CONCURRENCE IN SENATE AMENDMENTS
AB 2065 (Petrie-Norris)
As Amended August 26, 2026
Majority vote

SUMMARY

Requires the California Public Utilities Commission (CPUC) to financially penalize electrical, gas, water, sewer system corporations that improperly record certain costs in their accounts. Specifically, penalties would apply when a utility records a cost that either a) is prohibited from being recovered from ratepayers, or b) has already been authorized for recovery through a different ratemaking mechanism.

Senate Amendments

1) Remove the entirety of the bill, previously related transmission financing plans.

2) Replace the bill's contents with the present language related to mandated financial penalties on utilities. Specifically:

   a) Requires the CPUC to find that a utility has engaged in prohibited cost recovery, if the utility records a costs to a regulator-approved financial account that meets specified criteria, including if the cost is categorically excluded from ratepayer recovery by statute, CPUC decision, or CPUC rule, or has already been authorized for recovery through another ratemaking mechanism.

   b) Requires the CPUC, upon making a determination that a utility has recorded prohibited costs to a ratepayer-funded account in violation of CPUC rules, tariffs, or statute, to:

      i) Disallow recovery of the cost from ratepayers..

      ii) Impose a financial penalty for inappropriate cost recovery equal to the amount that was improperly recorded.

      iii) Or impose a financial penalty three times the amount improperly recorded, if the CPUC determines there have been two or more separate instances of prohibited cost recovery by the same utility within the preceding five years or there has been a sustained practice of prohibited cost recovery extending across multiple reporting periods.

3) Requires each utility to submit an annual report to the CPUC identifying all instances in the prior year in which prohibited cost recovery was identified, the actions that were taken in response to the identification, and any actions that were taken by the utility to prevent future occurrences.

COMMENTS

Investor-owned utilities (IOUs) regulated by the CPUC must justify their cost-recovery requests as "just and reasonable" under Public Utilities Code Section 451, with cost review occurring primarily through general rate cases. Additionally, both state statute and federal regulation already bars recovery of certain costs – like election or lobbying activities, executive bonuses under certain conditions, and promotional/political advertising.

Proponents of this bill argue that the current enforcement approach, which mainly disallows improperly recorded costs after the fact, is a "return the money if caught" system that the 2023 State Auditor's report and the Public Advocates Office say has let IOUs record things like lobbying expenses or personal entertainment costs in ratepayer-funded accounts with little real deterrent. They are seeking stronger, more consequential penalties – as proposed under this bill – than the current system often imposes.

Opponents counter that existing law and CPUC penalty authority already cover improperly recorded transactions, that an accounting entry alone does not harm ratepayers until it's actually approved into rates, that the bill's language could chill legitimate utility decision-making and limit flexibility to reprioritize safety or reliability spending.

The policy question put forward by this bill is whether a corrective-only framework – in which a utility that improperly records a cost simply returns it if caught, with the *potential* to be financially penalized – provides a sufficient incentive for accurate accounting, or whether a more meaningful, mandated financial penalty is needed to deter improper cost recovery in the first place.

According to the Author
"Utility companies have a documented history of charging ratepayers for costs that should have been disallowed. Under current law, this usually means that the utility just gives the money back. That's not accountability. As a deterrent, AB 2065 establishes mandatory automatic penalties, with bigger consequences for repeat offenders. Californians paying some of the most expensive utility bills in the country deserve to know that at least their bills are accurate and fair."

Arguments in Support
This bill is supported by Earthjustice, the Public Advocates Office (PAO), and the Utility Reform Network (TURN). PAO notes that in their work on utility rate cases they have "uncovered numerous instances of utilities actively attempting to recover inappropriate costs from ratepayers. Utilities have attempted to use ratepayer funds for disallowed political activities, luxury items for employees, and costs they have already been reimbursed for." PAO goes on to note, "Current accountability measures are not strong enough to discourage utilities from pursuing inappropriate cost recovery that can unfairly increase rates for customers" and that this bill "will provide the CPUC with the tools it needs to ensure that the state's regulated utilities are not compounding this [affordability] crisis by shifting inappropriate costs onto ratepayers."

Arguments in Opposition
Pacific Gas & Electric and Southern California Edison argue this bill conflates accounting with cost recovery, the language is vague regarding authorized recovery through another ratemaking mechanism, and this bill risks sweeping good-faith disputes over interpretations of existing law and CPUC rules. In general, they argue this bill is not needed and could chill necessary operational decision-making by utilities.

FISCAL COMMENTS

According to the Senate Committee on Appropriations, this bill was determined to not have significant fiscal impact and thus was sent to the Senate Floor pursuant to Senate Rule 28.8.

VOTES:

ASM UTILITIES AND ENERGY: 18-0-0
YES: Petrie-Norris, Patterson, Boerner, Calderon, Chen, Davies, Mark González, Harabedian, Hart, Irwin, Kalra, Papan, Rogers, Schiavo, Schultz, Ta, Wallis, Zbur

ASM APPROPRIATIONS: 15-0-0
YES: Wicks, Hoover, Bauer-Kahan, Calderon, Caloza, Ellis, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipa

ASSEMBLY FLOOR: 68-0-12
YES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gallagher, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Irwin, Jackson, Johnson, Kalra, Krell, Lee, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Zbur, Rivas
ABS, ABST OR NV: Arambula, Chen, Gabriel, Garcia, Hoover, Lackey, Lowenthal, Ramos, Celeste Rodriguez, Schultz, Wicks, Wilson

UPDATED

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