
THIRD READING

Bill No: AB 1167
Author: Berman (D) and Addis (D), et al.
Amended: 8/29/25 in Senate
Vote: 21

SENATE ENERGY, U. & C. COMMITTEE: 13-4, 7/1/25

AYES: Becker, Allen, Archuleta, Arreguín, Ashby, Caballero, Gonzalez, Hurtado, Limón, McNerney, Rubio, Stern, Wahab

NOES: Ochoa Bogh, Dahle, Grove, Strickland

SENATE APPROPRIATIONS COMMITTEE: 5-2, 8/29/25

AYES: Caballero, Cabaldon, Grayson, Richardson, Wahab

NOES: Seyarto, Dahle

ASSEMBLY FLOOR: 52-1, 6/2/25 - See last page for vote

SUBJECT: Electrical corporations and gas corporations: rate recovery: political activities and promotional advertising

SOURCE: Earthjustice
The Utility Reform Network

DIGEST: This bill prohibits certain political influence activities and advertising expenses by electrical and gas corporations from being recovered from ratepayers and authorizes the California Public Utilities Commission (CPUC) to assess penalties for violations related to the bill's provisions.

ANALYSIS:

Existing law:

- 1) Provides, under the Public Utility Regulatory Policies Act, that no electric utility may recover from any person other than the shareholders (or other owners) of the utility any direct or indirect expenditure by such utility for political advertising. This is defined to include advertising intended to

influence public opinion with respect to legislative, administrative, or electoral matters, or with respect to any controversial issue of public importance. (16 U.S. Code §2623(b)(5))

- 2) Establishes and vests the California Public Utilities Commission (CPUC) with regulatory authority over public utilities, including electrical and gas corporations. (Article XII of the California Constitution)
- 3) Authorizes the CPUC to fix the rates and charges for public utilities and requires those rates and charges to be just and reasonable. (Public Utilities Code §451)
- 4) Prohibits a public utility from including any bill for services or commodities furnished by any customer or subscriber any advertising or literature designed or intended (1) to promote the passage or defeat of a measure appearing on the ballot at an election, (2) promote or defeat of a candidate to any public office, (3) to promote or defeat the appointment of any person to any administrative or executive positions in government, or (4) to promote or defeat any change in legislation or regulations. (Public Utilities Code §453 (d))
- 5) Provides the CPUC with general, broad authority to regulate every public utility in the state. (Public Utilities Code §701)
- 6) Prohibits an electrical or gas corporation from recovering expenses for compensation (defined to include annual salary, bonus, benefits, or other consideration paid to an officer of the corporation) from ratepayers and requires compensation is paid solely by shareholders of the electrical or gas corporation. (Public Utilities Code §706)
- 7) Requires the CPUC to consider and adopt a code of conduct to govern the conduct of the electrical corporation in order to ensure that an electrical corporation does not market against a community choice aggregator (CCA) program except through an independent marketing division that is funded by the shareholders of the electrical corporation. (Public Utilities Codes §707)
- 8) Requires the CPUC to determine the appropriate ratemaking treatment for incentive compensation paid to officers or employees of an electrical corporation or gas corporation for incentive compensation that is linked to the stock price or financial performance of the electrical or gas corporation. (Public Utilities Code §746)

- 9) Prohibits an electrical or gas corporation, except for Golden State Energy, from recovering a fine or penalty through a rate approved by the CPUC. (Public Utilities Code §748.1)
- 10) Authorizes the CPUC to require a public utility to correct any rates, practices, equipment or behavior that is unjust, unreasonable, unsafe, improper, inadequate, or insufficient. (Public Utilities Code §761)
- 11) Prohibits the CPUC from prescribing a system of accounts and form of accounts, records, and memoranda for corporations subject to the regulatory authority of the United States that is inconsistent with that established and updated by or under the authority of the United States. (Public Utilities Code §793)
- 12) Requires the CPUC to disallow all expenses for advertising which encourage increased consumption in rates charged by electrical or gas corporations for the services or commodities furnished by the utility. Authorizes the CPUC to include in rates charges for services, expenses for advertising which encourage the more efficient operation of the electric, or gas plant, or for advertising which encourage the more efficient use of electricity or gas, or the conservation of energy or natural resources, or presents accurate information on the economical purchase, maintenance, or effective use of electrical or gas appliances and devices. (Public Utilities Code §796)
- 13) Provides the CPUC with authority to levy fines against regulated entities for violation of law. Generally prevents the CPUC from distributing, expending, or encumbering any moneys received by the CPUC as a result of any CPUC proceeding or judicial action until the CPUC has notified the Director of Finance and the Director of Finance provides notice to the chairpersons of the appropriate legislative budget subcommittees, except where statute expressly provides how the monies are to be paid or used. Requires penalties to be deposited in the State's General Fund. (Public Utilities Code §2100 *et seq.*)

This bill:

- 1) Prohibits, except as provided, each electrical corporation or gas corporation from recording to accounts that contain expenses that the electrical corporation or gas corporation recovers from ratepayers various expenses, including those associated with political influence activities or promotional advertising.

