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SB-332 Investor-Owned Utilities Accountability Act. (2025-2026)

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AMENDED IN ASSEMBLY JULY 14, 2025

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CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

SENATE BILL

NO. 332

**Introduced by Senator Wahab
(Coauthor: Senator Hurtado)
(Coauthors: Assembly Members Garcia and Ortega)**

February 12, 2025

An act to add Chapter 3.5 (commencing with Section 25250) to Division 15 of the Public Resources Code, and to amend Sections ~~706~~ **718** and 8389 of, ~~to add Section 8386.8 to, to add Article 4.5 (commencing with Section 570) to Chapter 3 of Part 1 of Division 1 of,~~ and to add Chapter 10 (commencing with Section 8450) to Division 4.1 of, the Public Utilities Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

SB 332, as amended, Wahab. Investor-Owned Utilities Accountability Act.

(1) Existing law vests the State Energy Resources Conservation and Development Commission (Energy Commission) with various responsibilities for developing and implementing the state's energy policies.

This bill would require the Energy Commission to select a research institute, as defined, to conduct a comparative analysis of the benefits and challenges of transitioning the electrical corporations to a public entity, nonprofit public benefit corporation, or mutual benefit corporation in order to identify a recommended model, as provided. The bill would require the research institute to complete the analysis on or before January 1, 2029, and, upon completion, to submit the analysis to the Legislature and the Energy Commission. The bill would require the Energy Commission to make a draft of the analysis available to the public for comment before submitting the final draft to the Legislature, and would limit the cost of conducting the analysis to \$5,000,000.

This bill would require the research institute to conduct the first phase of the comparative analysis and to submit an interim report, on or before December 31, 2026, to the Energy Commission on threshold legal issues, as provided. The bill would require the Energy Commission to convene a group of state attorneys from the legal departments of state agencies that regulate electrical corporations to advise the research institute on the first phase of the comparative analysis, as specified.

This bill would, upon completion of the analysis by the research institute, require the Energy Commission to present the analysis at a publicly noticed business meeting on or before September 30, 2029.

(2) Existing law vests the Public Utilities Commission (PUC) with regulatory authority over public utilities, including electrical corporations and gas corporations, while local publicly owned utilities are under the direction of their governing boards. Existing law prohibits an electrical corporation, gas corporation, or water corporation from terminating a customer's residential service for nonpayment of a delinquent account in certain circumstances, including, among other circumstances, unless the corporation first gives notice to the customer of the delinquency and impending termination, during the pendency of an investigation by the corporation of the customer's dispute or complaint, or when the customer has been granted an extension of the period for payment of a bill.

This bill would require ~~a utility, including an electrical corporation, local publicly owned electric utility, gas corporation, and local publicly owned gas utility, to quarterly~~ *each electrical corporation and gas corporation, on or before March 1, 2026, and each local publically owned electric utility, on or before March 1, 2027, and annually thereafter, to* post specified information concerning ~~termination~~ *terminations* of service due to nonpayment on their respective internet websites, as provided.

~~(3) Existing law prohibits an electrical corporation from recovering from ratepayers an annual salary, bonus, benefit, or other consideration of any value paid to an officer of the electrical corporation, and requires that compensation to instead be funded solely by shareholders of the electrical corporation.~~

~~This bill would require each electrical corporation, on or before April 1, 2026, to submit a proposed executive compensation structure to the PUC that is structured to promote safety as a priority and to ensure public safety through performance metrics, as provided.~~

~~(4) Existing law requires each electrical corporation to construct, maintain, and operate its electrical lines and equipment in a manner that will minimize the risk of catastrophic wildfire posed by those electrical lines and equipment.~~

~~This bill would require each electrical corporation to triennially contract with an independent and reputable third party to audit all of the electrical corporation's equipment and electrical lines and identify any equipment or electrical lines that have reached their end-of-life. The bill would require the audit to be completed in alignment with the wildfire mitigation plan cycle, as specified. The bill would require the PUC to assess fines on an electrical corporation that fails to comply with these provisions, as specified.~~

~~This bill would require the PUC to develop a best value procurement model in a new or existing proceeding for use in the procurement of equipment and materials for electrical corporation infrastructure projects that compares the costs and benefits of potential supplies, as provided.~~

~~(5)~~

~~(3) Existing law requires the Director of the Office of Energy Infrastructure Safety to issue a safety certification that is valid for 12 months after the date of issuance to an electrical corporation if the electrical corporation provides documentation that it is meeting certain requirements and~~ *the office that it has an approved* ~~the executive incentive compensation structure of the electrical corporation. that is structured to promote safety as a priority and to ensure public safety and utility financial stability with performance metrics, as specified.~~

This bill would additionally *require that the electrical corporation's executive incentive compensation structure is structured to ensure ratepayer affordability, as provided. The bill would also* require, for purposes of the safety certification, that documentation related to compensation include specified dollar amounts.

