
**SENATE COMMITTEE ON ENERGY, UTILITIES AND
COMMUNICATIONS**

**Senator Josh Becker, Chair
2025 - 2026 Regular**

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Author:	Becker		
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SUBJECT: Electricity: wildfire mitigation: rate assistance: Policy-Oriented and Wildfire Electric Reimbursement (POWER) Program

DIGEST: This bill proposes various policies related to electrical corporations, including changes to: wildfire mitigation regulatory framework, the allocation to customers of the Climate Credit, electric transmission infrastructure permitting and deployment, permitting of clean energy infrastructure, including energy storage facilities, and various proposals to address electricity utility bills, including prohibiting rate basing by electrical corporations of \$15 billion in capital investments.

ANALYSIS:

Existing law:

- 1) Establishes the Federal Energy Regulatory Commission (FERC) which has exclusive jurisdiction over the transmission of electricity in interstate commerce, over the sale of electricity at wholesale in interstate commerce, and over all facilities for the transmission or sale of electricity in interstate commerce. (Federal Power Act §§201, 205, 206 (16 USC 824, 824d, 824e))
- 2) Requires that a statute that limits the right of access to the meetings of public bodies or the writings of public officials and agencies be adopted with findings demonstrating the interest protected by the limitation and the need for protecting that interest. (Article 1, §3 of the California Constitution)
- 3) Establishes and vests the California Public Utilities Commission (CPUC) with regulatory authority over public utilities, including electrical corporations. (Article XII of the California Constitution)
- 4) Establishes the State Energy Resources Conservation and Development Commission (California Energy Commission (CEC)), consisting of five

members appointed by the Governor, and specifies the duties of the CEC.
(Public Resources Code §25200 *et seq.*)

- 5) Establishes the California Independent System Operator (CAISO) as a nonprofit public benefit corporation and requires the CAISO to ensure efficient use and reliable operation of the electrical transmission grid consistent with achieving planning and operating reserve criteria no less stringent than those established by the Western Electricity Coordinating Council and the North American Electric Reliability Corporation. (Public Utilities Code §345)
- 6) Establishes the Office of Energy Infrastructure Safety (OEIS) within the Natural Resources Agency which, as of July 1, 2021, subsumed the Wildfire Safety Division (WSD) responsibilities at the CPUC, including to review the wildfire mitigation plans (WMPs) of electrical corporations and oversee and enforce electrical corporations' compliance with wildfire safety. Transferred all functions of the WSD to the OEIS effective July 1, 2021. Requires the OEIS to adopt guidelines setting forth the requirements, format, timing, and any other matters required to exercise its powers, perform its duties, and meet its responsibilities. (Government Code §§15740 *et seq.* and 15475.6, Public Utilities Code §§326 and 8385)
- 7) Establishes, under the California Global Warming Solutions Act of 2006, the California Air Resources Board (CARB) as the state agency responsible for monitoring and regulating sources emitting greenhouse gases (GHGs). Requires the CARB to adopt a statewide GHG emissions limit, as defined, to be achieved by 2020, equivalent to the statewide GHG emissions level in 1990. Authorized CARB to include market-based compliance mechanisms to comply with the regulations. (Health and Safety Code §38500 *et seq.*)
- 8) Authorizes the CPUC to fix the rates and charges for every public utility and requires that those rates and charges be just and reasonable. (Public Utilities Code §451)
- 9) Requires the CPUC to ensure that facilities needed to maintain the reliability of the electrical supply remain available and operational. (Public Utilities Code §362)
- 10) Establishes the policy of the state that eligible renewable energy resources and zero-carbon resources supply 100% of all retail sales of electricity to California end-use customers and 100% of electricity procured to serve all state agencies by December 31, 2045. (Public Utilities Code §454.53)

- 11) Requires electrical corporations to construct, maintain, and operate their electrical lines and equipment in a manner that will minimize the risk of catastrophic wildfire posed by those electrical lines and equipment. (Public Utilities Code §8386(a))
- 12) Requires each electrical corporation to annually prepare and submit a WMP that covers at least a three-year period and authorizes the OEIS to allow for annual submissions to be updates to the last approved comprehensive WMP, but requires the electrical corporation to submit a comprehensive WMP at least once every three years for review. Requires WMPs to include, among other things, a list that identifies, describes, and prioritizes all wildfire risks, and drivers for those risks, throughout the electrical corporation's service territory, and a description of the actions the electrical corporation will take to ensure its system will achieve the highest level of safety, reliability, and resiliency, as specified. (Public Utilities Code §8386(b) and (c))
- 13) Requires the OEIS to approve or deny each WMP and update submitted by an electrical corporation within three months of its submission. Establishes procedures for the OEIS to oversee compliance with an approved WMP. (Public Utilities Code §8386.3)
- 14) Prohibits the CPUC from allowing a large electrical corporation to include in its equity rate base its share of the first \$5 billion expended in aggregate by large electrical corporations on fire risk mitigation capital expenditures included in the electrical corporations' WMPs. Requires the CPUC to consider whether the cost of implementing an electrical corporation's WMP is just and reasonable in the electrical corporation's general rate case (GRC) application. (Public Utilities Code §8386.3(e))
- 15) Requires the CPUC to establish an expedited utility distribution infrastructure undergrounding program for large electrical corporations. Requires a large electrical corporation, in order to participate in the program, to submit to the OEIS a distribution infrastructure undergrounding plan, as provided. Requires the large electrical corporation, upon approval of the plan by OEIS, to submit to the CPUC an application requesting review and conditional approval of the plan's costs and other specified information. (Public Utilities Code §8388.5)
- 16) Requires the California Wildfire Safety Advisory Board (WSAB) to annually make recommendations to the OEIS on various topics, including the appropriate scope and process for assessing the safety culture of an electrical corporation. Requires the OEIS to annually issue an analysis and recommendation to the CPUC on the recommendations provided by the

WSAB. Requires the CPUC to annually adopt and approve, among other things, a process for the OEIS to conduct annual safety culture assessments for each electrical corporation. (Public Utilities Code §§326.1 and 8389)