- 2) Requires electrical corporations or 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) Requires each electrical corporation or gas corporation, on or before May 31, 2026, and annually thereafter, to report as part of a specified statement to the CPUC, certain related information.
- 4) Requires the CPUC to make the reports publicly available as provided.
- 5) 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.

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.

Comments

Need for this bill. Supporters contend that IOUs are only supposed to charge ratepayers for service, maintenance, and safety related costs, however, IOUs continue to charge political activities to ratepayers. The supporters cite news reports and CPUC actions that identified utilities booking some costs to ratepayers that should have been booked to shareholders. These costs include those in relation to paying speakers and funding organizations to advocate against energy efficiency codes and standards, after a CPUC order prohibited the utility from doing so, and

which subsequently resulted in the CPUC taking enforcement action. They note that in recent years, Southern California Gas Company (SoCalGas) has spent millions in ratepayer dollars to pay for lobbying activities, legal fees, trade association dues, and even set up an astro-turf advocacy group. They contend that at a time when ratepayers are having to keep up with rate increase after rate increase, it is wholly inappropriate to also pass these expenses on to ratepayers. They note that several states have attempted to rein in utility abuses of ratepayer funds.

Moreover, the supporters of this bill argue that California law needs to be strengthened to better define the expenses that utilities must charge their shareholders and that are not recoverable from their customers. They suggest that this bill simply incorporates into state law the FERC USofA accounting and reporting requirements for electric and natural gas utilities, along with additional clarifications on their applicability, in order to stop utilities from continuing to attempt to charge political influence expenses to their customers. The supporters cite the continual need for intervenors in utility GRC proceedings to invest significant time and resources ensuring customers are protected from bearing these costs. Supporters cite various incidents where SoCalGas used or attempted to use ratepayer funds to influence regulatory and local ordinances that supporters of this bill contend are not directly related to the safe operation of the system. Additionally, the supporters urge to limit the ability of utilities to collect from ratepayers the memberships to trade associations where those associations are engaged in lobbying activity. They point to similar restrictions adopted by Colorado, New York, Connecticut, and Maine.

Definitions of political influence activity clarified and expanded. This bill attempts to clarify and expand the definitions of political influence activities that would not be recoverable from ratepayers to include: an activity to influence rate-setting by the utility; the portion of a utility employee's salary/bonus/benefits that supports political influence activity; membership dues or other contributions to an industry trade association, group, or related entity incorporated under Section 501 of the IRS Code of 1986 if any portion supports political activities; costs directly related to appearing before governmental bodies to influence policies not related to the utility's existing or proposed operations including those affecting demand for gaseous fuels or electricity. This bill would require specified accounting and reporting of these activities, delineated as below-the-line activities.

Utilities argue that the proposals in this bill are too far reaching and could hurt customers. They contend that the limitations imposed by this bill go beyond those

in the FERC USofA accounting and reporting and could conflict. They suggest that the current law already protects ratepayers from funding political influence activities, including advertising of a political nature. They, generally, point to the GRC proceedings as the venues where these issues should be appropriately resolved and where dozens of intervenors can review utility expenses, along with the CPUC. San Diego Gas & Electric (SDG&E) and SoCalGas note that in recent CPUC decisions (SoCalGas GRC 2024 Test Year, D. 24-12-074) the CPUC required annual reporting and attestation mechanisms for SoCalGas to demonstrate its compliance and governance activities and monitor proper accounting for costs related to political activities.

CPUC General Order (GO) 77 requires specified annual reporting by IOUs. Specifically, GO-77 requires electric and gas IOUs annually report by May 31 list of officers and employees (employee names are not disclosed in the public report) with the amount paid directly or indirectly to each employee and the proportion paid by ratepayers. The GO also requires electric and gas IOUs to each report by March 31 the total dues, donations, subscriptions, contributions, payments to attorneys. In this regard, much of the required reporting in AB 1167 is required by GO-77. However, AB 1167 requires specified accounting for these expenses and prohibits some that would otherwise be authorized, including those to fund associations where a portion of funds may contribute towards political influencing activities.

