
**SENATE COMMITTEE ON ENERGY, UTILITIES AND
COMMUNICATIONS**

**Senator Josh Becker, Chair
2025 - 2026 Regular**

Bill No:	AB 420	Hearing Date:	7/15/2025
Author:	Petrie-Norris		
Version:	4/28/2025 Amended		
Urgency:	No	Fiscal:	Yes
Consultant:	Nidia Bautista		

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

DIGEST: This bill exempts certain sales of public utility property valued at \$100,000 or less for certain public utilities from review by the California Public Utilities Commission (CPUC).

ANALYSIS:

Existing law:

- 1) Establishes and vests the CPUC with regulatory authority over public utilities. (Article XII of the California Constitution)
- 2) Prohibits a public utility from changing any rate or rule as to result in any new rate, except upon a showing before the CPUC and a finding by the CPUC that the new rate is justified. Provides that the procedures for advice letters may include provision for notice to customers or subscribers on a case-by-case basis, as determined by the CPUC. Provides that the CPUC may adopt rules it considers reasonable and proper for each class of public utility providing for the nature of the showing required to be made in support of proposed rate changes. (Public Utilities Code §454)
- 3) Prohibits a public utility (except for certain railroads) from selling, leasing, assigning, mortgaging, or otherwise disposing of, or encumbering the whole or any part of its plant, system, or other property necessary or useful in the performance of its duties to the public, or any franchise or permit or any right thereunder, or by any means whatsoever, directly or indirectly, merge or consolidate its plant, system, or other property, or franchises or permits or any part thereof, with any other public utility, without first having either secured an order from the CPUC authorizing it to do so for qualified transactions valued above \$5 million, or for qualified transactions valued at \$5 million or less, filed an advice letter and obtained approval from the CPUC authorizing it to do so.

Requires any sale that does not adhere to the above requirements is void.
(Public Utilities Code §851(a)(b))

- 4) Authorizes the sale, lease, encumbrance, or other disposition by any public utility of property that is not necessary or useful in the performance of its duties to the public. (Public Utilities Code §851(c))
- 5) Prohibits a person or corporation from merging, acquiring, or controlling either directly or indirectly any public utility organized and doing business in this state without first securing authorization to do so from the CPUC. Requires that any merger, acquisition, or control without that prior authorization is void and of no effect. (Public Utilities Code §854(a))

This bill:

- 1) Exempts from the prohibition of sale of property by public utilities a qualified conveyance of an easement or the execution of a relocation agreement that has a ratepayer financial impact valued at \$100,000 or less if a public utility that is a party to the qualified transaction has gross annual California revenues of \$500 million or more.
- 2) Requires, beginning January 1, 2030, and every five years thereafter, those threshold values to increase to reflect any increase in inflation, as specified.
- 3) Requires each public utility, as a part of its general rate case (GRC), to report all transactions performed pursuant to this exemption, enumerated by date, value, location, and party.

Background

Public utilities sale of property. As required by Public Utilities Code §851, the CPUC must review and exam any sale of property by a CPUC-regulated utility. The CPUC's review of a sale of utility property generally takes a few months to over a year, depending on the property involved. In the case of property necessary or useful in the performance of a utility's duties to the public, the CPUC conducts an examination of the following issues:

- 1) Whether the sale price is reflective of the fair market value for the property in question;
- 2) Determination that 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 (impacts on rate base, utility expenses; taxes, and rates);
- 3) 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;
 - 4) Ensure that the rights retained by the utility in any proposed easements are sufficient for present and future public utility needs;
 - 5) Determine whether the proposed sale is a project for purposes of California Environmental Quality Act; and
 - 6) Determine how any loss- or gain-on-sale from the property is to be allocated between ratepayers and utility shareholders.

Advice letters. An advice letter is a document prepared by a utility to request action by the CPUC, including: approval, authorization, or other relief. Most commonly, advice letters are requests for a tariff change, such as an informal request for approval to furnish service under rates, charges, terms or conditions other than those contained in the utility's approved rates and terms and conditions. Statute has largely deferred to the CPUC to adopt rules and procedures for addressing advice letters. Advice letters are procedurally less formal than other proceedings at the CPUC that require more judicial-type elements of an evidentiary hearing. Advice letters are classified into three tiers, ranging from Tier 1 to Tier 3. Tier 1 advice letters generally become effective upon filing of the advice letter. However, Tier 3 advice letters require commissioners to hear the item and take a vote at a publicly noticed meeting.