- 17) Requires local publicly owned electric utilities and electrical cooperatives to annually prepare and submit to the WSAB, on or before July 1 of each year, WMPs. (Public Utilities Code §8387)
- 18) Requires the CPUC to continue a program of assistance to low-income electric and gas customers with annual household incomes that are no greater than 200% of the federal poverty guidelines, as specified, which is referred to as the California Alternate Rates for Energy (CARE) program. Requires the CPUC to continue a program of assistance to residential customers of the state's three largest electrical corporations consisting of total household annual gross income levels between 200% and 250% of the federal poverty guideline level, which is referred to as the Family Electric Rate Assistance (FERA) program. (Public Utilities Code §§739.1 and 739.12)
- 19) Requires the CPUC to require certain revenues received by an electrical corporation as a result of the direct allocation of GHG allowances to be directly credited to the residential, small business, and emissions-intensive trade-exposed retail customers of the electrical corporation, except as specified. (Public Utilities Code §748.5)
- 20) Requires the CPUC to establish, on or before September 30, 2024, reasonable average and maximum target energization time periods, as defined, and a procedure for customers to report energization delays to the CPUC, as provided. (Public Utilities Code §934)
- 21) Requires the CPUC, by May 1 of each year, to prepare and submit a written report to the Legislature with certain information, including information regarding electrical corporations' utility costs and rate increases. (Public Utilities Code §913.1)
- 22) Requires the CPUC, on a triennial basis, to submit a report to the Legislature on the energy efficiency and conservation programs it oversees or that are paid for by ratepayers of community choice aggregators, electrical corporations, or gas corporations. (Public Utilities Code §913.5)
- 23) Prohibits a person from constructing a facility, including a transmission line, unless that person obtains a certificate of public convenience and necessity (CPCN) from the CPUC, as provided. (Public Utilities Code §1001)

- 24) Requires the CEC to administer the Electric Program Investment Charge (EPIC) Fund for research, development, and demonstration program that will benefit electricity ratepayers. (Public Resources Code §25711)
- 25) Vests the CEC with the exclusive jurisdiction to certify the construction of certain eligible facilities, as defined, including a discretionary project, as specified, for which the applicant has certified that a capital investment of at least \$250 million will be made over a period of five years. Authorizes a person proposing an eligible facility to file an application no later than June 30, 2029, for certification with the CEC to certify a site and related facility, as provided. (Public Resources Code §§25545 and 25545.1)
- 26) Requires an application for a site and related facility to be in a form prescribed by the CEC, contain specified information, and be further supported by other information as the CEC may require. Requires the CEC to review the application and make a determination of completeness within 30 days of the submission of the application, and authorizes the executive director of the CEC to require the applicant to submit additional information, documents, or data determined to be reasonably necessary to prepare the environmental impact report (EIR) for the application, as provided. (Public Resources Code §§25545.4)
- 27) Requires the CEC, for sites and related facilities located in the geographic jurisdiction of the California Coastal Commission or the San Francisco Bay Conservation and Development Commission, to consult with the applicable agency to coordinate processing and sequencing of the applications to expedite the permitting process of those agencies, as specified. (Public Resources Code §§25545.5)
- 28) Requires each person proposing to construct a thermal power plant or electric transmission line to submit to the CEC a notice of intention to file an application for the certification of the site and related facility or facilities, requires the approval of the notice by the CEC to be based upon specified findings, and requires an application for certification of the site and related facility to be filed with the CEC. Requires, for the consideration of an application and the issuance of a certification, the CEC to comply with the requirements to prepare a written decision after a public hearing on an application that includes specified things, including findings regarding the conformity of the proposed site and related facilities with standards adopted by the CEC, as provided, and applies these requirements to an application for an eligible facility, as provided. Prohibits the CEC from certifying a facility

contained in the application when it finds that the facility does not conform to any applicable state, local, or regional standards, ordinances, or laws, as specified, unless the CEC determines that the facility is required for public convenience and necessity and that there are not more prudent and feasible means of achieving public convenience and necessity. (Public Resources Code §§25502-25525)

- 29) Prohibits the CEC from certifying a site and related facility unless the CEC finds that the construction or operation of the facility will have an overall net positive economic benefit to the local government that would have had permitting authority over the site and related facility. (Public Resources Code §§25545.9)
- 30) Prohibits the CEC from certifying a site and related facility unless it finds that the applicant has entered into one or more legally binding and enforceable agreements with, or that benefit, a coalition of one or more community-based organizations, including, but not limited to, workforce development and training organizations, labor unions, social justice advocates, local governmental entities, and California Native American tribes. (Public Resources Code §§25545.10)
- 31) Requires, via the California Environmental Quality Act (CEQA), a lead agency, as defined, to prepare, or cause to be prepared, and certify the completion of an EIR on a project that it proposes to carry out or approve that may have a significant effect on the environment or to adopt a negative declaration if it finds that the project will not have that effect. CEQA also requires a lead agency to prepare a mitigated negative declaration for a project that may have a significant effect on the environment if revisions in the project would avoid or mitigate that effect and there is no substantial evidence that the project, as revised, would have a significant effect on the environment. (Public Resources Code §21000 et seq.)
- 32) CEQA authorizes a lead agency for a later project, if a prior EIR has been prepared and certified for a program, plan, policy, or ordinance, commonly known as a “program EIR,” to examine significant effects of the later project upon the environment by using a tiered EIR and provides that the tiered EIR is not required to examine effects that meet certain requirements. (Public Resources Code §21094)
- 33) Establishes a process for an “Opt-in” certification process for facilities related to clean energy infrastructure by the CEC. (Public Resources Code §25545 et seq.)

This bill:

- 1) Includes findings that changes proposed by this bill address a matter of statewide concern rather than a municipal affair and, therefore, apply to all cities, including charter cities (in relation to extending the AB 205 “Opt-in” certification of clean energy projects by the CEC).
- 2) Declares that it is to take effect immediately as an urgency statute in order to protect California consumers from high electricity bills.

