignited on or before the effective date of this bill.

e) Requires the CPUC, if all participating electrical corporations have provided their election to participate in the account, to provide the administrator and other entities, including the appropriate committees of the Legislature, notification of their elections.

f) Authorizes the administrator, on or after the date the CPUC provides the notification, but not later than December 31, 2028, to determine if additional annual contributions are needed, and to provide notification of its determination to the commission and the department.

g) Requires the CPUC, within 15 days of receiving the notification from the administrator, to initiate a rulemaking proceeding to consider using its authority to require the large electrical corporations to collect a nonbypassable charge from ratepayers to support the account, including the payment of any bond issued for the support of the account, as provided.

h) Authorizes the Department of Water Resources to issue bonds, in an aggregate amount up to $9 billion, to support the account.

i) Requires the shareholders of large electrical corporations, if the CPUC imposes the nonbypassable charge to support the account, to provide to the administrator annual contributions for 16 years (2029-2045) for deposit into the account. The annual contributions are $300 million per year, with PG&E and SCE equally paying 47.85% and SDG&E paying 4.3%.

j) Requires the shareholders of large electrical corporations to pay in aggregate an additional $3.9 billion if the administrator determines that an additional contribution of is needed to support the account to fund the timely payment of eligible claims. The IOU shareholders are obligated to pay in equal installments over 5 years, using the same allocation metric as their annual account contributions detailed in (i).

k) Authorizes a large electrical corporation to seek payment from the account to satisfy settled or finally adjudicated eligible claims arising from wildfires ignited on or after the effective date of this bill, as provided.

l) Require the large electrical corporations, within six months of the CPUC's decision in the application for the recovery of costs and expenses arising from the wildfire, to reimburse the fund, as provided, for any payment of costs and expenses determined not to be just and reasonable. Deducts from this reimbursement amount payments over a three year period the same IOU is reimbursing to the Wildfire Fund, as applicable.

m) Makes the Account provisions inoperative if one of the large electrical corporations elects not to participate in the account.

Related to the right of first refusal.

n) Requires the property insurer, for an agreement to sell or transfer to a third party entity a right of subrogation, to first offer to settle that right, as specified, on the same terms and conditions as the proposed agreement, to a large electrical corporation, if any, that provides electrical service to the service area in which the wildfire ignited.

o) Requires the large electrical corporation to accept or reject the offer or to reach agreement on mutually agreeable terms for the settlement of that right within 30 days of the property insurer making the offer.

p) Requires the agreement and exchange of information, including the offer made and other documentation related to the offer, to be subject to a nondisclosure agreement and would prohibit the disclosure of that information.

q) Specifies that the information provided to a public agency pursuant to law is not subject to public disclosure under the California Public Records Act or any other law.

Existing Law:

a) Creates the California Catastrophe Response Council composed of nine members to oversee the California Earthquake Authority (CEA) and the Wildfire Fund administrator. (Government Code § 8899.70)

b) Requires the Council to appoint the Wildfire Fund administrator and oversee the administrator's operation, management, and administration of the Wildfire Fund. (Government Code § 8899.72)

c) Establishes the Wildfire Fund as a fund separate from the State Treasury. Specifies the Fund is continuously appropriated without regard to fiscal year, and allows the administrator to establish segregated, dedicated accounts within the Fund. (Public Utilities Code §§ 3281-3284)

d) Specifies that the Fund shall be a revolving liquidity fund that will pay eligible claims and obtain reimbursement from IOU, as specified. Additionally specifies the Fund shall be continued in existence unless the administrator winds down the Fund. Establishes mechanisms for IOUs to repay the Fund dependent upon the portion of Fund repayment costs that are allowed or disallowed from rate recovery by the CPUC; as well as if the IOU has a valid safety certificate, as detailed below. (Public Utilities Code §§ 3291-3297)

e) Establishes an expedited proceeding at the CPUC – the catastrophic wildfire proceeding – to determine rate recovery of settled claims arising from covered wildfires, as defined. Specifies the CPUC shall initiate a prehearing conference within 25 days of the IOU application filing date, issue a scoping memorandum within 30 days to establish a proceeding schedule, and issue a proposed decision within 12 months. Provides the CPUC the ability to extend the decision deadline by 6 additional months upon a showing of good cause. (Public Utilities Code § 1701.8)

f) Requires Energy Safety to issue "safety certificates" to electric IOUs if the IOU has an approved wildfire mitigation plan (WMP); is in good standing, as specified; has established a safety committee of its board of directors, as specified; has an executive incentive compensation structure that promotes safety as a priority; has established board-of-director-level reporting to the CPUC and Energy Safety on safety issues; has established specified compensation structures for executives; and is implementing its approved WMP. (Public Utilities Code § 8389)

g) Provides that an electrical corporation, in its application for rate recovery in a catastrophic wildfire hearing, bears the burden to demonstrate, based on a preponderance of the evidence that its conduct was reasonable, unless it has a valid safety certification for the time period in which the covered wildfire that is the subject of the application ignited. Provides, if the electrical corporation has that valid safety certification, the electrical corporation's conduct would be deemed reasonable unless a party to the proceeding creates a serious doubt as to the reasonableness of the electrical corporation's conduct. (Public Utilities Code § 451.1)

Background: Following devastating fires in both northern and southern California in both 2017 and 2018, Governor Newsom convened a Strike Force to report steps the state must take to reduce the incidence and severity of wildfires. In April 2019, the Strike Force report was released and included multiple sections, including a section on responding and preventing wildfires, as well as a section on allocating responsibility for wildfire costs. In relation to allocating responsibility for wildfire costs, the report identified three concepts for allocating responsibility for wildfire costs: a liquidity-only fund coupled with modification of cost recovery standards, adopting a fault-based standard in-lieu of the strict liability standard, and the creation of a catastrophic wildfire fund coupled with a revised cost recovery standard.

