Date of Hearing: April 30, 2025

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY
Cottie Petrie-Norris, Chair
AB 745 (Irwin) – As Amended April 22, 2025

SUBJECT: Electricity: clean energy transmission projects: utility infrastructure undergrounding: financing

SUMMARY: Authorizes electric investor-owned utilities (IOUs) to finance undergrounding costs through a fixed charge on customers' electric utility bills, also known as "securitization;" and sunsets this authorization in ten years. Prohibits IOUs from including in their equity rate base any undergrounding activities. Finally, authorizes new funding – not already covered by existing law – to be directed to a chosen entity to help finance clean energy transmission projects.

EXISTING LAW:

1) 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)

2) Prohibits a public utility from issuing bonds, or any form of indebtedness at periods of more than 12 months, unless first authorized by the CPUC. (Public Utilities Code § 818)

3) Permits the California Public Utilities Commission (CPUC) to allow for the recovery of costs and expenses arising from a covered wildfire occurring after January 1, 2019, if the CPUC finds the costs and expenses just and reasonable. Establishes a standard of reasonable conduct of an IOU, for purposes of cost recovery, based on whether a reasonable utility would have undertaken the action in good faith under similar circumstances. Specifies the IOU bears the burden to demonstrate that its conduct was reasonable, unless it has a valid safety certificate; at which point, the IOU's conduct is deemed reasonable unless a third party creates serious doubt as to the reasonableness of the IOU's conduct. (Public Utilities Code § 451.1)

4) Authorizes an IOU to request the CPUC issue a financing order to authorize the recovery, through securitization, of costs and expenses related to a catastrophic wildfire (with an ignition date in 2017 or after January 1, 2019) or undercollection amounts accrued in 2020. (Public Utilities Code § 850)

5) Specifies the conditions that must be satisfied, as determined by the CPUC, for recovery bonds eligible for securitization. These conditions include that the costs to be recovered in bonds are just and reasonable, the bonds are consistent with the public interest, and the bonds reduce (to the maximum extent possible) the rates consumers would pay compared to traditional financing mechanisms. (Public Utilities Code § 850.1)

6) Authorizes an IOU to request securitization of costs and expenses from 2017 wildfires that were either determined by the CPUC as recoverable from ratepayers or disallowed by the CPUC for rate recovery but in excess of a CPUC determination of the maximum amount the IOU can pay without harming ratepayers or materially impacting its ability to

provide service. This CPUC determination was known as the "stress test" or "customer harm threshold." (Public Utilities Code § 451.2)

7) Authorizes an IOU to request securitization to finance its share of the first $5 billion of approved wildfire mitigation capital expenditures and the debt financing costs of those expenditures. Prohibits the CPUC from allowing the large IOUs to earn a return on equity on the mandated fire risk mitigation capital expenditures. (Public Utilities Code § 8386.3)

8) Authorizes the CPUC to issue a financing order for securitized bonds to finance the unamortized balance of the regulatory asset awarded to Pacific Gas and Electric Company (PG&E) following the energy crisis. (Public Utilities Code § 840)

9) Requires the CPUC to create an expedited program for undergrounding utility distribution infrastructure to reduce wildfire risk. Only large electrical corporations can participate. To join, a utility must submit a detailed 10-year undergrounding plan to the Office of Energy Infrastructure Safety (OEIS), prioritizing projects in high fire-risk areas and justifying undergrounding over other mitigation methods. If OEIS approves the plan, the IOU must then seek the CPUC's conditional approval of the plan's costs and targets. Once approved, the utility must regularly report progress, hire an independent monitor to oversee compliance, and apply for external funding to offset costs to ratepayers. The office and CPUC have the authority to require corrections or impose penalties if the utility fails to meet its plan objectives. (Public Utilities Code § 8388.5)

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

CONSUMER COST IMPACTS: Likely significant. The CPUC has estimated roughly $2 billion in customer savings over the life of IOU capital assets due to the first $5 billion of those wildfire capital assets being excluded from the IOU equity rate base.[1] Additional savings were achieved by securitizing those costs. The CPUC has estimated costs ranging from $92-$224 billion to underground every IOU distribution line in high fire threat areas.[2] Should the state pursue such a strategy, opportunities to reduce costs to ratepayers will be critical.