Relevant to electrical and gas corporations general rate cases (GRCs)

- 3) Requires the CPUC to require all electrical and gas corporations, as part of every GRC application, to submit an inflation-constrained rate case scenario in which cumulative increases in annual expenditures proposed to be authorized in that proceeding do not exceed the projected federal social security beneficiary cost-of-living adjustment (COLA) and to compare the inflation-constrained rate case scenario with the primary rate case proposal submitted by the electrical or gas corporation.
- 4) Authorizes the CPUC to authorize expenditures in excess of the inflation-constrained rate case scenario if it determines that the corporation has provided clear and convincing evidence that a higher level of expenditures is necessary to ensure the safe and reliable operation of its electric or gas system, and would require the CPUC to apply heightened scrutiny to any other request submitted by each electrical corporation and gas corporation that is likely to increase total system wide expenditures beyond the projected federal social security beneficiary COLA.
- 5) Requires the CPUC to adopt formal public findings when it approves an electrical rate increase that include an explanation of why the rate increase was approved and what the rate increase will cost on the average customer bill. Requires the CPUC to annually include those public findings in each customer’s monthly bill.

Relevant to wildfire mitigation by electrical corporations

- 6) Repeals the Wildfire Safety Division.
- 7) Requires actions related to wildfire mitigation by electrical corporations to take into account the time required to implement proposed mitigations and the amount of risk reduced for the cost and risk remaining.

- 8) Requires each electrical corporation to submit a WMP to the OEIS for review at least once every four years. Requires each electrical corporation, beginning January 1, 2026, to submit a preliminary WMP to the OEIS at the earliest date of one year before the filing of its GRC application or concurrent with the filing of its Risk Assessment Mitigation Phase application with the CPUC. Revises those WMP requirements to, among other things, require the list to also include particular risks and risk drivers associated with the speed with which wildfire risk mitigation measures can and will be deployed by the electrical corporation, and require the presentation of certain cost-efficiency measures adopted by the CPUC, as specified.
- 9) Requires the OEIS to approve or deny a WMP submitted by an electrical corporation within nine months (instead of three months) of its submission. Additionally, prohibits the CPUC from allowing a large electrical corporation to include in its equity rate base its share of the \$5 billion that the large electrical corporations collectively first expend on fire risk mitigation capital expenditures approved by the CPUC on or after January 1, 2025. Requires an electrical corporation, for a GRC application filed on or after the effective date of this bill, or that is filed before but not approved by the CPUC before the effective date of this bill, to file the WMP approved by the OEIS or, if the WMP has not been approved by the OEIS, the preliminary WMP filed with the OEIS, and any applicable decision from the OEIS, with the GRC application.
- 10) Requires an electrical corporation, within 45 days of the CPUC's decision on whether the cost of implementing the electrical corporation's WMP is just and reasonable in the electrical corporation's GRC or any CPUC order modifying that decision, to submit to the OEIS a revised WMP that conforms to the CPUC's revenue authorization. Requires the OEIS to approve the revised WMP within two months of submission and requires the electrical corporation to file the approved revised WMP as an information-only submittal with the CPUC. Revises and recasts provisions related to the oversight by the OEIS in the implementation of, and the enforcement by the CPUC of, the finally approved WMP.
- 11) Revises the provisions related to the expedited utility distribution infrastructure undergrounding program to, among other things, specify that the approval of a distribution infrastructure undergrounding plan is not a project for purposes of the CEQA, as specified.

- 12) Repeals provisions that require the WSAB to develop and make recommendations to: the WSD related to wildfire safety and mitigation performance metrics and to the contents of WMPs.
- 13) Requires, after January 1, 2026, local publicly owned electric utilities and electrical cooperatives to prepare and submit to the WSAB WMPs at least once every four years on a schedule determined by the WSAB.

Relevant to changes to the Climate Credit

- 14) Requires the CPUC, on and after January 1, 2026, to require a larger credit be allocated to CARE program and FERA program customers, as provided, and would require the credit to be excluded from any calculation of the average effective CARE or FERA program discount. Requires the CPUC to direct the credit to be divided among, and applied to, customer bills during the months with the highest average electricity demand.

Relevant to creating the Clean Energy Infrastructure Authority for transmission infrastructure projects

- 15) Creates the Clean Energy Infrastructure Authority as a public instrumentality of the state for the purpose of leading the state's efforts to build critical clean energy infrastructure necessary to enable the state to transition to 100% clean energy, as specified.
- 16) Requires the authority to do any and all things necessary or proper to accomplish that purpose. Authorizes the authority, among other things, to identify and establish corridors for the transmission of electricity within the state, to coordinate, investigate, plan, prioritize, and negotiate with entities within and outside the state to establish interstate transmission corridors, to finance, plan, develop, acquire, own, maintain, sell, or operate electrical transmission infrastructure and transmission-related energy storage systems, to exercise the power of eminent domain to acquire property or rights-of-way for public use, to issue bonds as necessary to undertake electrical transmission infrastructure or transmission-related energy storage system projects, and to act as the lead agency for purposes of the California Environmental Quality Act and other environmental reviews, as specified.
- 17) Requires the authority, before beginning construction of electrical transmission infrastructure that will be located in the service territory of, or connected directly to the electrical transmission infrastructure of, an electrical corporation with 250,000 or more customer accounts within the state and owned by the authority, to enter into a lease or other agreement with that electrical

corporation to construct, operate, and maintain the electrical transmission infrastructure.