Existing law requires the PUC to develop policies, rules, or regulations with a goal of reducing the statewide level of gas and electrical service disconnections for nonpayment by residential customers, as specified. Existing law requires the PUC to include in an annual report to the Legislature information on residential and household gas and electrical service disconnections, disaggregated by certain customer categories.

This bill would require the PUC to provide any public nonconfidential data collected pursuant to the above-described provisions to the Office of Energy Infrastructure Safety for the purpose of reviewing ratepayer affordability when assessing executive compensation under the above-described provisions.

~~(6)~~

(4) Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the PUC is a crime.

Because certain provisions of this bill would be part of the act and a violation of a PUC action implementing the bill's requirements would be a crime, the bill would impose a state-mandated local program.

In addition, to the extent the bill would impose new requirements on local publicly owned utilities, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for specified reasons.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: yes

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. This act shall be known, and may be cited, as the Investor-Owned Utilities Accountability Act.

SEC. 2. (a) The Legislature finds and declares all of the following:

~~(a)~~

(1) Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas and Electric Company (SDG&E), and ~~SoCalGas, which~~ *SoCalGas are investor-owned utilities (IOUs) that* have collectively ~~exercised their monopoly over provided electrical and gas service to~~ California ratepayers *as regulated public utility monopolies* for over 100 years, ~~have lost the trust of the people of California due to their crushingly high rates, exorbitant payouts to executives and shareholders, reckless endangerment of life and property, and excessive spending with the goal of generating profits rather than providing an essential service.~~ *years.*

~~(b) Rates~~

(2) *According to a January 2025 report by the Legislative Analyst's Office, electricity rates* are higher in ~~investor-owned utility (IOU)~~ *IOU* service territories across California than in *the service territories of* not-for-profit utilities, including municipal utilities, rural electric cooperatives, and tribal ~~utilities, which has resulted in working class and low income people paying higher rates.~~ *utilities.* On average, California IOU electricity rates are more than 50 percent higher than *electricity* rates charged by publicly owned ~~utilities.~~ *For utilities, and, for* IOU customers in California, *electricity* rates have increased nearly 50 percent over the past three years.

~~(c) Under the current system, most distribution and transmission infrastructure is financed by IOUs and paid for by utility ratepayers. Ratepayers also pay for a rate of return for the IOUs for each project, which can average close to 10 percent. This return on investment rate creates a significant and increasingly unsustainable burden on ratepayers as more unnecessary transmission lines are constructed. This can result in unnecessary rate hikes for consumers, as capital expenses can be overestimated and overspent to increase profits. As an example, in the 2023 General Rate Case, PG&E admitted that they overestimated the actual cost of infrastructure needed by \$3 billion. Despite electricity demand remaining stable, executive compensation, infrastructure spending, and customer rates continue to increase. While utilities submit new rate increase proposals on a roughly three to four year cycle to the Public Utilities Commission, they can also submit annual increases and emergency supplements. The compounding effect and increased frequency of these rate increases, largely related to wildfire emergencies, have unfairly burdened California residents. Specifically, from~~

(3) *IOU electricity rates are set by the Public Utilities Commission through a general rate case every three to four years, which includes review of all IOU expenses, establishing a rate of return (profits for shareholders), and a determination that the rates are just and reasonable. IOUs can also request annual rate increases and emergency supplements. From* January 2021 to October 2024, inclusive, PG&E residential rates increased by 56 percent, SCE rates increased by 48 percent, and SDG&E rates increased by 21 percent.

~~(d) These increasing rate hikes and record profits are a function of the IOUs being unwilling to adequately serve their ratepayers through affordable utility rates. One in five households served by the state's largest IOUs are in utility debt. From~~

(4) *From* August 2022 to August 2024, inclusive, PG&E, SCE, and SDG&E also compensated their shareholders with \$7.62 billion in ~~dividends. During that period, the estimated cost to prevent all residential shutoffs for nonpayment was seventy-seven one hundredths of 1 percent of that compensation to shareholders.~~ *dividends, according to a recent report.*

(e)The

(5) Investigations have concluded that IOUs have caused some of California's most destructive wildfires. ~~PG&E is responsible for more than 30 wildfires since 2017 that have destroyed more than 23,000 homes and businesses and killed more than 100 people. These fires include the 2017 Tubbs Fire, the 2018 Camp Fire, the 2019 Kincade Fire, the 2020 Zogg Fire, and the 2021 Dixie Fire. SCE was found responsible for burning more than 385,000 acres, destroying thousands of structures, and causing five deaths in the 2017 Rye Fire, the 2017 Meyers Fire, the 2017 Liberty Fire, the 2017 Thomas Fire, and the 2018 Woolsey Fire. In 2007, SDG&E caused three fires, the Witch Fire, the Guejito Fire, and the Rice Fire, burning 207,000 acres, killing two people, destroying 1,141 homes.~~ Assembly Bill 1054 (Chapter 79 of the Statutes of 2019) established a wildfire insurance fund of \$21 billion, ~~all passed onto ratepayer bills, directly and indirectly.~~ *funded in part by ratepayers.*

