

Date of Hearing: April 8, 2026

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY

Cottie Petrie-Norris, Chair

AB 1774 (Boerner) – As Amended March 19, 2026

SUBJECT: Electrical corporations: wildfire mitigation plans: expenditures

SUMMARY: Requires the California Public Utilities Commission (CPUC) to conduct an independent audit of an electrical corporation's prior wildfire mitigation expenditures before the electrical corporation may recover, collect, or expend ratepayer funds for new or ongoing wildfire mitigation programs. The audit must be conducted by a third-party auditor selected by the CPUC with no financial or contractual relationship with the electrical corporation being audited. Specifically, the bill:

- 1) Requires the audit to examine all wildfire mitigation expenditures incurred during the preceding five calendar years.
- 2) Directs the audit to determine whether expenditures were reasonable, prudent, and cost effective; used for their authorized purposes; resulted in measurable risk reductions or safety benefits; whether any were duplicative, excessive, misallocated, or improperly charged to ratepayers; and whether any expenditures should be disallowed or subject to refund.
- 3) Requires the CPUC to disallow expenses for ratemaking purposes if the electrical corporation fails to maintain records sufficient to enable the audit; for expenditures made before January 1, 2027, incomplete recordkeeping on any relevant issue of reasonableness or prudence shall also result in disallowance.
- 4) Authorizes the CPUC, upon a finding of unreasonable or imprudent expenditures, to disallow ratepayer recovery, order refunds or bill credits, or impose additional conditions and limitations on future wildfire mitigation funding.
- 5) Requires audit reports and CPUC determinations to be public records, posted on the CPUC's website, except for lawfully confidential information.
- 6) Directs the CPUC to prescribe books, records, and accounting procedures for wildfire mitigation programs to support the audit process.

EXISTING LAW:

- 1) Establishes the CPUC with regulatory authority over public utilities, including electrical corporations and gas corporations. (California Constitution, Article XII)
- 2) Establishes the Office of Energy Infrastructure Safety (Energy Safety) within the Natural Resources Agency, as established by the California Energy Infrastructure Safety Act, and provides that, after July 1, 2021, Energy Safety is the successor to the Wildfire Safety Division of the CPUC. (Government Code §§ 15470 et seq. and 15475.6, Public Utilities Code §§ 326 and 8385)

- 3) Authorizes the CPUC to fix the rates and charges for every public utility and requires that those rates and charges be just and reasonable. (Public Utilities Code § 451)
- 4) Authorizes the CPUC to supervise and regulate every public utility in the state and to do all things necessary and convenient in the exercise of such power and jurisdiction. (Public Utilities Code § 701)
- 5) 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. (Public Utilities Code § 8386)
- 6) Authorizes the CPUC to inspect the accounts, books, papers, and documents of any public utility. (Public Utilities Code § 314)
- 7) Requires the CPUC to apply a risk-based methodology to its audits or reviews of the books and records of electrical and gas corporations. Also requires the CPUC to review or audit the books and records of every electrical or gas corporation at least once every five years, and to post reports of reviews and audits on its website. (Public Utilities Code § 314.5)
- 8) Authorizes the CPUC to conduct financial and performance reviews or audits of any entity or program created by an order, decision, motion, settlement, or other action of the CPUC. (Public Utilities Code § 314.6)

BACKGROUND

IOU model of regulated monopoly – Pacific Gas & Electric (PG&E), Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E) (collectively, the big three IOUs) are privately owned public utilities regulated by the CPUC. Under authority granted by the California Constitution, the CPUC issues certificates of public convenience and necessity authorizing each IOU to provide monopoly utility service within a designated geographic area, in exchange for an obligation to serve all customers and submit to CPUC oversight. Regulation includes setting “just and reasonable” rates through a General Rate Case (GRC) every four years, where the CPUC examines forecasts of costs necessary for an IOU to operate and maintain its system. The CPUC assigns a multidisciplinary team of more than 30 staff, including engineers, financial analysts, policy experts, attorneys, and administrative law judges, to evaluate each IOU GRC application. The CPUC’s goal is to ensure that IOUs justify the costs necessary to provide safe, reliable utility service.¹ Intervenors such as consumer advocates, local governments, and environmental groups may participate in GRC proceedings and often receive payment for their participation (known as “intervenor compensation”).

