Date of Hearing: April 30, 2025

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY
Cottie Petrie-Norris, Chair
AB 286 (Gallagher) – As Amended April 21, 2025

SUBJECT: Electricity: mandatory rate reduction

SUMMARY: Mandates the California Public Utilities Commission (CPUC) to generate a report to outline recommendations to reduce the cost of electricity by no less than 30% by January 1, 2027.

Specifically, this bill:

1) The CPUC is mandated to generate a report to assess ways to decrease the cost of kilowatt-per-hour rates for electricity by 30%.

2) In making this plan the CPUC will do the following:

   a. Review each public purpose program that is not cost-effective, and evaluate each public purpose program that the commission has not yet evaluated for cost-effectiveness.

   b. Consider adopting the suggestions made by the commission in its CPUC Response to Executive Order No. N-5-24 (February 18, 2025).

   c. Audit costs claimed by an electrical corporation for implementing its wildfire mitigation plans and, to the extent those costs are unreasonable, recommend reducing rates accordingly.

   d. Evaluate each program listed in Table A-2 of the commission's CPUC Response to Executive Order No. N-5-24 (February 18, 2025) for cost-effectiveness, if the commission has not yet evaluated the program for cost-effectiveness. For a program that the commission determines is not cost-effective, eliminate, reform, or recommend action by the Legislature.

EXISTING LAW:

1) Establishes the California Public Utilities Commission (CPUC) with jurisdiction over all public utilities and grants the CPUC certain general powers over all public utilities and common carriers, subject to control by the Legislature. (California Constitution, Article 12)

2) Requires the CPUC to regulate utilities, establish just and reasonable rates for service, and establish a division of the CPUC responsible for consumer protection and safety. (Public Utilities Code § 451 and § 309.7)

3) Mandates the CPUC to appoint a Chief Internal Auditor who is responsible for oversight of the internal audit unit. The Chief Internal Auditor is responsible for planning,

initiating, and performing audits of key financial, management, operational, and information technology functions within the CPUC. The Chief Internal Auditor reports their findings and recommendations directly to an audit subcommittee of the CPUC. (Public Utilities Code § 307.6)

4) Establishes the CARE program, a low-income residential assistance program for IOU customers with annual household incomes less than 200% of federal poverty guidelines. CARE discounts must be between 30% and 35% of the entire bill. (Public Utilities Code § 739.1)

5) Establishes the FERA program, a low-income residential assistance program for IOU customers whose household income ranges between 200% and 250% of the federal poverty guidelines. Requires the FERA program discount to be an 18% line-item discount applied to an eligible customer's bill calculated at the applicable rate for the billing period. (Public Utilities Code § 739.12)

6) Mandates each electric and gas IOU to develop and implement a rate assistance program at a fixed percentage to eligible food banks. (Public Utilities Code § 739.3)

7) Establishes the Energy Savings Assistance Program (ESA), which requires electric and gas IOUs to provide weatherization assistance for low-income customers. This includes providing attic insulation, caulking, weather-stripping, a low-flow showerhead, water heater blanket, and door and building envelope repairs to reduce air infiltration. (Public Utilities Code § 2790 (a)(b))

8) Creates a charge on electricity and natural gas consumption to fund cost-effective energy efficiency and conservation activities. (Public Utilities Code §§ 381, 890, and 1615)

9) Establishes the BioRAM program. Mandates that within the the Renewables Portfolio Standard Program electrical corporations procure 125 MW generating capacity from bioenergy projects that produce its generation using specified minimum percentages of certain types of forest feedstock, including from Tier 1 and Tier 2 high hazard zones. (Public Utilities Code § 399.20.3)

10) Establishes the SGIP mandating IOUs to collect $166 million annually from ratepayers to be used to provide incentives for distributed energy resources. The CPUC must administer SGIP incentives until January 1, 2026, and provide repayment of all unallocated SGIP funds to reduce ratepayer costs. (Public Utilities Code § 379.6)

11) Establishes the Wildfire Safety Division within the CPUC which will oversee and enforce electrical corporations' compliance with wildfire safety, including establishing a field audit program for wildfire mitigation plan compliance by each electrical corporation. (Public Utilities Code § 326)

