

Date of Hearing: April 23, 2025

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY

Cottie Petrie-Norris, Chair

AB 1017 (Boerner) – As Amended April 3, 2025

**SUBJECT:** Energy: electrical and gas corporations: general rate cases

**SUMMARY:** Requires that, as part of its general rate case, an investor-owned utility (IOU) must report a number of additional figures regarding costs, including the cost of repairs and replacement of assets, the historical rate of return, and information about distribution capacity.

Specifically, **this bill requires** an IOU to report in its general rate case (GRC):

- 1) The relative amount of cost for any work category at the beginning and end of the previous rate case.
- 2) All labor and non-labor costs during the past 10 years for any work category.
- 3) Repair, install, or replacement for any asset in the last 10 years.
- 4) The authorized and actual rate of return and return on equity for the past 10 years.
- 5) Multiple aspects of distribution capacity, including:
  - a. Projects included in the previous general rate case
  - b. An inventory of proposed projects included in the previous rate case that are complete or will be during that rate case.
  - c. Projects that are carrying over from the previous general rate case to the current rate case.
  - d. Projects in the previous rate case that have been canceled or delayed
- 6) A breakdown by program of capital costs in the current rate case application that exceeds previously authorized levels or that have been previously deemed unreasonable.

**EXISTING LAW:**

- 1) Requires that any charge from a public utility must be just and reasonable. (Public Utilities Code § 451)
- 2) Mandates the CPUC to require electrical or gas corporations to annually notify the CPUC of each time that capital or expense revenue authorized by the commission for maintenance, safety, or reliability was redirected by the electrical or gas corporation to other purposes. (Public Utilities Code § 591)

- 3) Requires the commission to track an IOUs actual rate of return relative to its forecasted rate of return, and requires the IOUs to identify the cost categories where projected costs differ from actual costs. (Public Utilities Code § 451.8)
- 4) Requires IOUs to file distribution resources plans (DRP) with the CPUC which identify optimal locations for the deployment of distributed energy resources (DERs) which are defined as distributed renewable generation resources, energy efficiency, energy storage, electric vehicles, and demand response technologies. (Public Utilities Code § 769)
- 5) Requires that IOU spending on distribution infrastructure necessary to accomplish the DRP to be proposed and considered as part IOU general rate cases. (Public Utilities Code § 769(d))
- 6) Requires each electrical corporation operating a distribution system to consider grid-enhancing technologies and reconductoring with advanced conductors as part of its annual distribution planning process (Public Utilities Code § 454.58(f))

**FISCAL EFFECT:** Unknown. This bill is keyed fiscal and will be referred to the Assembly Committee on Appropriations for its review.

**CONSUMER COST IMPACTS:** Unknown.

## BACKGROUND:

*General Rate Case Processes* – General rate cases are proceedings held by the CPUC every four years that address the day-to-day costs of operating the utility system and decide the cost of electricity rates for customer classes. For California’s three large IOUs, the GRC has two phases. Phase I determines the total amount of money the utility is authorized to collect, and Phase II determines the share of the cost to each customer class. For smaller utilities, authorized costs and allocation of costs are done in just one phase. The CPUC reviews detailed cost data from the utility justifying their proposal and based on that information the CPUC approves a budget for the first year of the GRC, also called the test year. The CPUC then prescribes how to adjust the test year budget for inflation, and other factors that may affect costs, for the remaining 3 years. The GRC proceeding is the primary opportunity for the CPUC to evaluate and review the utility requests for rate increases. This evaluation is built on the data provided in the utility application.

*Contention Around Growing Distribution Costs* – As California works toward its goals of electrification, there has been increasing interest in the investment in distribution upgrades in the grid needed to support EV charging

	EIS 1.0 2035 Cost (bn)	DGEM 1.0 2035 Cost (bn)	DGEM 2.0 2035 Cost (bn)	DGEM 2.0 2040 Cost (bn)
PG&E	\$27.60	\$18.20	\$16.10	\$23.90
SCE	\$21.10	\$5.70	\$5.50	\$11.10
SDG&E	\$3.10	\$2.30	\$1.10	\$2.40
Total	\$51	\$26.30	\$22.70	\$37.40

Table 1: Forecasted energy distribution cost forecasts EIS 1.0, DGEM 1.0, DGEM 2.0 for 2035. DGEM 2.0 forecasts to 2040 as well. <sup>1</sup>

<sup>1</sup> Public Advocates Office, DGEM 2.0 Preliminary Results, Abhishek, Julian Buchwalter, and Leo Steinmetz, October 21, 2024