While the big three IOUs serve most of California, the remainder of the state is served by smaller IOUs, publicly owned utilities (POUs) such as the Los Angeles Department of Water and Power (LADWP) and the Sacramento Municipal Utility District (SMUD), rural electric cooperatives,

¹ California Public Utilities Commission, *Understanding How the CPUC Processes a General Rate Case*, CPUC News and Updates (July 29, 2025), <https://www.cpuc.ca.gov/news-and-updates/all-news/understanding-how-the-cpuc-processes-a-general-rate-case>.

and tribal utilities. Rates and governance structures vary across utility types, but all share a general obligation to serve all customers. All California utilities are also subject to statutory obligations related to public safety, wildfires, climate goals, environmental justice, and low-income customer access, the costs of which are generally recoverable in rates if reasonable.

Cost recovery processes: GRCs, Balancing Accounts, and Memorandum Accounts – Utilities employ a number of accounts to track expenses, both anticipated and unanticipated. Anticipated costs are determined through GRC proceedings. The GRCs evaluate both past expenses and utility forecasts of likely future costs. They cover four years of a utility's anticipated costs. The GRC establishes how much money the utilities are allowed to collect, and a fixed escalation rate is applied to expenses for the subsequent three years captured in the GRC cycle. Once the CPUC authorizes the costs, the costs are allocated to different classes of customers and built into future billing.

Balancing accounts are typically used for costs that are expected and occur on a regular basis but cannot be estimated accurately. These accounts are subject to audit and adjustment, but do not automatically undergo a reasonableness review. Rather, the CPUC authorizes a scope of the recorded activity, and a maximum level of acceptable expense, before the utility undertakes the activity. But forecasts are imperfect. If the CPUC authorizes a forecasted amount and also a balancing account for that activity, then when actual costs are higher or lower than the authorized forecast, rates are adjusted up or down to compensate for the forecasting error. The Energy Resource Recovery Account proceedings are some of the largest balancing account activities at the CPUC, where the amounts the IOUs can charge customers for the cost of purchasing fuel and power are determined.

Memorandum accounts are used for activities that are likely to be a reasonable use of ratepayer funds. The CPUC does not decide on the reasonableness of the costs recorded in the memorandum accounts; rather, they authorize the tracking of costs that *may* be reasonable. Costs recorded in memorandum accounts are subject to a later reasonableness review, with the potential inclusion in rates, but such recovery is not guaranteed. Memorandum accounts are meant to address expenditures that are much less certain than balancing accounts. The IOUs' authorized Catastrophic Event Memorandum Accounts, for example, are used to track and recover costs associated with post-disaster utility repair and restoration activities.

The differences in the account types lie in the timing and certainty of cost recovery. Memorandum accounts require a review of reasonableness before cost recovery is approved. Balancing accounts pre-approve the scope of activities and their associated costs because they are believed to be both certain and reasonable. This allows IOUs to incorporate the costs incurred in balancing accounts into rates as soon as it is practicable for them to do so, and provides more certainty that recorded costs will be borne by ratepayers.

Before the regular use of memorandum and balancing accounts, utilities were at risk of absorbing the cost of unforeseen activities until the next GRC is authorized, a process years in the making.