BACKGROUND:

What is Securitization – To securitize a utility bond means to tie a rate collection mechanism – usually a fixed charge on utility customer bills – to the issued bond (i.e., an asset-backed security). Because securitized bonds are backed by dedicated ratepayer charges, borrowing costs for the long-term debt is usually more favorable. These bonds, like any bond, are used to spread out the recovery of large electric IOU costs over many years in order to reduce the immediate impact on ratepayers.

---

[1] Finding of Fact 2 of each CPUC Financing Order states the estimated Net Present Value (NPV) savings of each bond issuance authorized. D.20-11-007: $173 million; D.21-06-030: $633 million; D.21-10-025: $403 million; D.22-08-004: $659 million; D.23- 02-023: $493 million; D.24-02-011: $465 million. The CPUC also approved SDG&E AL 4078-E that demonstrated $84.3 million NPV savings.
[2] Pg. 23; CPUC; *Response to Executive Order N-5-24;* February 18, 2025; https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/reports/cpuc-response-to-executive-order-n-5-24.pdf

The Legislature has provided the CPUC with statutory authority to issue "financing orders" that commit electric ratepayers to pay fixed charges on their bills to support an electric IOU bond issuance.[3] Once a financing order is issued, electric IOU ratepayers must pay principal, interest, and other costs of the bonds until those bonds are fully paid off (amortized). These fixed charges are assessed on all bundled and unbundled ratepayer bills. Since a financing order is an unavoidable commitment to charge ratepayers for bond costs until the bonds are fully paid off, these bonds generally yield low interest rates in comparison to unsecured bonds.

Securitization in Action – SB 901 (Dodd, Chapter 626, Statutes of 2018) and AB 1054 (Holden, Chapter 79, Statutes of 2019), allowed financing and securitization of costs and expenses that are approved by the CPUC as just and reasonable and related to catastrophic wildfires occurring in either 2017 or in or after 2019. The securitization authority specifically includes, but is not limited to, $5 billion of "fire risk mitigation capital expenditures" the large electric IOUs are required to spend. Additionally, AB 913 (Calderon, Chapter 253, Statutes of 2020) allowed securitization of COVID-19 undercollections. As of July 2024, the CPUC has authorized $10.9 billion in securitization bonds under AB 1054 and SB 901.[4]

A Journey of 10,000 Miles – In early 2021, *P*acific Gas & Electric (PG&E) announced a long-term goal to underground 10,000 miles of power lines over the next decade, with estimated costs potentially reaching $40 billion. PG&E has suggested efficiencies and economies of scale would lower the cost of this work.[5]

The first test of realizing this plan came in June 2021, when PG&E filed its 2023-2026 General Rate Case application.[6] PG&E requested $15.4 billion for 2023, which is a 26% increase over PG&E's 2022 authorized revenue requirement of $12.2 billion.[7] The top drivers of PG&E's proposed increases were inflation and significant investments in undergrounding electric lines to decrease wildfire risk. PG&E initially proposed a plan to underground approximately 2,000 miles of power lines by 2026, estimating the cost at $5.9 billion over 4 years.[8]

Initially the California Public Utilities Commission (CPUC) scaled back the undergrounding portion to 200 miles, with 1,800 miles of covered conductor, at $13.8 billion total.[9] The CPUC's proposed decision was influenced by concerns over the high costs of undergrounding, which can range from $3 million to $4 million per mile, compared to approximately $800,000 per mile for installing covered conductors on overhead lines.[10] However, advocates and the CPUC itself were

---

[3] See Public Utilities Code §§ 850, 451.2, and 8386.3
[4] Under PG&E's bankruptcy plan and SB 901, the CPUC also authorized $7.5 billion in securitization. Pg. 28; CPUC; *Response to Executive Order N-5-24;* February 18, 2025; https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/reports/cpuc-response-to-executive-order-n-5-24.pdf
[5] Robert Walton, "California regulators approve new program to expedite power line undergrounding;" *Utility Dive;* March 11, 2024. https://www.utilitydive.com/news/california-puc-power-line-undergrounding-program/709846/
[6] A. 21-06-021
[7] CPUC website; "Pacific Gas and Eectric GRC Proceedings;" accessed April 25, 2025. https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-rates/general-rate-case/pacific-gas-and-electric-grc-proceedings
[8] Matt Baker, "Why We Support the Levels of Undergrounding Approved in PG&E's General Rate Case;" November 17, 2023; Public Advocates Office letter; https://www.publicadvocates.cpuc.ca.gov/press-room/commentary/231117-undergrounding-pge-grc
[9] CPUC; "Digest of Differences…;" A. 21-06-021; September 13, 2023; https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M520/K114/520114360.PDF
[10] https://www.kcra.com/article/pge-wants-to-bury-more-power-lines-cpuc-says-no/45525596

conflicted. Some advocated for an approach that included more undergrounding.[11] Ultimately, the CPUC approved a GRC which authorized $3.7 billion to underground 1,230 miles of power lines through 2026.[12]

