Office of Senate Floor Analyses
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VETO

Bill No: SB 24
Author: McNerney (D), et al.
Enrolled: 9/17/25
Vote: 27

SENATE ENERGY, U. & C. COMMITTEE: 13-4, 4/21/25
AYES: Becker, Allen, Archuleta, Arreguín, Ashby, Caballero, Gonzalez, Grayson, Limón, McNerney, Rubio, Stern, Wahab
NOES: Ochoa Bogh, Dahle, Grove, Strickland

SENATE APPROPRIATIONS COMMITTEE: 5-1, 5/23/25
AYES: Caballero, Cabaldon, Grayson, Richardson, Wahab
NOES: Seyarto
NO VOTE RECORDED: Dahle

SENATE FLOOR: 29-9, 9/12/25
AYES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Durazo, Grayson, Hurtado, Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Reyes, Richardson, Rubio, Smallwood-Cuevas, Stern, Umberg, Wahab, Weber Pierson, Wiener
NOES: Alvarado-Gil, Dahle, Grove, Jones, Niello, Ochoa Bogh, Seyarto, Strickland, Valladares
NO VOTE RECORDED: Choi, Gonzalez

ASSEMBLY FLOOR: 46-9, 9/11/25 - See last page for vote

SUBJECT: Public utilities: review of accounts: electrical and gas corporations: rates: political influence activities

SOURCE: The Utility Reform Network

DIGEST: This bill prohibits certain political influence activities and expenses by electrical or gas corporations related to opposing efforts to municipalize energy utility service from being recorded in certain accounts and having the costs

recovered from ratepayers. This bill also expands the authority of the Public Advocates Office (PAO), similar to that of the California Public Utilities Commission (CPUC), to discover information and review the accounts of public utilities.

ANALYSIS:

Existing law:

1) Provides, under the Public Utility Regulatory Policies Act, that no electric utility may recover from any person other than the shareholders (or other owners) of the utility any direct or indirect expenditure by such utility for political advertising. This is defined to include advertising intended to influence public opinion with respect to legislative, administrative, or electoral matters, or with respect to any controversial issue of public importance. (16 United States Code §2623(b)(5))

2) Establishes and vests the CPUC with regulatory authority over public utilities, including electrical, gas, telephone, and water corporations. (Article XII of the California Constitution)

3) Authorizes the CPUC to fix the rates and charges for public utilities and requires those rates and charges to be just and reasonable. (Public Utilities Code §451)

4) Prohibits a public utility from including any bill for services or commodities furnished by any customer or subscriber any advertising or literature designed or intended (1) to promote the passage or defeat of a measure appearing on the ballot at an election, (2) to promote or defeat of a candidate to any public office, (3) to promote or defeat the appointment of any person to any administrative or executive positions in government, or (4) to promote or defeat any change in legislation or regulations. (Public Utilities Code §453(d))

5) Prohibits an electrical or gas corporation from recovering expenses for compensation (defined to include annual salary, bonus, benefits, or other consideration paid to an officer of the corporation) from ratepayers and requires compensation is paid solely by shareholders of the electrical or gas corporation. (Public Utilities Code §706)

6) Requires the CPUC to consider and adopt a code of conduct to govern the conduct of the electrical corporation in order to ensure that an electrical corporation does not market against a community choice aggregator (CCA) program except through an independent marketing division that is funded by the shareholders of the electrical corporation. (Public Utilities Code §707)

7) Prohibits the CPUC from prescribing a system of accounts and form of accounts, records, and memoranda for corporations subject to the regulatory authority of the United States that is inconsistent with that established and updated by or under the authority of the United States. (Public Utilities Code §793)

8) Provides the CPUC with authority to levy fines against regulated entities for violation of law. Requires penalties to be deposited in the State's General Fund. (Public Utilities Code §2100 *et seq*.)

This bill:

1) Provides that the PAO has the same authority to discover information and review the accounts of a public utility as the CPUC.

