Date of Hearing: March 26, 2025

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY
Cottie Petrie-Norris, Chair
AB 99 (Ta) – As Introduced January 8, 2025

SUBJECT: Electrical corporations: rates

SUMMARY: Prohibits investor-owned utilities (IOUs) from proposing a consumer rate increase above the rate of inflation unless approved by a majority of customers through election, or if the California Public Utilities Commission (CPUC) deems the increase is directly related to safety enhancements, modernization, or higher commodity or fuel costs.

EXISTING LAW:

1) Establishes and vests the CPUC with regulatory authority over public utilities, including electrical corporations. (Article XII of the California Constitution)

2) Requires that all charges demanded or received by any public utility for any product, commodity or service be just and reasonable, and that every unjust or unreasonable charge is unlawful. (Public Utilities Code § 451)

3) Requires the CPUC to establish rates using cost allocation principles that fairly and reasonably assign to different customer classes the costs of providing service to those customers, consistent with the policies of affordability and conservation. (Public Utilities Code § 739.6)

4) Requires the CPUC to ensure that any errors in estimates of demand elasticity or sales do not result in over or undercollections by the IOUs. (Public Utilities Code § 739.10)

5) Mandates the CPUC develop a definition of energy affordability, and use the definition to assess the impact of proposed rate increases on different types of residential customers, among other requirements. (Public Utilities Code § 739.13)

6) Declares the legislative intent that the CPUC reduce rates for electricity and natural gas to the lowest amount possible. (Public Utilities Code § 747)

FISCAL EFFECT: This bill is keyed fiscal and will be referred to the Assembly Committee on Appropriations for its review. This bill is a reintroduction of a 2023 measure (AB 1710, Ta) which was heard in the Assembly Committee on Appropriations. The analysis at the time noted the CPUC estimated costs of approximately $514,000 for two attorneys to complete the work of that bill.

CONSUMER COST IMPACTS: The goal of the bill is to try to mitigate energy utility rate increases.

BACKGROUND:

California's Problem with Electricity Affordability. Since 2013, all three large IOUs in California (Pacific Gas & Electric Company (PG&E), Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E)) have increased consumer electricity rates every year.[1] From 2019 to 2023, bundled system average rates, or rates paid by customers that receive bundled generation, transmission and distribution services from the utility, have increased at an annual average of 12.5% a year (Figure 1). This is above the California Consumer Price Index rate of inflation, which has risen at an average of 4.02 percent a year over that same period[3].

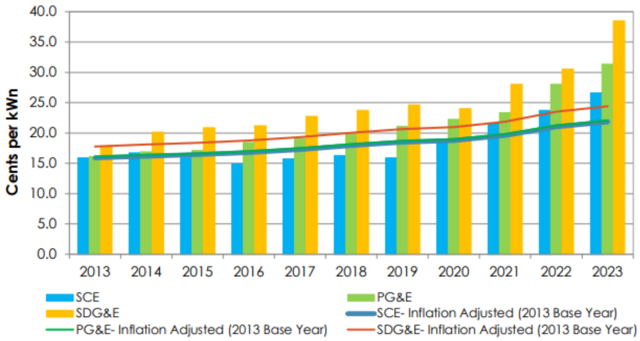

Figure 1 – Trends in Electric Bundled System Average Rates (2013-2023)[1]

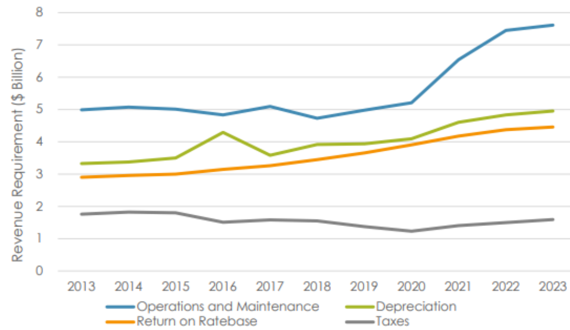

Figure 2 – Trends in General Rate Case Revenue Requirements for the three IOUs[2]

Since 2021, utilities report that the largest growth in cost is attributed to operation and maintenance, which includes significant financial commitments to growing wildfire mitigation and transportation electrification projects (Figure 2). This increase in rates impacts all customer classes, with residential customers and small businesses bearing the greatest impact.[4]

Ongoing rate increases in the cost of energy inevitably have real impact on consumer bills. The CPUC forecasts that by 2030, bundled residential rates will be much higher than rates forecasted to grow at the rate of inflation.[5] These forecasts use conservative assumptions about future utility expenditures and likely underestimate the actual rate increases expected in the future without intervention.[6] Looking at the cost of an average ratepayer's bill in either hot or moderate

