Office of Senate Floor Analyses
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THIRD READING

Bill No: AB 353
Author: Boerner (D)
Amended: 8/3/26 in Senate
Vote: 21

SENATE ENERGY, U. & C. COMMITTEE: 15-2, 6/30/26
AYES: Allen, Ochoa Bogh, Archuleta, Arreguín, Ashby, Becker, Caballero, Gonzalez, Grove, Hurtado, McNerney, Reyes, Richardson, Stern, Wahab
NOES: Dahle, Strickland

SENATE APPROPRIATIONS COMMITTEE: 5-2, 8/13/26
AYES: Cervantes, Cabaldon, Grayson, Richardson, Wahab
NOES: Seyarto, Dahle

ASSEMBLY FLOOR: 58-18, 6/4/25 - See last page for vote

SUBJECT: Public Utilities Commission: Inspector General

SOURCE: Author

DIGEST: This bill requires the Governor to appoint an Inspector General, subject to Senate confirmation, to serve a six-year term, to be responsible for the oversight of the internal audit unit at the California Public Utilities Commission (CPUC) focused on improving accountability and transparency of executive and state management of the agency.

ANALYSIS:

Existing law:

1) Establishes and vests the CPUC with regulatory authority over public utilities. (Article XII of the California Constitution)

2) Requires the CPUC to regulate public utilities and to establish just and reasonable rates for service, and establishes a division of the CPUC responsible for consumer protection and safety. (Public Utilities Code §451 and §309.7)

3) Requires the CPUC to appoint a chief internal auditor to hold office at the pleasure of the CPUC. (Public Utilities Code §307.6 (a))

4) Requires the chief internal auditor to be responsible for the oversight of the internal audit unit and to plan, initiate, and perform audits of key financial, management, operational, and information technology functions within the CPUC to improve accountability and transparency to executive and state management, and to report their findings and recommendations directly to an audit subcommittee of the commission. (Public Utilities Code §307.6 (b))

5) Establishes the State Auditor's Office under the direction of the Milton Marks "Little Hoover" Commission on California State Government Organization and Economy independent of the executive branch and legislative control. Provides the State Auditor's Office with duties to examine and report annually upon the financial statements prepared by the executive branch of the state and to perform other related assignments, including performance audits mandated by statute. (Government Code §8543 *et seq.*)

6) Establishes requirements for internal auditors in state government, including a framework to establish a level of independence for the internal auditors and a reporting structure that allows for disclosure to external parties, such as the Governor's office or the State Auditor. (Government Code §13885 *et seq.*)

This bill:

1) Requires the Governor to appoint an Inspector General, subject to Senate confirmation, to be responsible for the oversight of the internal audit unit and would instead require the Inspector General to plan, initiate, and perform audits of key financial, management, operational, and information technology functions within the commission to improve accountability and transparency to executive and state management.

2) Requires the Inspector General to ensure, among other things, that the CPUC administers funds and programs in a prescribed manner, fulfills mandated requirements, develops an annual audit plan, administers an effective enterprise risk management program, and monitors reporting compliance.

3) Provides for the appointment and removal of the Inspector General to a six-year term and prohibits their removal except for good cause.

4) Authorizes the Inspector General to access and examine all records, files, documents, accounts, reports, correspondence, or other property of the CPUC, public utilities, and other entities regulated by the CPUC.

5) Requires the Inspector General to report all audit findings and recommendations to the Governor and the Legislature on an ongoing basis, and annually.

Background

Chief Internal Auditor at the CPUC. The Chief Internal Auditor reports to the CPUC Commissioners, through the CPUC's Audit Committee, and under the general direction of the President. The Chief Internal Auditor position was codified by statute pursuant to SB 19 (Hill, Chapter 421, Statutes of 2017) which required the Chief Internal Auditor to be responsible for oversight of the internal audit unit and to plan, initiate, and perform audits of key financial, management, operational, and information technology functions within the CPUC to improve accountability to executive and state management. The Office of Internal Audit Services (IAS) is intended to provide independent, objective and advisory services designed to add value and improve the CPUC's internal operations. According to the CPUC website, the IAS Office provides the following services: assurance (financial, operational, compliance, and IT risk-based audits), advisory (advise management on change initiatives, control effectiveness, enhancements to risk management, including special management reviews and investigations of alleged noncompliance); and anticipating and assessing risks (assist business owners in understanding risks and in crafting preventive mitigating controls); as well as, developing the internal audit plan for the CPUC. The IAS Office is composed of six employees (out of over 1,000 employees in total at the agency). According to the CPUC, the IAS Office completed nearly 30 audits of CPUC operations over a five-year timeframe. The Internal Auditor also receives notice of whistleblower complaints submitted to the CPUC's internal compliance unit and is informed of the investigation results and management's handling of corrective actions. Internal audit reports are intended for the internal use of the CPUC, and therefore are not posted publicly; however, they are public records and not exempt from disclosure.

About Inspector Generals. California state government has a few Inspector Generals (for the High-speed Rail Authority, the California Highway Patrol, and a handful of others). However, Inspector Generals are a more common position and function in the federal government. Under the Inspector General Act of 1978, the role of federal Inspector Generals is "to prevent and detect waste, fraud, and abuse relating to their agency's programs and operations, and to promote economy, efficiency, and effectiveness in the agency's operations and programs." Federal Inspector Generals are located within their agencies but conduct their audits and investigations independently from their agencies. Roughly half of the federal Inspector Generals are appointed by the President of the United States, subject to U.S. Senate confirmation, and approximately half are appointed by the agency head.

