SENATE THIRD READING
SB 905 (Becker)
As Amended August 17, 2026
Majority vote

SUMMARY

Makes several changes to existing law governing electrical corporation performance, cost accountability, and grid utilization, with a particular focus on requiring the California Public Utilities Commission (CPUC) to consider reducing returns on equity (ROE) for certain capital costs and improving grid data transparency.

Major Provisions

1) Requires the CPUC, for each electrical corporation, to consider assigning a reduced ROE for specified categories of capital costs in rate base – costs recovered through a balancing or memorandum account, costs exempted from reasonableness review, and undergrounding costs – based on specified factors, and requires a written explanation of its decision, as specified.

2) Requires the CPUC to initiate a rulemaking evaluating alternative financing methods for electrical distribution, generation, and transmission investments to reduce ratepayer costs, requires electrical corporations to report on alternative financing opportunities at CPUC-determined intervals, and requires a CPUC report to the Legislature by December 31, 2028, as specified.

3) Requires the CPUC to require large electrical corporations to publicly report distribution grid utilization data (capacity and peak utilization metrics, off-peak hosting capacity, and constrained area locations) and to incorporate utilization assessments into distribution planning, as specified.

COMMENTS

California electricity rates have risen significantly in recent years, placing an increasing burden on customers. This bill is aimed at reducing electricity costs for ratepayers through *three* major provisions:

1) Directing the CPUC to consider assigning a reduced ROE for certain categories of capital investment that the author and supporters argue carry lower risk for utility shareholders, such as costs recovered through balancing and memorandum accounts, costs exempted from reasonableness review, and undergrounding investments. The theory is that lower-risk investments should yield lower profits, reducing the amount ratepayers pay to fund shareholder returns.

2) Requiring large electrical corporations to publish data on distribution grid capacity utilization and off-peak load-hosting capacity. The goal is to improve transparency about where existing grid infrastructure is underutilized, potentially reducing the need for costly new grid investments.

3) Directing the CPUC to initiate a rulemaking to evaluate alternative financing approaches for electric infrastructure, including options that could substitute lower-cost financing for shareholder equity.

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 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. 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.″

Arguments in Support
The Utility Reform Network (TURN) calls the reforms in SB 905 ″essential and timely″ given the ″affordability challenges facing customers.″ TURN frames the bill as a ″bold approach″ that tackles ″several root causes of the current affordability crisis,″ specifically naming ″excessive IOU spending, the high cost of private capital, and the growing burden of wildfire mitigation and policy costs.″ TURN argues SB 905′s new metrics, targets, and incentives ″would better align shareholder and ratepayer goals in support of affordability,″ and that the reforms would ″reduce overall burdens on ratepayers while holding utilities accountable for both costs and performance.″

Arguments in Opposition
Opponents argue SB 905 would backfire on affordability, warning that ″efforts to administratively suppress financing costs can ultimately increase them″ (California Chamber of Commerce, ″CalChamber″) and that reduced returns on equity would ″increase financing costs, delaying necessary infrastructure investments, and ultimately raising costs for customers″ (Pacific Gas & Electric Company, ″PG&E″). They contend the bill ″embeds a policy bias against equity financing″ and could ″heighten financial risk″ for utilities already exposed to wildfire liability (CalChamber), while Southern California Edison (SCE) similarly warns that shifting capital structure away from equity ″would increase financial risk (resulting in increased utility borrowing costs which are then passed through to customers).″ Opponents also argue the grid utilization requirements are ″overly prescriptive, duplicative of existing CPUC mandated processes″ and risk ″substituting simplistic metrics for sound engineering judgment″ (SCE), potentially ″incentivizing underinvestment in critical infrastructure and safety measures″ (CalChamber) and slowing customer energization (PG&E). SCE further frames SB 905 as reviving a discredited model of performance-based metrics, noting California′s 1990s experience showed such frameworks can ″distort incentives by reducing complex operational performance to simplified metrics.″

FISCAL COMMENTS

According to the Assembly Committee on Appropriations, this bill will require significant new analytical, legal and administrative efforts—and corresponding resources—of the CPUC. The dollar amount of any associated costs is unknown at this time, but likely in the high hundreds of thousands to low millions of dollars.

VOTES

SENATE FLOOR: 29-8-3
YES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Durazo, Grayson, Hurtado, Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Reyes, Richardson, Rubio, Smallwood-Cuevas, Stern, Umberg, Wahab, Weber Pierson, Wiener
NO: Alvarado-Gil, Choi, Grove, Jones, Ochoa Bogh, Seyarto, Strickland, Valladares
ABS, ABST OR NV: Dahle, Gonzalez, Niello

ASM UTILITIES AND ENERGY: 12-4-2
YES: Petrie-Norris, Boerner, Mark González, Harabedian, Hart, Irwin, Kalra, Papan, Rogers, Schiavo, Schultz, Zbur
NO: Patterson, Chen, Davies, Wallis
ABS, ABST OR NV: Calderon, Ta

ASM APPROPRIATIONS: 11-3-1
YES: Wicks, Arambula, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache
NO: Hoover, Dixon, Tangipa
ABS, ABST OR NV: Ta

UPDATED

VERSION: August 17, 2026

CONSULTANT: Suman Tatapudy / U. & E. / (916) 319-2083 FN: 0003634