
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

SB 905 (Becker) - Electricity

Version: March 17, 2026

Urgency: No

Hearing Date: May 4, 2026

Policy Vote: E., U. & C. 13 - 2

Mandate: Yes

Consultant: Ashley Ames

Bill Summary: This bill would implement several policies to address electricity utility bill affordability, including the establishment of a fund for the purposes of using non-ratepayer funds to reduce costs on electricity bills, requiring evaluation of alternative financing for electrical corporation infrastructure projects, and requiring performance metrics for electrical corporations.

Fiscal Impact:

- The POWER program would, upon an appropriation, reimburse electric utilities for expenditures driven by public policy goals providing a benefit to the general public. The costs of to provide these reimbursements is unknown, but they could be very significant. Eligible expenditures could easily be in the hundreds of millions, or maybe even billions, of dollars annually (General Fund, Greenhouse Gas Reduction Fund [GGRF], or other fund source).
- The California Energy Commission (CEC) estimates that the scope of work to implement the POWER program as iterated in this bill would require up to \$6.1 million annually to cover seven positions and contract support. The CEC notes that this amount does not include the review and approval of publicly owned utility (POU) reimbursement requests or enforcement actions of utilities to ensure compliance with statute and guidelines. The CEC estimates that work would require an additional five to six positions.
- The California Public Utilities Commission (CPUC) estimates ongoing costs of \$2 to \$5 million annually (ratepayer funds) to implement the provisions of this bill and address the workload described below in the staff comments.
- To the extent that this bill impacts electricity rates, it could result in costs or savings to the state as an electric utility ratepayer. The State of California is an electricity customer, purchasing roughly one percent of the state's electricity. As such, the state incurs costs when rates increase, and realizes cost savings if rates go down (various funds).

Background: SB 254 (Becker, Chapter 119, Statutes of 2025) included several provisions to address electric utility bill affordability. As electricity rates, and consequently utility bills, have risen and trend above inflation, there is a continued desire for opportunities to reduce utility bills. Last year, in response to an executive order by the Governor, the CPUC and CEC, presented their recommendations for opportunities to reduce costs on electricity utility bills at the Senate Energy, Utilities, and Communications Committee hearing also focused on affordability. Additionally, both at the hearing and during the legislative session there were many proposals considered, including those that culminated into a negotiated agreement in the waning days of the

legislative session by the Governor, Assembly leadership and Senate leadership which are reflected in the passage of SB 254 (Becker, 2025). Among the myriad of policies in the bill are several to address utility wildfire mitigation costs by requiring a cost-efficiency framework to more judiciously consider costs shouldered by utility customers, limitations on the ability of electric investor-owned utilities (IOUs) to earn a profit on an additional \$6 billion of wildfire mitigation (adding to the \$5 billion of expenses included in AB 1054 (Holden, Chapter 79, Statutes of 2019) that were also prohibited from a return on equity), as well as, opportunities for public financing and securitization of transmission projects. Additionally, the bill removed a requirement that IOUs utilize mechanisms (memorandum accounts) to recover wildfire mitigation costs. Instead, the bill defers to the CPUC to determine their necessity thereby allowing these costs to be folded into the broader budgeting document of the IOU, the General Rate Case.

Proposed Law: This bill would implement several policies to address electricity utility bill affordability. Specifically, it would:

1. Require the CEC, in consultation with the CPUC, to develop and implement the Policy-Oriented and Wildfire Electric Reimbursement (POWER) Program to reduce the costs to ratepayers by providing reimbursement to electrical corporations and local electric publicly owned utilities (POUs) for expenditures driven by public policy goals that provide a benefit to the general public, as provided. Establish the POWER Fund in the State Treasury and require that moneys in the fund, upon appropriation by the Legislature, be expended by the CEC for the purpose of the program.
 - a. Require the CEC, when developing and implementing the POWER Program, to do specified things, including establish guidance and criteria for allocating reimbursements from the fund that require, among other things, that the proportion of any expenditures by an electrical corporation that are reimbursed pursuant to the POWER Program are excluded from the electrical corporation's rate base and any asset funded by those reimbursed expenditures be funded without a return on equity, as provided.
 - b. Require the CEC to annually report to the Legislature actual utility bill impacts in order to ensure the POWER Program is helping to reduce electricity costs for ratepayers.
 - c. Prohibit the CEC from using more than three percent of the moneys appropriated for the program or \$5 million, whichever is less, for administrative and overhead costs each year.
2. Require the CPUC, for each electrical corporation, to assign a reduced return on equity (ROE), as a reduction applied each year to the then current authorized rate of ROE, for specified types of capital costs included in the electrical corporation's rate base, specifically:
 - a. Capital costs recovered through a balancing account.
 - b. Capital costs exempted from a reasonableness review.
 - c. Capital costs relating to undergrounding of the electrical system.

3. Require the CPUC, on or before January 1, 2028, to initiate a proceeding to investigate, develop, and adopt a framework for performance-based metrics for large electrical corporations, as provided. Authorize the CPUC to establish targets for each of the performance metrics developed in the proceeding and to assess the performance of the electrical corporation against the performance metrics and any targets during a general rate case, as specified. Require the CPUC, on or before January 1, 2028, to require each large electrical corporation to have an incentive compensation structure for certain employees for which a minimum of 20% of their total compensation each year is contingent on the average cost of electricity, as specified.
4. Require the CPUC to initiate a rulemaking proceeding to evaluate opportunities for alternative methods of financing capital investments in electrical distribution, electrical generation, and electrical transmission that reduce costs for ratepayers, as specified. As part of the rulemaking, this bill would require the CPUC to require each electrical corporation to annually submit a report identifying all opportunities for alternative financing of electrical distribution, electrical generation, and electrical transmission costs. Require the CPUC, on or before December 31, 2028, to submit a report to the Legislature outlining any findings and recommendations resulting from the rulemaking.
5. Require the CPUC to require each large electrical corporation to make data available to the public that quantifies the potential for increased utilization of segments of its electrical distribution grid by reducing peak load, as specified.

Related Legislation:

SB 1233 (Allen) of 2026, would require specific actions related to cost of capital for electrical and gas corporation rate changes.

SB 1098 (Perez) of 2026, would require policies to limit the use of memorandum and balancing accounts by IOUs.

SB 254 (Becker, Chapter 119, Statutes of 2025), among its many provisions to address electric IOU affordability, provides for alternative financing for transmission projects and in an earlier version included the concept of the POWER fund.

SB 1020 (Laird, Chapter 361, Statutes of 2020), in an earlier version, included the concept of the POWER fund.

Staff Comments:

New workload for the CPUC. This bill would require the CPUC to reduce return-on-equity for specified capital costs, initiate a proceeding to investigate, develop, and adopt a framework for performance-based metrics for large IOUs, and have an incentive compensation structure for specified employees by January 1, 2028. The CPUC would also be required to initiate an Order Instituting Rulemaking (OIR) to evaluate opportunities for alternative methods of financing capital investments to reduce costs for ratepayers. As part of the OIR, IOUs would be required to submit annual reports to the CPUC identifying all opportunities for alternative financing of electrical distribution,

generation, and transmission costs. The CPUC would be required to submit a legislative report outlining findings from the rulemaking by December 31, 2028. This bill would also expand data the IOUs are required to make publicly available to include data that quantifies the potential for increased utilization of segments of its distribution grid by reducing peak load. Finally, this bill would establish the Policy-Oriented and Wildfire Electric Reimbursement (POWER) program to be developed and implemented by CEC in consultation with the CPUC. The intention of the POWER program would be to reduce costs to ratepayers by providing reimbursement to IOUs and POUs for expenditures driven by public policy goals. The POWER program would be funded by legislative appropriation.

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