On July 12, 2019, Governor Newsom signed AB 1054 (Holden, Chapter 79, Statutes of 2019) and AB 111 (Committee on Budget, Chapter 81, Statutes of 2019). These bills enacted a broad set of reforms and programs related to utility-caused wildfires in California, including establishing the Wildfire Fund – the third option posed in the Strike Force report for allocating wildfire cost responsibilities. AB 1054 established the Wildfire Fund as a mechanism to address third-party damages against an electrical IOUs from wildfires ignited by the utility, the costs of which exceed the greater of $1B or the amount of the insurance coverage required of the electric IOU. The Wildfire Fund would be overseen by an appointed administrator. The Fund would be capitalized, initially, with a loan from the state's Surplus Money Investment Fund (SMIF), requiring a minimum of $2 b of transfers in the 2019-20 fiscal year. The fund establishes a capitalization structure with multiple revenue streams to provide approximately $21 billion in initial claim-paying capacity. The capitalization was split evenly (50:50) between contributions from IOU shareholders and surcharges on IOUs' non-exempt ratepayers.

Ratepayers contribute via the "extension" of an existing Department of Water Resources (DWR) charge that was scheduled to end around 2021. The existing DWR charge is roughly $0.005 per kilowatt hour (kWh) for most customers of all three of the large electrical IOUs, except qualifying low-income customers and customers needing electricity for medical necessity who are exempted. The charge adds roughly a few dollars to the average residential customer monthly utility bill. The DWR charge was adopted as part of the state's efforts to address the energy crisis in 2000-01, resulting in the collection of roughly $12b to cover the costs of electricity purchased on behalf of electric IOU customers (plus interest).

By April 2023, the Wildfire Fund had repaid the SMIF loan. And as of June 30, 2025, the three participating IOUs' shareholders have provided all their initial and 2019-2024 annual financial contributions to the Fund. The IOU contributions total $9.3b to date. This is in addition to the DWR surcharge the Fund began receiving in January 2021. These combined contributions total to $13.5 billion. The Fund can also issue debt – via DWR – if additional capitalization is needed to meet arising need from wildfire claims.

By 2025, only PG&E, as a result of the 2021 Dixie Fire, has met the criteria to draw from the Fund. As of June 30, 2025, the Fund administrator has reimbursed PG&E for approximately $445k in eligible claims arising from the Dixie Fire. PG&E has yet to file its catastrophic wildfire proceeding application at the CPUC to determine ratepayer obligations for repayment to the Fund.

Despite so many of the cost recovery reforms enacted under AB 1054 being untested – such as reimbursement payments back to the Wildfire Fund, the updated prudency standard at the CPUC for wildfire cost recovery, and the outcomes of expeditious catastrophic wildfire proceedings – the cost recovery structure established under AB 1054 – and in particular, the size and durability of the Wildfire Fund – faced enormous uncertainty following the scale of the devastation from the January 2025 wildfires in Los Angeles County. Given the newness of the cost recovery regime matched with the anticipated scale of liabilities from the fires, investor confidence in California IOUs once again began to waiver. This is still before any determination of cause from these fires has concluded.

Faced with these headwinds, and the continued credit ratings downgrades of California's IOUs, the Newsom Administration put forward the proposal in this bill to establish a

Continuation Account of the Fund, as the instability of IOU credit ratings directly impacts customers' access to affordable electric service. As noted by the Public Advocates Office, without the Wildfire Fund, customers could be left solely responsible for paying wildfire liabilities. The Fund establishes a balance of responsibilities from the beginning: equal contributions from both ratepayers and shareholders, with prudency reviews determinative of Fund repayment amounts. The balance – which is preserved in the Continuation Account – is important, as it protects ratepayers from unpredictable wildfire costs while holding shareholders accountable for their share of those costs.

The Newsom Administration has acknowledged the Continuation Account is a stop-gap solution to help stabilize the Fund and assure continued access to wildfire claims capacity. Thus, this bill also includes a report by the Fund administrator, due in early 2026, to evaluate a more comprehensive set of solutions to socialize wildfire costs, protect customer access to insurance, and evaluate utility liability reforms. Finally, the bill includes an interim financing mechanism, discussed in #4 below, to add a secondary backstop should the Wildfire Fund be fully exhausted with the 2025 fire liabilities.

2) PUBLIC FINANCING for TRANSMISSION INFRASTRUCTURE

Summary: Directs the Go-Biz Energy Unit to establish a Transmission Infrastructure Accelerator (Accelerator) to develop financing opportunities for eligible electric transmission projects**.** Low-cost public financing would be provided to eligible recipients by the California Infrastructure and Economic Development Bank (I-Bank); the recipients would then pay it back to the Accelerator Revolving Fund (Revolving Fund), enabling the financing to be used for other transmission projects.

Estimated cost savings: The I-Bank has estimated it can leverage 10x in cheaper private capital; therefore, if all $325 million in Proposition 4 dollars were revolved, it could result in approximately $3 billion to support lower cost financing. This monetary value would expand if AB 1207 (Irwin, 2025) were chaptered, as that measure requires 5% of IOU Cap and Invest auction revenues to be remitted to the Revolving Fund for transmission development. This equates to roughly $100-250 million additional pooled dollars per year for five years, depending on the allowance price. This could total to approximately $13 billion available for infrastructure financing that would otherwise be ratepayer funded.