Comments

What's in a name? This bill replaces the Chief Internal Auditor with an Inspector General appointed by the Governor and confirmed by the Senate, to serve a six-year term. The Inspector General's role as envisioned in this bill is akin to those in federal government, including the appointment, independence, and powers to investigate and audit the agency.

Revisiting the internal audit functions at the CPUC. SB 19 (Hill, Chapter 421, Statutes of 2017) required the CPUC to appoint a Chief Internal Auditor who holds the office at the pleasure of the CPUC and is responsible for the oversight of the internal audit unit and plan. At the time, the administration argued that such appointment authority will help ensure that the CPUC commissioners can better manage the workload and operations of the CPUC. While those benefits were noted, there was also concern that the appointment by the commissioners could result in less independence of the Chief Internal Auditor. Given that the current audits of the IAS Office are not public, it's difficult to know whether there is a need to revamp the unit and replace the head with the Inspector General envisioned by this bill. The author argues that a more transparent oversight process to the internal operations of the CPUC is needed to better inform the public and the Legislature about areas of improvement. While the CPUC is statutorily required to have an internal auditor that exercises some independence, their office reports to CPUC Commissioners and those internal reports are not regularly made public.

Is there a need for this change? The author contends that growing frustration in recent years with the CPUC's operations makes it clear more oversight and accountability is needed. The author's office cites concerns with a Federal Communications Commission (FCC) Inspector General audit that found that deceased Lifeline phone subscribers (federal subsidy program for income-eligible households) were enrolled by providers in California and found evidence that Lifeline subscribers were enrolled in multiple states concurrently. In February, the author met with the FCC Inspector General and learned the fraud was committed by three providers in California. The author contends the CPUC hasn't published any follow-up audits or investigations to refute the FCC's report or identify the three providers.

Is the proposed broad access to other public offices necessary? This bill requires the new office to have access to all public offices or institutions in the state during regular business hours, and access, examine, and reproduce all records, files, documents, accounts, reports, vouchers, files and all other records for any audit or investigation. The author's office contends that such broad authority is consistent with CalTrans Inspector General powers pursuant to Government Code Section 14461 and important to the proposed Inspector General at the CPUC in order to avoid delays from public records act requests.

Related/Prior Legislation

ACA 9 (Boerner, 2026) would have placed a ballot measure before voters to modify the CPUC's constitutional composition and authority to do the following: 1) expands the membership of the CPUC from five to nine commissioners to include two commissioners appointed by the Speaker of the Assembly and two commissioners appointed by the Sente Rules Committee; 2) deletes telephone and telegraph service from the constitutional definition of a utility service; 3) specifies that the Legislature may set the CPUC's duties related to telecommunications services, including assigning those duties to another state agency; and 4) requires the CPUC to consider affordability when setting rates. The bill was held by the author in the Senate Energy, Utilities, and Communications Committee.

AB 705 (Boerner, 2025) the bill contained similar language to this bill. The bill was held by the Senate Appropriations Committee.

(See Policy Committee Analysis for more related legislation.)

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

According to the Senate Appropriations Committee, ongoing costs of about $2.5 million annually for the California Public Utilities Commission (CPUC) to implement the provisions of this bill. CPUC workload could include needing to support the Inspector General's audits and investigations of the CPUC's financial, management, operational, and information technology functions, respond to data requests and document production across its divisions, and post the Inspector General's annual summaries on its internet website (ratepayer funds).

SUPPORT: (Verified 8/13/26)

None received

OPPOSITION: (Verified 8/13/26)

California Water Association

ARGUMENTS IN SUPPORT: According to the author:

> Although the California Public Utilities Commission is an independent agency of state government, its internal operations should be transparent to the public and subject to regular independent review by an outside entity to ensure efficient operations, economic administration of ratepayer funds, and compliance with state law. As utility costs continue to rise, regulatory decisions are continuously delayed, grant funds are held back for years, and Commissioners decline to participate in legislative oversight hearings it is clear that more accountability is needed on the agency operations. By establishing an independent Inspector General at the CPUC, the public and the Legislature will be better informed about the agency's internal operations.

ARGUMENTS IN OPPOSITION: The California Water Association (CWA) states:

> CWA opposes this measure on three grounds. The bill has not had adequate time for deliberation. AB 353 was substantially amended late in the legislative session, leaving stakeholders, the regulated community, and the Legislature itself insufficient time to evaluate its merits, identify unintended consequences, or engage in meaningful analysis. …The bill politicizes a quasi-judicial agency. The CPUC was established as an independent regulatory body vested with constitutional authority over California's public utilities. That independence is not incidental — it is the foundation of the Commission's credibility in setting just and reasonable rates and resolving complex technical proceedings. AB 353 would install a politically appointed Inspector General within the Commission's structure, injecting political considerations into an institution that is designed to operate independent of political influence. CWA is deeply concerned that this change would erode the institutional integrity of the CPUC and undermine

public confidence in its proceedings. The CPUC already has robust audit capacity — ratepayers should not pay for duplicative functions.

ASSEMBLY FLOOR: 58-18, 6/4/25
AYES: Addis, Aguiar-Curry, Ahrens, Alvarez, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Elhawary, Fong, Gabriel, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Valencia, Ward, Wicks, Wilson, Zbur, Rivas
NOES: Alanis, Ávila Farías, Castillo, Chen, Davies, DeMaio, Dixon, Ellis, Gallagher, Jeff Gonzalez, Hoover, Lackey, Macedo, Patterson, Sanchez, Ta, Tangipa, Wallis
NO VOTE RECORDED: Arambula, Flora, Hadwick

Prepared by: Nidia Bautista / E., U. & C. / (916) 651-4107
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