First Amendment Constitutional issues? In 2019 the Sierra Club alleged that an association, known as California for Balanced Energy Solutions (C4BES), which moved to obtain party status within a building decarbonization proceeding was actually funded by SoCalGas. Subsequently the Public Advocates Office (PAO) began investigating the allegation which culminated in efforts to compel discovery by the utility, including of contracts funded by shareholders. Ultimately, the CPUC sided with PAO and rejected the utility's claim to First Amendment infringement on freedom of speech. SoCalGas then appealed to the court. The court sided with SoCalGas, *Southern California Gas Co. v. Public Utilities Com. (2023) 87 Cal. App. 5th 324*. SoCalGas was successful in its argument to the court that the PAO's inquiries were an infringement on the utility's First Amendment rights. The decision distinguished between authority granted to the PAO in the statutes, as more narrow, to that of the CPUC, while also acknowledging that SoCalGas has shown that disclosure of contracts funded by shareholders would impact its First Amendment rights. Furthermore, the court was convinced that disclosure of such information could result in a chilling effect on SoCalGas' ability to contract for services and that impact outweighs the interest to view the contracts paid by

shareholders. However, it is unclear whether the courts would find a similar decision if the CPUC compels this information directly, as opposed to PAO, but a challenge by the utilities could be likely.

Related/Prior Legislation

SB 24 (McNerney) of 2025, includes many of the same provisions related to prohibiting recovery of political influence expenses from ratepayers. The bill is pending before the full Assembly.

SB 332 (Wahab) of 2025, among its provisions, changes to the treatment of utilities' executive compensation. The bill was held in the Assembly Appropriations Committee.

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.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Senate Appropriations Committee, unknown ongoing costs, possibly around \$1 million annually (ratepayer funds) to the California Public Utilities Commission to assess specified civil penalties and otherwise implement the provisions of this bill.

SUPPORT: (Verified 8/29/25)

Earthjustice (Co-source)
The Utility Reform Network (Co-source)
350 Bay Area Action
350 Humboldt
350.org
AARP California
Agricultural Energy Consumer Association
Asian Pacific Environmental Network
California Environmental Justice Alliance
California Environmental Voters
California Solar & Storage Association
Center for Biological Diversity
City of San Diego
Cleaneearth4kids.org
Climate Action California
Climate Action Campaign
College Democrats At UC Irvine
Democrats of Rossmoor
Facts: Families Advocating for Chemical & Toxics Safety
Institute for Local Self-reliance
Media Alliance
NextGen California
Our Power
Public Advocates Office
Rewiring America
San Francisco Bay Physicians for Social Responsibility
San Francisco Baykeeper
Sierra Club California
StopWaste
Sunrise Movement Orange County
Sustainable Rossmoor

The Climate Center
Union of Concerned Scientists
U.S. Green Building Council California
Vote Solar
Two Individuals

OPPOSITION: (Verified 8/29/25)

California Chamber of Commerce
Pacific Gas and Electric Company
San Diego Gas and Electric Company
Southern California Edison
Southern California Gas Company

ARGUMENTS IN SUPPORT: Earthjustice and The Utility Reform Network, the sponsors of this bill, state:

AB 1167's transparency provisions foster compliance and public confidence by making it much easier to determine if utilities are passing political and promotional expenses onto customer energy bills. With regard to advertising, AB 1167 requires a utility's public messages to clearly and conspicuously identify whether shareholders or ratepayers funded the message. This eliminates hurdles to obtaining the necessary information to determine whether a utility is correctly categorizing its public communications as shareholder or ratepayer funded. ...With regard to political activities, AB 1167 requires that for each utility business unit that engages in political and other activities ineligible for cost recovery from ratepayers, the utility submit an annual report identifying employees along with their job title, job description, the number of hours, and percent of annual compensation paid by ratepayers. These type of reporting provisions have proved successful in states like Connecticut that have already instituted similar requirements.

ARGUMENTS IN OPPOSITION: PG&E, SCE, SDG&E, and SoCal Gas, generally contend this bill is overbroad, vague, duplicative, and conflicting with CPUC and FERC oversight with regards to the treatment of accounting and recovery of expenses for political activity and promotional advertising. They generally believe the bill is not necessary and note the existing various accounting procedures, reporting requirements, and extensive review of the utility's GRC which allows all stakeholders to examine proposed expenses.

ASSEMBLY FLOOR: 52-1, 6/2/25

AYES: Addis, Aguiar-Curry, Ahrens, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Caloza, Carrillo, Connolly, Elhawary, Fong, Gabriel, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Papan, Patel, Pellerin, Petrie-Norris, Quirk-Silva, Ransom, Celeste Rodriguez, Rogers, Schiavo, Schultz, Sharp-Collins, Solache, Stefani, Ward, Wicks, Zbur, Rivas

NOES: DeMaio

NO VOTE RECORDED: Alanis, Calderon, Castillo, Chen, Davies, Dixon, Ellis, Flora, Gallagher, Jeff Gonzalez, Hadwick, Hoover, Lackey, Macedo, Pacheco, Patterson, Ramos, Michelle Rodriguez, Blanca Rubio, Sanchez, Soria, Ta, Tangipa, Valencia, Wallis, Wilson

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