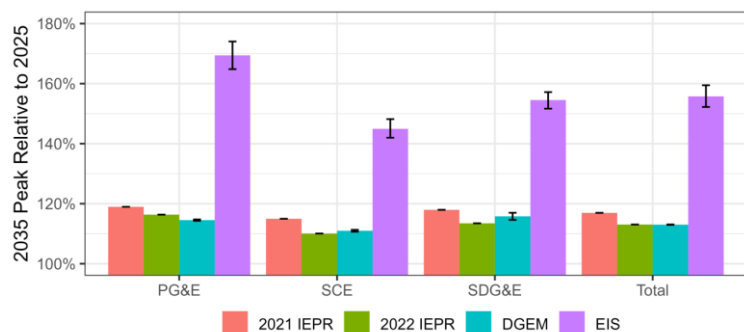


Figure 1 – Predicted peak in load found in the CEC’s 2021 and 2022 IEPR forecast, the Public Advocate’s Office DGEM 1.0 distribution cost forecast that the CPUC’s EIS distribution cost forecast.<sup>2</sup>

needed by 2035, with \$27.6 billion in investment by PG&E, \$21.1 billion by SCE, and \$3.1 billion by SDG&E (Table 1).<sup>3</sup>

The Public Advocates Office also generated an independent forecast of distribution growth called the Distribution Grid Electrification Model (DGEM 1.0). This forecast predicted the need for \$26.30 billion in investment, approximately half the amount predicted by the CPUC study. The DGEM study is in the process of being updated (DGEM 2.0) and preliminary results show a decrease in forecasted investment to \$22.70 billion by 2035.<sup>4</sup> The difference in investment cost in each model is attributed to the predicted peak load in the future. Figure 1 shows the differences in peak load predictions that were used in the EIS and DGEM 1.0 forecasts, as well as the published California Energy Commission’s IEPR forecast. The large discrepancy in forecasted cost of distribution investment between the DGEM and EIS, as well as the large increase in electricity rates largely attributed to distribution costs, has led to greater scrutiny on how the CPUC evaluates distribution costs in the GRC (Figure 2).<sup>5</sup>

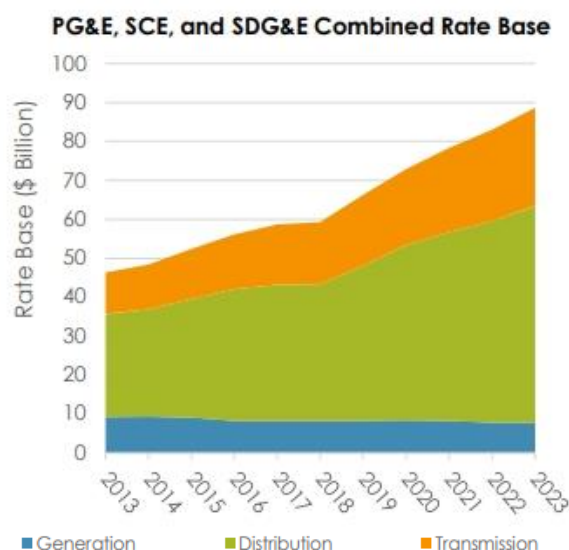


Figure 2: Historical data on the contributions of generation, transmission and distribution to the electricity utility ratebase.<sup>6</sup>

<sup>2</sup> Public Advocates Office, “Distribution Grid Electrification Model: Study and Report” August, 2023

<sup>3</sup> Kevala. (2023). Electrification Impacts Study Part 1: Bottom-Up Load Forecasting and System-Level Electrification Impacts Cost Estimates. Prepared for: California Public Utilities Commission, Energy Division Proceeding R.21-06-017

<sup>4</sup> Public Advocates Office, DGEM 2.0 Preliminary Results, Abhishek, Julian Buchwalter, and Leo Steinmetz, October 21, 2024

<sup>5</sup> CPUC, (2024), “2023 California Electric and Gas Utility Costs Report – AB 67 Annual Report to the Governor and Legislature.”

<sup>6</sup> CPUC (2024), “2023 California Electric and Gas Utility Costs Report – AB 67 Annual Report to the Governor and Legislature.”

**COMMENTS:**

- 1) *Author's Statement* – According to the author: “AB 1017 would ensure that one of the biggest drivers of costs, distribution, is reported to the CPUC and considered when making rates. Californians pay some of the highest rates in the nation. The affordability crisis disproportionately impacts the state’s most vulnerable residents. Ratepayers deserve transparency—especially when they are the ones bearing the costs of grid improvements.”
- 2) *Ongoing transparency problems in the GRC proceeding* – Within the 2022 Pacific Gas and Electric (PG&E) general ratecase, the CPUC reported that the Commission and outside groups had difficulties with data accessibility.

