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

**Senator Benjamin Allen, Chair
2025 - 2026 Regular**

Bill No:	SB 905	Hearing Date:	4/21/2026
Author:	Becker		
Version:	3/17/2026 Amended		
Urgency:	No	Fiscal:	Yes
Consultant:	Nidia Bautista		

SUBJECT: Electricity

DIGEST: This bill includes several policies to address electricity utility bill affordability, including establishing a fund for the purposes of using non-ratepayer funds to reduce costs on electricity bills, require evaluation of alternative financing for electrical corporation infrastructure projects, and requires performance metrics for electrical corporations.

ANALYSIS:

Existing law:

- 1) Establishes and vests the California Public Utilities Commission (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) Requires the State Energy Resources Conservation and Development Commission (California Energy Commission (CEC)) to administer the Electric Program Investment Charge Fund for research, development, and demonstration programs that will benefit electricity ratepayers. (Public Resources Code §25710 *et seq.*)
- 4) 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)

This bill:

- 1) 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 electrical corporations and local electric publicly owned utilities (POUs) for expenditures driven by public policy goals that provide a benefit to the general public, as provided. 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 the purpose of the program.
 - a) 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 corporation's rate base and any asset funded by those reimbursed expenditures be funded without a return on equity, as provided.
 - b) Requires the CEC to annually report to the Legislature actual utility bill impacts in order to ensure the POWER Program is helping to reduce electricity costs for ratepayers.
 - c) Prohibits the CEC from using more than three percent of the moneys appropriated for the program or \$5 million, whichever is less, for administrative and overhead costs each year.
- 2) Requires the CPUC, for each electrical corporation, to assign a reduced return on equity (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 account.
 - b) Capital costs exempted from a reasonableness review.
 - c) Capital costs relating to undergrounding of the electrical system.
- 3) Requires the CPUC, on or before January 1, 2028, to initiate a proceeding to investigate, develop, and adopt a framework for performance-based metrics for large electrical corporations, as provided. Authorizes the CPUC to establish targets for each of the performance metrics developed in the proceeding and to assess the performance of the electrical corporation against the performance metrics and any targets during a general rate case, as specified. Requires the CPUC, on or before January 1, 2028, to require each large electrical corporation to have an incentive compensation structure for certain employees for which a

minimum of 20% of their total compensation each year is contingent on the average cost of electricity, as specified.

- 4) 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. As part of the rulemaking, this bill requires the CPUC to require each electrical corporation to annually submit a report identifying all opportunities for alternative financing of electrical distribution, electrical generation, and electrical transmission costs. 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.
- 5) 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 by reducing peak load, as specified.

Background

SB 254 (Becker, Chapter 119, Statutes of 2025). SB 254 included several provisions to address electric utility bill affordability. As electricity rates, and consequently utility bills, have risen and trend above inflation, there is a continued desire for opportunities to reduce utility bills. Last year, in response to an executive order by the Governor¹, the CPUC and CEC, presented their recommendations for opportunities to reduce costs on electricity utility bills at this committee's hearing also focused on affordability.² Additionally, both at the hearing and during the legislative session there were many proposals considered, including those that culminated into a negotiated agreement in the waning days of the legislative session by the Governor, Assembly leadership and Senate leadership which are reflected in the passage of SB 254 (Becker, 2025). Among the myriad of policies in the bill are several to address utility wildfire mitigation costs by requiring a cost-efficiency framework to more judiciously consider costs shouldered by utility customers, limitations on the ability of electric investor-owned utilities (IOUs) to earn a profit on an additional \$6 billion of wildfire mitigation (adding to the \$5 billion of expenses included in AB 1054 (Holden, Chapter 79, Statutes of 2019) that were also prohibited from a return on equity), as well as, opportunities for public financing and securitization of transmission projects. Additionally, the bill removed a requirement that IOUs utilize mechanisms (memorandum accounts) to

¹ <https://seuc.senate.ca.gov/system/files/2025-02/2-19-25-governor-newsom-energy-eo-10-30-24.pdf>

² See Senate Energy, Utilities, and Communications Committee hearing on February 19, 2025. https://seuc.senate.ca.gov/system/files/2025-05/cpuc-response-to-eo-n-5-24_0.pdf and <https://seuc.senate.ca.gov/system/files/2025-05/cec-response-to-eo-n-5-24-ada.pdf>.

recover wildfire mitigation costs. Instead, the bill defers to the CPUC to determine their necessity thereby allowing these costs to be folded into the broader budgeting document of the IOU, the General Rate Case.

