Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 905 (Becker) – As Amended June 29, 2026

Policy Committee: Utilities and Energy Vote: 12 - 4

Urgency: No State Mandated Local Program: Yes Reimbursable: No

SUMMARY:

This bill includes a variety of measures to alter laws regarding regulation of electrical corporation performance, compensation and financial management.

Specifically, this bill, among other things:

1) Regarding performance-based metrics:

   a) Directs the California Public Utilities Commission (CPUC), by January 1, 2028, to initiate a proceeding to investigate, develop and adopt a framework for performance-based metrics for large electrical corporations (also known as large electrical investor-owned utilities, or IOUs).

   b) Authorizes the CPUC to establish targets for certain performance-based metrics and to assess the performance of large electrical IOUs against the metrics and targets but explicitly prohibits the CPUC from conditioning any financial incentives to the large electrical IOUs on achievement of the targets.

   c) Directs the CPUC to create a public dashboard on its website that provides, for each large electrical IOU, public information on each performance metric and any targets established by the CPUC.

   d) Requires the CPUC, by January 1, 2030, to initiate a proceeding to evaluate the results of the performance-based metrics framework, including whether to recommend statutory changes to authorize financial incentives and penalties related to performance-based metrics, and to recommend to the policy committees of the Legislature needed statutory changes.

2) Directs the CPUC to require each large electrical IOU to make data publicly available that quantifies the potential for increased utilization of segments of the IOU's distribution grid.

3) Directs the CPUC, by January 1, 2028, to require each large electrical IOU to have an incentive compensation structure for certain executive-level employees that ties at least 20% of such an employee's compensation to the adjusted average cost of electricity to the IOU's customers.

4) Requires the CPUC to consider, for each electrical IOU, assigning a reduced return on equity for (a) capital costs recovered through a balancing account or a memorandum account, (b)

capital costs exempted from a reasonableness review and (c) capital costs relating to undergrounding of the electrical system.

5) Requires the CPUC to initiate a rulemaking proceeding to evaluate opportunities for alternative methods of financing certain capital investments, and to assign to each electrical IOU categories of alternative financing to evaluate and report on, and directs the CPUC to report its findings and recommendations to the Legislature by December 31, 2028.

FISCAL EFFECT:

This bill will require significant new analytical, legal and administrative efforts—and corresponding resources—of the CPUC. For its part, the CPUC estimates the dollar amount of these resources at $5.8 million (Public Utilities Commission Utilities Reimbursement Account) and attributes the bulk of the workload to the bill's requirement that the CPUC develop a capacity utilization metric and consider establishing a target for each IOU to increase its average distribution grid capacity utilization, as measured by the metric. The CPUC attributes these costs, as follows:

- **Administrative Law—$1 million annually.** Four administrative law judges ($257,000 each): two to preside over a new proceeding to consider applying a reduction to return on equity for certain capital costs; one on a three-year limited-term basis to preside over a proceeding to investigate, develop and adopt a framework for performance-based metrics and a proceeding to evaluate alternative methods of financing capital investments; and one on a two-year limited-term basis to preside over a proceeding to develop an incentive compensation structure for certain IOU employees compensated through rates.

- **Energy Division—$874,000 annually.** Four positions—three regulatory analysts ($218,000 each) to, among other things, support a new rulemaking to evaluate opportunities for alternative methods of financing capital investments in electrical distribution, electrical generation and electrical transmission to determine whether they reduce costs for ratepayer, and one utilities engineer ($220,000) to support the development and adoption of utility performance-based metrics.

- **Safety Policy/Enforcement—$474,000 annually.** Two positions—a safety policy regulatory analyst ($218,000) to advise decisionmakers on establishing and implementing the required performance-based metrics and a safety policy utilities engineer ($256,000) to, among other things, analyze wildfire-related risks and risk reduction across numerous programs and utility filings.

- **Legal Division—$278,000 annually.** One attorney to advice staff and decision makers and represent the CPUC in legal challenges.

- **Information Technology—$160,000 annually.** An IT associate to support public meetings, workshops and proceedings.

- **External Consulting—$3 million, total, over implementation period.** External contractors to help draft and review financing orders, prepare public dashboard on CPUC website and prepare reports.

COMMENTS:

The author intends this bill to require a variety of mechanisms, including performance measures and standards, with the goal of reducing IOU costs, which, ultimately, are borne by ratepayers. 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… Fundamentally, we have an incentive problem with the utilities. Utilities earn bigger profits, and utility executives earn bigger bonuses, by spending more money. We shouldn't reward utilities for increasing our energy bills. This bill changes that…The utilities have said a lot about how they are trying to keep rates down; this bill just makes sure they are really incented to do that.

An electric IOU rate is the price a customer of an electric IOU pays for each kilowatt of electricity consumed. In short, electric IOU rate increases over the past decade have far outpaced inflation over that same period, as have customer bills. For example, the residential average rates of the state's three largest electric IOUs—Pacific Gas and Electric (PG&E), Southern California Edison (SCE) and San Diego Gas and Electric (SDG&E)—increased over the last ten years by 69%, 101% and 98%, respectively. The rate of inflation for that same period, as measured by the Consumer Price Index, was 39%.

According to the CPUC, as stated in its latest "Senate Bill 695 Report," the three primary drivers of these rate increases are wildfire-related expenses, rooftop solar incentives and higher investments in distribution infrastructure. Nonetheless, this bill takes aim not at those categories of costs. Rather, the author targets what the author sees as incentives that encourage IOU executives to pursue profits, which result from higher amounts of IOU spending. According to the author:

> Fundamentally, we have an incentive problem with the utilities. Utilities earn bigger profits, and utility executives earn bigger bonuses, by spending more money. We shouldn't reward utilities for increasing our energy bills. This bill changes that. It will focus utilities on spending money better, not spending more money. The bill ties executive pay to keeping rates down, sets performance standards so we can grade how good a job the utilities are doing, and makes sure we're getting the most out of the grid we've already paid for before spending more to expand the grid. It also looks at ways to reduce excessive profits and lower financing costs so that we're not overcharging consumers for the investments that really are necessary. The utilities have said a lot about how they are trying to keep rates down; this bill just makes sure they are really incented to do that.

The bill is supported by a long list of proponents, including community organizations, environmental advocates, business interests and The Utility Reform Network (TURN), which describes the bill as a "bold approach" to address "several root causes of the current affordability crisis including excessive IOU spending, the high cost of private capital, and the growing burden of wildfire mitigation and policy costs."

The bill is opposed by the California Chamber of Commerce, which warns, "Imposing external benchmarks unrelated to underlying cost drivers risks incentivizing underinvestment in critical infrastructure and safety measures" and that "this could degrade reliability and increase the likelihood of more costly system failures."

The IOUs, too, oppose the bill. For example, SCE argues the bill "risks undermining the stability and predictability needed to deliver safe, reliable, and affordable electric service." PG&E, while making arguments similar to SCE, asserts the bill, among other things:

> would distort existing incentive structures that are designed to prioritize safety, reliability, financial stability, and California's clean energy transition, while reaching into compensation components not typically funded by customers. This approach would disrupt the CPUC's established ratemaking balance and create a significant market outlier, impairing the ability to attract and retain the experienced leadership necessary to serve customers effectively.

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