12) Mandates that a local publicly owned electric utility or electrical cooperative must prepare a wildfire mitigation plan annually and submit the plan to the California Wildfire Safety Advisory Board. (Public Utilities Code § 8387)

13) Allows the CPUC to permit IOUs to establish a memorandum account to track costs for wildfire mitigation. The CPUC will review costs during the General Rate Case and can disallow unreasonable costs, or IOUs can apply for cost recovery that is not otherwise covered by their revenue requirements. (Public Utilities Code § 8386.4)

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:

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

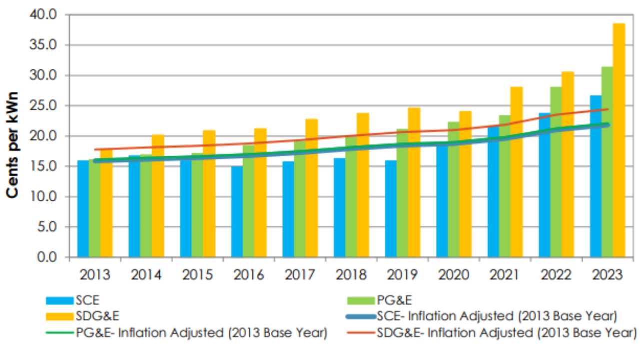
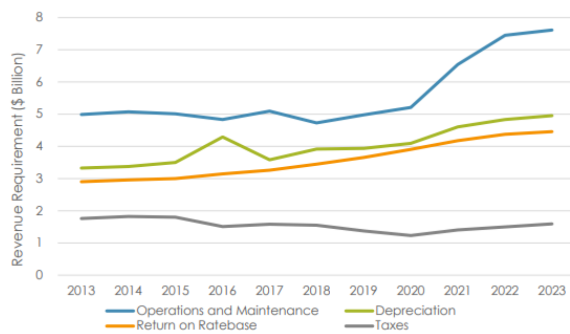


Figure 2 – Trends in General Rate Case Revenue Requirements for the three IOUs[1]



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 service 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[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.[3] As of 2024, 2,214,231 customers of the three IOUs are behind on their energy bills (in arrears)[4]. That is 19.1% of IOU customers with an average of $821 dollars owed.

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[1] Pg. 9, CPUC, (2024), "2023 California Electric and Gas Utility Costs Report – AB 67 Annual Report to the Governor and Legislature."
[2] California Department of Finance, 2023
[3] Pg. 29-31, CPUC, (2025), "Bundled System Average Rate by Customer Class - 2024 Senate Bill 695 Report"
[4] October 2024 utility compliance filing n the COUC's disconnection proceeding (R.18-07-005)

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 3 – Rate of Return, Actual and Authorized for the IOUs: SCE, PG&E, SDG&E and SoCalGas 2006-2023[5]

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, suggesting inaccuracies in the process.[6] 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.[7] This announcement came after the CPUC's approval of multiple rate increases for both PG&E and SDG&E customers starting in 2025.[8,9]

Governor Newsom Signs Executive Order No. N-5-24 – On October 30, 2024, the governor signed Executive Order No. N-5-24 regarding rising electricity rates and the states clean energy goals. The executive order addressed four primary goals.[10]

- **Electric bill relief.** The executive order asks the California Public Utilities Commission (CPUC) to identify underperforming programs and return any unused energy program funds back to customers receiving electric and gas service from private utilities as one or more credits on their bills.

- **Maximize the California Climate Credit.** The executive order directs the California Air Resources Board (CARB) to work with the CPUC to determine ways to maximize the California Climate Credit, which is a twice annual credit that shows up on many Californians' electric and gas bills in the spring and fall and is funded by the state's Cap-and-Trade program.

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[5] CPUC, https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-costs/historical-electric-cost-data/rate-of-return, accessed March 19th, 2025.
[6] 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"
[7] *Mercury News*; "PG&E reports profit of more than $2 billion for 2024"; February 2025.
[8] *San Francisco Chronicle*, "How three new rate hikes will impact your PG&E bill"; December 2024.
[9] CPUC, SoCalGas and SDG&E 2024 (Sempra) General Rate Case (A.22-05-015/016), December 2024
[10] https://www.gov.ca.gov/2024/10/30/governor-newsom-issues-executive-order-tackling-rising-electric-bills/, accessed April 27, 2025

- **Manage and reduce electric costs for the long-term.** The executive order asks the CPUC to evaluate electric ratepayer supported programs and costs of regulations and make recommendations on additional ways to save consumers money. It also asks the CPUC to pursue any federal funding available to help lower electricity costs for Californians. Additionally, the executive order directs the California Energy Commission (CEC) to evaluate electric ratepayer-funded programs and identify any potential changes that could save Californians money on their bills.