Major Provisions:

a) Authorizes the I-Bank to provide financial assistance under the Revolving Fund Program to any eligible participating party, either directly or to a lending or financial institution, in connection with the financing or refinancing of an accelerator project, in accordance with the provisions of the bill. Projects eligible for financing must meet specified conditions, including:
   i. Have at least one interconnection point within the CAISO balancing authority;
   ii. The applicant (or its affiliates) have previously completed a transmission project in the state;
   iii. Be a project subject to the competitive solicitation process administered by the CAISO;
   iv. Be a project consistent with the state's reliability and greenhouse gas policy objectives;

v. Reduce its cost recovery requests by the amount of savings achieved through tax credits received under the provisions of the bill;
vi. Commit to requesting a revenue requirement at the Federal Energy Regulatory Commission (FERC) that reflects only its actual capital structure to minimize ratepayer impacts;
vii. Consistency with state policy.

b) Requires the I-Bank to prepare, and the I-Bank board to approve, guidelines for the provision of financial assistance under the Accelerator Revolving Fund Program, and exempts the accelerator financing plan and guidelines to administer the program from the rulemaking provisions of the Administrative Procedure Act.

c) Creates the Revolving Fund in the State Treasury and provides that moneys in the Revolving Fund are available for expenditure for transmission financing, only upon appropriation by the Legislature. Makes the moneys in the fund continuously appropriated, without regard to fiscal year, for the support of eligible entities. Makes an appropriation by continuously appropriating funds.

d) Requires the Energy Unit within Go-Biz to establish the Accelerator to develop a financing and development strategy for eligible transmission projects receiving financing and requires the Accelerator, before December 31, 2026, to coordinate the state's ongoing activities related to transmission planning and development and to ensure accelerator projects meet specified criteria.

e) Requires the accelerator to evaluate the results of the CAISO's transmission planning process, to select which accelerator projects have the opportunity to receive public financing, and to develop a public-private partnership plan to develop financing options that maximize debt financing, among other things.

f) Allows a 20% tax credit for 10 years (January 1, 2026, and before January 1, 2036), for qualified expenditures paid or incurred by the eligible transmission project developer, not to exceed $20 million per developer per taxable year. Prohibits the taxpayer from earning a return on equity for the eligible transmission project for the portion of the project for which the credit is claimed. Requires the I-Bank to inform the Franchise Tax Board of any eligible transmission project that the bank approves for financial assistance and to provide any other information the Franchise Tax Board requires for administration of the credits allowed by this bill.

g) Makes various statutory changes to the authorities of the California Consumer Power and Conservation Financing Authority (CPA) including, authorizing the CPA to sponsor, finance, purchase, lease, own, operate, acquire, or construct new transmission projects, and to seek financing assistance from any entity eligible to access the Revolving Fund. Removes a $5 billion statutory cap on the bonding authority of the CPA, and strikes a January 1, 2007, sunset.

Existing Law:

a) Establishes that U.S. Federal Energy Regulatory Commission (FERC) has exclusive jurisdiction over the transmission of electric energy in interstate commerce. Also establishes the process and procedures for establishing transmission of electric energy in interstate commerce by public utilities, i.e., the rates, terms & conditions of interstate electric transmission by public utilities. (Federal Power Act §§§201, 205, 206 (16 USC 824, 824d, 824e))

b) 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*.)

c) Establishes both the I-Bank and the Energy Unit in the Governor's Office of Business and Economic Development. (Government Code § 63021 and § 12100.110, respectively)

d) Authorizes the I-Bank to issue loans, bonds, and provide financial assistance for various types of projects that qualify as economic development or public development facilities. (Government Code § 63045)

e) Mandates the establishment of a dedicated account within the Climate Catalyst Fund specifically for clean energy transmission projects. Specifies that the initial projects funded should support the development of new transmission lines delivering zero-carbon, firm electricity from resources located in the Salton Sea region to the system operated by the CAISO. (Government Code § 63048.93)

f) Enacts the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024, approved by the voters as Proposition 4 at the November 5, 2024, statewide general election. The act authorized the issuance of bonds in the amount of $10 billion to finance a range of projects that include safe drinking water, wildfire and forest resilience, extreme heat mitigation, biodiversity and nature-based climate solutions, clean energy and clean air programs. Of these funds, the act made $850 million available, upon appropriation by the Legislature, for clean energy projects, including, among other things, by making $325 million available, upon appropriation by the Legislature, to the I-Bank, CEC, or any other entity chosen by the Legislature, upon appropriation by the Legislature, for the public financing of clean energy transmission projects that are necessary to meet the state's clean energy goals to reduce or offset ratepayer costs associated with the public benefits of transmission projects. (Public Resources Code §§ 90000, et seq.)

g) Authorizes the California Consumer Power and Conservation Financing Authority (CPA) to establish, finance, purchase, lease, own, operate, or construct generating facilities and other energy-related projects to supplement California's power supply. (Public Utilities Code §3310)

h) Authorized the CPA to issue bonds up to $5 billion in revenue bonds for energy-related projects. (Public Utilities Code § 3370)

i) Authorized the CPA to incur indebtedness and to issue securities of any kind or class, and to renew the same, provided that all such indebtedness, however evidenced, shall be payable solely from revenues of the authority. (Public Utilities Code § 3371)

j) Prohibits the CPA from approving any new program, enterprise, or project on or after January 1, 2007, unless the authority to approve such an activity is granted by statute enacted on or before January 1, 2007. (Public Utilities Code §3384)

Background: California's electricity rates are among the highest in the country, and are projected to continue to outpace inflation over the next few years. Transmission accounts for approximately 30% of a utility's base revenue, and this share is expected to rise. For instance, the charge customers pay for transmission projects (the Transmission Access Charge, or TAC) is projected to rise by **350%** over the 2024 rate by 2045. The need for innovative and cost-effective approaches to financing transmission infrastructure is becoming increasingly urgent.

Currently, infrastructure services – including electricity, transportation, and telecommunications – are funded through a variety of institutional models involving public entities, private companies, or public-private partnerships. Developing "alternative" financing options for electric transmission through a combination of 1) leveraging low-cost public debt 2) structuring projects under tax-exempt public ownership, and 3) reducing or eliminating the rate of return could generate significant cost savings for ratepayers. Recent research by NetZero California estimates that these approaches could achieve more than 50% in cost savings annually relative to conventional utility financing models.

