

Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

SB 943 (Becker) – As Amended June 15, 2026

Policy Committee: Utilities and Energy

Vote: 18 - 0

Urgency: No

State Mandated Local Program: Yes

Reimbursable: No

SUMMARY:

This bill seeks to facilitate electrification of industrial uses of electricity by aligning surcharges on electricity usage by large commercial and industrial customers with periods of lower demand for electricity.

More specifically, this bill:

- 1) (a) Directs the California Public Utilities Commission (CPUC), by January 1, 2028, to request the California Independent System Operator (CAISO) to reconsider issues raised in CAISO's transmission access charge (TAC) structure enhancement proceeding as potential reforms to CAISO's high-voltage TAC structures and (b) requires the CPUC to develop recommendations for changes to high-voltage TACs that would improve consistency of those charges with the CPUC's cost causation principle and to submit the recommendations to CAISO.
- 2) Authorizes the CPUC to direct each large electrical corporation (also referred to as an investor-owned utility (IOU)), when billing a large commercial or industrial customer with new electrical load on or after January 1, 2027, as specified, to apply an adjustment factor that caps the per-kilowatt rate for each volumetrically determined surcharge on electricity use so as to facilitate electrification of industrial energy use to improve air quality and reduce emission of greenhouse gases (GHGs).
- 3) Prohibits a large commercial or industrial customer that pays a reduced surcharge as a result of the cap described above from receiving an incentive funded by that surcharge in an amount that exceeds the amount of the surcharge paid by the customer.
- 4) Requires the CPUC, by January 1, 2032, and every five years thereafter, to evaluate and report to the Legislature receipt and effect of the cap.

FISCAL EFFECT:

This bill requires significant new work of the CPUC to develop recommendations for changes to high-voltage TACs. It also creates significant cost pressure on the CPUC to apply a cap to the per-kilowatt rate for each volumetrically determined surcharge on electricity use so as to

facilitate electrification of large commercial and industrial energy use. Each activity will create costs, or cost pressure, in the hundreds of thousands of dollars (Public Utilities Commission Utilities Reimbursement Account (PUCURA)). If the CPUC does direct the IOUs to apply a cap on the per-kilowatt rate an IOU charges for each volumetrically determined surcharge on electricity use by large commercial and industrial customers, the CPUC will additionally face ongoing monitoring and reporting costs.

The CPUC estimates annual costs of \$224,000 (PUCURA) for each of three years to fund one regulatory analyst, as well as \$300,000 total over those three years, to both develop recommendations to CAISO and to consider a cap on the per-kilowatt rate paid by large commercial and industrial customers. The CPUC summarizes the analyst's work as leading the CPUC's participation in CAISO's TAC structure enhancements proceeding, staffing the new or expanded ratesetting proceeding to evaluate and possibly implement a surcharge cap, and periodic reporting to the Legislature on the number of customers receiving the adjustment, cost impacts and ratepayer effects and describes the consulting funds as paying for ongoing data collection, establishment and reevaluation of surcharge/cap levels and assessment of the risk of resulting shift of costs to other customers.

COMMENTS:

- 1) **Purpose.** The author intends this bill to make large commercial and industrial uses of electricity cheaper, relative to uses of natural gas or other fossil fuels—generally through combustion to produce heat—thereby encouraging large commercial and industrial users to electrify their operations, which, the author contends, will reduce pollution and defray fixed electrical infrastructure costs. According to the author:

SB 943 will help industrial firms reduce air pollution and greenhouse gas emissions cost-effectively, keeping business and jobs in the state, while also reducing electricity rates for all utility customers – just by adopting some reforms to the way electricity is priced at off-peak times when California has abundant clean electricity...If we get this right, off-peak electricity can be cheap enough to help industry switch to clean energy, and because this is new electricity demand, every dollar paid above the marginal cost of service is new money to help pay for the fixed costs of the grid, which will lower rates for everyone else.

- 2) **Background.** Large commercial and industrial users of energy use a lot of heat to make and process goods and products. In most cases, this heat results from the combustion of natural gas or another fossil fuel, which releases GHGs and other air pollutants. In some cases, there are electrical alternatives to industrial combustion of gas. For example, industrial steam may be produced by an electric boiler. However, in many instances, industrial use of electricity is as expensive, or more so, than combustion of fossil fuels. This is true despite many utilities offering electric rates that vary by the time of day to better reflect the abundance of cheap, clean sources of electricity, such as solar panels generating electricity during the middle of a mild, sunny day.

Part of the reason the per-unit cost of electricity remains relatively high despite time-varying prices is that some components of the price of electricity do not, in fact, vary with time. For example, CPUC-electricity rates include what are known as “nonbypassable charges”

(NBCs). NBCs fund a variety of public purpose programs, such as low-income customer bill subsidies. A customer is charged the same amount for an NBC on each kilowatt of electricity consumed, even if the cost, and price, of the underlying electricity varies to reflect marginal cost. Similarly, a customer pays for the use of the electric transmission system through a TAC on each kilowatt of electricity consumed, and the amount of the TAC, like NBCs, does not vary with the time of consumption.

This bill authorizes the CPUC to direct the IOUs to apply the cap on the per kilowatt-hour (kWh) rate for each volumetrically determined surcharge on energy use, such as NBCs, to limit the surcharge ratio to no more than 25% or an alternative maximum ratio determined by the CPUC to be just and reasonable and in furtherance of facilitating electrification of industrial energy use. The amount and incidence of NBCs are fully within the CPUC's statutory authority over IOU rates, so the CPUC would be able exercise the power this bill gives to it, should it choose to do so.

The CPUC, however, may not adjust the TAC. This is because the TAC is governed by CAISO, which must abide by CAISO's tariff (schedule of prices and associated rules) as approved by the Federal Energy Regulatory Commission. For this reason, the bill directs the CPUC merely to request that CAISO reconsider issues CAISO raised in its prior consideration of a time-varying TAC.

The bill is supported by many industrial energy users and environmental advocacy organizations. There is no registered opposition to the bill.

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