- 18) Authorizes the authority to propose, and plan for, new electrical transmission infrastructure, but prohibits the authority from developing electrical transmission infrastructure unless the applicable California balancing authority (BA), including the CAISO, has approved the project, in which case the approval of the CPUC would not be required.
- 19) Provides that the authority is not subject to the supervision or control of the CPUC or any other board, bureau, department, or agency of the state, except as specifically provided.
- 20) Requires the authority to annually report to the Legislature on the authority's activities, including a complete operating and financial statement covering its operations.
- 21) Requires the California Infrastructure and Economic Development Bank (I-Bank), upon request by the authority, to issue taxable or tax-exempt revenue bonds on behalf of the authority, as specified.
- 22) Requires the Department of Finance, among other things, to monitor and oversee the authority's operations, to receive and review reports from the authority, and to annually report its findings and recommendations to the Governor, CPUC, and Legislature.
- 23) Requires the California State Auditor, or its designee, to conduct an annual financial and legal compliance audit of the accounts of the authority and file copies with the Governor and the Legislature.
- 24) Requires that information obtained by the authority that is proprietary technical or business information be confidential and not subject to inspection pursuant to the California Public Records Act.

Relevant to energization projects by electrical corporations

- 25) Authorizes the electrical corporation, if it submits an application for recovery of costs and expenses for energization projects and the CPUC finds that some or all of the costs and expenses are just and reasonable to request the CPUC to issue a financing order to authorize the recovery of those just and reasonable costs and expenses through the issuance of bonds by the electrical corporation that are secured by a rate component, as provided.

- 26) Prohibits, except as provided, the CPUC from allowing a large electrical corporation, as defined, to include in its equity rate base its share of \$10 billion that the large electrical corporations collectively first expend on energization capital expenditures approved by the CPUC on or after January 1, 2025.
- 27) Authorizes an electrical corporation's energization capital expenditures and the debt financing costs of these energization capital expenditures to be financed through a financing order for the recovery of costs and expenses for energization projects.

Relevant to reporting to the Legislature on large electrical corporations' rates and costs

- 28) Requires the report to the Legislature, regarding recommendations to limit and reduce rate increases by electrical and gas corporations, to include additional certain information on the transmission assets, distribution assets, and generation assets of each large electrical corporation, including information on the amount or rate base for those assets with 10 years of historical values and the total amount for return on equity and debt collected in the revenue requirement for those assets.
- 29) Requires the CPUC to post on its internet website the authorized and the actual return on equity amounts and the authorized and the actual mix of debt and equity capital for each large electrical corporation, as defined, with 10 years of historical values.
- 30) Revises the information required to be included in the report to the Legislature on the demand-side management programs it oversees.

Relevant to the Policy-Oriented and Wildfire Electric Reimbursement (POWER) Program

- 31) Requires the CEC, in consultation with the CPUC, to develop and implement the Policy-Oriented and Wildfire Electric Reimbursement (POWER) Program to reduce the costs to ratepayers by providing reimbursement to electric utilities for expenditures driven by public policy goals that provide a benefit to the general public, as provided.
- 32) Establishes the POWER Fund in the State Treasury and requires that moneys in the fund, upon appropriation by the Legislature, be expended by the CEC for purposes of the program.

- 33) Requires the CEC, when developing and implementing the POWER Program, to do specified things, including establish guidance and criteria for allocating reimbursements from the fund that require, among other things, that the proportion of any expenditures by an electrical corporation that are reimbursed pursuant to the POWER Program are excluded from the electrical corporations rate base and any asset funded by those reimbursed expenditures be funded without return on equity, as provided.
- 34) Requires the CEC to annually report to the Legislature actual utility bill impacts in order to ensure the mechanism is helping to reduce electric utility costs for ratepayers.
- 35) Limits the amount of moneys appropriated for the program that may be used for administrative and overhead costs each year to the lesser of 3% or \$5,000,000.

Relevant to the AB 205 Opt-in Certification at the CEC for clean energy infrastructure projects

- 36) Lowers the amount for CEC Opt-in certification eligibility for a project from \$250 million to \$100 million. Extends the date that a person proposing an eligible facility is authorized to apply by to June 30, 2034 (from June 30, 2029).
- 37) Explicitly authorizes the CEC to require certain supporting information. Requires the application to include evidence that the applicant has sufficient real property rights to the proposed location to currently access, build, and operate the proposed facility. Requires that any further requests by the executive director for additional information in response to additional information provided by the applicant be made within 30 days of receipt of that information.
- 38) Requires the CEC, the California Coastal Commission, and the San Francisco Bay Conservation and Development Commission to develop a plan that ensures timely and effective consultation between them, as provided.
- 39) Removes findings regarding the conformity with any applicable state, local, or regional standards, ordinances, or laws, unless the CEC determines that the facility is required for public convenience and necessity of the proposed site and related facilities with standards adopted by the CEC from that application requirement for an eligible facility. Applies the prohibition of certifying a site that does not conform to any applicable state, local, or regional standards, laws, or ordinances, to an application for an eligible facility, as provided.

- 40) Establishes a rebuttable presumption that the construction or operation of the facility will have an overall net positive economic benefit to the local government that would have had permitting authority over the site and related facility for a project for an energy storage system if the energy storage system is proposed to be adjacent to an operating utility substation or adjacent to an operating or retiring gas power plant.
- 41) Adds community foundations to the list of community-based organizations for which a facility applicant has entered into a legally binding and enforceable agreement. Requires the CEC to maintain a list of community-based organizations for this purpose.
- 42) Requires the CEC, in coordination with the Office of Land Use and Climate Innovation, to pilot the use of permitting management software to provide greater efficiency in the opt-in certification process, as provided, and would require the CEC to share the findings of the pilot in a final report to the Legislature and other state permitting agencies, as specified. Requires the CEC to report specified things about applications and projects to the Legislature quarterly that the CEC would be permitted to report by the use of a dashboard on its internet website, including, among other things, the status of projects that have been approved by the CEC, as provided.

Relevant to establishing a program EIR for energy storage facilities

- 43) Authorizes the CEC to prepare a program EIR to analyze the development of a class or classes of facility related to clean energy infrastructure, specifically an energy storage system that is capable of storing 200 megawatt hours or more of energy. Authorizes a public agency considering the approval of a specific facility that is within a class or classes of facility described in the program EIR prepared under these provisions to tier from that program EIR, as provided.