~~(f) Past and present experience demonstrates that the IOUs prioritize profits over the safety and well-being of the ratepayers and residents of California, and thus, to support public necessity and public purpose, must be replaced with a well-researched and structured successor entity that focuses on the needs of ratepayers, workers, fire survivors, and community members instead of shareholders.~~

(g)

(6) The State of California created the not-for-profit public benefit corporation, Golden State Energy, designated as a receiver for PG&E's assets, through passing Senate Bill 350 (Chapter 27 of the Statutes of 2020) for the purpose of owning, controlling, operating, or managing electrical and gas services for its ratepayers, for the benefit of all Californians if PG&E were to lose its business license in a six-step accountability process overseen by the Public Utilities Commission. At that time, PG&E was in bankruptcy ~~due to an untenable amount of~~ *after incurring* liabilities for wildfires caused by its equipment. Senate Bill 350 created a successor in name only and ~~was never in a position to~~ *did not* receive PG&E assets. ~~This~~

(b) The intent of this bill ~~builds is to build~~ on Senate Bill 350 *(Chapter 27 of the Statutes of 2020)* by authorizing an in-depth ~~unbiased study by a neutral third party~~ to assess the practical, financial, legal, regulatory, labor, and technical aspects of a smooth and just transition away from the IOU model to one that prioritizes the needs of the people and ecology of the State of California.

SEC. 3. Chapter 3.5 (commencing with Section 25250) is added to Division 15 of the Public Resources Code, to read:

CHAPTER 3.5. Investor-Owned Utility Transition Feasibility Study

25250. For purposes of this chapter, all of the following definitions apply:

(a) "Critical minerals" means those minerals specified by the United States Geological Survey as essential to the economic or national security of the United States, have a supply chain that is vulnerable to disruption, and serve an essential function in the manufacturing of a product, the absence of which would have significant consequences for the economic or national security of the United States. Critical minerals do not include fuel minerals, water, ice, or snow, or common varieties of sand, gravel, stone, pumice, cinders, or clay.

(b) "Disadvantaged communities advisory group" means the disadvantaged communities advisory group established pursuant to subdivision (g) of Section 400 of the Public Utilities Code.

(c) "Disadvantaged community" means a community identified pursuant to Section 39711 of the Health and Safety Code.

(d) "Distributed energy resources" means distributed renewable generation resources, energy efficiency, energy storage, electric vehicles, and demand response technologies.

(e) "Electrical corporation" means the same as defined in Section 218 of the Public Utilities Code, but does not include electrical cooperatives as defined in Section 2776 of the Public Utilities Code.

(f) "Energy justice" means the goal of achieving equity in both the social and economic participation in the energy system, while also remediating the social, economic, and health burdens of those historically harmed by the energy system, including disadvantaged communities, low-income communities, and federally recognized California Indian tribes and nonfederally recognized California Native American tribes that are on the list maintained by the Native American Heritage Commission.

(g) "Equity," "just," and "justice" describe the goal of creating systems, organizations, and societies that are fair and just, recognizing where disadvantages and barriers exist, and allocating resources and support to ensure equal access and opportunity for all populations.

(h) "Just transition" means a framework for a fair shift to an economy that is ecologically sustainable, equitable, and just for all its members.

(i) "Labor institute" means the UC Berkeley Labor Center or the UCLA Labor Center.

(j) "Low-income" means at or below 80 percent of the state median income.

(k) "Research institute" means an academic institution that can satisfy the requirements of this chapter with experience studying public utilities, energy, and economics. "Research institute" may include, but is not limited to, the Institute of the Environment and Sustainability at UCLA, the Goldman School of Public Policy at the University of California, Berkeley, or the Initiative for Climate Leadership and Resilience at California Polytechnic State University, San Luis Obispo.

(l) "Successor entity" means a public entity, nonprofit public benefit corporation, or mutual benefit corporation.

25251. (a) The commission shall select a research institute to conduct the comparative analysis described in subdivision (b). The research institute shall consult with a labor institute, if the labor institute chooses to participate, in conducting all aspects of the comparative analysis with respect to impacts on workforce and labor relations. The research institute shall complete the comparative analysis on or before January 1, 2029, and, upon completion, shall submit the comparative analysis to the Legislature, in compliance with Section 9795 of the Government Code, and to the commission.