Recent Activity from the January 2025 Los Angeles County Fires – In February 2025, Governor Newsom sent letters to Southern California Edison (SCE) and the Los Angeles Department of Water and Power requesting rebuilding plans, and specifically plans for undergrounding electric distribution powerlines.[13] On April 11, 2025, SCE responded noting it has "already initiated undergrounding of ~130 distribution circuit miles," covering nearly all areas in high fire risk areas in and adjacent to the Eaton and Palisades burn areas. SCE also noted its plans to underground 23 circuit miles in severely damaged areas, and was evaluating another 19 circuit miles for inclusion. SCE noted "cost, CPUC-approved tariff rule requirements, and other considerations must be weighed before moving forward." SCE further notes its rebuilding plan would cost between $860 million and $925 million. It is unknown to the committee how much of that cost is specific to its undergrounding plans.

COMMENTS:

1) *Author's Statement.* According to the author, ""Electrical corporations are required to mitigate fire risk in their respective territories and report on mitigation progress and plans to the California Public Utilities Commission. Undergrounding lines is often cited as the best way to reduce fire risk, however it is often cost-prohibitive and time-consuming. According to the Public Advocates Office, securitizing funds on high-cost capital projects reduces costs to ratepayers. In a 2023 report, the Public Advocates Office identified the reduction of financing for capital projects as a method to deliver significant savings to ratepayers. As electrical corporations evaluate options to reduce fire risk, reducing costs to ratepayers should be a driving factor. When undergrounding is the best option to reduce risk, costs should not be passed on to ratepayers. The cost of undergrounding one mile of lines is four times the cost of applying covered conductor. Securitization of high-cost capital projects is an alternative financing method that can be used for undergrounding projects. In its report, the Public Advocates Office states that securitizing undergrounding work could provide "significant long-term relief for customers by replacing high ROE costs with lower financing costs." Annual undergrounding costs for PG&E range from $600 million in the first year to $1.29 billion in the fourth year. With securitized funds, ratepayers would save $310 million on undergrounded lines in 2026."

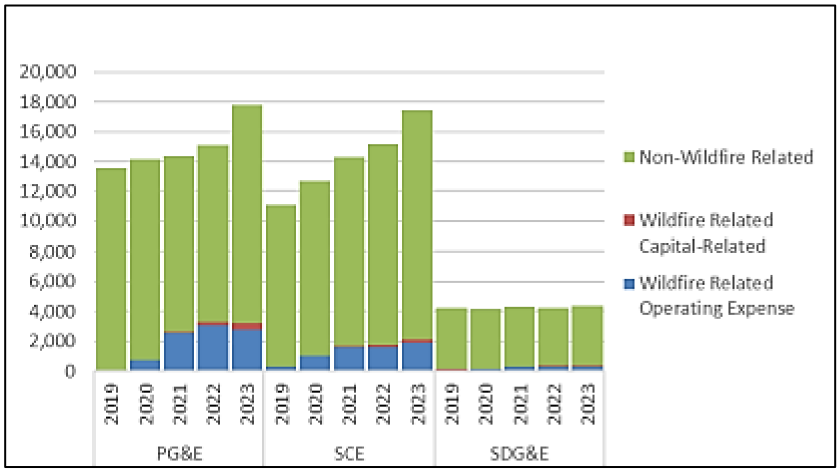
2) *Impact of Wildfire Costs on Customer Rates.* Wildfire is one of the most significant risks for all of California's electric IOUs, and also one of the biggest contributors to increasing utility bills. Historically, utility infrastructure has been responsible for less than 10% of reported wildfires.[14] However, fires attributed to power lines consist of almost half of the

