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THIRD READING

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Bill No: SB 905  
Author: Becker (D)  
Amended: 5/14/26  
Vote: 21

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SENATE ENERGY, U. & C. COMMITTEE: 13-2, 4/21/26

AYES: Allen, Archuleta, Arreguín, Becker, Caballero, Gonzalez, Hurtado,  
McNerney, Reyes, Richardson, Rubio, Stern, Wahab

NOES: Dahle, Strickland

NO VOTE RECORDED: Ochoa Bogh, Grove

SENATE APPROPRIATIONS COMMITTEE: 5-2, 5/14/26

AYES: Cervantes, Cabaldon, Grayson, Richardson, Wahab

NOES: Seyarto, Dahle

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**SUBJECT:** Electricity

**SOURCE:** The Utility Reform Network

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**DIGEST:** This bill proposes several policies to address electricity utility bill affordability. These include requiring an evaluation of alternative financing for electrical corporation infrastructure projects; requiring executive compensation to consider average electricity utility bill affordability, and requiring performance metrics for electrical corporations.

**ANALYSIS:**

Existing law:

- 1) Establishes and vests the California Public Utilities Commission (CPUC) with regulatory authority over public utilities, including electrical corporations. (Article XII of the California Constitution)

- 2) Authorizes the CPUC to fix the rates and charges for public utilities and requires that those rates and charges be just and reasonable. (Public Utilities Code §451)
- 3) Prohibits a public utility from changing a rate or altering a classification, contract, practice, or rule that would result in a new rate, except upon a showing before the CPUC and a finding by the CPUC that the new rate is justified and the public utility notifying its customers of the rate change. (Public Utilities §454)
- 4) Establishes it is the policy of the state that each electrical corporation continue to operate its electrical distribution grid in its service territory and to do so in a safe, reliable, efficient, and cost-effective manner. (Public Utilities Code §399.2)
- 5) Establishes the Powering Up Californians Act and requires the CPUC to determine the criteria for timely service for electrical customers to be energized, including categories of timely electric service through energization, as specified. (Public Utilities Code §930 et seq.)
- 6) Establishes the policy of the state that each electrical corporation promptly energize new customers, including by ensuring that new housing, new businesses, new electric equipment in buildings, and new charging for light-duty, medium-duty, and heavy-duty vehicles and off-road vehicles, vessels, trains, and equipment can be used without delay caused by a failure of the electrical corporation to implement energization projects. (Public Utilities Code §933)
- 7) Requires the CPUC, by September 30, 2024, to establish reasonable average and maximum target energization time periods. Requires the targets ensure that work is completed in a manner that minimizes delay in meeting the date requested by the customer to the greatest extent possible. Requires procedures for customers to report energization delays to the CPUC and for electrical corporations to annually report on their performance. (Public Utilities Code §934)

This bill:

- 1) Requires 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.
- 2) Requires 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. Authorizes 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.
  - 3) Requires 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) Requires 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. Requires 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. Requires 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) Requires 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.

## **Background**

*Cost of Capital proceeding.* Separate from the general rate case (GRC), but informing the GRC, is the cost of capital proceeding at the CPUC. An investor-owned utilities' (IOUs') rate of return, or cost of capital, is the weighted average cost of debt, preferred equity, and common stock the IOU has issued to finance its capital investments. Cost of debt is determined by weighted average interest rates

on long-term debt issuances. The cost of common stock, expressed as the ROE, represents the financial return to shareholders that invest in common stock and is expressed as a percentage. The CPUC says it “attempts to set the authorized ROE at a level that is adequate to enable the IOU to attract investors to finance the replacement and expansion of its facilities so it can fulfill its public utility service obligation.” The CPUC determines the ROE through the cost of capital proceeding which they undergo every three years to examine various financial models and estimate market returns on investments for other companies with similar levels of risk.

*Energization target time periods.* SB 410 (Becker, Chapter 394, Statutes of 2023), the Powering Up Californians Act, required the CPUC to establish by September 30, 2024, reasonable average and maximum target energization time periods in order to connect new customers and upgrade the service of existing customers to the electrical grid. The bill also required reporting by electrical corporations and authorized specified annual cost-recovery, subject to a cap. AB 50 (Wood, Chapter 317, Statutes of 2023) required the CPUC to determine the criteria for timely service for electric customers to be energized. In CPUC proceeding (R. 24-01-018) the CPUC adopted a decision in September 2024 (D. 24-09-020) which established timelines for energization requests and a procedure for customers to report energization delays to the CPUC.

## Comments

*Need for this bill.* According to the author:

We are already facing a real affordability crisis from high electricity bills, and high utility spending is continuing to push rates up. The Public Advocates Office has warned, for example, that Pacific Gas and Electric’s (PG&E’s) current cost recovery requests would raise rates by another 30% by 2030. This cannot go on. We need to continue to look for ways to reduce costs and align utility incentives with providing safe, clean, and reliable power at the lowest cost.

*This bill continues with efforts to address electric utility bill affordability.* SB 905 includes the following major provisions to reduce costs for consumers:

- *Reducing utility profits on lower-risk investments.* This bill directs regulators to consider lower authorized returns for certain categories of investments that reduce risk for utility shareholders. For example, this bill suggests that

undergrounding power lines can significantly reduce wildfire liability exposure for utilities while also improving system safety for customers. Since these investments benefit shareholders, they should require a lower profit margin, saving ratepayers money.