Wildfire mitigation and rates – The CPUC's most recent SB 695 Utility Cost Report identifies wildfire-related costs as among one of three primary drivers of rising electricity rates. In 2024, the wildfire-related revenue requirement made up about 27% of PG&E's total revenue

requirement, and 17% respectively of SCE and SDG&E’s total revenue requirements, translating to an average annual cost of roughly \$250 to \$490 for residential customers. Total wildfire mitigation and wildfire liability costs (collectively, “wildfire-related costs”) authorized for recovery between 2019 and 2024 are approximately \$40 billion, resulting in an equivalent revenue requirement over this time period of about \$27 billion. Wildfire mitigation costs, driven in part by climate change, are projected to continue their upward trend as indicated in the 2026-2029 wildfire management plans recently filed by the IOUs with Energy Safety.²

Existing audit authority –

- The Utility Audits Branch (UAB) of the CPUC performs a variety of external audits and attestation engagements of energy, telecommunication, and water and sewer utility companies under the general authority outlined in state law, for purposes of assisting the CPUC in safeguarding ratepayer-funded programs and protecting ratepayers’ interests. The UAB performs most of its audits and attestation engagements in accordance with generally accepted government auditing standards (GAGAS), which requires that audits are planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for any findings and conclusions based on the audit objectives.³ The UAB has audited wildfire mitigation cost recovery applications filed by SCE and PG&E outside of the GRC process – covering SCE’s expenditures for 2018-2021 and 2022, and PG&E’s wildfire and gas safety costs for 2022 – with audit objectives generally focused on whether expenditures were: (1) incurred for allowable activities within the applicable CPUC-authorized memorandum or balancing accounts; (2) accurately recorded and properly supported; and (3) incremental to amounts already authorized in the utility’s GRC.⁴ In the context of wildfire mitigation investments, SDG&E has not filed a standalone wildfire cost recovery application in recent years.⁵
- Electrical corporations are required to prepare and submit wildfire mitigation data to Energy Safety on a quarterly basis. These reports include information on the costs and

² California Public Utilities Commission, *2025 Senate Bill 695 Report to the Governor and Legislature on Actions to Limit Utility Cost and Rate Increases Pursuant to P.U. Code Section 913.1*, at 2-3 (September 2025).

³ California Public Utilities Commission, *Utility Audits Branch*, Utility Audits, Risk and Compliance Division, <https://www.cpuc.ca.gov/about-cpuc/divisions/utility-audits-risk-and-compliance-division/utility-audits-branch>.

⁴ See, e.g., California Public Utilities Commission, Utility Audits Branch, *Cost Recovery Application 22-06-003, Wildfire Mitigation and Vegetation Management Expenditures Performance Audit, Southern California Edison Company, January 1, 2018, through December 31, 2021* (June 22, 2023), https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/utility-audits--risk--and-compliance-division/reports/energy/2023/energy_2023-06-22_sce_cra.pdf; *Cost Recovery Application 23-10-001, Wildfire Mitigation and Vegetation Management Expenditures Performance Audit, Southern California Edison Company, January 1, 2022, through December 31, 2022* (Sept. 3, 2024), https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/utility-audits--risk--and-compliance-division/reports/energy/2024/energy_2024-09-03_sce_cra.pdf; California Public Utilities Commission, *Audit Reports Energy Industry*, <https://www.cpuc.ca.gov/about-cpuc/divisions/utility-audits-risk-and-compliance-division/utility-audits-branch/audit-reports-by-industry/audit-reports-energy-industry> (last visited Mar. 26, 2026) (listing PG&E Cost Recovery Application 23-06-008, July 2024).

⁵ California Public Utilities Commission, Safety Policy Division, *Consolidated Stakeholder Responses to Informal Questions* at 2 (November 2024), https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/safety-policy-division/documents/sb-884-consolidated-responses-to-informal-questions_111224.pdf.

⁶ California Public Utilities Commission, “CPUC Denies SDG&E’s Request to Recover Wildfire Expenses,” Nov. 30, 2017, <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M199/K994/199994592.PDF>

progress toward the goals and objectives set in the electrical corporation's Wildfire Mitigation Plan (WMP). Additionally, electrical corporations are required to submit an Annual Report on Compliance to Energy Safety addressing their implementation of the approved WMP. Energy Safety also conducts field audits of each electrical corporation's vegetation management work, identifying any failures to fully comply with the vegetation management requirements in the WMP. The CPUC consults in the review of WMPs, coordinates with Energy Safety on information regarding progress of WMP implementation, and reviews WMPs to inform its evaluation of the reasonableness of costs associated with proposed wildfire mitigation activities in GRC proceedings and other cost recovery applications. Energy Safety's website includes a dashboard with updated information on both the progress of WMP implementation and the total mitigation initiative costs of WMP implementation.⁷