This legislation establishes an Accelerator in Go-Biz and an Accelerator Fund within the State Treasury to finance critical transmission projects needed to meet California's clean energy goals, while helping to reduce or offset costs that would otherwise be passed on to ratepayers. For administration purposes, the bill also creates the Accelerator Revolving Fund Program, administered by the Accelerator and I-Bank to support the public financing of transmission projects. This measure provides that the Program and the Fund would be available to a range of public sponsors, so long as their project meets specified criteria. Finally, the Accelerator is also more than just a project selector; it is also tasked under this bill with monitoring transmission project development performance and provide project support and facilitation of services to ensure timely and cost-effective transmission project delivery.

Securing low-cost financing for transmission projects often requires customized approaches that account for diverse project risks and structures. Therefore, flexibility is critical because transmission projects are typically large, complex, and capital-intensive, with financing needs that may vary significantly depending on project size, ownership structure, and development timeline. By authorizing the I-Bank to operate either independently or in syndication with other lenders, this bill encourages co-investment from private and public financing entities, broadening the pool of available capital and helping to accelerate the development of transmission infrastructure beyond what state resources alone could support. It also establishes the Accelerator Program as a revolving program, so transmission developers would pay back the Fund from their project revenues, growing the pool available for further transmission development.

This measure also proposes to expand the authority of the California Consumer Power and Conservation Financing Authority (CPA). The CPA was originally established in 2001 in response to the state's energy crisis. Its statutory mandate was to ensure a reliable supply of electricity, promote energy efficiency, and facilitate the development of clean, affordable power generation including to construct, own, and operate electric power facilities, and finance energy conservation projects. However, largely due to unfavorable market conditions, the CPA struggled to have a strong operational role, leading to its de facto dissolution by SB 1222 (Hertzberg, Chapter 842, Statutes of 2016). This bill grants new authority to the CPA to develop transmission infrastructure, removes its bonding authority cap, and strikes its statutory sunset. It does not provide staff to do this work; nor any operational guidance should staff be provided. Rather, the bill requires the Accelerator to develop a public private partnership plan by July 1, 2027, that examines financing options to facilitate public-private partnerships for transmission development, through which the CPA could play some future role.

3) LOWERS CUSTOMER COSTS of IOU FINANCING

Summary: Prohibits the IOUs from earning a profit on the first $6 billion in fire risk mitigation capital expenditures approved after January 1, 2026. Also enables the IOUs to finance specified costs via a financial instrument paid by a fixed charge on customers' electric utility bills (i.e., a securitized debt; or via “securitization”). These costs include the $6 billion in fire risk mitigation capital expenditures excluded from profit, as well as any settled claims from a catastrophic wildfire from January 1, 2025, until this bill’s chaptering, that cannot be paid by the existing Wildfire Fund because the Fund’s assets are exhausted.

Estimated cost savings: The Newsom Administration estimates average monthly electric ratepayer savings from the $6 billion in equity rate base removal and subsequent securitization authorization for that $6 billion expenditure as approximately $1.50 for customers of Pacific Gas & Electric (PG&E), $1.24 for customers of Southern California Edison (SCE), and 30¢ for the customers of San Diego Gas & Electric (SDG&E).

Major Provisions:

a) Requires the CPUC to prohibit a large electrical corporation from including in its equity rate base its share of the first $6 billion expended in aggregate by large electrical corporations on fire risk mitigation capital expenditures approved by the CPUC on or after January 1, 2026, beyond the $5 billion in AB 1054 (Holden, Chapter 79, Statutes of 2019).

b) Specifies that the IOU’s share of the $6 billion as determined by the Wildfire Fund allocation metric of AB 1054.

c) Authorizes an electrical corporation’s share of the fire risk mitigation capital expenditures and the debt financing costs of these fire risk mitigation capital expenditures to be financed through a financing order, as specified. This bill provides that these provisions do not apply to expenditures made after December 31, 2035.

Existing Law:

a) Prohibits a public utility from issuing bonds, or any form of indebtedness at periods of more than 12 months, unless first authorized by the CPUC. (Public Utilities Code § 818)
b) Permits the 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)

c) 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 under collection amounts accrued in 2020. (Public Utilities Code § 850)

d) Specifies the conditions that must be satisfied, as determined by the CPUC, for recovery bonds eligible for securitization. These conditions include that the costs to be recovered in bonds are just and reasonable, the bonds are consistent with the public interest, and the bonds reduce (to the maximum extent possible) the rates consumers would pay compared to traditional financing mechanisms. (Public Utilities Code § 850.1)

e) Authorizes an IOU to request securitization of costs and expenses from 2017 wildfires that were either determined by the CPUC as recoverable from ratepayers or disallowed by the CPUC for rate recovery but in excess of a CPUC determination of the maximum amount the IOU can pay without harming ratepayers or materially impacting its ability to provide service. This CPUC determination was known as the "stress test" or "customer harm threshold." (Public Utilities Code § 451.2)

f) 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)

Background: State law authorizes the CPUC to allow an IOU to "securitize" – that is, to issue a bond or some other type of financial instrument paid by a guaranteed ratepayer charge – for costs that are approved by the CPUC as just and reasonable and related to catastrophic wildfires occurring in either 2017, or in or after 2019. Securitization is a type of debt issuance. Typically, costs of a capital project are paid for by debt. This is because capital costs tend to be expensive and because the benefits provided by the capital project last over the period of time needed to pay off the cost of the debt: the principal, interest, and financing charges. Hardening of facilities is an example of a capital project.

The Legislature has provided the CPUC with statutory authority to issue "financing orders" that commit electric ratepayers to paying fixed charges on their bills to support an electric IOU bond issuance. Once a financing order is issued, electric IOU ratepayers must pay principal, interest, and other costs of the bonds until those bonds are fully paid off (amortized). These fixed charges are assessed on all bundled and unbundled ratepayer bills. Since a financing order is an unavoidable commitment to charge ratepayers for bond costs until the bonds are fully paid off, these bonds generally yield low interest rates in comparison to unsecured bonds.

