

Date of Hearing: April 22, 2026

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY

Cottie Petrie-Norris, Chair

AB 2031 (Petrie-Norris) – As Introduced February 17, 2026

SUBJECT: Public utilities: property, franchises, and permits: exemption

SUMMARY: Reduces by 30 days¹ the time the California Public Utilities Commission (CPUC) must approve or deny an unopposed filing by a utility for sales transactions valued at \$5 million or less.

EXISTING LAW:

- 1) Establishes that the CPUC has regulatory authority over public utilities, including electrical corporations and gas corporations. (California Constitution Article 12)
- 2) Prohibits a public utility, other than certain common carriers, from selling, leasing, assigning, mortgaging, or otherwise disposing of, or encumbering its assets over \$5 million that are necessary or useful in the performance of its duties to the public, unless the public utility has secured an order from the CPUC. For a qualified transaction at or below \$5 million, approval from the CPUC can be obtained through an advice letter. (Public Utilities Code § 851)
- 3) Prohibits a person or corporation from merging, acquiring, or controlling any public utility organized and doing business in this state without first securing authorization from the CPUC. Before authorizing the merger, acquisition, or control of any electrical, gas, or telephone corporation, existing law requires the CPUC to consider specified criteria and that the transaction is in the public interest. (Public Utilities Code § 854)
- 4) Defines a change of control to include the voluntary or involuntary change in ownership of assets from an electrical or gas corporation to a public entity. Requires specified workforce protections when a change of control occurs. (Public Utilities Code § 854.2)
- 5) Authorizes the use of the advice letter process by water utilities on matters related to "service of recycled water." (Public Utilities Code § 455.1)
- 6) Authorizes the use of advice letters by oil pipelines in seeking rate changes. (Public Utilities Code § 455.3)

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

BACKGROUND:

The History of PUC § 851 – The CPUC must review any transactions involving the selling, buying, merging, or otherwise changing control of a public utility's assets. These duties of the CPUC are outlined in Public Utilities Code § 851. Section 851 is a broad rule that generally

¹ from 120 days to 90 days

prohibits utilities from allowing other uses or disposal of their property without first obtaining authorization from the CPUC. The original enactment of this statute made no exceptions: any and all transactions needed to go through a formalized ruling of the CPUC.

AB 736 (Horton, Chapter 370, Statutes of 2005), authorized the CPUC to allow the sale or disposal of public utility property through an advice letter process for transactions valued at \$5 million or less. Transactions that trigger any CPUC review under CEQA and transactions that result in a "material impact" on the utility's ratebase were not eligible for this expedited treatment. Prior to this change, California law required the CPUC to issue an order before a public utility could engage in such a transaction, regardless of value. The intent of AB 736 was to create in statute an expedited review process for low-value transactions and was modeled after an existing CPUC pilot program.

Reduced approval timelines are the main benefit of the advice letter process over a lengthier and procedure-constrained CPUC proceeding. The advice letter process allows for approval in less than 120 days. CPUC proceedings can take up to 18 months to reach an order.

The CPUC Advice Letter Process – An advice letter is an informal request by a utility for CPUC approval, authorization, or other relief, including an informal request for approval for rates, charges, terms or conditions. The advice letter process is dictated by CPUC General Order 96-B and General Order 173.² The goal of the process is to provide a quick and simplified review of utility requests that are expected neither to be controversial nor to raise important policy questions. The advice letter process does not provide for an evidentiary hearing. One of the primary uses of the advice letter process is to review a utility’s request to change its tariffs in a manner previously authorized by statute or CPUC order. Some transactions that fall under Section 851 are also eligible for the advice letter process, as can be seen in Table 1 below.

Table 1: Rule 3 of the CPUC’s General Order 173 Outlining § 851 Transactions Eligible for the Advice Letter Process

Section 851 Advice Letter Filing Criteria			
<i>Regulated utilities may file advice letters for transactions that require Commission approval under Section 851 and meet the following criteria:</i>			
Criterion	Category	Requirement	Sub-conditions / Details
a	CEQA Environmental Review	The activity proposed in the transaction will not require environmental review by the Commission as a Lead Agency under the California Environmental Quality Act (CEQA).	(1) A statutory or categorical exemption applies — applicant must provide a Notice of Exemption from the Lead Agency or explain why an exemption applies; OR (2) The transaction is not a project under CEQA — applicant must explain why; OR (3) Another public agency, acting as the Lead Agency under CEQA, has completed environmental review, and the Commission is required to

