

Date of Hearing: August 20, 2025

**ASSEMBLY COMMITTEE ON APPROPRIATIONS**

Buffy Wicks, Chair

SB 24 (McNerney) – As Amended June 27, 2025

Policy Committee: Utilities and Energy

Vote: 11 - 1

Urgency: No

State Mandated Local Program: Yes

Reimbursable: No

**SUMMARY:**

This bill expands the type of activities the costs of which an investor-owned utility (IOU) may not recover from ratepayers to include, generally, political influence, promotional advertising and other activities conducted primarily for the benefit of IOU shareholders.

This bill, among other things:

- 1) Defines several key terms, including “political influence activities,” “promotional advertising” and “above-the-line account”—meaning an account that contains expenses that a utility recovers from ratepayers, including an account that contains expenses that the utility used to calculate a revenue requirement request in its general rate case—and “below-the-line account”—meaning an account that contains expenses a utility does not generally recover from ratepayers.
- 2) Prohibits an IOU from recording in an above-the-line account direct or indirect costs for specified items and activities, including (a) membership dues, sponsorships or other contributions to an industry trade association, group or similar organization if any portion of those contributions support political influence activities or advertising, (b) “charitable giving,” (c) “political influence activities,” (d) “promotional advertising,” (e) payments to outside attorneys or experts for work related to CPUC proceedings that exceed the hourly rates that would be permitted for rate recovery under the CPUC’s intervenor compensation program, (f) contributions to political candidates, political parties, campaign committees, issue committees or independent expenditure committees, or other political expenses, (g) a cost for products or services not regulated by the CPUC, (h) penalties or fines issued against a utility, (i) board of directors and officers liability insurance, and travel, lodging, food or beverage expenses for a utility’s board of directors and officers or the board of directors and officers of a utility affiliate, (j) an owned, leased or chartered aircraft for the utility’s board of directors and officers or the board of directors and officers of a utility affiliate and (k) investor relations.
- 3) Requires an IOU to “clearly and conspicuously” disclose in all of its public messages whether costs of the public message are being paid by the IOU’s ratepayers or its shareholders and directs each IOU to annually report to the CPUC of the IOU’s expenses from the previous year to ensure compliance with the requirements of this bill, and directs the CPUC to make such reports available to the public.

- 4) Charges the CPUC with monitoring and investigating compliance with the requirements of this bill, and directs the CPUC to assess a civil penalty, based on the severity of the violation, against an IOU that fails or neglects to comply with the requirements of this bill.
- 5) States that, for an expense for which an IOU has improperly recorded to an above-the-line account, the IOU shall have 30 days from the date on which the expense was initially recorded to the above-the-line account to record that expense to a below-the-line account and that, after the 30-day time period, each day the expense remains improperly recorded in an above-the-line constitutes a separate and distinct violation.
- 6) Provides the Public Advocate's Office of the CPUC with same general authority as the CPUC to discover information and review the accounts of an IOU.

#### **FISCAL EFFECT:**

It seems likely this bill will lead to additional investigations by the CPUC into IOU requests for cost recovery, with associated, significant costs.

The CPUC estimates it will need approximately \$1 million annually (Public Utilities Commission Utilities Reimbursement Account) for three positions, as follows:

- An administrative law judge, at \$257,000 annually, to conduct rulemaking, preside over investigations and manage penalty proceedings.
- Two regulatory analysts, at \$370,000 each annually, to analyze utility filings, conduct audits, identify misclassified expenditures, recommend corrective actions, facilitate workshops, monitor annual reports, coordinate publication and disclosure compliance, and support enforcement actions and rulemakings.
- One senior attorney, at an annual cost of \$278,000, to provide legal support, advise on interpretation of prohibited activities, defend CPUC decisions in legal challenges, coordinate with the PAO on expanded audit authority, and represent the CPUC in penalty proceedings.

#### **COMMENTS:**

- 1) **Purpose.** The author intends this bill to prevent IOUs from, in the author's view, misusing ratepayer funds, thereby saving ratepayers money. According to the author:

Utility bills are soaring and California is becoming increasingly unaffordable as IOUs pocket billions in record profits. That's particularly appalling when those same utilities are using their customers' money to finance expensive lobbying and political campaigns and battle efforts by cities and counties to create their own municipal utilities. SB 24 will stop utilities from wasting ratepayer funds on politics and lobbying activities that should be paid by their shareholders.

- 2) **Background.** There are laws against an IOU collecting from its ratepayers the costs of certain types of communication. For example, federal law does not allow an IOU to collect

from its ratepayers costs for political advertising, which federal law defines as advertising having the purpose of influencing public opinion with respect to legislative, administrative or electoral matters, or with respect to any controversial issue of public importance.

Similarly, state law prohibits an IOU from collecting from ratepayers any advertising or literature designed or intended to (a) to promote the passage or defeat of a measure appearing on the ballot at an election, (b) promote or defeat of a candidate to any public office, (c) promote or defeat the appointment of any person to any administrative or executive positions in government or (d) promote or defeat any change in legislation or regulations. What's more, state law prohibits the CPUC from allowing an IOU to collect from ratepayers costs for advertising that encourages increased consumption of the services or commodities the IOU provides.

Still, sometimes an IOU tries to cover with ratepayer funds advertising that is political. In some cases, determining whether an IOU advertisement is political requires discretion. In other cases, IOU communications are unambiguously meant to influence public opinion with respect to legislative, administrative or electoral matters, or with respect to any controversial issue of public importance

Take, for example, the case of IOU Southern California Gas (SoCalGas). Parties to the CPUC proceeding charged that SoCalGas attempted to classify as ratepayer expenses costs associated with efforts to influence local ordinances and regulations. The CPUC found that, "historically," SoCal Gas "misclassified Political Activities costs to ratepayer accounts" and, in response the CPUC disqualified certain SoCalGas costs from being rate recoverable and ordered SoCalGas to engage in more reporting, among other things.

In conversation with this committee, a representative of an IOU other than SoCalGas indicated the CPUC's action against SoCalGas shows the current system "works." However, supporters of this bill note that misclassification of costs is discovered only after intensive, time-consuming analytical work, work that does not always occur. Indeed, in its ruling on SoCalGas's misclassification of costs, the CPUC recognized "the complex and resource-intensive nature of uncovering improperly classified non-operating expenses associated with Political Activities."

This bill takes a different tack. Rather than prohibiting an IOU from classifying the costs for certain types of communications as recoverable from ratepayers, as does current law, this bill requires an IOU to record certain costs in a below-the-line account, meaning an account the costs of which an IOU may not recover from ratepayers. And the bill directs the CPUC to enforce compliance, with significant financial consequences for an IOU that fails to meet these requirements.

This bill is very similar to AB 1167 (Berman), of this legislative session, when that bill arrived in this committee and which this committee amended to (a) remove expansion of Public Advocate's general investigative authority and (b) subject an IOU to specified civil penalties only if the IOU acted willfully.

- 3) **Support and Opposition.** This bill is supported by the Public Advocate's Office and numerous private organizations, including The Utility Reform Network (TURN), which describes the effect of this bill as "to protect ratepayers from having their money used against

them to support utility lobbying, promotional advertising, and to stop cities from creating municipal utilities.”

The bill is opposed by the state’s largest electric IOUs and the California Chamber of Commerce, which describes the bill as “a flawed proposal” that:

duplicates existing prohibitions with far broader reach, creates extensive new administrative costs, and intrudes on corporate speech and operations in a manner that will likely have unintended consequences for California’s energy reliability and cost of doing business. The bill’s provisions represent an onerous regulatory overreach that could ultimately increase costs for consumers.

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