CPUC Rules. Advice letter filings are governed largely under CPUC General Order 96-B. The rules include provisions related to classification of the advice letters, public notice requirements, and specified requirements by industry (such as water, energy, or telecommunications). Additionally, General Order 173 provides additional rules associated with the filing and disposition of advice letters related to certain transactions transferring interests in utility property valued at \$5 million or less, pursuant to Public Utilities Code §851.

Comments

Need for this bill. The supporters of this bill contend this bill would help streamline and expedite otherwise bureaucratic lag at the CPUC associated with the transfer of public utility property. Specifically, they note the requirements to obtain prior CPUC authorization for any sale, lease, encumbrance, or disposal of utility property, regardless of value, pursuant to Public Utilities Code §851 can result in delayed actions for otherwise simple non-contested requests. The California Building Industry Association specifically cites the CPUC review as an

administrative burden contributing to prolonging the building of housing developments, often by half a year.

Exempting certain utility property sales from CPUC approval. This bill would exempt certain easement property sales, specifically those that fall below \$100,000 in value, by the large investor-owned utilities (IOUs), those with gross revenues of \$500 million or more, from first seeking approval from the CPUC for these sales. The supporters state that over 200 advice letter filings since 2019 with three-quarters of which were for property valued at less than \$100,000. They contend that the final approval of these transactions can take six months or more because of the requirement to obtain a vote at a CPUC Business Meeting. This is despite the fact that most of these transactions are low-value, are typically routine, such as easements or service equipment disposal, and do not impact utility service or ratepayers.

Impacts to ratepayers. CPUC review and approval of utility property sales and transfers can help ensure utility ratepayers are compensated appropriately for the sale of the utility property. Exempting certain property sales could result in reduced compensation to utility ratepayers for the property. The supporters of this bill contend that the majority of these transactions are for smaller easement properties that are not generally high value. In a cursory review of the three largest electric utilities, it seems San Diego Gas & Electric had the most advice letters filed for transactions of these kinds within the past year (whereas the other three large electrical corporations seems to have very few or none). Although not taking a formal position, the CPUC does seem to agree with the desire to streamline the review of these transactions, including by exempting them from the more cumbersome CPUC approval. This bill does contain a requirement on IOUs (as it also impact natural gas and very large water corporations) to report these transactions within their GRC.

Amendments. Among the sponsors and supporters of this bill, there disagreement about the terms used in this bill in naming the utility easements that would otherwise be eligible for the exemption afforded by this bill. Additionally, the supporters have raised concerns about reporting these transactions as part of the general rate case. *Instead, the author and committee may wish to amend this bill to delete some of the specific terms in relation to defining the eligible properties and instead reference these as easements, which are generally more broadly understood. Additionally, the author and committee may wish to amend this bill to replace the required reporting to an annually filed advice letter instead of within the general rate case of the utility.*

Prior/Related Legislation

SB 550 (Hill, Chapter 409, Statutes of 2019) required 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.

AB 1054 (Holden, Chapter 79, Statutes of 2019) 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.

SB 492 (Beall, Chapter 359, Statutes of 2017) authorized the San Jose Water Company to sell lands in the Upper Guadalupe watershed to the Midpeninsula Regional Open Space District, until January 1, 2023, without CPUC review and approval of the sale.

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

AB 735 (Horton, Chapter 370, Statutes of 2005) modified the CPUC'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 CPUC through a 120-day advice letter process rather than through a formal proceeding.

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

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

SUPPORT:

California Building Industry Association (Sponsor)
Association of California Cities - Orange County
City of Vista
San Diego Gas and Electric Company, if amended

OPPOSITION:

None received

ARGUMENTS IN SUPPORT: According to the California Building Industry Association:

The exemption will streamline the review of the necessary movement or transfer of easements to ensure development projects do not experience unnecessary delay. Section 851 of the PUC prohibits a utility from selling, leasing, assigning or otherwise disposing of any of its property without first obtaining authorization from the California Public Utilities Commission (CPUC). For routine business transactions, specifically, the movement or transfer of an easement, often imposes significant administrative costs that often outweigh the value of the property in question. Specifically for the building of Housing Developments, this process can often stall or prolong the building process while easements within a development are moved or transferred. ...The exemption under the bill will allow for the expedited movement or transfer of easements, resulting in streamlined work between the CPUC, public utilities and developers so that development timelines are not further delayed. ...AB 420 will help remove barriers that delay vital housing production projects by implementing an effective solution that will increase housing availability and affordability.

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