(b) Consistent with Section ~~25253~~, 25254, the research institute shall complete a comparative analysis of the benefits and challenges of transitioning the electrical corporations to a successor entity in order to identify a recommended model, assess the feasibility of transitioning the electrical corporations to a successor entity, and identify priority just design features for the successor entity, with the goal of serving the public interest and necessity of the people and ecologies of California.

(c) (1) The commission shall solicit input from the disadvantaged communities advisory group, with supporting resources and recommendations from the Public Utilities Commission, on the scope of work to be performed by the selected research institute, on the financial modeling inputs to be used to determine economic benefits, and for comments on all preliminary and final drafts of the comparative analysis.

(2) Comments and recommendations from the disadvantaged communities advisory group that are not incorporated by the research institute shall be included as an addendum to the comparative analysis.

(d) Consistent with ordinary practice, the commission shall make a draft of the comparative analysis available to the public for comment before submitting the final draft of the comparative analysis to the Legislature.

(e) The cost of conducting the comparative analysis pursuant to this chapter shall not exceed five million dollars (\$5,000,000).

25252. (a) *Notwithstanding any other provision of this chapter, on or before December 31, 2026, the research institute shall conduct the first phase of the comparative analysis and submit an interim report to the commission on threshold legal issues, including identifying and analyzing all of the following:*

(1) Legal parameters generally associated with each corporate form listed as a successor entity.

(2) All legal obligations currently applicable to electrical corporations under federal and state law and regulations, including obligations imposed by the Public Utilities Commission pursuant to its authority under the California Constitution, and local requirements.

(3) Legal barriers and legally permissible pathways to transition an electrical corporation's assets, operations, and legal obligations to each successor entity corporate form.

(4) Changes in law necessary to ensure all electrical corporation legal obligations would apply to each type of successor entity, without jeopardizing the provision of safe, reliable, and affordable service.

(5) Recommendations for narrowing the scope of the remainder of the comparative analysis based on conclusions from the initial legal analysis.

(b) The commission shall convene a group of state attorneys from the legal departments of state agencies that regulate electrical corporations, including, but not limited to, the Public Utilities Commission, the commission, the Independent System Operator, the State Air Resources Board, the Office of Emergency Services, the Department of Forestry and Fire Protection, the Attorney General, and the Natural Resources Agency, to advise the research institute on the first phase of the comparative analysis.

~~25252-25253.~~ The commission, research institute, and disadvantaged communities advisory group may solicit input from stakeholders, including, but not limited to, stakeholders with the following lived experiences or subject matter expertise:

(a) Any relevant electrical utilities, including, but not limited to, tribal utilities, or electrical utilities that have undergone a transition as considered in this chapter.

- (b) Community choice aggregation.
- (c) Low-income residential ratepayer advocacy.
- (d) Equitable rate design and utility cost allocation.
- (e) Environmental justice, energy justice, or utility justice issues.
- (f) Racial and economic justice.
- (g) Survivors of wildfires caused by infrastructure owned and operated by electrical corporations.
- (h) Disability rights.
- (i) Federally recognized California Indian tribes.
- (j) Nonfederally recognized California Native American tribes that are on the list maintained by the Native American Heritage Commission.
- (k) Labor unions representing utility workers.
- (l) Inclusive workforce development.
- (m) Deep knowledge of distributed energy resources and grid architecture.

~~25253~~**25254.** (a) The comparative analysis of the benefits and challenges component of transitioning the electrical corporations to a recommended successor entity described in subdivision (b) of Section 25251 shall provide a comparative assessment of transitioning the electrical corporations to either a public entity, nonprofit public benefit corporation, or mutual benefit corporation, assess the overall feasibility of transitioning the electrical corporations to a successor entity, and identify priority energy just design features for a successor entity.

(b) The comparative analysis shall comprise all of the following:

(1) An assessment of all legal, economic, financial, governance, and other relevant aspects of the ownership types required to successfully transition the assets and operations of the electrical corporations to a nonprofit public benefit corporation, such as Golden State Energy, a mutual benefit corporation, or a publicly owned electric utility, which may be in existence or yet to be formed.

(2) (A) A determination of the structural limitations or advantages of each ownership type relative to the successor entity's ability to serve the people of California and to achieve all of the following policy objectives:

(i) A demonstrable reduction in electricity costs for customers over a 30-year period, with a focus on increasing energy bill affordability for low-income communities, disadvantaged communities, and federally recognized California Indian tribes and nonfederally recognized California Native American tribes, ensuring electricity costs are between 3 percent and 6 percent of household income.

(ii) Maintain or increase the pay and benefits of workers transitioning from electrical corporation employment, ensure the continuity of good union jobs, and promote inclusive workforce development in the region.

(iii) Increased public accountability, trust, and transparency in governing structures, financial spending, maintenance, and infrastructure decisions.