- **Evaluate wildfire mitigation investments.** The executive order directs the Office of Energy Infrastructure Safety, and requests the CPUC, to evaluate utility wildfire safety oversight practices and ensure that utility investments and activities are focused on cost-effective wildfire mitigation measures.

CPUC Response to Executive Order No. N-5-24

The CPUC released a Response to the Executive Order No. N-5-24 on February 18, 2025. Within the report, the CPUC discusses the context for the state of current electricity rates in the state of California. In response to the Executive Order, in four parts, the report reviews programs, considers ways to improve effectiveness of the California Climate Credit, recommends ways to reduce wildfire mitigation costs, and responds to requests to pursue federal funding opportunities. The report concludes with seven strategies that address costs and suggestions to save ratepayers money moving forward:[11]

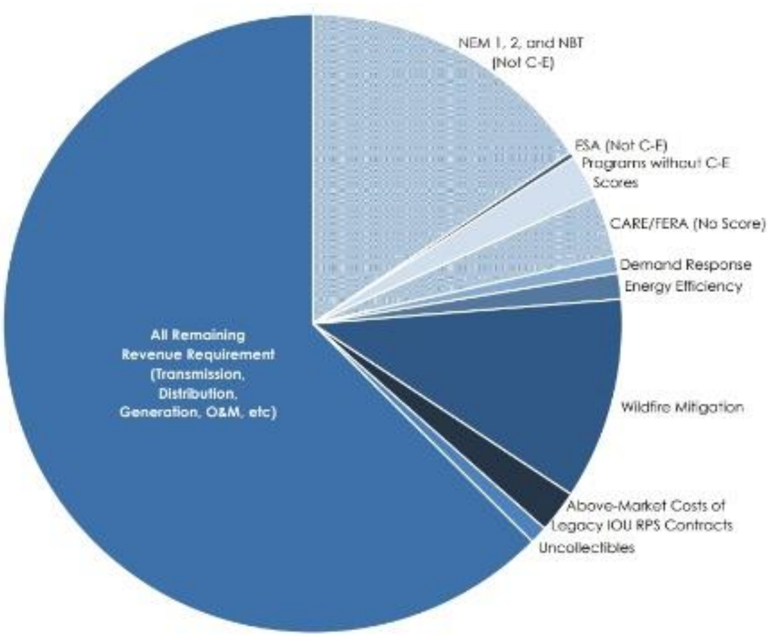

Figure 4: Shows the contribution to rates of programs funded through electric IOU revenues according to the CPUC[12]

1. All energy-related mandates should be assessed for overall cost-effectiveness with the goal of achieving the lowest possible rates for all customers of each utility. (See Table A-2)

2. Supplement essential wildfire mitigation programs and extreme weather-related catastrophic event response costs with other sources of funding.

3. Identify cost-reduction measures by integrating wildfire mitigation strategies into the existing General Rate Case process.

4. Equitable rate structures: Refine the elements of Net Energy

[11] CPUC, CPUC Response to Executive Order N-5-24, February 18, 2025
[12] Ibid.

Metering so that all customers share wildfire mitigation, public purpose programs and system costs.

5. Redistribute the Climate Credit to customers most impacted by increasing electricity costs.

6. Fund today's and future cost-shifting programs from non-ratepayer sources.

7. Ensure that programs benefitting all electric customers are supported by all customers, including customers of publicly-owned utilities.