Background

Author's purpose.

According to the non-partisan Legislative Analyst Office (LAO), “California electricity rates also have been increasing rapidly in recent years—not only growing faster than inflation but also outpacing growth in other states.” Over the last ten years, residential rates have gone up by 82% for SDGE customers, 90% for Southern California Edison customers, and 110% for PG&E customers. Edison’s and PG&E’s customers have seen rate increases of 50% in the last three years alone. These trends are on track to continue unless the

Legislature takes steps to change this trajectory. These continued rate increases are squeezing everyday Californians. The status quo has to change.

The California Energy Modernization and Affordability Act is California's most ambitious effort yet to rein in rising energy costs and put ratepayers first. This bill ensures wildfire mitigation dollars are spent where they have the greatest impact and sharpens scrutiny of utility budgets through stronger laws that will help control excessive profits and rate increases. It uses financing innovations, such as securitization and public financing of infrastructure, to lower long-term costs, and it streamlines clean energy permitting so we can build clean projects faster and more affordably. It adjusts the way utility Cap & Trade revenues are returned to customers as a "climate credit" so that 100% of the money available is used to lower bills at the highest cost times of year. It also sets up a new mechanism, the POWER Fund, by which some public purpose costs can be paid for by taxpayer funds or GGRF revenues rather than through electricity bills. There is no silver bullet that can immediately lower electricity bills, but collectively these provisions, once fully implemented, can reduce the cost to ratepayers by billions of dollars annually.

This bill includes various proposals related to electrical corporations, many of which reflect previous legislative proposals and recent proposals by stakeholders at this committee's oversight hearing on electric utility bill affordability earlier this session. In general, these proposals seek to address electric utility bill affordability, while advancing efforts to achieve the state's clean energy policies.

Relevant to electrical and gas corporations GRCs. This bill proposes several policies to help address the increasing costs of energy utility bills. This bill requires electrical and gas corporations to propose GRC applications to the CPUC to provide inflation-constrained rate case scenarios that do not exceed the federal social security beneficiary COLA. The intent is to provide the CPUC and parties in the CPUC proceeding the opportunity to compare this inflation-constrained proposals with the electrical or gas corporations' primary rate case, thereby providing an opportunity to better assess the differences, needs, and benefits. Some of the opponents have raised concerns that this approach could undermine necessary investments in safety and efforts to support the state's clean energy policies. However, the language as written does not preclude these investments, but it does require the electrical and gas corporations to provide clear and convincing evidence that these investments are needed. The electrical utility organization has raised concerns that the metric may need adjustment since the Social Security COLA is not adopted on a forward going basis, as is the case with GRCs. In this regard, the author may wish to review this approach and determine whether another consumer price index may be better suited.

Prohibition on ratebasing \$5 billion in wildfire mitigation investments and \$10 billion energization projects. This bill mimics an approach approved in AB 1054 (Holden, Chapter 79, Statutes of 2019) pursuant to Public Utilities Code §8386.3(e), to prohibit electrical corporations from rate basing \$5 billion in wildfire mitigation investments on their respective systems. This bill expands that effort by prohibiting rate basing of an additional \$5 billion in the electrical corporations' aggregated wildfire mitigation expenditures and \$10 billion for energization projects. By excluding capital expenditures from equity rate base, the capital-related shareholder return on equity (ROE), (and associated income taxes) is removed from the utility's revenue requirement and replaced with less costly debt financing. As a result, implementing the capital exclusion from equity rate base saves utility ratepayers money by reducing financing costs in rates. As the CPUC has noted, financing capital expenditures with debt is less expensive than financing with equity, because debt is viewed as less risky by investors and thus a lower risk premium is required by investors¹. The utilities in opposition to this bill raise concerns that this proposal may violate constitutional takings and could result in more expensive capital to operate the utility overall, as investors could be rattled by the prohibition to earn a rate of return on their investments. While AB 1054 included similar provisions, it was packaged with other wildfire-related proposals, including the Wildfire Fund to help pay claims from covered wildfires ignited by utility infrastructure that investors likely viewed favorably. It is unclear whether the approach in this bill would have similar implications.

Climate credit. The electrical corporations provide customers with twice yearly Climate Credits stemming from their direct allocation of GHG allowances to electrical corporations pursuant to a market-based compliance mechanism, via the Cap-and-Trade program. This bill proposals a policy discussed at the affordability oversight hearing to structure the credit to provide greater amount to low-income residential customers, timed when electric utility bills are expected to be the highest (likely summer). Industrial customers generally support the bill's overall proposals but raise concerns about the effects on Emissions-Intensive Trade Exposed (EITC) customers of this provision. They want to ensure that any changes that address the concerns of EITC customers, which are very large customer users.

Wildfire mitigation plans. In addition to the RAMP and S-MAP processes, the state has created a separate entity, the OEIS, and a special process to review wildfire-related risks via electric investor-owned utility (IOU) WMPs. Electric IOUs are required to annually file WMP updates and a comprehensive WMP every three years with guidance by OEIS, which reviews and determines whether to approve these plans and ensures compliance with guidance and statute. Under this

¹ Debt financing for ratemaking does not require additional revenue for income taxes, because the interest expense on debt is deductible from taxable income.

framework, the OEIS is responsible for reviewing, approving or denying and overseeing compliance with WMPs, while the CPUC evaluates the reasonableness of costs associated with implementation of the WMPs for purposes of cost recovery and has enforcement authority with regard to electric IOUs' performance of their WMPs and utility-caused wildfire.

SB 884 (McGuire, Chapter 819, Statutes of 2022). SB 884 requires the CPUC to establish a program for expediting the undergrounding of large electric IOUs distribution infrastructure. Electric IOUs with 250,000 or more customer accounts may participate in the program. Electric IOUs wishing to participate in the program must first submit their 10-year plan to OEIS for review who must approve or deny the plan within nine months. If OEIS approves the plan, the electric IOU submits an application to the CPUC for conditional approval of the plan's costs. The CPUC adopted guidelines for the new undergrounding expedited program, which includes a three-phase process requiring a review of the plan by OEIS and a second review by the CPUC. The electric IOU must compare the costs and benefits of undergrounding to alternative system hardening and risk mitigation measures. The plan must provide information about how forecasted costs are anticipated to decline over time due to efficiencies and economies of scale. The plan must also include a methodology that demonstrates how any avoided costs might be translated into savings for ratepayers.

