Office of Senate Floor Analyses
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UNFINISHED BUSINESS

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Bill No: SB 905
Author: Becker (D), et al.
Amended: 8/17/26
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

SENATE FLOOR: 29-8, 5/26/26
AYES: 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
NOES: Alvarado-Gil, Choi, Grove, Jones, Ochoa Bogh, Seyarto, Strickland, Valladares
NO VOTE RECORDED: Dahle, Gonzalez, Niello

ASSEMBLY FLOOR: Passed, 8/30/26

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**SUBJECT:** Electricity

**SOURCE:** The Utility Reform Network

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**DIGEST:** This bill proposes several policies with the intent to address electricity utility bill affordability, including requiring an evaluation of alternative financing for electrical corporation infrastructure projects and requiring the California Public

Utilities Commission (CPUC) to determine whether to assign a reduced return on equity (ROE) applicable to specified categories of capital costs.

*Assembly Amendments* delete sections of this bill addressing performance-based metrics related to affordability and electrical corporation's executive compensation; provide the CPUC with discretion to determine a lower ROE, instead of require, for categories of capital costs; recast the language concerning electrical corporations' reporting on categories of alternative financing mechanisms, make additional clarifying changes.

**ANALYSIS:**

Existing law:

1) Establishes and vests the 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) 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)

4) 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.)

5) 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)

6) 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 consider assigning a reduced 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 or memorandum account.

    b) Capital costs exempted from a reasonableness review.

    c) Capital costs relating to undergrounding of the electrical system.

2) Requires the CPUC, to determine whether to assign a reduced return on equity applicable to the categories above (a through c) and to issue a written explanation of its decision that includes its reasoning with respect to specified factors, including the low level of cost recovery risk faced by electrical corporation, the ability to begin cost recovery sooner, other reductions in risk for the shareholders of the electrical corporation, and the need to minimize incentives for overspending on capital relative to expense.

3) 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 report on categories of alternative financing mechanisms for opportunities for alternative financing. Requires each electrical corporation to identify all opportunities within those categories and present the most cost-effective alternative financing options among those opportunities. 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 proceeding.

4) 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, including a peak utilization metric that measures a distribution segment's peak load divided by that distribution segment's maximum electrical capacity. Requires the CPUC to consider establishing a target and timeline for each large electrical corporation to increase average distribution grid capacity utilization in accordance with the approved metric. Requires each large electrical corporation to include an assessment of current distribution grid capacity utilization for each distribution segment for which a distribution grid need has been identified that may require new investments to meet expected future demand growth and an assessment of whether strategies, such as load flexibility, could revolve the distribution grid need at a lower cost than traditional infrastructure upgrades.

**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 it 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.* This bill 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.

- *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 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 this bill could be amended to focus on reporting of utilization data for analytical and informational purposes – without targets, thresholds, or enforcement mechanisms. 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.

**Related/Prior Legislation**

SB 1233 (Allen, 2026) would have required specific actions related to cost of capital for electrical and gas corporation rate changes. The bill was held by the Assembly Appropriations Committee.

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

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 Assembly Appropriations Committee, 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.

**SUPPORT:** (Verified 8/24/26)

The Utility Reform Network (Source)
350 Humboldt: Grass Roots Climate Action
Advanced Energy United
Advancing the Seed
Agricultural Energy Consumers Association
Biancoverde Restaurant
California Environmental Voters
Californians for Local Affordable Solar & Storage
California Large Energy Consumers Association
California Solar & Storage Association
Central Orange County Democratic Club
Ceres
Chambers of Commerce: Bay Front, Coalition of Filipino American, Filipino American of Greater Los Angeles, and Santa Ana
Citizens' Climate Lobby, Orange County Central Chapter
City of Berkeley
City of San Diego
Clever Community Development, Inc.
Climate Action California
Climate Action Campaign
Climate Future California
College Democrats at UCI
Community Corporation of Santa Monica
Concierge Clinicians
Corporate Energy Buyers Association
County of San Diego
Democrats of Greater Irvine
Deploy Action
Diversity Biz Forum Orange County
Environment California
Hercules/Rodeo Rotary Club
HOM Coffee
Irvine Valley College Democrats
Jesse Miranda Center for Hispanic Leadership – Costa Mesa
Local Government Climate Alliance

Modyn Studios
National Diversity Coalition – Orange County and Los Angeles
Natural Resources Defense Council
OCCORD
OC Habitats
Orange County Climate Voter Guide
Orange County Lucky Dogs of Tustin
Orange County Youth Democrats
Quantum Clinical Laboratory – Beverly Hills
Refreshed Barbershop
Regensis Health Solutions West Los Angeles
San José Clean Energy
Sonoma Clean Power
Sunrise Movement Orange County
The Climate Center
The Climate Reality Project Chapters: Los Angeles, Orange County, Sacramento, San Diego, and San Fernando Valley
Third Step Ministry
Time In Destiny Church
United Nations Association, Orange County
Women for American Values and Ethics
15 Individuals

**OPPOSITION:** (Verified 8/24/26)

California Chamber of Commerce
Coalition of California Utility Employees
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 Pacific Gas & Electric:

**…**SB 905 directs the CPUC to apply reduced returns on equity to broad categories of capital investments without regard to differences in risk, complexity, or system value. Statutory limits on authorized returns risk increasing financing costs, delaying necessary infrastructure investments, and ultimately raising costs for customers—outcomes that would be counter to the bill's stated intent. ,,,Asset utilization is not a customer-focused measure of affordability and risks slowing the progress made under AB 50 and SB 410 towards accelerating customer energization. Electric distribution systems must be planned to enable customers—from households to businesses—to electrify and connect without delay; higher measured utilization often reflects a constrained grid that can impede new connections rather than reduce costs. Framing affordability around utilization risks creating perverse incentives to defer or undersize infrastructure, leading to repeated upgrades, higher long-term costs, and inequitable outcomes that disadvantage rural, agricultural, weather-sensitive, and historically underserved customers whose load profiles naturally produce lower utilization.

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8/30/26 15:03:14

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