---

[11] https://www.cpuc.ca.gov/news-and-updates/all-news/cpuc-releases-two-pds-in-response-to-pge-request-for-new-investments-2023#:~:text=Wildfire%20System%20Enhancement%20and%20Undergrounding,covered%20conductor%20on%201%2C800%20miles
[12] CPUC Decision 23-11-069
[13] Governor Newsom letter to Pedro Pizzzaro; February 27, 2025.
[14] Legislative Analyst's Office, "Frequently Asked Questions About Wildfires in California;" February 13, 2025; https://lao.ca.gov/Publications/Report/4952

most destructive fires in California's history.[15] Utility wildfire costs have proven necessary for managing these risks across an IOU territory, and indications from SDG&E territory suggest these costs are unlikely to decline. But these wildfire-related costs are creating real impacts as overall electric bills continue to rise, far above inflation and far above what many Californians can bear.[16] Reducing wildfire risk posed by utility infrastructure ***and*** containing, or even reducing, rising electric rates remain critical priorities for the Legislature.

Figure 1: Wildfire-Related Costs Relative to Total System Costs (Year-End, $ millions)[18]



Over the last five years,[17] $16 billion of wildfire mitigation costs have been authorized to be collected from customers, in addition to approximately $11 billion for wildfire insurance premiums and catastrophic event costs.[18] Collectively, these "wildfire-related" costs resulted in over $5 billion per year over the last 5 years, when averaged amongst the three largest IOUs.[19] These wildfire-related costs have amounted to roughly 18% of overall system costs[20] for PG&E, 12% for SCE, and 9% for SDG&E,[21] as of 2023 as shown in Figure 2. For residential customers, these wildfire-related costs have led to a monthly $24 increase on the average 2023 bill for PG&E, an $18 increase for SCE, and a $13 increase for SDG&E; comprising between 7-12% of total monthly bills.[22]

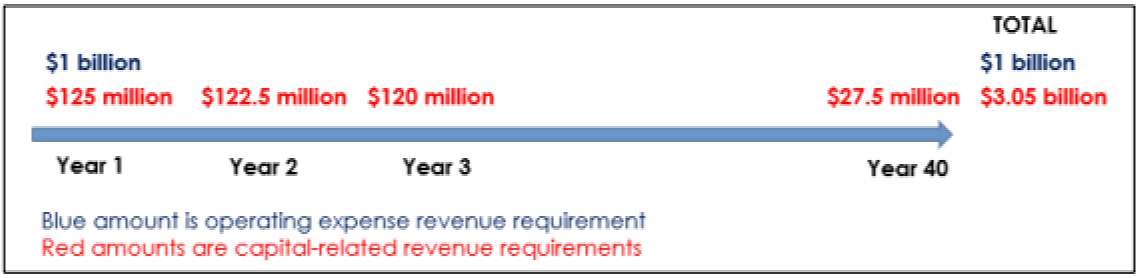
While wildfire-related operating expenses, such as vegetation management and liability insurance coverage, make up the majority of these recent cost increases, wildfire-related capital expenses are anticipated to grow in time. Capital-related expenses, such as installing covered conductor or undergrounding portions of a distribution system, have a larger cumulative impact on rates relative to operating expenses, as capital costs are recovered over a much longer time horizon during which the IOUs also earn an

---

[15] https://www.fire.ca.gov/our-impact/statistics
[16] See Figures on pg. 12 of CPUC; *2024 Senate Bill 695 Report*; July 2024; https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2024/2024-sb-695-report.pdf ; Roughly a third of IOU customers are on the low-income discount program, California Alternative Rates for Energy (CARE).
[17] 2019 to Q4 2023; pg. 49, CPUC; *2024 Senate Bill 695 Report*; July 2024; https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2024/2024-sb-695-report.pdf
[18] Pg. 50, Table 6; CPUC; *2024 Senate Bill 695 Report*; July 2024; https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2024/2024-sb-695-report.pdf
[19] PG&E, SCE, and SDG&E
[20] "system costs" means revenue requirement
[21] Pg. 52; *Ibid.*
[22] Table 8, pg. 53; *Ibid.*

authorized profit. As an example, as demonstrated in Figure 3, $1 billion in authorized operating expenses would equal $1 billion in the revenue collected from ratepayers. For capital expenses, $1 billion authorized would be roughly $3.05 billion cumulatively collected, assuming a theoretical 10% return on the undepreciated capital asset over the theoretical capital asset life of 40 years.[23] However, operating expenses are often collected in rates annually, whereas capital expenses are spread overtime. For the above scenario, that $1 billion in operation costs would increase rates by $1 billion in Year 1; whereas for the capital costs, rates would increase by roughly $125 million in Year 1.[24]

Figure 2: Comparison of Timing of Recovery of $1 Billion in Wildfire Costs (Operating Expense vs. Capital-Related Costs)[24]



Ratepayers have been shielded from some of the cost impacts of these capital expenses due to two provisions of AB 1054 (Holden, Chapter 79, Statutes of 2019):

(1) the first $5 billion of capital spending is excluded from earning a Return on Equity (i.e. shareholder profit); and

(2) the first $5 billion of capital spending may also be securitized through a CPUC financing order rather than through more traditional unsecured bond offerings.