Wildfire mitigation as significant driver of costs in electric utility bills. The CPUC in its most recent SB 695 Utility Cost Report has noted that wildfire-related costs are a key driver putting upward pressure on customers' electric rates. The CPUC has stated that over the next several years, wildfire risk mitigation costs are projected to continue their upward trend. In a recent study by the Energy Institute at Haas "Risk-Cost Tradeoffs in Power Sector Wildfire Prevention", the authors note that in 2023 WMPs, California electric IOUs proposed investing over nine billion dollars annually to reduce wildfire ignition risk. Pacific Gas & Electric (PG&E's) recent GRC included authorization to underground up to 1200 miles of electric distribution lines. This contributed to the overall rate increases that customers are experiencing this year, roughly \$35 per month more for the average utility bill, with another rate increase approved for a portion of the utility's wildfire-related expenses, and the expectation that more are on the horizon. PG&E is also pursuing efforts to underground 10,000 miles of electric distribution lines in areas with high-fire risk with the intent to reduce wildfire ignition risk by approximately 99% as the best long-term solution for keeping customers and communities safe. In the case of Southern California Edison (SCE) and San Diego Gas & Electric (SD&G), their wildfire mitigation costs may be on a downward trend in the mid- to long-term, as much of their mitigation has been or will be

completed, though they had less reliance on undergrounding lines as a primary strategy.

Costs to underground electric utility infrastructure. While the electric utilities incorporate undergrounding efforts in their WMPs, it is a strategy that had been utilized for very few of their electric circuit lines, largely due to costs in comparison to other mitigation options, and the long-lead time for undergrounding projects. According to data gathered from electric IOUs, and analyzed by the CPUC, converting overhead distribution infrastructure to underground can be 10 times more expensive than installing new distribution overhead lines and undergrounding of electric distribution lines can be eight times more expensive than insulating (covering) the conductors (wires) to prevent them from igniting when contacting vegetation and other foreign objects. Per the data collected from PG&E, SCE and SDG&E, the costs for undergrounding existing overhead distribution infrastructure can range between \$1.85 million to \$6.072 million per mile.

Costs of other mitigation measures. Generally, electric utilities are incorporating other wildfire mitigation measures that can be more cost-effective, including covered conductor, sectionalizing circuit lines, vegetation management, and operational controls such as fast-trips and public safety power shutoffs. Per the data collected by the CPUC, installing new overhead distribution infrastructure is much less expensive. On average, installing new overhead distribution infrastructure costs between \$634,000-\$760,000 per mile, according to the electric utilities' Rule 21 interconnection unit cost guides. PG&E has shared that their undergrounding efforts are averaging under \$3 million per mile and overhead upgrades are averaging just over \$1 million. The Energy Institute at Hass report on wildfire mitigation prevention measures notes that undergrounding power lines, despite the higher investment cost, is more cost effective than pruning and removing vegetation. However, new operational controls, especially the use of "fast-trip" settings is significantly more cost effective than other strategies.

Tradeoffs abound! The OEIS has proposed some level of review on interim measures that may be needed when mitigation measures cannot be implemented within a year. Additionally, OEIS reports an intention to incorporate cost-effectiveness criteria, in line with the CPUC's updated cost-benefit approach within the RAMP and S-MAP processes. This bill would ensure that such considerations are required as part of the WMP process, without prescribing particular strategies. Supporters of this bill contend that increasing cost of electric utility bills, particularly due to the costs of wildfire mitigation, necessitate a review of WMP measures that take into consideration the time horizon by when they will be implemented and the cost-effectiveness of these measures. The supporters

contend that waiting several years for undergrounding projects does not reduce the risk of wildfire ignitions quickly enough and comes with too high a price tag as compared to other measures that can be deployed sooner. In this regard, there are no shortage of tradeoffs, as deploying some of these measures could result in some continued level of wildfire ignition risk for the long-term, though it may come with a lower price tag overall for ratepayers, and a continued risk of outages with the use of operational controls to prevent wildfires, including PSPS and fast-trips.

Ratepayer impacts. As noted above, efforts to underground electrical infrastructure can be costly. However, the risk of utility equipment igniting fires can also pose significant costs on utility customers given the associated liability and potential impacts of the borrowing costs to the utility. With the growing risks of fires and the expenses associated with other strategies, including the costs of ongoing vegetation management, electric utilities are reassessing these costs and calculations. In the case of PG&E, the utility contends that undergrounding 10,000 miles of electric distribution utility lines will help to better mitigate the risks for the long-term. This bill intends to require the electric IOUs to consider cost-effectiveness and the time by when a measure will be implemented within its WMP impacts the electric IOU's wildfire risk reduction efforts. The author and supporters of this bill contend that such an approach will better ensure that costs to ratepayers are better managed and more judiciously targeted.

Additional provisions intended to clarify roles of OEIS, CPUC, and WSAB relative to wildfire mitigation. The bill incorporate numerous changes to the roles of OEIS, CPUC, and WSAB proposed by the administration in SB 1003 (Dodd) of the 2024 legislative session, in order to better align wildfire mitigation with the timing of electric IOUs' GRCs and to clarify the roles of each agency and the WSAB. The administration contends the proposed changes will further help to bolster review of WMPs and their associated costs by focusing OEIS' attention on the wildfire mitigation, and the CPUC to continue its role as the rate regulator and overall regulator of the utility, while clarifying the role of the WSAB. Stakeholders have had limited time to review the proposed changes, though there seems to be general support for the conceptual approach, particularly in aligning review of WMP costs as part of the electrical corporation's GRC.