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.

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. This bill ties executive pay to keeping rates down, sets performance standards so we can grade how good a job the utilities are doing, and make 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.

This bill continues with efforts to address electric utility bill affordability. SB 905 includes seven 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.
- **Aligning Executive Compensation with Cost Control:** This bill requires electric IOUs to link a portion (at least 20%) of executive compensation to

keeping electricity rates from rising faster than inflation over a rolling three-year period. By linking compensation to rates, this bill intends to encourage leadership decisions that prioritize cost discipline and responsible system management.

- **Strengthening Performance Accountability:** SB 905 directs the CPUC to establish clear performance metrics for utilities, including reliability, system utilization, greenhouse gas reductions, and the speed of connecting new customers and clean energy resources. This intends to make clear the expectations for good performance and hold electrical corporations accountable for delivering safe, reliable, clean, and affordable power. Notably, it does not allow the CPUC to link any financial bonuses or penalties to these performance metrics thereby attempting to askew any of the perverse incentives from past experiences with performance-based ratemaking.
- **Maximizing Use of Existing Grid Infrastructure:** This bill requires new reporting on how effectively 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.
- **Reducing Pressure on Electricity Bills:** SB 905 includes a provision that this committee supported in SB 254 (Becker, 2025) and SB 1020 (Laird, 2020) to create a Policy-Oriented and Wildfire Electric Reimbursement (POWER) Fund to allow certain public purpose programs and wildfire-related costs to be funded through sources other than electricity bills, helping shift some costs away from ratepayers. Neither the final versions of SB 254 nor SB 1020 included the POWER Fund.
- **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.

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 create unintended consequences. The utilities point to the lack of an identified source of funding for the POWER fund; PG&E recommends funding from the Greenhouse Gas Reduction Fund (GGRF) as a designated funding source. PG&E

and Southern California Edison (SCE) raise concerns about the performance metrics and 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 raises 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.

Prior/Related Legislation

SB 1233 (Allen) of 2026, requires specific actions related to cost of capital for electrical and gas corporation rate changes. The bill is pending in this committee.

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

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.

SB 1020 (Laird, Chapter 361, Statutes of 2020), in an earlier version, included the concept of the POWER fund.

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

SUPPORT:

The Utility Reform Network (Sponsor)
350 Humboldt: Grass Roots Climate Action
California Environmental Voters
California Solar & Storage Association
Climate Action California
Climate Action Campaign
Climate Future California
Sonoma Clean Power

OPPOSITION:

California Chamber of Commerce
North American Wood Pole Council
Pacific Gas and Electric Company and its Affiliated Entities

Southern California Edison
Treated Wood Council
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 Southern California Edison:

SB 905 improperly treats core utility functions—particularly wildfire mitigation and grid investments—as discretionary public policy costs that should be excluded from rate base and denied a return on equity. While SCE supports reducing costs to ratepayers driven by public policy goals, such as public purpose programs, SB 905’s definition of these costs is overly broad and could impact core utility spending that supports infrastructure buildout and improvement for safety and reliability purposes, including spending necessary to meet load growth demand, enable customer energization, and mitigate wildfire risk. ...Furthermore, SB 905 provides no durable funding source or workable reimbursement mechanics that would alleviate ratepayer costs driven by public policy goals.

The establishment of a performance-based ratemaking framework exposes utilities to downside risk without providing any corresponding upside or meaningful regulatory clarity. ...This would create an asymmetrical, unnecessarily rigid, and potentially incoherent accountability regime that could undermine IOUs’ ability to balance affordability with prioritizing the most important safety and reliability needs of their customers. ...Conditioning executive compensation on limiting increases in the “average cost of electricity” to Social Security cost-of-living adjustments is fundamentally flawed and inconsistent with cost-of-service ratemaking. Executive compensation is an operating expense inherent in providing service to

customers; it should be recoverable so long as the utility's overall total compensation is consistent with market levels, in accordance with cost-of-service ratemaking principles.

The Western Wood Preservers Institute, North American Wood Pole Council, and Treated Wood Council state:

The bill would 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. We have strong concerns about the assumption that undergrounding infrastructure reduces risk or is a benefit to the general public. The bill incorrectly assumes undergrounding is a straightforward reduction in risk that the general public will benefit from. Undergrounding will not reduce wildfire risk, in fact we believe it could be the genesis of future fire. Undergrounding will also create or magnify other risks including earthquake-related damage, flooding, and moisture intrusion.

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