While wildfire-related operating expenses, such as vegetation management and liability insurance coverage, make up the majority of recent IOU wildfire cost increases, wildfire-related capital expenses are anticipated to grow in time. Capital-related expenses, such as installing covered conductor or undergrounding portions of a distribution system, have a larger cumulative impact 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. The securitization of #2 benefits ratepayers by allowing the IOUs to financing wildfire-related capital projects with lower interest rates than would otherwise be available.

This bill creates a slightly greater ratepayer shield than AB 1054, by removing $6 billion in wildfire capital expenses from an IOU return on equity and authorizing these costs and expenses to be securitized. Given the CPUC has estimated roughly $2 billion in customer savings over the life of IOU capital assets due to the first $5 billion of those wildfire capital assets being excluded from the IOU equity rate base and additional savings were achieved by securitizing those costs, it may be prudent to support this strategy to help alleviate customer costs.

4) EXPEDITED RATEPAYER FINANCING

Summary: Authorizes electric IOUs to securitize costs arising from any settled claims from a catastrophic wildfire from January 1, 2025, until this bill's chaptering that cannot be paid by the existing Wildfire Fund because the Fund's assets are exhausted. Allows the CPUC to authorize a smaller recovery amount than requested by the IOU if the CPUC determines the full amount requested would not be cost effective for ratepayers. Requires the IOUs to credit ratepayers for any disallowed costs and expenses plus interest on the securitized debt if the CPUC subsequently determines those costs or expenses included in the financing were not just and reasonable.

Estimated cost savings: This securitization, if utilized, would increase bills for the ratepayers of the electric IOU seeking the financing. However, the author and administration note the value in this mechanism arises from avoided costs. They note if the Wildfire Fund were exhausted, ratepayers are likely to pay for fire liability regardless. This financing mechanism is expected to allow both direct savings of approximately $125 million annually for the duration of the debt (assuming a 15-year tenor) and indirect savings of approximately $1.3 billion annually by 2035. These are assumed to arise from avoided interest (direct) and avoided revenue requirement increases (indirect) that would only be avoided if the interim securitization were granted.

Existing Law: same as #3

Background: As noted above, state law authorizes the CPUC to allow an IOU to securitize certain costs related to catastrophic wildfires. State law also generally requires the CPUC to find the costs and expenses just and reasonable in order to be eligible for securitization. This just and reasonable determination ensures only prudently incurred and fair costs get financed with long-term debt; otherwise the CPUC risks authorizing financing that locks in ratepayer obligations for bond terms that are legally binding and that carry associated interest costs for payments that are ultimately not the ratepayers' responsibility to bear.

In 2018, following the devastating 2017 fires in the northern Bay Area region (Tubbs, Atlas, Nuns, etc.) and in the southern California counties of Ventura and Santa Barbara (Thomas), the Legislature adopted SB 901 (Dodd, Chapter 626, Statutes of 2018), which allowed for the securitization of both "just and reasonable" and "unjust or unreasonable" costs and expenses arising from the 2017 fires. The bill permitted those "unjust or unreasonable" disallowed costs to be securitized, as long as they were above a CPUC-determined maximum. This maximum was determined by a "Stress Test," or the most an IOU could pay without harming ratepayers or materially impacting the IOU's ability to provide adequate and safe service. This was a historic change in the treatment of these costs, largely promoted as necessary to forestall a cash-strapped Pacific Gas & Electric (PG&E) from filing for bankruptcy.

Despite these efforts, PG&E filed for bankruptcy on January 29, 2019, a few weeks after the effective date of the bill and a few months after the devastating Camp Fire ignited in Butte County. In January 2021, seven months after emerging from bankruptcy, PG&E applied and was authorized (Decision 21-05-015) to issue $7.5 billion in securitized debt. In its application (A. 21-01-004), PG&E stipulated that all of its costs and expenses associated with the 2017 wildfires should be deemed "disallowed" and reviewed for cost recovery and securitization solely pursuant to the Stress Test in SB 901. Given PG&E's recent bankruptcy and outstanding liabilities, the CPUC determined $7.5 billion was above the customer harm threshold established under SB 901. This represented over half of PG&E's fire liability at the time, as they had reached a $13.5 billion settlement with wildfire victims as part of the bankruptcy, covering claims from the 2015 Butte Fire, the 2017 North Bay fires, and the 2018 Camp fire. Because statute only permitted the securitization of disallowed costs for 2017 fires, it could be approximated that all of PG&E's 2017 fire liability was both disallowed and entirely passed on to ratepayers via this mechanism. These are costs that without this change in legal standard would have been paid by shareholders, not ratepayers.

This bill, in the wake of potentially significant liabilities arising from the Eaton Fire in Los Angeles County, takes a different approach. Rather than permanently allowing otherwise disallowed costs to be passed on to ratepayers via securitized debt, this bill *temporarily* allows undetermined (neither allowed nor disallowed) costs to be passed on to ratepayers via securitized debt. While SB 901 changed the standard for what could be recovered by ratepayers (permitting disallowed costs), this bill changes the process for reviewing these costs by waving the up-front CPUC just and reasonable review.

Instead, IOUs are authorized to securitize any costs from 2025 fires that are in excess of costs paid by the Wildfire Fund, if the Fund is depleted. The bill then requires the IOUs to apply for a just and reasonableness review of these costs; and if the CPUC subsequently determines the cost should be disallowed, the IOU shareholders must credit their ratepayers the disallowed costs plus all financing charges and interests accrued from those costs. Because statute directs IOUs to file cost recovery applications only after it has entered binding commitments to pay all, or substantially all, of its third-party damage claims for wildfires (Public Utilities Code § 1701.8), there could be a period of years where IOUs keep wildfire liabilities on their balance sheet without clarity as to who pays. (Even though statute also directs the CPUC to resolve these "catastrophic wildfire proceedings" on an expedited timeline.)