---

[1] Pg. 9, CPUC, (2024), "2023 California Electric and Gas Utility Costs Report – AB 67 Annual Report to the Governor and Legislature."
[2] Pg. 17, CPUC (2024),"2023 California Electric and Gas Utility Costs Report – AB 67 Annual Report to the Governor and Legislature."
[3] California Department of Finance, 2023
[4] Pg. 29-31, CPUC, (2025), "Bundled System Average Rate by Customer Class - 2024 Senate Bill 695 Report"
[5] approximately 12 percent higher for PG&E, 10 percent for SCE, and 20 percent for SDG&E. Pg. 43, "Utility Costs and Affordability of the Grid of the Future : An Evaluation of Electric Costs, Rates, and Equity Issues Pursuant to P.U. Code Section 913.1," CPUC, February 2021.
[6] "…the forecasts generally incorporate known program changes and assume a small escalation factor for remaining activities…"pg. 57, "Utility Costs and Affordability of the Grid of the Future : An Evaluation of Electric Costs, Rates, and Equity Issues Pursuant to P.U. Code Section 913.1," CPUC, February 2021.

California climate, the CPUC predicts that all three IOUs will increase the cost of bills for both rate subsidized (CARE) customers and non-subsidized customers from 2023 to 2027 (Figure 3).[7]

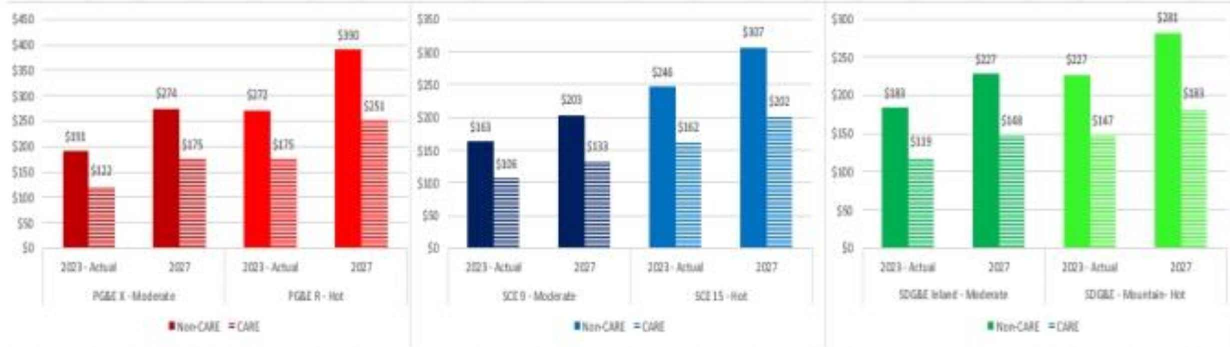

Figure 3 – Current and Projected Residential Average Monthly Bills for the 3 IOUs, Year-End 2023-Year-End 2027, Typical Customer Living in a Moderate and Hot Climate Zone[1]

The projected growth in electricity costs over the next decade suggests that many Californian households will continue to struggle with energy affordability. These high rates might make it more expensive for a business to produce goods or discourage adoption of electric vehicles and electric appliances. For customers most acutely impacted by changes to their electricity bills—such as low-income customers, those in hot climate zones, the medically vulnerable, or in public housing—higher costs can have dire consequences. Failure to pay electricity bills and the resulting potential for disconnections can lead to real negative impacts on the lives of Californians. This includes shutting off critical medical equipment, serious medical risks during extreme weather like a heatwave, or even the loss custody of children to the state. As of 2024, 2,214,231 customers of the three IOUs are behind on their energy bills (in arrears)[8]. That is 19.1% of IOU customers with an average of $821 owed.

Soaring profits. The CPUC prospectively authorizes the return on investment, or profit, that an IOU can earn in a given year. This is called the rate of return. A utility's actual rate of return is permitted to be higher or lower than the rate the CPUC authorizes, depending in part, on how the utility manages its operations and costs. According to the State Auditor, from 2013 to 2023, SDG&E's actual rate of return was higher than its authorized rate of return for 9 out of 10 years,

Rate of Return (ROR) (%)

SCE	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
SCE Authorized	8.77	8.77	8.74	8.74	8.74	8.74	8.74	7.90	7.90	7.90	7.90	7.90	7.61	7.61	7.68	7.68	7.68
SCE Actual[1]	8.45	8.92	7.74	9.32	8.86	8.17	9.32	8.79	9.46	7.55	8.09	5.81	0.70	6.73	4.40	3.15	3.31
PG&E																	
PGE Authorized	8.79	8.79	8.79	8.79	8.79	8.79	8.79	8.06	8.06	8.06	8.06	8.06	7.69	7.69	7.34	7.34	7.34
PGE Actual[1]	8.97	9.27	9.16	8.67	8.64	7.73	6.51	6.24	7.50	7.01	8.39	7.50	-16.13	-15.46	2.72	4.97	5.49
SDG&E																	
SDGE Authorized	8.23	8.23	8.40	8.40	8.40	8.40	8.40	7.79	7.79	7.79	7.79	7.79	7.55	7.55	7.55	7.55	7.55
SDGE Actual[1]	9.62	8.57	9.44	9.45	9.41	8.30	8.08	8.75	9.36	9.00	8.57	5.87	8.78	9.00	9.10	7.66	7.90