- In December 2021, Energy Safety released independent performance audits – conducted by Crowe LLP – of all three utilities' WMP expenditures for the period of January 1, 2019 (January 1, 2018 for SCE), through December 31, 2020, examining whether expenditures were incurred for activities within the scope of each utility's approved WMP, properly documented, and not duplicative of costs already authorized through the utility's GRC.⁸

Recent Legislative efforts to increase wildfire risk mitigation efficiencies – SB 254 (Becker, Chapter 119, Statutes of 2025) enacted a series of changes aimed at improving the efficiency of wildfire risk mitigation and strengthening coordination between Energy Safety and the CPUC. The legislation clarified the distinct roles of each agency – Energy Safety as advisor, auditor, and evaluator of WMPs, and the CPUC as the compliance, safety, and cost-recovery regulator – and ties WMPs more closely to the timing of GRCs. Key changes included, requiring wildfire mitigation actions to account for the time required to implement proposed mitigations, an estimate of the cost-per-avoided ignition for each risk, and CPUC-adopted cost-efficiency measures; extending the WMP submission cycle from annually to once every four years, aligning it with the GRC cycle; extending Energy Safety's review period from three to nine months to allow for more thorough evaluation; and requiring electrical corporations to submit a revised WMP to Energy Safety within 45 days of a CPUC GRC decision on the reasonableness of WMP costs, with Energy Safety required to approve the revised plan within two months.

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

⁷ California Public Utilities Commission, *Implementation of Wildfire Mitigation Plans*, Safety Policy Division, <https://www.cpuc.ca.gov/about-cpuc/divisions/safety-policy-division/wildfire-and-safety-performance/implementation-of-wildfire-mitigation-plans> (last visited March 26, 2026).

⁸ Office of Energy Infrastructure Safety (formerly CPUC Wildfire Safety Division), Crowe LLP, *Wildfire Mitigation Plan Expenditures Performance Audit, Southern California Edison Company, January 1, 2018, through December 31, 2020* (December 9, 2021), https://energysafety.ca.gov/wp-content/uploads/docs/audits/20211209_sce-wmp-expenditures-performance-audit-report.pdf. Comparable audits covering PG&E and SDG&E for the period January 1, 2019, through December 31, 2020, are available at Office of Energy Infrastructure Safety, *Audits*, <https://energysafety.ca.gov/what-we-do/electrical-infrastructure-safety/compliance/audits/> (last visited March 26, 2026).

COMMENTS:

- 1) *Author's Statement.* According to the author, "The rubberstamping of utilities' wildfire mitigation plans result in a lack of accountability and overspending for little actual prevention. It's time for energy corporations to answer for the money they are being given by ratepayers. We shouldn't be paying the highest rates and in return getting some of the worst safety and reliability."
- 2) *Purpose of the Bill.* Although the CPUC currently possesses broad audit authority under existing law – including the discretion to engage outside auditors – this bill mandates that the CPUC use the services of a third-party independent auditor to review an electrical corporation's prior wildfire mitigation expenditures before allowing the electrical corporation to recover, collect, or expend ratepayer funds for new or ongoing wildfire mitigation programs. The audit must cover expenditures from the preceding five calendar years and evaluate whether those expenditures were reasonable, prudent, cost-effective, and used for their authorized purposes, and whether any amounts should be disallowed or refunded. The bill establishes consequences for inadequate recordkeeping, including mandatory disallowance of expenses, and authorizes the CPUC to disallow recovery, order refunds, or impose additional conditions on future wildfire mitigation funding where expenditures are found to be unreasonable or improperly incurred. The bill also requires the CPUC to disallow expenses for wildfire mitigation programs where an electrical corporation has failed to maintain records sufficient to evaluate the reasonableness and prudence of those expenditures, and directs the CPUC to prescribe books, records, and accounting procedures to support the audit process.
- 3) *Audit Structure: One-Time Historical Audit and Ongoing Four-Year Cycles.* The bill requires a five-year look-back period for every required audit. However, the bill also seeks the audits to be triggered with IOU cost recovery applications. As the main IOU cost recovery mechanism, the GRC occurs every four years, *the Committee recommends restructuring the audit program to align ongoing audits with each electrical corporation's four-year GRC and WMP review cycles.* However, syncing these existing cycles at the outset would leave a gap in coverage for expenditures already incurred since the conclusion of the last independent audit conducted by Crowe LLP and prior to the audit schedule's adoption. To address this, *the Committee recommends pairing the ongoing four-year cycle audits with a one-time audit covering wildfire mitigation expenditures incurred between January 1, 2021, and January 1, 2027. The Committee also recommends limiting audits to no more than one per electrical corporation per calendar year.*
- 4) *Scope of Audit Trigger – Ongoing Programs.* The bill would require an independent audit before an electrical corporation may recover, collect, or expend ratepayer funds for new or ongoing wildfire mitigation programs. Applying this requirement to ongoing programs could halt or delay wildfire mitigation work while utilities wait for an audit to be completed. *The Committee recommends amending the bill to address this concern so that the audit requirement does not disrupt wildfire mitigation work that is currently in progress.*

- 5) *CPUC Engagement with Audit Findings.* The bill requires the CPUC to act on audit findings that identify unreasonable, imprudent, or improperly incurred expenditures, but does not require the CPUC to affirmatively explain how it considered audit conclusions in making cost recovery determinations. *The Committee recommends amending the bill to require the CPUC to make express findings explaining the basis for any departure from audit conclusions in determining whether to authorize cost recovery.*
- 6) *Retroactive Ratemaking.* California law prohibits retroactive ratemaking. To the extent the bill's disallowance provisions could be read to require refunds or bill credits for expenditures already recovered through previously approved rates, they raise retroactive ratemaking concerns. The CPUC already possesses broad authority to ensure that rates are just and reasonable and to disallow expenses resulting from unreasonable or imprudent conduct and may exercise that authority in the context of a ratesetting proceeding without raising retroactive ratemaking concerns. *The Committee recommends amending the bill to address these concerns, including by removing the provisions authorizing refunds and bill credits, and clarifying the relationship between audit-based disallowances and the existing ratesetting process.*
- 7) *Audit Scope – Reasonableness and Prudence Criterion.* The bill requires an audit to determine whether wildfire mitigation expenditures were reasonable, prudent, and cost effective. Applying this standard in the context of an independent audit could create conflict with the CPUC's separate prudence review of the same expenditures in a ratesetting proceeding. *The Committee recommends amending the bill to change the audit's required scope from "determine" to "examine and address" these questions.*
- 8) *Coordination with Existing Energy Safety Audits.* The bill does not address the potential for duplicating audits already conducted or underway by Energy Safety and its independent evaluators. *The Committee recommends amending the bill to require the CPUC to consult with Energy Safety and to direct the auditor to utilize data from existing independent evaluator assessments where feasible.*
- 9) *Qualifications for Independent Auditors.* The bill requires the independent auditor to have no financial or contractual relationship with the electrical corporation being audited. This standard is broader than necessary and could significantly limit the pool of qualified auditors available to the CPUC, including by disqualifying firms with unrelated engagements with an electrical corporation where ethical walls and professional independence standards are otherwise in place. *The Committee recommends amending the bill to replace this categorical prohibition with a requirement that the auditor comply with applicable professional independence standards, including those governing conflicts of interest.*
- 10) *CPUC's Existing Recordkeeping Authority.* The bill establishes recordkeeping requirements and disallowance consequences for recordkeeping failures, but includes an exception shielding electrical corporations from disallowance where the CPUC determines that a reasonable person could not have anticipated the relevance of maintaining the records at issue. The CPUC already possesses broad authority over electrical corporation recordkeeping practices under existing provisions of the Public