2) Defines "political influence activity" to mean (1) an activity that is directly and necessarily related to appearances before regulatory or other governmental bodies in connection with the utility's existing or proposed operations of the utility's regulated system; and (2) research, preparation, or any other activity undertaken for the purpose of supporting any activities specified. These activities include adoption, repeal, or modification of federal, state, regional, or local legislation, regulations, or ordinances, election, recall, appointment or removal of a public official or adoption of initiative or referenda, and the approval, modification, or revocation of franchises of a utility, and activities in support of these efforts.

3) Provides that the definition of "political influence activity" does not include an activity that is directly and necessarily related to appearances before regulatory or other governmental bodies in connection with the utility's existing or proposed operations. These activities include those that directly relate to CPUC-approved energy efficiency programs or other public purpose programs, public messages providing necessary information to customers, and those required by federal or state statute or orders of a regulatory authority.

4) Makes explicit that policies affecting gaseous fuels or electricity are not directly and necessarily related to the utility's existing or proposed operations.

5) Prohibits, except as provided, an electrical corporation or gas corporation from recording to an above-the-line account, or otherwise recover from ratepayers, direct or indirect costs for opposing the municipalization of electrical or gas service, including: lobbying, engaging in city or county political proceedings, or other political influence activities to undermine the establishment of a publicly owned municipal utility.

6) Requires the CPUC to monitor and investigate compliance and noncompliance.

7) Makes explicit that the requirements to prohibit electrical or gas corporations from recording or recovering costs for opposing municipalization of energy utility service does not prohibit a utility from recording to an above-the-line account a payment made pursuant to an agreement authorized by the National Labor Relations Act or payment authorized by the National Labor Management Cooperation Act of 1978.

Background

Cost recovery of expenses by investor-owned utilities (IOUs). CPUC-regulated utilities routinely submit requests for cost recovery from ratepayers related to their operations, including: expanding their infrastructure, paying for operation expenses, etc. As required by statute in Public Utilities Code §451, the CPUC may only approve a utility's request for cost recovery that is deemed just and reasonable. Review of utility expenses to ensure they are just and reasonable is the principal purpose of the CPUC's existence and the main task of the agency as an economic regulator. Statutory authority also authorizes the CPUC to disallow expenses that are not deemed just and reasonable or prudent. The review of a utility's expenses is largely, although not exclusively, conducted through the utility's general rate case (GRC). Most utilities regulated by the CPUC are required to undergo a GRC whereby the utility requests funding for distribution, generation and operation costs associated with their service. Usually performed every three (now four) years and conducted over roughly 18+ months, the GRCs are major regulatory proceedings which allow the CPUC and stakeholders to conduct a broad, exhaustive, and detailed review of a utility's revenues, expenses, and investments in plant and equipment to establish an approved revenue requirement.

Statute disallows recovery of certain expenses. Statute prohibits IOUs from recovering from ratepayers certain expenses, including activities related to elections of candidates, legislation, bonuses paid to executives of the IOU under specified conditions, activities marketing against CCAs, as well as, any situation where the IOU has failed to sufficiently maintain records to enable the CPUC to completely evaluate any relevant issues related to the prudence of any expense relating to the planning, construction, or operation of the IOU's plant. Under the requirements of the Federal Public Utility Regulatory Policies Act of 1978 and subsequent state statute, IOUs are also prohibited from recovering from any person other than shareholders direct and indirect expenditures for promotional or political advertising. Additionally, IOUs must abide by CPUC orders.

Federal Energy Regulatory Commission (FERC) accounting and financial reporting. FERC jurisdiction Account 426.4 of the Uniform System of Accounts (USofA) requires that utility shareholders pay for expenditures for the purpose of influencing public opinion or the decisions of public offices. FERC has established regulatory accounting and financial reporting requirements for its jurisdictional entities in the electric, natural gas, and oil pipeline industries. These requirements play a role in FERC's strategy of setting just and reasonable cost-of-service rates. The foundation of the FERC's accounting program is the USofA codified in the agency's regulations. In addition, FERC issues accounting rulings relating to specific transactions and applications through orders and Chief Accountant guidance letters. This body of accounting regulations, orders, and guidance letters comprises the FERC's accounting and financial reporting requirements which promote consistent, transparent, and decision-useful accounting information for the FERC and other stakeholders. These accounting and financial reporting requirements take into consideration the FERC's ratemaking policies, past FERC actions, industry trends, and external factors (e.g., economic, environmental, and technological changes, and mandates from other regulatory bodies) that impact the industries under the agency's jurisdiction. Electric Public Utilities & Licensees, Natural Gas, and Oil Pipeline companies within FERC jurisdiction are required to maintain their books and records in accordance with the USofA. The USofA provides basic account descriptions, instructions, and accounting definitions that are useful in understanding the information reported in the Annual Report.