CAISO. The CAISO is a nonprofit public benefit corporation created by California statute as part of the effort to deregulate the electricity market in the late 1990s. The CAISO manages the flow of electricity across the high-voltage bulk power system that makes up 80% of California's, and a small part of Nevada's, electric grid. CAISO is registered as both a transmission operator and BA under federal reliability requirements. As a general matter, BAs may contain transmission operators. As with other BAs, the CAISO is regulated by federal statute and

regulations with oversight by FERC and the North American Energy Reliability Corporation (NERC).

Transmission planning. Each year, the CAISO conducts its transmission planning process to identify potential system limitations, as well as, opportunities for system reinforcements that improve reliability and efficiency. The CAISO Transmission Plan provides a comprehensive evaluation of the CAISO transmission grid to address grid reliability requirements, identify upgrades needed to successfully meet California's policy goals, and explore projects that can bring economic benefits to consumers. The plan relies heavily on key inputs from state agencies in translating legislative policy into actionable policy driven inputs. The plan is updated annually, and culminates in a CAISO Board of Governors approved transmission plan that identifies the needed transmission solutions and authorizes cost recovery through CAISO transmission rates, subject to federal regulatory approval, as well as identifying non-transmission solutions that will be pursued in other venues as an alternative to building additional transmission facilities. The plan is prepared in the larger context of supporting important energy and environmental policies while maintaining reliability through a resilient electric system. The plan is developed through a comprehensive stakeholder process and relies heavily on coordination with key energy state agencies – the CPUC and the CEC – for key inputs and assumptions regarding electricity demand side forecast assumptions as well as supply side resource development expectations.

SB 100 (De León, Chapter 312, Statutes of 2018). SB 100 established the 100 Percent Clean Energy Act of 2017 which increases the Renewables Portfolio Standard (RPS) requirement from 50% by 2030 to 60%, and created the policy of planning to meet all of the state's retail electricity supply with a mix of RPS-eligible and zero-carbon resources by December 31, 2045, for a total of 100% clean energy. SB 100 also required CARB, CEC, and CPUC to issue a joint report by January 1, 2021, and at least every four years, that describes technologies, forecasts, affordability, and system and local reliability. The report is required to include an evaluation of costs and benefits to customer rate impacts, as well as, barriers to achieving the SB 100 policy. The first Joint Agency report was issued January 2021 and found that California would need to triple its current electric power capacity to achieve the 2045 goal.

CAISO 20-year Transmission Outlook. The CAISO embarked on creating a 20-Year Transmission Outlook for the electric grid, in collaboration with the CPUC and the CEC, with the goal of exploring the longer-term grid requirements and options for meeting the state's GHG reduction and renewable energy objectives reliably and cost-effectively. The CAISO also intends for the expanded planning horizon to provide valuable input for resource planning processes conducted by the

CPUC and CEC, and to provide a longer-term context and framing of pertinent issues in the CAISO's ongoing annual 10-Year Transmission Plan. The 20-year Outlook estimates \$45-\$63 billion in costs related to transmission development to support the 2045 goal.

Transmission Development Forum. The Transmission Development Forum is a recent joint effort between the CAISO and the CPUC to discuss and track Participating Transmission Owners expansion and network upgrade projects and schedules. The Transmission Development Forum creates a single forum to track the status of transmission network upgrade projects that affect generators and all other transmission projects approved in the CAISO's transmission planning process. The effort allows for increased transparency for all stakeholders about transmission projects and enhances accountability of transmission owners by having them explain schedule changes, delays, and address stakeholders' questions.

Tracking Energy Development (TED) Task Force. The TED Taskforce is also a recent joint effort of the CPUC, CEC, CAISO, and Office of Business and Economic Development (GO-Biz) to track new energy projects under development. According to the CPUC, the objective is to build on the success of ad hoc 2021 efforts to provide energy resource project development support, as appropriate, and identify barriers and mitigation strategies to accelerate energy project development. Currently, the TED Taskforce is focused on near-term projects, roughly 200 contracted projects needed for summer reliability in 2022 and 2023.

Report to Governor on Priority SB 100 Actions. In September 2021, The CEC, CPUC, CARB, and CAISO published and sent a *Report to the Governor on Priority SB 100 Actions to Accelerate the Transition to Carbon-free Energy*. Among the many issues and recommendations included in the report was a discussion regarding transmission planning, permitting, and interconnection. The report notes that the build out of new electric transmission lines and upgrades to existing lines is "essential to support the interconnection of new resources." However, the report noted that over the past 10 years the cost of transmission for the average California ratepayer has increased by over 150%. Large transmission projects were identified as driving much of the increase. As a cost-cutting measure to help mitigate against increasing electric utility rates, the report recommended consideration of "statutory changes for the formation of a new entity for energy and transmission financing." The report specifically noted creation of a "California transmission authority as a new public benefits corporation that can, either on its own or through public private partnerships, fund and build new transmission projects needed to meet clean energy goals."

Build, baby, build! This bill also includes various provisions to support clean energy infrastructure build-out, including energy storage and transmission. This bill proposes the creation of a new clean energy authority to build transmission via public ownership and financing. This language largely reflects SB 1032 (Becker, 2021) which would have sought a similar authority, largely replicating a model established in New Mexico. The for public financing and opportunity for public ownership of transmission was discussed at the affordability oversight hearing earlier this session by several stakeholders as an approach to reduce costs for electric utility customers. A related bill, SB 330 (Padilla, 2025), also proposes public financing and public ownership, but provides the Governor with the authority to determine which projects among the CAISO's identified policy projects in the TPP. Electric utilities raise concerns about both approaches, suggesting the savings intended may not materialize. They propose public financing would be helpful, but the intended outcomes of both approaches may not yield the anticipated savings.

Prior/Related Legislation

SB 256 (Perez) of the current legislative session, includes various provisions related to addressing wildfire mitigation by electrical corporations. The bill is pending in this committee.