(iv) Rapid integration of clean energy and decarbonization strategies, including the successor entity's capacity to rapidly interconnect renewables, storage, and community-driven solutions.

(B) The comparative analysis shall include clear, actionable recommendations for which ownership structure or structures are best suited to achieve each objective.

(3) An assessment of the liability incurred by, and during, the electrical corporation's ownership, including specifying the portion of risks and liabilities likely to be transferred to a successor entity.

(4) A quantification of the electrical corporation's current tax obligations to the state.

(c) The feasibility assessment shall include all of the following:

(1) Identification of legal and regulatory issues, and recommendations for addressing these issues, that might arise from transitioning the assets and operations of the electrical corporations and their respective operations as described in this

chapter, and post-transition, in order to do all of the following:

(A) Establish municipal utility districts, rural electric cooperatives, and tribal utilities within current electrical corporation territories.

(B) Safeguard or strengthen the worker and labor benefits, including union protections, during and after the transition period, and provide for workers' rights and a just transition for workers impacted by the decommissioning of unsafe, polluting infrastructure.

(C) Identify and decommission generation, transmission, and piping infrastructure transferred to the successor entity that is unsafe and polluting, prioritizing infrastructure that is causing disproportionate harms in disadvantaged communities, low-income communities, federally recognized California Indian tribes, or nonfederally recognized California Native American tribes.

(D) Manage future wildfire liability.

(E) Equitably decommission gas infrastructure and transition towards electrification, prioritizing the decommissioning of gas powerplants in disadvantaged communities and replacement with community-owned distributed energy resources without unduly burdening ratepayers, especially low-income or disadvantaged ratepayers, with associated costs.

(2) A preliminary evaluation of the long-term costs and benefits over at least a 30-year horizon of a transfer in ownership to a successor entity, including an assumption for clean energy, electrification, and grid investments at a pace in accordance with state climate goals. This evaluation shall incorporate all of the following:

(A) Sensitivity analyses of key financial and policy variables, including, but not limited to, initial purchase price of electrical corporation assets, interest rates, assumed rate of capital investment in the electrical grid, and pace of electrification. The analyses shall consider a range of scenarios, from conservative to aggressive investment trajectories, to reflect uncertainty and assess relative risk exposure.

(B) Explicit model investment scenarios that align with California's climate mandates and wildfire risk mitigation goals, including rapid, robust electrical grid modernization and distributed energy integration.

(C) A comparative assessment of the cost of capital under different ownership structures, and how this affects total system costs under varying levels of capital expenditure.

(D) Recommendations for optimal financing for purchases and transition and electrical grid investments by the successor entity, including, but not limited to, the issuance of lowest cost debt, securitization to offset any initial rate impact, necessary regulatory and legal adjustments, and tax-exempt bonding for municipal utilities.

(E) Consideration of the portion of utility capital expenses paid for by ratepayer contributions.

(F) Application of all legally claimed depreciation of assets by the electrical corporations.

(G) Equitable finance and revenue sources that may be available to the successor entity for its operational needs, including for purchase, maintenance, and upgrades, with information regarding all of the following:

(i) Mechanisms to support the creditworthiness of the successor entity during the early years of operation.

(ii) Access to bonds.

(iii) Long-term opportunities for public financing.

(iv) Ability to leverage federal funding in the form of "elective pay," as outlined in the Inflation Reduction Act of 2022 (Public Law 117-169).

(v) Evaluation of revenue collected from rates and other financial resources in relation to the projected operational, maintenance, investment, and equity-related costs of the successor entity. This shall include analysis of whether these revenue sources are sufficient to meet the successor entity's statutory obligations and mission-aligned priorities, including affordability, equity, reliability, and climate resilience.

(H) An analysis of the implications of regional transmission use by noncustomer entities, and clear recommendations for mechanisms to ensure that the financial benefits of lower cost capital for transmission infrastructure accrue primarily to the customers of the successor entity, particularly those responsible for financing the asset acquisition. The analysis shall consider options to allocate savings fairly and avoid unintended cross-subsidization by customers who bear acquisition and transition costs.

(3) A thorough consideration of which electrical corporation assets should be prioritized for transfer and a timeline for those transfers, including full consideration of all of the following:

(A) The merits or risks of splitting ownership of the electrical corporation's distribution infrastructure, transmission infrastructure, program administration, generation, and retail energy services, with clear recommendations regarding the most effective approach or approaches.

(B) The merits or risks of splitting ownership by geographic territory, with a clear recommendation regarding whether and how geographic division would support or hinder the goals of the successor entity.

(C) Grid architectures that maximize distributed energy resources and future needs for distribution system operator infrastructure.

(D) Potential benefits, if any, that may be realized by separating the ownership and operation of the electrical distribution system for future distribution system operator models.