Comments

Supporters contend California law needs strengthening to protect ratepayers. The supporters of this bill argue that California law needs to be strengthened to better define the expenses that utilities must charge their shareholders and are not

recoverable from their customers. They argue that high utility bills of electric IOU customers have led many cities to consider establishing publicly owned utilities - municipalization of electricity utility service that is operated by private companies (the opposite of privatization). The supporters of this bill state that electric IOUs have also spent millions historically to oppose these initiatives, including efforts by the City of Davis and more recently the City of San Diego. They argue that this bill is needed to protect against electric IOUs spending ratepayer funds to oppose efforts to municipalize electric utility service. There are currently active efforts across the state to municipalize electric utility service, including by the City of San Diego and South San Joaquin Irrigation District (two supporters of this bill), as well as recent efforts by the City of San Jose, and ongoing active exploration by the City of San Francisco. Given that efforts to municipalize electric utility service must be voted on by the affected electorate, IOUs are already prohibited from using ratepayer funds to take positions on ballot measures. However, this bill would extend to activities beyond activities specific to ballot measures to include other activities to influence whether a local jurisdiction municipalizes electric utility service.

Utilities argue that the proposals in this bill are too far reaching and could hurt customers. They contend that the limitations imposed by this bill go beyond those in the FERC USofA accounting and reporting and could conflict. They suggest that the current law already protects ratepayers from funding political influence activities, including prohibitions on using ratepayer funds to oppose initiatives supporting efforts to municipalize electricity service. They, generally, point to the GRC proceedings as the venues where these issues should be appropriately resolved and where dozens of intervenors can review utility expenses, along with the CPUC. San Diego Gas & Electric (SDG&E) and Southern California Gas Company (SoCalGas) note that in recent CPUC decisions (*SoCalGas GRC 2024 Test Year, D. 24-12-074*) the CPUC required annual reporting and attestation mechanisms for SoCalGas to demonstrate its compliance and governance activities and monitor proper accounting for costs related to political activities.

Expanding PAO's authority. This bill includes a proposal to explicitly state that the PAO has equivalent authority to the CPUC in relation to the authority to discover information and review the accounts of a public utility, which includes electric, gas, telephone, and water corporations. In 2019 the Sierra Club alleged that an association, known as California for Balanced Energy Solutions (C4BES), which moved to obtain party status within a building decarbonization proceeding at the CPUC was funded by SoCalGas. Subsequently, the PAO began investigating the allegation which culminated in efforts to compel discovery by the utility, including

of contracts funded by shareholders. Ultimately, the CPUC sided with the PAO and rejected the utility's claim to First Amendment infringement on freedom of speech. SoCalGas then appealed to the court. The California Court of Appeals sided with SoCalGas, *Southern California Gas Co. v. Public Utilities Com. (2023) 87 Cal. App. 5th 324*. SoCalGas was successful in its argument to the court that the PAO's inquiries were an infringement on the utility's First Amendment rights. The court stated the difference between the statutory authority of the PAO to that of the CPUC, viewing PAO's authority as more narrow, while also stating that SoCalGas has shown that disclosure of contracts funded by shareholders would impact its First Amendment rights. Furthermore, the court was convinced that disclosure of such information could result in a chilling effect on SoCalGas' ability to contract for services, stating that impact outweighs the interest to view the contracts paid by shareholders. However, it is unclear whether the courts would find a similar decision if the CPUC compels this information directly, as opposed to the PAO. This bill weighs into the legal challenges by making explicit that PAO has the same authority as the CPUC in discovery and reviewing the accounts of public utilities. SoCalGas and SDG&E argue that this expansion of PAO's authority undermines the utilities' procedural due process, as it could lead to overbroad intrusions into constitutionally protected areas.