² <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M027/K106/27106129.PDF>

			perform review only as a Responsible Agency.
b	Public Interest & Service Quality	The transaction will not have an adverse effect on the public interest or on the ability of the utility to provide safe and reliable service to customers at reasonable rates.	
c	Financial Proceeds Handling	Any financial proceeds from the transaction will be handled in one of two approved ways.	(1) Booked to a memorandum account for distribution between shareholders and ratepayers during the next general rate case or other applicable proceeding for that utility; OR (2) Immediately divided between shareholders and ratepayers based on a specific distribution formula previously approved by the Commission for that utility.
d	Fee Interest Transfer of Real Property	If the transaction results in a fee interest transfer of real property, the property does not have a fair market value (FMV) in excess of \$5 million.	FMV cap: \$5,000,000
e	Sale of Building(s)	If the transaction results in a sale of a building or buildings (without an accompanying fee interest transfer of the underlying land), the building(s) does not have a fair market value in excess of \$5 million.	FMV cap: \$5,000,000
f	Sale of Depreciable Assets	If the transaction is for the sale of depreciable assets (other than a building or buildings), the assets do not have a fair market value in excess of \$5 million.	FMV cap: \$5,000,000
g	Lease or Lease-Equivalent	If the transfer is a lease or a lease-equivalent, the total net present value (NPV) of the lease payments (including any purchase option) does not have a fair market value in excess of \$5 million, and the term of the lease will not exceed 25 years.	NPV cap: \$5,000,000 Max term: 25 years

h	Easement / Right-of-Way / Less-than-Fee Interest	If the transaction conveys an easement, right-of-way, or other less than fee interest in real property, the fair market value does not exceed \$5 million.	FMV cap: \$5,000,000
i	Ratebase Impact	The transaction will not materially impact the ratebase of the utility.	Does NOT apply to telephone corporations subject to the Uniform Regulatory Framework (URF) or which are not subject to rate of return regulation.
j	Transfer of Facilities in Regulated Operations	If the transaction is a transfer or change in ownership of facilities currently used in regulated utility operations, the transaction will not result in a significant physical or operational change in the facility.	
k	Scope of Review	The transaction does not warrant a more comprehensive review that would be provided through a formal Section 851 application.	

COMMENTS:

- 1) *Author’s Statement.* According to the author, “AB 2031 ensures that for uncontested utility transactions valued at \$5 million or less, the California Public Utilities Commission will complete its review within 90 days instead of the current 120 days. These lower-value, lower-risk filings don't need four months of review. Extra time doesn't produce better outcomes - it just introduces more delay and leads to higher costs.”

- 2) *Purpose of Bill.* Under existing law, the CPUC is required to complete its review of uncontested utility transactions within 120 days. This bill would reduce the review period to 90 days for uncontested transactions valued at \$5 million or less. The change is premised on the view that lower-value, uncontested filings present a different risk profile than larger or more complex transactions, and that the existing 120-day timeline may not be necessary for that subset of proceedings. Californians face a high cost of living, which some attribute to development barriers driven by bureaucratic and permitting hurdles. Reducing the review period for these transactions would shorten the time to resolution and may reduce associated administrative costs.

- 3) *Related Legislation.*

 SB 875 (Wiener, 2026) among its provisions, shifts the CPUC review of § 851 transactions to occur after a change in ownership between an IOU and public entity; specifically, after the agreement has been executed (for voluntary transfers) or after condemnation proceedings have concluded (for involuntary transfers) rather than before. Status: *set for hearing* on April 21, 2026, in the Senate Committee on Energy, Utilities, and Communications.

4) *Prior Legislation.*

AB 420 (Petrie-Norris) exempts certain sales of large investor-owned utilities' (IOU) property valued at \$100,000 or less from review by the CPUC. Authorizes the value threshold to increase with the cost of inflation. Status: Chapter 150, Statutes of 2025.

SB 550 (Hill) requires the CPUC to review specified safety elements for any proposed merger, acquisition or change in control of an electrical or gas IOU. It conditions approval of the transaction on whether it is in the public interest. This bill also clarifies the reviews required by the CPUC for any other asset transactions with a public utility. Status: Chapter 409, Statutes of 2019.

AB 1054 (Holden), among its many provisions, expanded the definition of change of control to include the voluntary or involuntary transfer of an IOU's assets to a public entity and made changes to the definition for change of control that included specified criteria and thresholds related to the treatment of the workforce. Status: Chapter 79, Statutes of 2019.

AB 698 (Skinner) relaxes that requirement by allowing the CPUC staff to approve the transfer without a vote of the commissioners if the proposal is valued at less than \$5 million and is uncontested. Status: Chapter 370, Statutes of 2009.

AB 735 (Horton) Modifies the California Public Utilities Commission's (PUC's) approval process for the sale or transfer of public utility assets by allowing public utilities to sell, or otherwise transfer property valued at less than \$5 million if the transfer is approved by PUC through a 120-day advice letter process rather than through a formal proceeding. Status: Chapter 370, Statutes of 2005.

SB 52 (Rosenthal) established criteria that the CPUC must consider in reviewing a merger, acquisition, or change of control related to an IOU. Status: Chapter 484, Statutes of 1989.

REGISTERED SUPPORT / OPPOSITION:

Support

California Communications Association (CalCom)

Opposition

None on file.

Analysis Prepared by: Laura Shybut / U. & E. / (916) 319-2083