(4) The final analysis shall provide clear, prioritized recommendations for legal, economic, financial, and governance pathways that best fulfill the goals outlined in this section, based on the evidence and scenario modeling described above.

(d) The final analysis shall recommend the just design features of a successor entity and the mechanisms to achieve those features, including, but not be limited to, all of the following:

(1) Increasing social equity, electrical system reliability and performance, ecological sustainability, and climate resilience, including the ability to adapt to adverse climate-related weather disasters and other economic, social, and infrastructural crises.

(2) Minimizing environmental health harms in the region and in homes.

(3) Enhancing stewardship of finite resources and fragile ecologies through reducing the need for future large scale buildout, land clearing, or installation of ecologically disruptive energy generation, transmission, and distribution assets, and minimizing extraction of critical minerals.

(4) Prioritizing the needs of disadvantaged communities, low-income communities, federally recognized California Indian tribes, and nonfederally recognized California Native American tribes and residents of high fire risk areas.

(5) Creating innovative participatory governance and accountability structures that enable community members, including low-income members and users with disabilities, to meaningfully impact the priorities of the successor entity.

(6) Adopting mechanisms for sustained public engagement and transparency that holds the successor entity accountable to its mission to serve the community's well-being.

(7) Creating alternative mechanisms to utility disconnections to cover nonpayment by customers.

(8) Including nonenergy impacts, social costs and benefits, health impacts, and more equitable climate outcomes in evaluating cost-effectiveness and decisionmaking.

~~25254.~~**25255.** Upon completion of the comparative analysis described in Section ~~25253~~ **25254** by the research institute, on or before September 30, 2029, the commission, through a public process, shall present the analysis at a publicly noticed business meeting.

~~SEC. 4. Article 4.5 (commencing with Section 570) is added to Chapter 3 of Part 1 of Division 1 of the Public Utilities Code, to read:~~

~~4.5. Infrastructure Project Procurement~~

~~570.(a) For purposes of this section, "best value" means a procurement process whereby the selected bidder is selected on the basis of objective criteria for evaluating the qualifications of bidders with the resulting selection representing the best combination of price and qualifications.~~

~~(b) The commission shall develop a best value procurement model in a new or existing proceeding for use in the procurement of equipment and materials for electrical corporation infrastructure projects that compares the costs and benefits of potential supplies. The best value procurement model shall do all of the following:~~

~~(1) Apply only to equipment and materials for electrical infrastructure projects.~~

~~(2) Not apply to any work performed to carry out an electrical infrastructure project, including, but not limited to, work performed by job classifications covered by a collective bargaining agreement.~~

~~(3)Not apply to the procurement of equipment and materials by a contractor that has contracted with an electrical corporation to carry out an electrical infrastructure project.~~

~~(c)An electrical corporation may use sole source contracting for the procurement of equipment or materials for an electrical infrastructure project only in any of the following circumstances:~~

~~(1)The equipment or materials are in short supply.~~

~~(2)There is an exigent need for the equipment or materials.~~

~~(3)A specific brand or type of equipment or materials is essential for performance requirements.~~

~~(4)A best value procurement method is not feasible or would not result in a suitable contract.~~

~~(d)Any best value procurement method required by the commission shall conform to the parameters described in subdivision (b):~~

~~SEC. 5. Section 706 of the Public Utilities Code is amended to read:~~

~~706.(a)For purposes of this section, "compensation" means any annual salary, bonus, benefits, or other consideration of any value, paid to an officer of an electrical corporation or gas corporation.~~

~~(b)An electrical corporation or gas corporation shall not recover expenses for compensation from ratepayers. Compensation shall be paid solely by shareholders of the electrical corporation or gas corporation.~~

~~(c)(1)On or before April 1, 2026, each electrical corporation shall submit a proposed executive compensation structure to the commission that is structured to promote safety and affordability as a priority and to ensure public safety and ratepayer affordability through performance metrics.~~

~~(2)The performance metrics shall include, but not be limited to, all of the following:~~

~~(A)Successful completion of vegetation management and wildfire mitigation plans.~~

~~(B)Decommissioning and removing risky electrical lines.~~

~~(C)Building self-generation supported microgrids throughout the state, including in rural and remote areas of the state.~~

~~(D)Avoiding annual residential and small business rate increases that collectively exceed the Consumer Price Index measure of inflation.~~

~~(E)Ensuring the percentage of residential and small business ratepayers served by the electrical corporation who are in arrears does not exceed the baseline of the previous year.~~

~~(3)The commission shall approve the compensation structure if it meets the requirements of paragraph (2):~~

~~SEC. 6. Section 8386.8 is added to the Public Utilities Code, to read:~~

~~8386.8.(a)Each electrical corporation shall triennially contract with an independent and reputable third party to audit all of the electrical corporation's equipment and electrical lines and identify any equipment or electrical lines that have reached their end-of-life. The audit shall be completed in alignment with the wildfire mitigation plan cycle described in subdivision (b) of Section 8386.~~