Utilities Code. *The Committee recommends amending the bill to ground the recordkeeping obligations in the CPUC's existing statutory authority.*

11) *Support for Legislative Finding.* The bill's statement of legislative intent declares a goal of reducing utility rates by 25 percent, but the operative provisions of the bill focus on requiring independent audits of wildfire mitigation expenditures and establishing disallowance requirements. *Because the operative provisions do not support the stated rate reduction goal, the Committee recommends striking the intent language.*

12) *Ratepayer Impacts.* When rate cases pile up – sometimes referred to as “pancaking” – ratepayers may face compounded and difficult-to-predict rate impacts. To the extent new audit requirements cause further delays in ratesetting proceedings, there is a risk of exacerbating this dynamic. The committee recommendations described above are holistically intended to address this concern; however, the Author may need to consider additional changes to ensure the bill's implementation does not inadvertently slow rate proceedings.

13) *Related Legislation.*

AB 2493 (Petrie-Norris) requires each large electrical corporation to retain an independent third-party auditor, approved by the CPUC, to review the large electrical corporation's transmission planning submissions, progress on completing network upgrades, and compliance with any remedial actions ordered by the CPUC. The bill requires the auditor to report to the CPUC annually and requires the CPUC to issue a resolution directing remedial actions to address any deficiencies identified by the auditor. Status: Set for hearing before the Assembly Committee on Utilities and Energy on April 8, 2026.

AB 2700 (Gallagher) requires the CPUC to generate a report outlining recommendations to decrease the kilowatt-per-hour rate for electricity charged to ratepayers by not less than 30% by January 1, 2028. As part of generating the report, it requires the CPUC to, pursuant to its authority under Section 314.6 of the Public Utilities Code, to audit costs claimed by an electrical corporation for implementing its WMPs and, to the extent those costs are unreasonable, recommend reducing rates accordingly. Status: Set for hearing before the Assembly Committee on Utilities and Energy on April 8, 2026.

14) *Prior Legislation.*

SB 254 (Becker), in relevant part, enacted a series of changes aimed at improving the efficiency of wildfire risk mitigation and strengthening coordination between OEIS and the CPUC. Status: Chapter 119, Statutes of 2025.

SB 332 (Wahab), in relevant part, would require an audit of all electrical infrastructure every three years. Status: Assembly – In Committee Process – Appropriations.

AB 705 (Boerner) would create the Independent Office of Audits and Investigations within the CPUC and would have transferred the CPUC's internal audit unit to the new office. Status: Senate – In Committee Process – Appropriations.

AB 3256 (Irwin, 2024) would have required the CPUC to conduct a comprehensive audit, with specified criteria, of each wildfire- or emergency-related memorandum accounts and balancing accounts of each electrical corporation on or before July 1, 2025, or, on or before January 1, 2027, if the CPUC is unable to review all those accounts by July 1, 2025, as provided. Status: Senate – Died – Appropriations.

AB 1072 (Patterson) modified statute regarding the CPUC’s obligation to audit the electric, gas, heat, telegraph, telephone, and water corporations it regulates. Status: Chapter 448, Statutes of 2019.

AB 2067 (Holden) would have revised the balancing account review or audit procedures to instead prioritize accounts based on year-end, rather than quarterly, balances and authorized revenue amounts. Would have authorized the CPUC to additionally forgo the review or audit of a balancing account that the Public Advocate’s Office has reviewed, or an independent auditor has reviewed or audited, in the previous three years, as specified. Status: Assembly – Died – Utilities and Energy.

REGISTERED SUPPORT / OPPOSITION:

Support

Consumer Watchdog
Eaton Fire Survivors Network

Opposition

Pacific Gas and Electric Company and its Affiliated Entities
San Diego Gas and Electric Company
Southern California Edison

Analysis Prepared by: Suman Tatapudy / U. & E. / (916) 319-2083