Figure 4 – Rate of Return, Actual and Authorized for the IOUs: SCE, PG&E, SDG&E and SoCalGas 2006-2023[9]

[7] CPUC, (2024), "2024 Senate Bill 695 Report."
[8] October 2024 utility compliance filing n the COUC's disconnection proceeding (R.18-07-005)
[9] CPUC, https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-costs/historical-electric-cost-data/rate-of-return, accessed March 19th, 2025.

suggesting inaccuracies in the process.[10] Although PG&E's actual rate of return has only been higher than its authorized rate of return one year between 2013 and 2023, they announced a second year of record profits in 2024. PG&E earned more than $2.48 billion in 2024, up from $2.24 billion in 2023, which was nearly a 25% increase from 2022.[11] This announcement came after the CPUC's approval of multiple rate increases for both PG&E and SDG&E customers starting in 2025.[12,13]

COMMENTS:

1) *Author's Statement.* "Section 747 of the Public Utilities Code declares it is the intent of the Legislature that the California Public Utilities Commission lower electricity and natural gas rates to the lowest amount possible. Despite this, Investor Owned Utilities (IOUs) have, since 2013, consistently increased energy prices above the inflation rate, forcing California residents to make difficult decisions about energy usage. IOUs function as state-sanctioned monopolies, resulting in California residents having no choice but to pay regressive and exceptionally high energy bills or go cold during the winter. AB 99 would provide California residents the price relief they need and protect them against future rate hikes by restricting IOUs' authority to increase rates above inflation on average unless they obtain support from a majority of customers through a customer election."

2) *Democratic Ratemaking.* This bill addresses energy affordability, which is an ongoing and challenging problem in the state. However, it places the decision to increase rates into the hands of the ratepayer through an election process. Such a structure requiring direct democracy in ratemaking is highly unusual. The cost of transmission and distribution infrastructure results in a monopoly in service. In the context of this monopoly, ratemaking is the process that the government uses to establish prices and terms under which a utility provides services to its customers. Ratemaking in California is governed by the CPUC and is required to ensure that the utility will recover its costs and expenses, plus a reasonable return.[14] Turning this power over to a democratic process may address the lack of accountability and transparency ratepayers feel exists in the ratemaking process at the CPUC. However, this electoral mechanism would likely be problematic and ineffective.

   The joint IOUs have raised concerns about proposed ratemaking elections, arguing that the cost of implementation across the state could be high. If elections were implemented, rate increases would be authorized if a majority of voting customers approve the increase. There is no requirement for minimum participation of customers in the bill. Historically, the customer response rates to physical bill inserts or emails are staggeringly low for IOUs.

---

[10] Auditor of the State of California, (2023). "Electricity and Natural Gas Rates: The California Public Utilities Commission and Cal Advocates Can Better Ensure that Rate Increases Are Necessary"
[11] *Mercury News*; "PG&E reports profit of more than $2 billion for 2024"; February 2025.
[12] *San Francisco Chronicle,* "How three new rate hikes will impact your PG&E bill"; December 2024.
[13] CPUC, SoCalGas and SDG&E 2024 (Sempra) General Rate Case (A.22-05-015/016), December 2024
[14] As held in *Federal Power Commission et al. v. Hope Natural Gas Co*., 320 U.S. 591, 603 (1944) and *Bluefield Water Works and Improvement Co. v. Public Service Commission of West Virginia ("Bluefield"),* 262 U.S. 679 (1923)

PG&E serves 16 million people, with 5.5 million distinct electric customer accounts,[15] and the utility has received 9 customer responses to physical bill inserts from 2019-2023. The customer response rate to email hovers around 2% per month.[16] This bill does not provide details regarding the election process, however, the response rate of customers may be low. This could lead to non-representative results, dictated by a small group of voters, and would be dysfunctional. *The committee recommends striking subdivisions (b) and (c) of the bill, removing any requirement for customer elections.*

