

SENATE THIRD READING
SB 24 (McNerney)
As Amended September 5, 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 *costs for opposing the municipalization of electrical or gas service, as specified.*

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 opposing the municipalization of IOU service. *Specifies this prohibition includes lobbying, engaging in a local political proceeding, or other political influence activities intended to undermine or prevent the establishment of a publicly owned municipal utility. Exempts specified labor payments authorized under federal law from this prohibition.*
- 3) Charges the CPUC with monitoring and investigating compliance with the requirements of this bill.
- 4) States that, for an expense for which an IOU has improperly recorded to an above-the-line account *and subsequently moved to a below-the-line account*, the IOU *must still disclose the expense to the CPUC or in response to a discovery request or order.*
- 5) 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) 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. (*Public Utilities Code Section 453 (d)*)

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.

Recent amendments to this bill limit the ban on ratepayer cost recovery to only expenses associated with converting electrical or gas service to municipal ownership. Since municipalization efforts must appear on the ballot, many activities around municipalization are already prohibited from rate recovery; however, this bill is broader in the scope of activities related to municipalization that cannot be recovered in rates. AB 1167 (Berman, 2025) retains most of the other provisions removed from this bill.

According to the Author

According to the author, "As utility bills soar and IOUs pocket billions in record profits, it's unconscionable that those same utilities would use their customers' money to finance expensive lobbying and political campaign. SB 24 would explicitly ban the use of ratepayer funds on lobbying or other political activities against efforts by cities and counties to create their own municipal utilities. SB 24 would also empower the Public Advocate's Office with full investigatory authority over IOUs' activities in order to protect consumers from utilities' abuses."

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. *Recent amendments to the bill strike many of its provisions; it is unclear how the costs to the CPUC would change given the new limited scope of the measure.*

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

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