The equity rate base exclusion of #1 is estimated to save ratepayers as much as $2 billion over the life of those capital assets.[25] The securitization of #2 benefits ratepayers by allowing the IOUs to finance wildfire-related capital projects with lower interest rates than would otherwise be available;[26] the overall anticipated savings from this securitization is currently unknown by this committee.

---

[23] CPUC calculation assumes asset is financed entirely from equity (i.e., no debt), and depreciation is on a straight-line basis with no asset salvage value, and there are no tax effects included.
[24] See Figure 21, pg 51 of CPUC's 2024 SB 695 Report.
[25] Finding of Fact 2 of each CPUC Financing Order states the estimated Net Present Value (NPV) savings of each bond issuance authorized. D.20-11-007: $173 million; D.21-06-030: $633 million; D.21-10-025: $403 million; D.22-08-004: $659 million; D.23- 02-023: $493 million; D.24-02-011: $465 million. The CPUC also approved SDG&E AL 4078-E that demonstrated $84.3 million NPV savings.
[26] D.21-06-030 approved PG&E's first AB 1054 financing order requesting $1.2 billion in AB 1054 CapEx, of which bonds representing about $850 million were issued, D.22-08-004 approved its second AB 1054 financing order totaling about $1.4 billion in AB 1054 CapEx, of which bonds representing about $975 million were issued; and D.24-02-011 approved PG&E's request to securitize the remaining $1.385 billion AB 1054 CapEx---the bonds have not yet been issued at this time. D.20-11- 007, D.21-10-025 and D.23-02-023 approved SCE's first, second and third (final) AB 1054 financing orders totaling about $1.575 billion in AB 1054 CapEx of which bonds representing the same amount of CapEx were issued. Recovery bond financing costs apply to all AB 1054 securitizations.

3) *IOU Undergrounding Programs.* While undergrounding is the most effective way to reduce wildfire risk, it is also the slowest, most expensive way to do so. According to the Public Advocates Office, covered conductors generally take 1-2 years to install compared to 3-4 years for undergrounding and is approximately one-third of the cost. They note, for the cost of undergrounding 1 mile of power lines, a utility can protect almost 4 miles with covered conductors.[27] Covered conductor is also a proven mitigation, as it has been installed on thousands of miles across California. The CPUC has noted construction feasibility is a significant concern with PG&E's 10,000-mile undergrounding plan,[28] as unknowns around the availability of material and labor place an unreasonably high level of uncertainty around PG&E's ability to execute its plans and realize efficiencies of scale meant to drive down cost.[29]

   Pursuant to SB 884 (McGuire, Chapter 819, Statutes of 2022) large IOUs may submit a 10-year distribution infrastructure undergrounding to OEIS for review. OEIS must approve, modify, or deny the plan within nine months of submission. OEIS may only approve the plan if it finds that the IOU's plan will achieve, at the least, both substantial increases to reliability by reducing use of public safety power shutoffs, enhanced powerline safety settings, de-energization events, and other outage programs; and substantial reduction of wildfire risk. If OEIS approves the plan, the IOU must submit to the CPUC, within 60 days OEIS's approval, a copy of the plan and an application requesting review and conditional approval of the plan's costs. The CPUC must approve, modify, or deny the Application within nine months of submission.

   In February 2025, OEIS adopted guidelines for the IOUs' 10-year electrical underground plans.[30] The CPUC also adopted program guidelines in March 2024, which address the process and requirements for the CPUC's review of the undergrounding plans.[31] While these plans are still in development, the CPUC has estimated the portion of 2023 average monthly bills going to underground work to be $0.27 for PG&E and $0.10 for SCE, representing less than 0.1% of total bills.[32] It is likely that these percentages will increase, perhaps significantly, as the SB 884 Plans are incorporated.