*In this proceeding, the Commission finds instances in which tracking PG&E's historical data to assess the reasonableness of future expenses has been challenging for parties and the Commission. Having a consistent and common accounting system format would improve transparency, efficiency, and the quality of GRC analyses, including the forecasting methodologies.<sup>7</sup>*

The goal of this bill is to increase transparency and make relevant data more accessible, both to the CPUC and to consumer advocates. It is likely that much of the information mandated in this bill is available in the GRC, which could make the mandates appear redundant. However, the bill would require historic comparisons to be brought forward with increased clarity and would add detail around distribution capacity projects. This would address the CPUC’s own concerns about clarity in GRC data, and concerns about distribution cost transparency.

- 3) *Related Legislation.*

AB 1273 (Patterson) forbids the CPUC from placing applications for a rate increase from electrical corporations onto its consent calendar. The bill also requires at least 30 minutes of public comment at a hearing to consider an application for a rate increase from electrical corporations. Status: pending hearing in the Assembly Committee on Appropriations.

AB 99 (Ta) 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 CPUC deems the increase is directly related to safety enhancements, modernization, or higher commodity or fuel costs. Status: pending hearing in the Assembly Committee on Appropriations.

SB 620 (Stern) requires the commission to prioritize independent verification of utility data used to justify general rate case proposals for capital investments in electrical distribution and transmission grid infrastructure and the operation and maintenance of

---

<sup>7</sup> CPUC, Decision 23-11-069, November 11, 2023

that infrastructure. Status: pending hearing in the Senate Committee on Energy, Utilities and Communication.

4) Prior Legislation.

AB 2666 (Boerner) requires the CPUC to review forecasted costs by electric and gas utilities on a more frequent basis after the approval of each GRC, and to adjust the authorized revenue requirement in the subsequent GRC, as appropriate, based on actual past cost. Status: Chapter 413, Statutes of 2024

SB 284 (Wiener, 2024) requires IOUs to both make distribution planning data publicly available, and to offer service under the federal Wholesale Distribution Tariff. Status: Assembly Committee Utilities and Energy, hearing canceled at the request of author.

AB 3256 (Irwin, 2024) requires the CPUC to annually determine if accounts of public utilities have achieved their intended purpose; and if not, to deny ratepayer recovery of the costs recorded therein and to limit the public utility in using such accounts. Additionally requires the CPUC to include the status of utilities' accounts as part of an existing report. Status: Held in the Senate Committee on Appropriations

Senate Bill 410 (Becker) requires the CPUC to establish reasonable target energization time periods in order to connect new customers and upgrade the service of existing customers to the electrical grid. This bill also requires reporting by electrical corporations and authorizes specified annual cost-recovery, subject to a cap. Status: Chapter 394, Statutes of 2023

AB 50 (Wood) requires the CPUC, to determine the criteria for customers to receive timely electricity service when requesting new service connections or upgraded service, known as "energization." Proposes several policies to address delays in connecting customers to the electrical grid, including improved information sharing with local governments, reporting by electric investor-owned utilities (IOUs), and other measures. Status: Chapter 317, Statutes of 2023

SB 1410 (Morrell) requires the CPUC to audit the books and records of utilities serving over 1,000 customers from every three years to at least once every five years and also authorizes the general rate case cycle of these utilities to be up to every five years. Status: Chapter 361, Statutes of 2018

SB 356 (Skinner, 2017) requires the CPUC to direct electrical corporations to make capacity, distribution infrastructure, and pricing data for electricity available electronically in a consistent, machine readable format by January 15, 2019, and provide pricing data to the CPUC within three months of a rate change. Status: Held in the Senate Committee on Appropriations

AB 1293 (Irwin, 2017) requires IOUs and POUs to make data available related to proposed investments in the electrical grid in a digital, machine-readable format. Status: Held in the Assembly Appropriations Committee.

AB 1431 (Arambula) requires the CEC and the Government Operations Agency to make aggregate data available on Internet Web sites. Status: Held in the Assembly Appropriations Committee.

AB 327 (Perea) requires the IOUs to develop and file Distribution Resource Plans with the CPUC, among other provisions. Status: Chapter 611, Statutes of 2013.

**REGISTERED SUPPORT / OPPOSITION:****Support**

California Solar & Storage Association  
The Utility Reform Network (TURN)

**Opposition**

None on file.

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