RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES **DATE: JULY 27, 2026**

SUBJECT: LEGISLATIVE UPDATE

ISSUE:

Consider receiving and filing the Legislative Update.

RECOMMENDATION:

That the Board of Public Utilities receive and file the Legislative Update.

BACKGROUND:

The 2026 legislative session remains active, with Riverside Public Utilities (RPU) tracking approximately 650 bills during the second half of the 2025-2026 Legislative Session. While numerous utility-related measures were introduced this year, few proposals have advanced to the later stages of the legislative process compared to previous years.

Much of the policy focus in the State Capitol has centered on regulatory implementation efforts including electric reliability, wildfire liability and risk allocation, emerging clean-energy technologies, utility modernization, and water rate-setting authority. The issues discussed below represent the significant proposals currently under consideration that have the greatest potential to affect RPU's operations, financial risk, and long-term resource planning.

DISCUSSION:

Wildfire Liability Reform
Wildfire liability remains one of the most significant policy issues under discussion in Sacramento. Throughout 2026, legislators, local governments, publicly owned utilities, investor-owned utilities, and other stakeholders have been evaluating recommendations stemming from recent wildfire liability studies and reports required by Senate Bill (SB) 254 (2025). Discussions have focused on potential changes to California's inverse condemnation framework, utility liability standards, and approaches for allocating the costs of catastrophic wildfire events.

For publicly owned utilities, the outcome of these discussions could have significant implications for financial risk, insurance costs, bond ratings, and long-term ratepayer impacts. While no comprehensive liability reform legislation has been introduced to date, policymakers continue to evaluate potential legislative proposals that may result in a late session gut-and-amend bill. RPU will continue monitoring developments and participating in stakeholder discussions to ensure that any future reforms recognize the unique structure and public-service mission of municipal utilities.

Advanced Clean Fleets

The California Air Resources Board (CARB) recently approved updates to the Advanced Clean Fleets (ACF) regulation that expanded compliance requirements to private contractors performing work for state and local government agencies. ACF requires that state and local government agencies convert medium and heavy-duty fleet vehicles to zero emissions vehicles (if available) upon replacement and specified dates. Assembly Bill (AB) 1436 (Ávila Farías) responds to proposed regulatory changes by prohibiting CARB from requiring private contractors performing work for state and local agencies to comply with fleet transition requirements unless California first obtains the necessary federal authorization under the Clean Air Act.

The bill addresses concerns that CARB’s proposed amendments would expand the ACF regulation to contracted private fleets, increasing costs and affecting utility operations, emergency response, and essential public services. While the bill faces significant legislative challenges, it has focused attention on the remaining implementation issues associated with the ACF regulation.

Data Center Planning and Infrastructure

The rapid growth of artificial intelligence, cloud computing, and large-scale data centers has increased legislative attention on the impacts these facilities may have on California’s electric grid and water resources. Several measures introduced this session seek to improve transparency regarding data center electricity and water consumption, strengthen long-term utility planning, and ensure infrastructure costs are appropriately identified and managed.

AB 1577 (Bauer-Kahan) would require certain large data centers to report electricity and water use metrics to improve statewide planning and resource forecasting. SB 887 (Padilla), SB 1168 (McNerney), AB 2469 (Papan), and AB 2619 (Papan) each address different aspects of data center development, including electric reliability, utility planning, infrastructure investment, and the impacts of large electrical loads on California’s and water systems. Collectively, these measures reflect the Legislature’s effort to balance continued economic development with electric reliability, water resource management, and protection of utility customers from cost shifts.

Hydrogen and Renewable Portfolio Standard Eligibility

SB 1350 (McNerney) would expand California’s Renewable Portfolio Standard by making certain green hydrogen-fueled generation resources eligible to receive renewable energy credit treatment. The proposal is intended to encourage development of emerging hydrogen technologies and provide additional pathways for achieving the state’s long-term decarbonization goals.

Hydrogen has received increasing attention as a potential tool for providing long-duration energy storage, dispatchable generation, and seasonal reliability support. If enacted, SB 1350 could provide utilities with additional flexibility when evaluating future clean-energy procurement options and may influence long-term resource planning decisions throughout the state.

Water Rate-Setting Reform and Water Rate Assistance
AB 2180 (Ward) would clarify how local agencies demonstrate compliance with Proposition 218 when establishing water and sewer rates. The bill authorizes agencies to use reasonable cost-allocation methodologies supported by historic, existing, estimated, or projected data when determining the proportional cost of service. It also confirms that agencies may continue using uniform and tiered rate structures for water and sewer service.

For water utilities, the bill is intended to provide greater certainty following recent court decisions involving Proposition 218 and water rates. If enacted, AB 2180 could provide additional flexibility in rate design and reduce uncertainty associated with future water rate adjustments, while preserving existing Proposition 218 requirements for public notice and protest proceedings.

SB 1125 (Menjivar) and AB 2739 (Soria) propose to establish a statewide framework to improve water affordability for low-income households while creating a long-term funding mechanism for customer assistance and water system investments. SB 1125 would establish the Water Rate Assistance Program, administered by the State Water Resources Control Board, to provide direct water bill assistance to eligible low-income residential customers, contingent upon legislative appropriation. AB 2739 complements that effort and would establish the Water Affordability and System Stabilization Trust to provide an ongoing funding source for the Water Rate Assistance Program and other eligible water infrastructure investments.

These bills represent a significant statewide approach to improving water affordability while recognizing the funding limitations imposed by Proposition 218. If enacted and funded, the proposals could improve affordability for eligible customers while reducing pressure on local agencies to identify alternative funding sources for customer assistance programs and critical water infrastructure.

Conclusion
While the 2026 legislative session remains ongoing, several issues have emerged that could have long-term implications for Riverside Public Utilities. Wildfire liability reform, Advanced Clean Fleets implementation, hydrogen policy, water affordability, data center development, and water rate-setting authority are among the utility-related issues receiving significant attention this year. As these issues continue through the legislative and regulatory process, RPU will evaluate potential impacts on electric and water operations, resource planning, financial risk, and customer rates, and engage as appropriate.

Among other topics considered this year, policymakers have continued discussions regarding advanced nuclear technologies and other emerging energy resources. However, proposals to make significant changes to California's existing nuclear restrictions have not generated sufficient legislative support to advance meaningful changes to state law this session. Staff will continue monitoring these and other legislative developments and provide updates to the Board as significant issues emerge.

FISCAL IMPACT:

There is no fiscal impact associated with this report.

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Attachments:
1. Chapter Senate Bill 254 (Becker – 2025)
2. Assembly Bill 1436 (Ávila Farías)
3. Assembly Bill 1577 (Bauer-Kahan)
4. Senate Bill 887 (Padilla)
5. Senate Bill 1168 (Padilla)
6. Assembly Bill 2469 (Papán)
7. Assembly Bill 2619 (Papán)
8. Senate Bill 1350 (McNerney)
9. Assembly Bill 2180 (Ward)
10. Senate Bill 1125 (Menjivar)
11. Assembly Bill 2739 (Soria)
12. Presentation