

## SENATE THIRD READING

SB 254 (Becker, et al.)

As Amended September 10, 2025

2/3 vote. Urgency

**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.

**Major Provisions**

- 1) Continuation of the IOU Wildfire Fund – 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.
- 2) Public Financing for Transmission Infrastructure – 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.
- 3) Lowers Customer Costs of IOU Financing – 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.

- 4) Expedited Ratepayer Financing – 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.
- 5) Permit Streamlining for Clean Energy Project – 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).
- 6) Wildfire Risk Mitigation Efficiencies – 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.
- 7) Efficiencies in Underground Infrastructure Planning – 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.
- 8) Oversight of IOU Profit and Energization Projects – 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.

## 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.

*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 10 years.

### **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 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."

### **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."

## **FISCAL COMMENTS**

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.

**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

**ASM UTILITIES AND ENERGY: 16-0-2**

**YES:** Petrie-Norris, Patterson, Boerner, Calderon, Chen, Davies, Mark González, Harabedian, Hart, Irwin, Kalra, Papan, Rogers, Schultz, Ta, Wallis

**ABS, ABST OR NV:** Schiavo, Zbur

**UPDATED**

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