~~(b)(1)The commission shall assess a fine on an electrical corporation that fails to complete a triennial audit pursuant to subdivision (a) based on the severity of the violation. For each subsequent year that an electrical corporation fails to complete an annual audit the fine amount shall be increased based on the severity of the violation.~~

~~(2)Fines collected pursuant to this subdivision shall be used to finance needed repairs. Any excess funds available after needed repairs may be transferred to a future maintenance and repair budget.~~

~~(c)For purposes of this section, "end-of-life" means the point when the equipment is no longer safe, reliable for use, or performing its intended function within established standards and specifications, and should be decommissioned or replaced.~~

SEC. 4. Section 718 of the Public Utilities Code is amended to read:

718. (a) The commission shall develop policies, rules, or regulations with a goal of reducing, by January 1, 2024, the statewide level of gas and electric service disconnections for nonpayment by residential customers, including policies, rules, or regulations

specific to the four gas and electrical corporations that have the greatest number of customers. The commission shall convene stakeholders, including, but not limited to, public health officials, consumer advocates, and organizations representing low-income communities, to assist with the development of the policies, rules, or regulations.

(b) (1) In each gas and electrical corporation general rate case, the commission shall do both of the following:

(A) Designate the impact of any proposed increase in rates on disconnections for nonpayment as an issue in the scope of the proceeding.

(B) Conduct an assessment of and properly identify the impact of any proposed increase in rates on disconnections for nonpayment, which shall be included in the record of the proceeding.

(2) The commission shall adopt residential utility disconnections for nonpayment as a metric and incorporate the metric into each gas and electrical corporation general rate case.

(c) The commission shall provide any public nonconfidential data collected pursuant to this section and Section 910.5 to the Office of Energy Infrastructure Safety for the purpose of reviewing ratepayer affordability when assessing executive compensation pursuant to Section 8389.

SEC. 7. SEC. 5. Section 8389 of the Public Utilities Code is amended to read:

8389. (a) For purposes of this section, the following definitions apply:

(1) "Board" means the California Wildfire Safety Advisory Board established pursuant to Section 326.1.

(2) "Division" means the Wildfire Safety Division established pursuant to Section 326.

(3) "Office" means the Office of Energy Infrastructure Safety, within the Natural Resources Agency.

(b) By June 30, 2020, and annually thereafter, the board shall make recommendations to the division on all of the following:

(1) Appropriate performance metrics and processes for determining an electrical corporation's compliance with its approved wildfire mitigation plan.

(2) Appropriate requirements in addition to the requirements set forth in Section 8386 for the wildfire mitigation plan.

(3) The appropriate scope and process for assessing the safety culture of an electrical corporation.

(c) By October 31, 2020, and annually thereafter, the division shall issue an analysis and recommendation to the commission on the recommendations provided by the board pursuant to subdivision (b).

(d) By December 1, 2020, and annually thereafter, the commission, after consultation with the division, shall adopt and approve all of the following:

(1) Performance metrics for electrical corporations.

(2) Additional requirements for wildfire mitigation plans.

(3) A wildfire mitigation plan compliance process.

(4) A process for the division to conduct annual safety culture assessments for each electrical corporation.

(e) The Director of the Office of Energy Infrastructure Safety shall issue a safety certification to an electrical corporation if the electrical corporation provides documentation of the following:

(1) The electrical corporation has an approved wildfire mitigation plan.

(2) The electrical corporation is in good standing, which can be satisfied by the electrical corporation having agreed to implement the findings of its most recent safety culture assessment performed pursuant to Section 8386.2 and paragraph (4) of subdivision (d), if applicable.

(3) The electrical corporation has established a safety committee of its board of directors composed of members with relevant safety experience.

(4) ~~(A)~~ The electrical corporation has established an executive incentive compensation structure approved by the division and structured to promote safety as a priority and to ensure public ~~safety~~ *safety, ratepayer affordability*, and utility financial stability with performance metrics, including incentive compensation based on meeting performance metrics that are measurable and enforceable, for all executive officers, as defined in Section 451.5. This may include tying 100 percent of incentive

compensation to safety performance and denying all incentive compensation in the event the electrical corporation causes a catastrophic wildfire that results in one or more fatalities.

(B) For purposes of subparagraph (A), "ratepayer affordability" requires review of data related to customer disconnections, arrears, and uncollectibles that the commission already collects pursuant to Sections 718 and 910.5 and proceedings implementing those sections.

(5) The electrical corporation has established board-of-director-level reporting to the commission and office on safety issues.