SB 283 (Laird) of the current legislative session, establishes the Clean Energy Safety Act of 2025 and requires various provisions to address fire safety standards for energy storage systems. The bill is pending in the Senate Local Government Committee.

SB 330 (Padilla) of the current legislative session, authorizes the Governor to establish projects to develop, finance, or operate electrical transmission infrastructure that meets specified requirements. The bill is pending in this committee.

SB 332 (Wahab) of the current legislative session, includes various proposals, including consideration of underground of electrical infrastructure within an electrical corporation's WMP. The bill is pending in the Senate Appropriations Committee.

AB 2462 (Petrie Norris, Chapter 762, Statutes of 2024) includes a suite of proposals to help address energy costs, including requiring the CPUC to submit a study to the Legislature on options to reduce costs on ratepayers of expanding the electrical transmission system.

SB 1003 (Dodd) of 2024, (nearly identical to many provisions in this bill) makes numerous changes to the processes for addressing wildfire mitigation by electrical corporations, and other electric utilities, including clarifying the roles of relevant state agencies in addressing wildfire risk; and requires electrical corporations to take into account both the amount of wildfire risk reduction for the cost-effectiveness and time value of the proposed mitigation measure within the utility's wildfire mitigation plan.

SB 410 (Becker, Chapter 394, Statutes of 2023) among its provisions, 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.

AB 205 (Committee on Budget, Chapter 61, Statutes of 2022) among its provisions, established the "Opt-in" certification at the CEC for specified clean energy projects in lieu of local permitting.

SB 884 (McGuire, Chapter 819, Statutes of 2022) required the CPUC to establish an expedited electric utility distribution infrastructure undergrounding program for large electrical corporations. Required the OEIS to approve or deny the plan within nine months and requires additional actions and reports.

SB 887 (Becker, Chapter 358, Statutes of 2022) adjusted the planning horizon for the annual electricity transmission plan from 10-years to 15-years, and required approval of at least two transmission projects as part of the CAISO 2022-23 transmission planning process.

SB 1020 (Laird, Chapter 361, Statutes of 2022) in the 4/18/2022 version included a requirement on the CPUC and CEC to create the California Affordable Decarbonization Authority as a nonprofit public benefit corporation to help offset costs on electric utility bills.

SB 1174 (Hertzberg, Chapter 229, Statutes of 2022) required specified reporting related to electric transmission projects, and also requires the CPUC in coordination with other state agencies to identify and advance all interconnections or transmission approvals necessary, as specified.

SB 1032 (Becker) of 2021, (nearly identical to many provisions in this bill) would have established a new Clean Energy Infrastructure Authority as a public instrumentality of the state for the purpose of leading the state's efforts to build critical electrical transmission infrastructure necessary to enable the state to transition to 100% clean energy.

AB 111 (Committee on Budget, Chapter 81, Statutes of 2019) created OEIS within the Natural Resources Agency, under the supervision of a director appointed by the Governor, to oversee electrical corporations' wildfire mitigation plans.

AB 1054 (Holden, Chapter 79, Statutes of 2019) included numerous provisions related to addressing wildfires caused by electric utility infrastructure, including: bolstering safety oversight and processes, such as required updates to each electric corporation's wildfire mitigation plans, recasting recovery of costs from damages to third-parties, including the authorization for an electrical corporation and ratepayer jointly funded Wildfire Fund to address future damages, and changes to provisions concerning the workforce of a change of ownership of a full or portion of an electrical or gas corporation.

SB 901 (Dodd, Chapter 626, Statutes of 2018) addressed numerous issues concerning wildfire prevention, response and recovery, including funding for mutual aid, fuel reduction and forestry policies, WMPs by electric utilities, and cost recovery by electric corporations of wildfire-related damages.

SB 1028 (Hill, Chapter 598, Statutes of 2016) required electric CPUC-regulated utilities to file annual wildfire mitigation plans and requires the CPUC to review and comment on those plans.

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

SUPPORT:

350 Humboldt

Agricultural Energy Consumers Association

California Farm Bureau Federation

California Large Energy Consumers Association, if amended

California Solar & Storage Association

Clean Air Task Force

Climate Action California

Natural Resources Defense Council

Net-zero California

The Climate Reality Project, Silicon Valley

The Utility Reform Network

An Individual

OPPOSITION:

California Chamber of Commerce
California State Association of Counties, unless amended
League of California Cities, unless amended
Pacific Gas and Electric Company, unless amended
Rural County Representatives of California, unless amended
San Diego Gas and Electric Company, unless amended
Southern California Edison

ARGUMENTS IN SUPPORT: The Utility Reform Network states:

SB 254 (Becker). This bill contains a series of significant measures designed to reduce long-term utility spending and ratepayer costs while also providing badly needed short-term rate relief. We expect SB 254 would have a material impact on the affordability of electricity over the coming decades. TURN appreciates the comprehensive nature of SB 254 and the inclusion of a wide array of initiatives designed to produce ratepayer benefits.

In particular, TURN expresses strong support for several of this bill's provisions, including: establishing a new Clean Energy Infrastructure Authority capable of financing and owning new grid infrastructure including electric transmission; requiring the large electrical corporations to finance \$15 billion in future capital expenditures related to wildfire mitigation (\$5 billion) and customer energization (\$10 billion) using ratepayer-backed securitized debt; substituting low-cost bonds for high-cost private capital financing by electrical corporations (which includes shareholder equity), and several others.

ARGUMENTS IN OPPOSITION: The California Chamber of Commerce states:

SB 254 (Becker) is framed as a "rate-payer relief and wildfire-safety" omnibus, but in practice it would overlay California's already complex energy framework with new state authorities, bond-financing schemes, and open-ended reimbursement funds that merely shift, rather than reduce, costs while introducing additional compliance burden and inviting continued expansion of legislative spending mandates without fiscal discipline. ...SB 254's headline promise is lower energy bills, but its mechanics mostly move today's utility costs around, without eliminating them. By layering state-backed funds, bond instruments and new authorities on top of conventional ratemaking, the bill masks rather than reduces total system costs.

-- END --