4) *Purpose of Bill.* This bill seeks remedies to what is estimated to be significant future IOU undergrounding costs. The bill proposes rate design strategies to redistribute the costs, so that the direct impact on customer bills is lessened. This is a laudable goal that has been discussed in various venues both in the Legislature and at the CPUC. The CPUC estimates undergrounding distribution lines at $2.3-$5.6 million per mile, while transmission lines are approximately $140 million per mile.[33] With costs ranging from

---

[27] Matt Baker, "Why we support the levels of undergrounding approved in PG&E's General Rate Case;" November 17, 2023; https://www.publicadvocates.cpuc.ca.gov/press-room/commentary/231117-undergrounding-pge-grc
[28] https://www.pge.com/content/dam/pge/docs/outages-and-safety/safety/pge-10k-undergrounding-program-city-county-maps-202307.pdf
[29] Pg. 295, CPUC Decision D. 23-11-069
[30] https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=58006&shareable=true
[31] CPUC Resolution SPD-15; March 7, 2024; https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M526/K984/526984185.pdf
[32] Pg. 54; CPUC's 2024 SB 695 Report; https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M526/K984/526984185.pdf
[33] Pg. 23; CPUC; *Response to Executive Order N-5-24;* February 18, 2025; https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/reports/cpuc-response-to-executive-order-n-5-24.pdf

$92-$224 billion to underground every IOU distribution line in high fire threat areas,[34] opportunities to reduce costs to ratepayers will be critical. Even if such extensive undergrounding work is unlikely and unnecessary,[35] some degree of undergrounding will be part of IOUs' long-term wildfire mitigation strategy, as noted in the recent examples for PG&E and SCE above. Given the CPUC has estimated roughly $2 billion in customer savings over the life of IOU capital assets due to the first $5 billion of those wildfire capital assets being excluded from the IOU equity rate base[36] and additional savings were achieved by securitizing those costs, the Legislature may wish to consider the strategies proposed in this bill to help alleviate customer costs.

5) *Existential Concerns.* The Joint IOUs, writing in opposition, raise a number of concerns regarding the financing proposed by this bill. On the one hand, the IOUs note how this bill is "redundant to existing …authorization" which permits IOUs to seek financing orders for wildfire mitigation work. As noted above, this existing statutory authorization has already been exercised for $10.9 billion in securitization bonds as of July 2024.[37] Yet on the other hand, the IOUs caution this measure would over-utilize securitization, leading the credit downgrades. It is confusing to claim that this bill does not expand existing law, while also suggesting it would cause major market impacts — which would only happen if the law were, in fact, significantly expanded. Regardless, both this measure and previous securitization efforts rest the decision to seek a financing order upon the IOUs. They must apply for one, and they will only be granted one if the CPUC determines the costs are just and reasonable. Should securitization be close to being over utilized, as claimed, the IOUs can simply not apply for further financing orders.

   The Joint IOUs also raise the prohibition on undergrounding work earning a profit as a constitutional takings violation, stating that IOUs are "constitutionally entitled to the opportunity to earn a reasonable rate of return on investments." While accurate that utilities must be given a fair opportunity to earn a reasonable return, Commissions can lower or constrain returns through their rate-setting authority, as long as the resulting rate is not confiscatory or unjust. This bill does not prohibit IOUs from earning a rate of return broadly; but rather the rate of return on undergrounding costs for the next decade. Utility Commissions can prohibit certain categories of costs from earning profit by determining that certain expenses should not be capitalized. The Legislature under AB 1054 (Holden, Chapter 79, Statutes of 2019) did exactly that by prohibiting the first $5 billion in wildfire mitigation expenses from earning a rate of return. The CPUC has estimated roughly $2 billion in customer savings over the life of IOU capital assets due to this exclusion from the IOU equity rate base.[38] The committee may wish to consider

---

[34] Pg. 23; CPUC; *Response to Executive Order N-5-24;* February 18, 2025; https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/reports/cpuc-response-to-executive-order-n-5-24.pdf
[35] *Fowlie, Meredith*. "Fighting Fires in the Power Sector" *Energy Institute Blog, UC Berkeley, February 20, 2024*, https://energyathaas.wordpress.com/2024/02/20/fighting-fires-in-the-power-sector/
[36] Finding of Fact 2 of each CPUC Financing Order states the estimated Net Present Value (NPV) savings of each bond issuance authorized. D.20-11-007: $173 million; D.21-06-030: $633 million; D.21-10-025: $403 million; D.22-08-004: $659 million; D.23- 02-023: $493 million; D.24-02-011: $465 million. The CPUC also approved SDG&E AL 4078-E that demonstrated $84.3 million NPV savings.
[37] Pg. 28; CPUC; *Response to Executive Order N-5-24;* February 18, 2025; https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/reports/cpuc-response-to-executive-order-n-5-24.pdf
[38] Finding of Fact 2 of each CPUC Financing Order states the estimated Net Present Value (NPV) savings of each bond issuance authorized. D.20-11-007: $173 million; D.21-06-030: $633 million; D.21-10-025: $403 million;

