
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 1167 (Berman) - Electrical corporations and gas corporations: rate recovery: political activities and promotional advertising

Version: July 3, 2025

Urgency: No

Hearing Date: August 18, 2025

Policy Vote: E., U. & C. 13 - 4

Mandate: Yes

Consultant: Ashley Ames

Bill Summary: This bill would prohibit certain political influence activities and advertising expenses by electrical or gas corporations from being recovered from ratepayers.

Fiscal Impact:

- The California Public Utilities Commission (CPUC) estimates ongoing costs of approximately \$875,000 to \$1.2 million annually, beginning in fiscal year 2026–27, (ratepayer funds) for three positions to assess specified civil penalties and otherwise implement the provisions of this bill.

Background:

Cost recovery of expenses by investor-owned utilities (IOUs). CPUC-regulated utilities routinely submit requests for cost recovery related to their operations, including expanding their infrastructure, paying for operation expenses, etc. As required by statute in Public Utilities Code §451, the CPUC may only approve a utility's request for cost recovery that is deemed just and reasonable. Review of utility expenses to ensure they are just and reasonable is the principal purpose of the CPUC's existence and the main task of the agency as an economic regulator. Statutory authority also authorizes the CPUC to disallow expenses that are not deemed just and reasonable or prudent. The review of a utility's expenses is largely, although not exclusively, conducted through the utility's general rate case (GRC). Most utilities regulated by the CPUC are required to undergo a GRC whereby the utility requests funding for distribution, generation and operation costs associated with their service. Usually performed every three (now four) years and conducted over roughly 18+ months, the GRCs are major regulatory proceedings which allow the CPUC and stakeholders to conduct a broad, exhaustive, and detailed review of a utility's revenues, expenses, and investments in plant and equipment to establish an approved revenue requirement.

Statute disallows recovery of certain expenses. Statute prohibits IOUs from recovering from ratepayers certain expenses, including activities related to elections of candidates, legislation, bonuses paid to executives of the IOU under specified conditions, activities marketing against CCAs, as well as, any situation where the IOU has failed to sufficiently maintain records to enable the CPUC to completely evaluate any relevant issues related to the prudence of any expense relating to the planning, construction, or operation of the IOU's plant. Under the requirements of the Federal Public Utility Regulatory Policies Act of 1978 and subsequent state statute, IOUs are also prohibited from recovering from any person other than shareholders direct and indirect

expenditures for promotional or political advertising. Additionally, IOUs must abide by CPUC orders.

Federal Energy Regulatory Commission (FERC) accounting and financial reporting. FERC jurisdiction Account 426.4 of the Uniform System of Accounts (USofA) requires that utility shareholders pay for expenditures for the purpose of influencing public opinion or the decisions of public offices. FERC has established regulatory accounting and financial reporting requirements for its jurisdictional entities in the electric, natural gas, and oil pipeline industries. These requirements play a role in FERC's strategy of setting just and reasonable cost-of-service rates. The foundation of the FERC's accounting program is the USofA codified in the agency's regulations. In addition, FERC issues accounting rulings relating to specific transactions and applications through orders and Chief Accountant guidance letters. This body of accounting regulations, orders, and guidance letters comprises the FERC's accounting and financial reporting requirements which promote consistent, transparent, and decision-useful accounting information for the FERC and other stakeholders. These accounting and financial reporting requirements take into consideration the FERC's ratemaking policies, past FERC actions, industry trends, and external factors (e.g., economic, environmental, and technological changes, and mandates from other regulatory bodies) that impact the industries under the agency's jurisdiction. Electric Public Utilities & Licensees, Natural Gas, and Oil Pipeline companies within FERC jurisdiction are required to maintain their books and records in accordance with the USofA. The USofA provides basic account descriptions, instructions, and accounting definitions that are useful in understanding the information reported in the Annual Report.

Proposed Law: This bill would prohibit certain political influence activities and advertising expenses by electrical or gas corporations from being recovered from ratepayers. Specifically, this bill would:

1. Prohibit, except as provided, an electrical corporation or gas corporation from recording various expenses associated with political influence activities, as defined, or with promotional advertising, as defined, to accounts that contain expenses that the electrical corporation or gas corporation recovers from ratepayers, as specified.
2. Require electrical corporations and gas corporations to clearly and conspicuously disclose in all of its public messages whether the costs of the public messages are paid for by the corporation's shareholders or ratepayers.
3. Require an electrical corporation or gas corporation, on or before May 31, 2026, and annually thereafter, to include, as part of a specified statement to the CPUC, certain information.
4. Require the CPUC to make the report publicly available as provided. This bill requires the CPUC to assess a civil penalty, based on the severity of the violation, against an electrical corporation or gas corporation that violates the prohibition described above, or that neglects to comply with any part or provision of any order, decision, decree, rule, direction, demand, or requirement of the CPUC related to implementing the bill's requirements, as provided.

Related Legislation:

SB 24 (McNerney) of 2025, includes many of the same provisions related to prohibiting recovery of political influence expenses from ratepayers.

SB 332 (Wahab) of 2025, among its provisions, changes to the treatment of utilities' executive compensation.

SB 938 (Min) of 2023, would have expanded the types of activities an electrical or gas corporation is prohibited from recovering in rates by expanding the definitions of political activities and advertising, and requires specified reporting of related activities. The bill also required the CPUC to assess specified civil penalties for any violations of the proposed prohibition and required $\frac{3}{4}$ of the monies to be deposited in a new Zero-Emission Equity Fund within the State Treasury. The bill died in this committee.

AB 562 (Santiago, Chapter 429, Statutes of 2019) required that any expense incurred by an IOU in assisting or deterring union organizing, as defined, is not recoverable either directly or indirectly in the utility's rates and is required to be borne exclusively by the shareholders of the IOU.

AB 874 (Williams) of 2013, would have prohibited any expense incurred by an IOU in assisting or deterring union organizing to be recoverable either directly or indirectly in the utility's rates. The bill died in the Assembly.

SB 790 (Leno, Chapter 599, Statutes of 2012) revised and expanded the definition of CCA, requires the CPUC to initiate a Code of Conduct rulemaking, and allows CCAs to receive public purpose funds to administer energy efficiency programs.

SB 598 (Hueso, Chapter 362, Statutes of 2017) required the CPUC to adopt rules, policies and regulations with the goal of reducing the statewide level of gas and electric utility service disconnections for nonpayment by residential customers and extends special considerations to residential customers who have specified medical conditions or who have a member of the household with those conditions.

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