(6) (A) The electrical corporation has established a compensation structure for any new or amended contracts for executive officers, as defined in Section 451.5, that is based on the following principles:

(i) (I) Strict limits on guaranteed cash compensation, with the primary portion of the executive officers' compensation based on achievement of objective performance metrics.

(II) No guaranteed monetary incentives in the compensation structure.

(ii) It satisfies the compensation principles identified in paragraph (4).

(iii) A long-term structure that provides a significant portion of compensation, which may take the form of grants of the electrical corporation's stock, based on the electrical corporation's long-term performance and value. This compensation shall be held or deferred for a period of at least three years.

(iv) Minimization or elimination of indirect or ancillary compensation that is not aligned with ~~shareholder~~ *shareholder*, *ratepayer*, and taxpayer interest in the electrical corporation.

(B) The division shall approve the compensation structure of an electrical corporation if it determines the structure meets the principles set forth in subparagraph (A) and paragraph (4).

(C) It is the intent of the Legislature, in enacting this paragraph and paragraph (4), that any approved bankruptcy reorganization plan of an electrical corporation should, in regards to compensation for executive officers of the electrical corporation, comply with the requirements of those paragraphs.

(7) The electrical corporation is implementing its approved wildfire mitigation plan. The electrical corporation shall file a notification of implementation of its wildfire mitigation plan with the office and an information-only submittal with the commission on a quarterly basis that details the implementation of both its approved wildfire mitigation plan and recommendations of the most recent safety culture assessments by the commission and office, and a statement of the recommendations of the board of directors safety committee meetings that occurred during the quarter. The notification and information-only submittal shall also summarize the implementation of the safety committee recommendations from the electrical corporation's previous notification and submission. If the office has reason to doubt the veracity of the statements contained in the notification or information-only submittal, it shall perform an audit of the issue of concern. The electrical corporation shall provide a copy of the information-only submittal to the office.

(8) Documentation related to compensation shall include specified dollar amounts.

(f) (1) The office shall issue an initial safety certification within 30 days of receipt of a request for that certification by an electrical corporation if the electrical corporation provides documentation that it is meeting the requirements set forth in paragraphs (1), (2), (3), and (5) of subdivision (e). A safety certification shall be valid for the 12 consecutive months following the issuance of the certification.

(2) Before the expiration of a certification, an electrical corporation shall submit to the division a request for certification for the following 12 months. The division shall issue a safety certification within 90 days of a request if the electrical corporation has provided documentation that it has satisfied the requirements in subdivision (e).

(3) All documents submitted pursuant to this section shall be publicly available on the commission's internet website. Beginning July 1, 2021, all documents submitted pursuant to this section shall be publicly available on the office's internet website. The commission is no longer responsible for posting this information as of July 1, 2021; however, nothing in this section prevents the commission from posting this information.

(4) Notwithstanding paragraph (1), a safety certification shall remain valid until the division acts on the electrical corporation's pending request for safety certification.

(g) If the division determines an electrical corporation is not in compliance with its approved wildfire mitigation plan, it may recommend that the commission pursue an enforcement action against the electrical corporation for noncompliance with its approved plan.

~~SEC. 8.~~**SEC. 6.** Chapter 10 (commencing with Section 8450) is added to Division 4.1 of the Public Utilities Code, to read:

CHAPTER 10. Utility Service Disconnections

8450. For purposes of this chapter, all of the following definitions apply:

- (a) "Electrical corporation" has the same meaning as defined in Section 218.
- (b) "Gas corporation" has the same meaning as defined in Section 222.
- (c) "Local publicly owned electric utility" has the same meaning as defined in Section 224.3.
- (d) "Utility" means an electrical corporation, local publicly owned electric utility, gas corporation, or local publicly owned gas utility.

8451. ~~Each utility~~ *(a) On or before March 1, 2026, as the annual data is submitted to the commission for the report required pursuant to Section 910.5, each electrical corporation and gas corporation shall* ~~quarterly~~ *annually* ~~post all of the following information for the prior year concerning termination of service due to nonpayment on their respective~~ *its* ~~internet websites:~~ *website:*

~~(a)~~

(1) The total number of customers terminated.

~~(b)~~

(2) The total number of customers reconnected.

~~(c) The total number of payment agreements.~~

~~(d) The total number of customers in arrears and the aggregated value of the arrears.~~

~~(e) The total number of payment plans in effect and the number of payment plans that have been broken.~~

(b) On or before March 1, 2027, each local publicly owned electric utility shall annually post the following information for the prior year concerning termination of service due to nonpayment on its internet website:

(1) The total number of customers terminated.

(2) The total number of customers reconnected.

(c) On or before July 1, 2026, each utility shall post its customer disconnection policies on its internet website.

~~SEC. 9.~~**SEC. 7.** No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because a local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the program or level of service mandated by this act or because costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.