- *Aligning executive compensation with cost control.* This bill requires electric IOUs to link a portion (at least 20%) of executive compensation to keeping electricity rates from rising faster than inflation over a rolling three-year period. By linking compensation to rates, this bill intends to encourage leadership decisions that prioritize cost discipline and responsible system management.
- *Strengthening performance accountability.* SB 905 directs the CPUC to establish clear performance metrics for utilities, including reliability, system utilization, greenhouse gas reductions, and the speed of connecting new customers and clean energy resources. This intends to make clear the expectations for good performance and hold electrical corporations accountable for delivering safe, reliable, clean, and affordable power. Notably, it does not allow the CPUC to link any financial bonuses or penalties to these performance metrics, thereby attempting to askew any of the perverse incentives from past experiences with performance-based ratemaking.
- *Maximizing use of existing grid infrastructure.* This bill requires new reporting on how effective utilities are using existing grid capacity, particularly during off-peak periods. The author intends to improve utilization of infrastructure that ratepayers have already funded in order to reduce the need for expensive new electrical grid infrastructure investments.
- *Exploring lower-cost financing options.* Lastly, this bill directs the CPUC to evaluate alternative financing approaches for electric infrastructure investments – including options that could reduce borrowing costs and lower long-term costs for customers. This builds off efforts in SB 254 (Becker, Chapter 119, Statutes of 2025) which authorized alternative financing for transmission infrastructure projects.

*Opponents raise concerns.* Though stating support for efforts to address affordability and reduce electric utility costs, the utilities opposed to this bill raise concerns about the limitations on executive compensation, performance metrics, alternative financing, and overall undermining of existing regulatory framework

and concerns about creating unintended consequences. PG&E and Southern California Edison (SCE) raise concerns about the performance metrics and the limitations on the ROE. They contend that the CPUC establishes the ROE through an open process that considers risk, system value, and the complex issues associated with an adequate ROE.

PG&E further raises concerns that asset utilization is not a customer-focused measure of affordability, and they contend such a focus risks slowing the progress made with AB 50 (Wood, 2023) and SB 410 (Becker, 2023) towards accelerating customer energization. They emphasize that electric distribution systems must be planned to enable customers – from households to businesses – to electrify and connect to the electric system in a timely fashion. They state higher measured utilization often reflects a constrained grid that can impede new connections rather than reduce costs. As such, PG&E states that framing affordability around grid utilization risks creating perverse incentives to defer or undersize infrastructure. Rather, PG&E suggests SB 905 could be amended to focus on reporting of utilization data for analytical and informational purposes – without targets, thresholds, or enforcement mechanisms – it could support transparency while preserving proactive planning, accelerated customer energization, equitable service, and affordability driven by broad-based load growth. Electric IOUs raise overall concerns that this bill does not address primary drivers of rising utility costs, including wildfire mitigation and net energy metering tariffs that compensate customers for the electricity sent back to the grid from their mostly solar rooftop systems.

### **Prior/Related Legislation**

SB 1233 (Allen) of 2026, requires specific actions related to cost of capital for electrical and gas corporation rate changes. The bill is pending in the Senate.

SB 1098 (Perez) of 2026, requires policies to limit the use of memorandum and balancing accounts by IOUs. The bill is pending in the Senate.

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.

**FISCAL EFFECT:** Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Senate Appropriations Committee:

- Ongoing costs, possibly in the high hundreds of thousands or low millions of dollars annually (ratepayer funds) for the California Public Utilities Commission (CPUC) to (1) reduce return-on-equity for specified capital costs, (2) initiate a proceeding to investigate, develop, and adopt a framework for performance-based metrics for large investor owned utilities, (3) have an incentive compensation structure for specified employees, (6) initiate an Order Instituting Rulemaking to evaluate opportunities for alternative methods of financing capital investments to reduce costs for ratepayers, and (7) submit a legislative report, among other things.
- 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).

**SUPPORT:** (Verified 5/14/26)

The Utility Reform Network (Source)  
350 Humboldt: Grass Roots Climate Action  
California Environmental Voters  
California Large Energy Consumers Association  
California Solar & Storage Association  
Climate Action California  
Climate Action Campaign  
Climate Future California  
Deploy Action  
Local Government Climate Alliance  
Sonoma Clean Power

**OPPOSITION:** (Verified 5/14/26)

California Chamber of Commerce  
North American Wood Pole Council  
Pacific Gas and Electric Company  
Southern California Edison  
Treated Wood Council  
Utility Wildfire Survivor Coalition  
Western Wood Preservers Institute

**ARGUMENTS IN SUPPORT:** The Utility Reform Network, the sponsor of the bill, states:

This bill contains a series of accountability and cost reduction measures designed to improve the performance of investor-owned electric utilities, lower customer rates, and establish more robust regulatory oversight at the CPUC. Given the affordability challenges facing customers, the reforms in this bill are essential and timely. TURN appreciates the bold approach taken by SB 905 to address several root causes of the current affordability crisis including out-of-control IOU spending, the high cost of private capital, and the growing burden of wildfire mitigation and policy costs. Developing new types of metrics, targets and incentives related to IOU operations has the potential to align shareholder and ratepayer goals in support of affordability.

**ARGUMENTS IN OPPOSITION:** According to Southern California Edison:

The establishment of a performance-based ratemaking framework exposes utilities to downside risk without providing any corresponding upside or meaningful regulatory clarity. ...This would create an asymmetrical, unnecessarily rigid, and potentially incoherent accountability regime that could undermine IOUs' ability to balance affordability with prioritizing the most important safety and reliability needs of their customers. ...Conditioning executive compensation on limiting increases in the "average cost of electricity" to Social Security cost-of-living adjustments is fundamentally flawed and inconsistent with cost-of-service ratemaking. Executive compensation is an operating expense inherent in providing service to customers; it should be recoverable so long as the utility's overall total compensation is consistent with market levels, in accordance with cost-of-service ratemaking principles.

Prepared by: Nidia Bautista / E., U. & C. / (916) 651-4107  
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