Below is the list of programs from Table A-2 in the CPUC Response to Executive Order N-5-24, referenced specifically in this bill, including the reported ratepayer funding amount and whether the CPUC has deemed the program cost-effective.[13]

TABLE A-2

	Ratepayer Funding ($ Millions, unless otherwise noted)	Cost Effective?
NEM 1 and 2	$8.25 Billion in Cost Shifts21	No
CARE and FERA	$1.75 Billion (1/3rd from residential customers)	not evaluated
Energy Efficiency	$810	Yes, with non-cost-effective components
Demand Response	$486	Yes, with pilots excluded from cost-effectiveness requirements
Uncollectables/Arrange Management Program (AMP)	$483 million in 2025, $204 million from AMP	not evaluated
CalSHAPE (AB 841)	$331	not evaluated
Net Billing Tariff	$250 million in cost shifts27	No
Energy Savings Assistance (ESA)	~$140-200 million	No
Transportation Electrification Rebate Program	$200	not evaluated
EPIC	$185	not evaluated
BioMAT/BioRAM	$150	not evaluated
SOMAH	$100	not evaluated
VNEM	Approximately $26 million in 2022	No
RES-BCT	~$30-50 million in cost shifting	not evaluated
DAC-GT/CSGT	$24	not evaluated
SB 1090 – Diablo Canyon Settlement Agreement	$9.48 million in 2024, $213 million total,	not evaluated
Microgrid Incentive Program	Low millions in 2024, up to $200 million over 3-6 years	not evaluated
RISE	$0 in 2024, $50 million total	not evaluated
AB 841 (Transportation Electrification)	Unknown – shifts costs to non-participating customers	not evaluated

[13] CPUC, CPUC Response to Executive Order N-5-24, February 18, 2025

Fuel Cell Net Energy Metering (NEM-FC)	Low millions in cost shifting from 120 MW of capacity – NEM 2 Lookback Study found small cost shift from commercial customers	not evaluated
NEM-A	Low millions in cost shifting	not evaluated
Solar Equipment List	$1.28	not evaluated
Clean Energy Financing	$0	not evaluated
SGIP	$0 Unquantified cost shifting	not evaluated
TECH	$0	not evaluated
Community Renewable Energy Program (CREP)	$0	not evaluated
AB 2109 – Industrial Surcharge Exemption	Unknown	not evaluated

Parts are cost-effective	**Not cost-effective**	**To be evaluated under this bill**

COMMENTS:

1) *Author's Statement.* According to the author: "The skyrocketing cost of electricity in California is unacceptable and unsustainable. Energy is a basic necessity, not a luxury. AB 286 seeks to find a path toward a reduction of at least 30% in kilowatt-per-hour rates—bringing hope and relief to millions of Californians. This legislation directs the Public Utilities Commission to identify responsible, cost-saving opportunities: auditing wildfire mitigation spending, evaluating ineffective programs, and recommending reforms to climate credit policies. These steps can help ease the financial burden on families and move us toward a more equitable and affordable energy future. It's time for the PUC to prioritize the people it serves over unchecked rate increases."

2) *Purpose for this bill.* Californians have the second highest electricity rates in the country.[14] This has led to increased scrutiny on ratepayer costs. At the Governors direction, the CPUC has outlined ways to save ratepayers money moving forward. This bill mandates the CPUC to further explore their own suggestions, and apply them to a plan to achieve a 30% rate reduction. Some of these actions may already be ongoing at the CPUC, potentially making some parts of this bill redundant or unnecessary.

3) *Related Legislation.*

   AB 99 (Ta) 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 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.

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[14] Legislative Analyst Office, "Assessing California's Climate Policies: Residential Electricity Rates in California" January 2025

AB 1167 (Berman) forbids any IOU lobbying or political activity from being paid by ratepayers. Requires an annual IOU to report to the CPUC the previous year's expenses to ensure lobbying provisions are met. Status: Awaiting hearing in the Assembly Committee on Utilities and Energy.

4) *Previous Legislation.*

AB 2205 (Patterson, 2024) requires the commission to reduce the kilowatt-per-hour rate for electricity charged to ratepayers by not less than 30 percent. Status: held in the Assembly Committee on Utilities and Energy.

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) eliminated ratepayer funding for public purpose programs paid by customers IOUs, except for funding for programs to subsidize costs borne by low-income ratepayers. Status: Held in the Assembly Committee on Appropriations.

AB 205 (Committee on Budget) provided an additional $1.2 billion to cover outstanding energy utility arrears accrued during the COVID-19 pandemic. 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

Fresno County Board of Supervisors

Opposition

California State Association of Electrical Workers
Coalition of California Utility Employees

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