The modification proposed in this bill to the timing of the just and reasonable review would allow for an IOU to access capital during this lag time, without the standard of review changing. While this would increase customer bills for those IOUs who apply and receive this financing, it would still preserve the CPUC's core tenant that ratepayers only pay for just and reasonable costs.

5) PERMIT STREAMLINING for CLEAN ENERGY PROJECTS

Summary: Creates program environmental impact reports for specified projects, and updates the CEC's opt-in permitting program for various clean energy and manufacturing projects established under AB 205 (Committee on Budget, Chapter 61, Statutes of 2022).

Estimated cost savings: None provided. The author does note qualitatively that streamlining permitting lowers development costs; how that materially results in lower ratepayer costs is unknown/unquantified.

Major Provisions:

a) Requires the CEC to prepare a program environmental impact report (EIR) for facilities eligible under the opt-in permitting program, except for manufacturing facilities, if the CEC has received an application under the opt-in program for that type of facility.

b) Extends the date of the CEC's opt-in permitting program by one year, to June 30, 2030.

c) Authorizes the CEC to require certain information to support the preparation of an environmental impact report (EIR), mitigated negative declaration (MND), or negative declaration (ND), and would make related conforming changes.

d) Requires the opt-in permitting application to include evidence that the applicant has sufficient real property rights to the proposed location.

e) Authorizes the CEC's executive director to require applicants to provide missing information before an application can be deemed complete, and requires any follow-up requests for additional information to be made within 45 days, or as soon as practicable, after receiving the applicant's response.

f) Repeals the requirement that the CEC ensure projects conform with public safety standards, air and water quality standards, and other applicable local, regional, state, and federal standards, ordinances, or laws.

g) Repeals the prohibition that the CEC cannot certify facilities that do not conform with applicable state, local, or regional laws unless the CEC determines that the facility is required for public convenience and necessity and that there are not more prudent and feasible means of achieving public convenience and necessity.

h) 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, as part of the AB 205 “Opt-in” certification program.

i) Adds community foundations to the list of community-based organizations an applicant for a facility is required to enter into a legally binding and enforceable agreements.

Existing Law:

a) Requires lead agencies with the principal responsibility for carrying out or approving a proposed project to prepare a negative declaration, mitigated negative declaration, or environmental impact report (EIR) for this action, unless the project is exempt from CEQA. (Public Resources Code §§ 21000 *et seq*.)

b) Grants CEC the exclusive authority to license thermal powerplants 50 megawatts (MW) and larger (including related facilities such as fuel supply lines, water pipelines, and electric transmission lines that tie the plant to the bulk transmission grid). The CEC must consult with specified agencies, but the CEC may override any contrary state or local decision. The CEC process is a certified regulatory program (i.e., the functional equivalent of CEQA), so the CEC is exempt from having to prepare an EIR. (Public Resources Code §§ 25500 *et seq*.).

c) Authorizes, pursuant to AB 205 (Committee on Budget, Chapter 61, Statutes of 2022), additional facilities not subject to the CEC’s thermal powerplant licensing process to “opt-in” to a CEC process for CEQA review until June 30, 2029, in lieu of review by the appropriate local lead agency. These opt-in permitting procedures apply to the following energy-related projects:
   i) A solar photovoltaic or terrestrial wind electrical generating powerplant with a generating capacity of 50 MW or more and any facilities appurtenant thereto;

   ii) An energy storage system capable of storing 200 MW hours or more of electrical energy;

   iii) A stationary electrical generating powerplant using any source of thermal energy, with a generating capacity of 50 MW or more, excluding any powerplant that burns, uses, or relies on fossil or nuclear fuels;

   iv) A project for the manufacture, production, or assembly of an energy storage, wind, or photovoltaic system or component, or specialized products, components, or systems that are integral to renewable energy or energy storage technologies, for which the applicant has certified that a capital investment of at least $250 million will be made over a period of five years; and

   v) An electric transmission line carrying electric power from an eligible solar, wind, thermal, or energy storage facility to a point of junction with any interconnected electrical transmission system.

   vi) Certain publicly-funded, non-fossil hydrogen production facilities.

(Public Resources Code §§25545 *et seq*.)

d) Provides the CEC exclusive power to certify the site and related facilities, and provides that the CEC's approval preempts state, local, or regional authorities, except specified state and local agencies. Requires the CEC to determine whether to certify the EIR and to issue a certificate for the site and related facilities no later than 270 days after the application is deemed complete, or as soon as practicable thereafter. Applies the procedures and requirements applicable to Environmental Leadership Development Projects (ELDPs, Public Resources Code §§ 21178 *et seq*.), including mitigation of greenhouse gas (GHG) emissions, requiring applicants to pay the costs of expedited administrative and judicial review, and requiring the courts to resolve lawsuits within 270 days, to the extent feasible. (Public Resources Code §§ 25545 *et seq*.)

e) Exempts, pursuant to SB 131 (Budget and Fiscal Review Committee, Chapter 24, Statutes of 2025), "advanced manufacturing" facilities, as defined, on sites zoned exclusively for industrial uses, and not located on natural and protected lands, as defined. (Public Resources Code § 21080.69)

Background: The CEC established the opt-in permitting program in 2022 following the passage of AB 205 (Committee on Budget, Chapter 61, Statutes of 2022). Eligible clean energy project and relevant advanced manufacturer developers may "opt-in" to this program in lieu of seeking certain permits at the local government level and in lieu of certain state government issued permits. This new program was designed to serve as a permitting process option for developers, and to serve as a "semi-one stop shop" for local and state project permits.