whether this proposal strikes the appropriate balance between concerns for IOU investor perception versus realized savings to IOU customers.

6) *Related Legislation.*

SB 254 (Becker), among its many provisions, authorizes categories of costs and expenses arising from electrical IOU energization work to be eligible for securitization. Prohibits IOUs from including in their equity rate base their share of the first $10 billion in energization capital expenditures and their share of $5 billion in wildfire risk mitigation capital expenditures approved by the CPUC after January 1, 2025. Status: *Set for hearing* on April 29, 2025, in the Senate Committee on Energy, Utilities, and Communications.

7) *Prior Legislation.*

AB 3263 (Calderon, 2024) explicitly authorizes electric IOUs to finance categories of costs that would be recovered through a fixed charge on customers' electric utility bills, including costs for vegetation management and other operational and maintenance expenses related to wildfire mitigation, and costs stemming from a state or federal emergency declaration. Also authorizes an application for vegetation management submitted by a large electrical corporation for recovery bonds to include costs that have already been recovered from customers. Status: Vetoed. The Governor cited in his veto message concern that the "bill attempts to circumvent the CPUC's existing authority" and that the proposal "may reduce electric rates and bills marginally in the near-term, but could ultimately lead to high electric rates."

AB 1513 (Calderon, 2023), the final version was identical to AB 3263, authorized categories of costs and expenses arising from electrical IOU wildfire work to be eligible for securitization. Status: Died – Assembly Committee on Appropriations.

AB 2937 (Calderon, 2022), largely similar to AB 3263, sought to expand the categories of expenses for which an electric IOU may request the CPUC allow the IOU to finance through issuance of a bond, backed by a reoccurring charge to the IOU's ratepayers. Status: Died – Assembly Committee on Appropriations.

SB 884 (McGuire) permits large IOUs to submit a 10-year distribution infrastructure undergrounding plan to OEIS for review. OEIS must approve, modify, or deny the plan within nine months of submission. OEIS may only approve the plan if it finds that the IOU's plan will achieve, at the least, both substantial increases to reliability by reducing use of public safety power shutoffs, enhanced powerline safety settings, de-energization events, and other outage programs; and substantial reduction of wildfire risk. Status: Chapter 819, Statutes of 2022.

AB 913 (Calderon) authorizes the CPUC to approve the securitization by electric IOUs of undercollection of utility bill amounts for the year 2020. Additionally, the measure aligns the "eligible claims" period with a utility's insurance policy period for purposes of wildfire related claims. Status: Chapter 253, Statutes of 2020.

D.22-08-004: $659 million; D.23- 02-023: $493 million; D.24-02-011: $465 million. The CPUC also approved SDG&E AL 4078-E that demonstrated $84.3 million NPV savings.

AB 1054 (Holden), among its many provisions, authorizes the issuance of financing orders for the recovery of costs and expenses related to catastrophic wildfires (in 2019 and after). Also permits securitization of fire risk mitigation capital expenditures associated with the IOU's proportionate share of $5 billion in safety improvements. Prohibits IOUs from including in their equity rate base their share of those $5 billion wildfire safety improvements. Status: Chapter 79, Statutes of 2019.

SB 901 (Dodd) among its many provisions, authorizes the issuance of financing orders to finance costs, in excess of insurance proceeds, incurred, or that are expected to be incurred, by an electrical corporation, excluding fines and penalties, related to 2017 wildfires. Status: Chapter 626, Statutes of 2018.

REGISTERED SUPPORT / OPPOSITION:

Support

California Efficiency + Demand Management Council

Oppose

Pacific Gas and Electric Company
San Diego Gas & Electric
Southern California Edison

Note: other positions on file were dated to an earlier version of the bill and unrelated to the bill's current content; as such, these positions were removed from the analysis.

Analysis Prepared by: Laura Shybut / U. & E. / (916) 319-2083