

SENATE THIRD READING  
SB 24 (McNerney)  
As Amended September 02, 2025  
Majority vote

## SUMMARY

Expands the types of activities electrical and gas corporations (i.e., investor-owned utilities, IOUs) are prohibited from recovering in rates to include, generally, political influence, promotional advertising and other activities conducted primarily for the benefit of IOU shareholders.

### Major Provisions

- 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 – 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, or otherwise recovering from ratepayers, 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 representing IOUs in CPUC proceedings that exceed the hourly rates that would be permitted for rate recovery under the CPUC's intervener 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, (k) investor relations, and (l) direct or indirect costs for opposing the municipalization of IOU service.
- 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.
- 4) Directs each IOU to annually report to the CPUC 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.
- 5) 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 willfully violates or fails or neglects to comply with the requirements of this bill.
- 6) 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.

- 7) 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.

## COMMENTS

Both federal and state statute prohibits IOUs from recovering from ratepayers certain expenses, largely costs unrelated to providing safe and reliable service. 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, IOU communications are unambiguously meant to influence public opinion in violation of rules. In other cases, determining whether an IOU advertisement is political requires discretion. The CPUC acknowledges past CPUC decisions – not statute – have articulated which expenditures benefit ratepayers, versus which do not. The CPUC notes:

- 1) contributions to organizations that provide no specific benefits to ratepayers;
- 2) all amounts for dues, donations, sponsorships, and contributions;
- 3) institutional advertising (which tends to benefit the image of the company primarily);
- 4) advertising that encourages increased consumption of utility services, such as natural gas service, or commodities furnished by regulated utilities;
- 5) legislative advocacy costs;
- 6) lobbying activities at federal, state, or local levels, whether directed at legislative or administrative activities;
- 7) public relations efforts to increase the load; and
- 8) political advocacy with which ratepayers may disagree.

The sponsor contends that IOUs have been undertaking a pattern of behavior counter to these rules, and further notes this bill will establish "clear parameters for compliance." The author and sponsor cite the continual "pattern of misclassification" found with some IOUs, forcing parties to spend extensive time in ratecase proceedings requesting disclosure of this information in order to ensure customers are protected from bearing these costs. The sponsors cite various incidents where Southern California Gas Company (SoCalGas) used or attempted to use ratepayer funds to influence regulatory and local ordinances that supporters of this bill contend are not directly related to the safe operation of the system. Specifically, they list SoCalGas' involvement in the development of air quality State Implementation Plans at the California Air Resources Board, the

South Coast Air Quality Management District's Indirect Source Rule, and the utility's funding for legal expenses for the California Restaurant Association's challenge of the City of Berkeley's ban on natural gas hookups in new construction.

The CPUC recently ruled on this "pattern of misclassification" in SoCalGas's GRC (D.24-12-074) noting SoCalGas engaged in repeated misclassification of expenses. Rather than citing or penalizing SoCalGas for this consistent misbehavior, the CPUC disqualified some expenses and required more reporting, a self-directed formal policy, and employee training, among other requirements. The sponsor and author of this bill note frustration with the lack of repercussions, especially given the extensive effort it required to uncover this misbehavior. 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.

#### **According to the Author**

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."

#### **Arguments in Support**

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."

#### **Arguments in Opposition**

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."

### **FISCAL COMMENTS**

According to the Assembly Committee on Appropriations, the CPUC estimates ongoing costs of about \$1 million annually to implement this measure, given the likely increase in investigations by the CPUC into IOU cost recovery requests.

## VOTES

### SENATE FLOOR: 28-10-2

**YES:** Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Durazo, Gonzalez, Grayson, Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Richardson, Rubio, Smallwood-Cuevas, Stern, Umberg, Wahab, Weber Pierson, Wiener  
**NO:** Alvarado-Gil, Choi, Dahle, Grove, Jones, Niello, Ochoa Bogh, Seyarto, Strickland, Valladares

**ABS, ABST OR NV:** Hurtado, Reyes

### ASM UTILITIES AND ENERGY: 11-1-6

**YES:** Petrie-Norris, Boerner, Mark González, Harabedian, Hart, Irwin, Kalra, Papan, Rogers, Schiavo, Schultz

**NO:** Davies

**ABS, ABST OR NV:** Patterson, Calderon, Chen, Ta, Wallis, Zbur

### ASM APPROPRIATIONS: 9-1-5

**YES:** Wicks, Arambula, Caloza, Elhawary, Fong, Mark González, Ahrens, Pellerin, Solache

**NO:** Tangipa

**ABS, ABST OR NV:** Sanchez, Calderon, Dixon, Pacheco, Ta

## UPDATED

VERSION: September 02, 2025

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FN: 0001508