The primary impetus for the opt in CEC permitting process was solar projects facing delays or moratoria from counties resisting their development, in part due to land use conflicts and in part due to the projects' property tax exemption. After three years, nine projects have applied to the CEC under AB 205, representing 2,805 MW. Five projects are battery storage, three are solar and battery storage, and one is wind. The first AB 205 project was approved in June, 20 months after first applying to the CEC. The first applicant to the process, a wind facility in Shasta County, has not been approved; rather the CEC staff recommended rejecting the project, which had already been rejected by the local lead agency.

Throughout the three years of the program, the CEC and stakeholders have identified a series of inefficiencies and duplicative steps that they note are complicating the process, extending the process timeline, and leading to additional costs on the CEC and developers. This bill represents an effort to make adjustments to the process, for the sake of expediency or clarity.

6) WILDFIRE RISK MITIGATION EFFICIENCIES

Summary: Requires wildfire spending to be assessed in terms of cost-efficiency, among other factors; and revises duties and timing of wildfire mitigation oversight between Energy Safety and the CPUC.

Estimated cost savings: ~$33 -$492 million annually; $0.06-$2.4 per month per average bill [Note: approximate values; bill savings estimated for residential non-CARE customers. Source: author/administration]

Major Provisions:

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, an estimate of the cost-per-avoided ignition for each risk, and certain cost-efficiency measures adopted by the CPUC.

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

d) Requires each electrical corporation to submit a wildfire mitigation plan (WMP) to 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) 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 Energy Safety a revised WMP that conforms to the CPUC's revenue authorization. Requires Energy Safety to approve the revised WMP within two months of submission.

h) 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).

Existing Law:

a) Establishes Energy Safety within the Natural Resources Agency which, as of July 1, 2021, subsumed the Wildfire Safety Division 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)

b) 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)

c) 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)

Background: Over the last five years $16 billion of wildfire mitigation costs have been authorized to be collected from ratepayers, in addition to approximately $11 billion for wildfire insurance premiums and catastrophic event costs. Collectively, these "wildfire-related" costs resulted in over $5 billion per year over the last 5 years, when averaged amongst the three largest IOUs. These wildfire-related costs have amounted to roughly 18% of overall system costs for PG&E, 12% for SCE, and 9% for SDG&E. 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.

This bill would update how the CPUC and Energy Safety regulate utility wildfire mitigation, aiming to improve efficiency, strengthen coordination, and promote utility investments that reduce wildfire risk at the lowest possible cost to ratepayers. It would clarify the agencies' roles – Energy Safety as advisor, auditor, and evaluator; the CPUC as compliance, safety, and cost-recovery regulator – and tie WMPs more closely to utility oversight and the timing of General Rate Cases. The bill also adds a cost-effectiveness requirement for proposed measures, clarifies cost-recovery mechanisms through GRCs, memorandum accounts, and forecast applications, and removes outdated provisions from when Energy Safety was within the CPUC. While framed as improving oversight and accountability, the changes largely adjust process and structure, marking an incremental step in driving improvements in wildfire risk reduction and ratepayer protection.

7) EFFICIENCIES in UNDERGROUND INFRASTRUCTURE PLANNING

Summary: Requires regional notification centers (8-1-1 "call before you dig" centers) to coordinate the exchange of planning and design information for infrastructure projects and requires the operators of the underground infrastructure to participate in the exchange. Requires the California Underground Facilities Safe Excavation Board ("Underground Safety Board") to set standard timelines and procedures for this exchange, as specified.

Estimated cost savings: None provided. The author does note this provision will improve efficiency of planning of undergrounding infrastructure, helping to reduce the high cost of this wildfire risk reduction activity.

Major Provisions:

a) Requires the Underground Safety Board to set standard timelines and procedures, by July 1, 2027, for how excavators share planning and design information of electrical undergrounding projects with operators of subsurface infrastructure in the area to be dug.

b) Requires the regional notification centers to facilitate the information exchange between the excavators and operators.

c) Specifies that notifications are required if the excavator is submitting a volume of concurrent notifications in excess of the capacity of the operators in the area to complete their responsibilities to locate and mark their subsurface infrastructure within the minimum legal excavation start date and time.

d) Prohibits the Underground Safety Board from adopting regulations that restrict the ability of the excavators to submit notifications, including emergency notifications, under standard timelines.

e) Requires regional notification centers to notify California Native American tribes, upon request, of proposed excavations within the geographic area with which the tribe is traditionally and culturally affiliated.

f) Requires the Underground Safety Board to report to the Legislature on developing a website for facilitating these communication efforts.

Existing Law: Establishes the Underground Safety Board within Energy Safety to coordinate education and outreach activities that encourage safe excavation practices, along with developing standards and investigating violations, as specified. (Government Code § 4216.12)

Background: When burying their equipment, electric utilities often don't find out where other underground utilities are located until just two days before excavation starts. As a result, contractors may have to make expensive last-minute changes during construction to avoid unexpected existing facilities, which increases the overall cost of undergrounding projects.

This bill seeks information sharing and efficiency in infrastructure project planning, by requiring the Underground Safety Board to issue regulations to determine timelines and scope for IOUs to share their undergrounding plans with operators of subsurface infrastructure in the area and with tribal governments. The desire is to avoid overwhelming operators (sometimes small water utilities or other municipalities) with a large volume of requests to locate and mark, with only two days' notice. This has been a recommendation of the Underground Safety Board in their annual reports, and – most recently – in the CPUC's response to Governor Newsom's Executive Order N-5-24.

8) OVERSIGHT of IOU PROFIT and ENERGIZATION PROJECTS

Summary: Requires a number of increased transparency and accountability measures to be implemented by the CPUC on IOUs. This includes additional reports regarding existing electrical infrastructure, consideration of new executive compensation incentives, additional penalties, and the implementation of an independent third-party auditor of IOU business practices and procedures related to customer energization.

Estimated cost savings: None provided. The author does note that increased transparency measures could lead to greater scrutiny of IOU spending, resulting in less ratepayer costs.