3) *Appropriate measure of inflation.* This bill prevents IOUs from increasing rates beyond the rate of inflation, but it does not define the metric of inflation. Since 1992, the CPUC has used the Consumer Price Index for All Urban Consumers (CPI-U), as defined by the Bureau of Labor Statistics[17], to justify rate increases for water and sewer utilities.[18] In addition, in utility general rate cases[19], the CPUC has rejected the Consumer Price Index (CPI) as an appropriate inflationary index for electric utilities, noting on multiple occasions that CPI does not reflect how “utilities incur costs.”[20] However, this bill’s goal is to mediate consumer costs as a primary concern and therefore using a consumer focused index is appropriate. In addition, this bill offers exceptions that will buffer against utility-specific cost increases. This will be discussed further in section 4. The California Consumer Price Index (CCPI), as defined by the California Department of Industrial Relations, specifically reflects the adjusted consumer purchasing power in the state of California, which is different from the national average.[21] Therefore, the CCPI is a reasonable inflationary index for this bill. *The author and committee may therefore wish to specify the California Consumer Price Index as the inflation metric used under this bill.*

4) Blanket Exceptions. Subdivision (d) of the bill authorizes the CPUC to approve a rate increase above the rate of inflation for costs directly related to safety enhancements, modernization, or higher commodity or fuel costs. This language would include exceptions for most, if not all, utility-specific costs above the cost of the California Consumer Price Index. These exceptions include the majority of known costs associated with increasing electricity rates, such as wildfire spending, distribution costs, fuel commodity prices, and could justify new environmental initiatives under the umbrella of “modernization.” In addition, labor costs could easily be understood as “directly related” to all these utility-specific costs. This language should allay the concerns of those who argue this bill would lock in the current spending or prevent the initiation of new programs for electrical utilities in perpetuity. Ultimately, the language in the bill may be so permissive to make the bill ineffective at maintaining rate payer bill increases on par with the consumer felt cost of inflation. However, with energy utility bills rising and little relief in sight, suggesting that electric rates should have some assessment relative to the cost of inflation is reasonable.

---

[15] PG&E Company profile webpage; https://www.pge.com/en/about/company-information/company-profile.html.; accessed March 20th, 2025.
[16] Data request to committee by PG&E, April 20, 2023.
[17] Announced by the Bureau of Labor Statistics, U.S. Department of Labor
[18] D. 92-03-093
[19] D. 19-09-051
[20] D. 19-09-051, D. 15-11-021
[21] As determined annually by the California Department of Industrial Relations; https://www.dir.ca.gov/oprl/cpi/entireccpi.pdf

5) *Related Legislation.*

SB 332 (Wahab) or The Investor-Owned Utility Accountability Act among its many provisions, caps electricity rate increases to the Consumer Price Index, requires annual audits of infrastructure, ties executive compensation to safety metrics and funds a study to assess the best form of utility, publicly or privately owned, best serves ratepayers. Status: Senate - Energy, Utilities and Communications

6) *Prior Legislation.*

AB 1710 (Ta, 2023) prohibits IOUS from proposing a consumer rate increase above the rate of inflation unless approved by a majority of customers through election, or if the California Public Utilities Commission (CPUC) deems the increase is directly related to safety enhancements, modernization or higher commodity or fuel costs. Status: Died –Assembly Committee on Appropriations.

AB 1434 (Sanchez, 2023) prohibits the annual salary paid to each public utility commissioner from being funded with revenues collected from a charge imposed on ratepayers. Status: Died –Assembly Committee on Appropriations.

AB 982 (Villapudua, 2023) eliminates from electric IOU rates the costs of various programs, except for utility bill discount programs for low-income customers, and instead establishes a Public Utilities Public Purpose Programs Fund (PUPPP Fund) in the State Treasury to fund the programs. Status: Died – Assembly Committee on Appropriations.

AB 2765 (Santiago, 2022) proposed to eliminate funding for certain public purpose programs from the rates paid by customers of the state's IOUs, except for funding for specific programs to subsidize costs borne by low-income ratepayers. Status: Died – Assembly Committee on Appropriations.

AB 205 (Committee on Budget) among its many provisions, provided an additional $1.2 billion to cover outstanding energy utility arrears accrued during the COVID-19 pandemic, and made other programmatic changes. Additionally mandated the CPUC to establish an income-graduated fixed charge for default residential rates by July 1, 2024, with no fewer than three income thresholds, so that low-income ratepayers would realize lower average monthly bills. Status: Chapter 61, Statutes of 2022.

AB 135 (Committee on Budget) among its many provisions, established the California Arrearage Payment Program and appropriated almost $1 billion to cover outstanding energy utility arrears accrued during the COVID-19 pandemic. Status: Chapter 85, Statutes of 2021.

REGISTERED SUPPORT / OPPOSITION:

Support

Agricultural Energy Consumers Association
California Farm Bureau
California Senior Legislature

Opposition

Sierra Club
California Chamber of Commerce
Coalition of California Utility Employees
Bear Valley Electric Service
Liberty Utilities
Pacific Gas & Electric Company
Pacific Power, a division of PacifiCorp
San Diego Gas & Electric
Southern California Edison

Analysis Prepared by: Kristen Koenig / U. & E. / (916) 319-2083