Major Provisions:

a) Requires the CPUC to include in an existing annual report additional information on the transmission assets, distribution assets, and generation assets of each large electrical corporation, including information on the amount or ratebase for those assets with 10 years of historical values and the total amount for return on equity and debt collected in the revenue requirement for those assets.

b) Requires the CPUC to evaluate and report to the Legislature on or before January 1, 2027, whether to require an electrical corporation to have an executive incentive compensation structure that includes incentive compensation based on meeting the energization project targets for all executive officers.

c) Requires, on or before January 1, 2027, the CPUC to establish an enforcement policy for the energization targets that include penalties for not complying with the remedial actions, as specified.

d) Requires the CPUC to require each electrical corporation to retain an independent third-party auditor to review the electrical corporation's business practices and procedures for energizing new customers and how the electrical corporation is planning for demand growth, including new customer energizations.

e) Requires the third-party auditor to review specified factors and to evaluate the electrical corporation's current and future energization performance and make recommendations as to whether the electrical corporation is adequately meeting and anticipating customer demand, adequately training and retaining an adequate workforce, and is funded at sufficient levels to meet forecasted demand growth.

f) Requires the third-party auditor to report to the CPUC on a biannual basis, as specified. Authorizes the CPUC to require an electrical corporation to take remedial actions necessary to address deficiencies identified in the report provided by the third-party auditor or to achieve the above-described targets. Repeals these provisions on January 1, 2032.

FISCAL EFFECTS: According to the Assembly Committee on Appropriations, this bill will result in significant, ongoing costs for several state agencies, including the Department of Finance, CEC, and the CPUC. These various costs are estimated to total into the tens of millions annually.

Recent amendments to the bill removed requirements for some agencies – for instance the requirements on the State Auditor were struck – while significantly increasing the requirements on the CPUC, Go-Biz, and the Wildfire Fund administrator. The committee is uncertain of the fiscal impact of these changes.

COMMENTS:

Traditionally, the rates charged by California's electric IOUs have been higher than the average rates charged by electric utilities nationally; this trend has only grown in recent years. 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 mechanism to finance transmission projects with more public debt; stabilizing utility wildfire liabilities; and modifying and clarifying the roles between the CPUC and Energy Safety in authorizing electrical corporations' wildfire mitigation plan 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 2025, response to Governor Newsom's Executive Order N-5-24.

As stated by 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 also strengthen and extends the Wildfire Fund, which insures utilities from wildfire losses caused by their equipment, with new capital funded equally by both ratepayers and utility shareholders. Reducing bankruptcy risk from wildfires will lower utility financing costs for grid infrastructure and ultimately save ratepayers money. Finally, the bill strengthens requirements to make sure utilities provide timely service to support demand growth so that utility inaction doesn't hold back new housing, EV charging, and other economic growth. There is no silver bullet that can immediately lower electricity bills, but collectively these provisions, once fully implemented, will hold utilities accountable and reduce the cost to ratepayers by billions of dollars annually.”

Need for Amendments. Given its broad scope and complexity, this legislation may be vulnerable to drafting issues or inconsistencies that the Legislature should consider for future action. Some of those issues identified to date include:

1) Provisions of the CEC’s opt-in permitting authority that removed requirements on the CEC to ensure projects conform with safety, air and water quality standards; and if the projects do not conform, that the CEC must make findings before certifying the facility that the facility is required for public necessity and more prudent options were unavailable or unknown.
2) The allocation of the $6 billion wildfire mitigation exclusion from an IOU’s equity rate base (profit) references the Wildfire Fund metric for the existing fund, not the Continuation Account. The difference is significantly material for PG&E and SCE shareholders who would split this profit exclusion equally under the Continuation Account allocation but not the existing Fund’s, as follows:
    a. PG&E: 64.2% (Wildfire Fund) vs. 47.85% (Continuation Account)
    b. SCE: 31.5% vs. 47.85%

   c. SDG&E: *unchanged*

3) Provisions related to the transmission accelerator lack any labor standards that eligible project applicants must demonstrate. This is a departure from earlier transmission financing measures this session which had specific requirements for project developers that they must select for construction (or select for any contracted-out maintenance) contractors that have experience with transmission projects within the prior

REGISTERED SUPPORT / OPPOSITION:

Arguments in Support

A coalition of organizations – including The Utility Reform Network, Natural Resources Defense Council, California Environmental Voters, the Union of Concerned Scientists, and others – emphasizes that California is facing an electricity affordability crisis. They note over the past decade, PG&E's rates have more than doubled (up 104%), SCE's rates have risen 83%, and SDG&E's bills have increased 71%, stating: "Without legislative action, electricity bills will continue climbing, placing even greater financial strain on low-and middle-income families." They note "SB 254 adopts key measures to reduce electricity bills: public financing of transmission, securitization, and cost effective wildfire mitigation."

This bill also establishes a new mechanism to replenish the state's Wildfire Fund, which could be fully depleted by claims from the 2025 Eaton Fire. Support for replenishing the Fund has also been expressed by many wildfire survivors from Southern California who lost homes and property in the Eaton Fire, as well as labor organizations, utilities, the Professional Firefighters, and the California Chamber of Commerce, among others.

Arguments in Opposition

Given the scope of the bill, many organizations are opposed to subsets of the legislation; and may even be supportive or neutral of other provisions. A local government coalition – composed of the California State Association of Counties, League of California Cities, and Rural County Representatives of California – are opposed to the provisions related to the CEC's opt-in permitting program, specifically the repeal of certain protective provisions as detailed above. The Utility Wildfire Survivor coalition, representing survivors of the Northern Californian wildfires that predate the Fund, oppose the bill and note that the Fund extension in this measure "unjustly and inequitably excludes 2015-2018 PG&E fire victims who still await full compensation for their losses." Whereas Underground Service Alert of Southern California raises concern "solely related to Section 2" which they note "poses significant operational problems for DigAlert."

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