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

According to the Assembly Appropriations Committee:

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.

SUPPORT: (Verified 10/13/25)

The Utility Reform Network (Source)
350 Humboldt: Grass Roots Climate Action
California Environmental Justice Alliance
California Environmental Voters
California Farm Bureau
California Solar & Storage Association
Center for Biological Diversity
Central Valley Air Quality Coalition
City of San Diego
Clean Coalition
Climate Action California
Consumer Federation of California
Consumer Watchdog
Earthjustice
Environmental Working Group
Housing Action Coalition
Media Alliance
Microgrid Resources Coalition
NextGen California
Reclaim Our Power: Utility Justice Campaign
Santa Cruz Climate Action Network
SoCal 350 Climate Action
South San Joaquin Irrigation District
Stop PG&E
StopWaste
Sunrise Movement Orange County
The Climate Center
The Public Advocates Office
U.S. Green Building Council California
Union of Concerned Scientists
Vote Solar

OPPOSITION: (Verified 10/13/25)

California Chamber of Commerce

Pacific Gas and Electric Company
San Diego Gas & Electric Company
Southern California Edison
Southern California Gas Company

ARGUMENTS IN SUPPORT: The Utility Reform Network (TURN), the sponsor of this bill, states:

> California residents are burdened with the highest utility rates in the continental United States; nearly double the national average. …For-profit utilities generally have a monopoly within their service territories, except where cities have established a municipal utility district. Municipal utilities are not run for-profit, and some, such as Sacramento Municipal Utility District (SMUD), are run by a publicly elected board, thus ensuring that the wellbeing of residents is prioritized… The establishment of municipal utilities are significantly more affordable, and more attractive, for municipal residents, but removes customers from the for-profit utilities' territories. For this reason, for-profit utilities spend ratepayer money lobbying city council members and using other means to fight the formation of municipal utilities. This inappropriate use of ratepayer money is another way that for-profit utilities use ratepayer money to harm ratepayers.

ARGUMENTS IN OPPOSITION: SDG&E and SoCalGas state:

> Expanding PAO's powers without appropriate safeguards risks undermining the very principles of due process and regulatory integrity that the CPUC is designed to uphold. Equalizing authority would blur the line between advocate and constitutionally created regulator. Expanding PAO's authority could lead to overbroad intrusions into constitutionally protected areas, behavior already struck down by the California Court of Appeals.
>
> Contrary to claims made by proponents, utilities do not recover lobbying or political influence expenses from ratepayers. Utilities base their budgets and cost recovery requests in the General Rate Case (GRC) on costs we project to incur that are above-the-line… These projected costs are subject to rigorous scrutiny by dozens of intervening parties during the GRC, which the sponsoring parties of this bill litigated at the California Public Utilities Commission (CPUC) over three years in SDG&E and SoCalGas's last GRC. These decisions are best left to the CPUC, which applies the established "just and reasonable" standard to scrutinize all utility costs and take in evidence from all parties over

a robust proceeding with testimony, weeks of cross-examination in hearings, etc.

GOVERNOR'S VETO MESSAGE:

This bill would prohibit electric or gas investor-owned utilities from recovering the costs of certain political influence activities and expenses related to opposing efforts to municipalize electric service by customers. This bill also expands the authority of the Public Advocates Office (PAO) to gather information and review the financial accounts of these utilities, much like the authority currently held by the California Public Utilities Commission.

Thoughtful and effective accountability of our state's private utilities is essential for ensuring the provision of safe, reliable, and affordable electric and gas service to customers. This bill seeks to build on the existing regulatory framework that oversees these utilities. However, this bill contains a significant clerical error related to the definition of "political influence activity," where two provisions directly contradict one another, making this bill unimplementable. While I support clarifying the authority of the PAO to collect information relevant to the affordability of customer electric and gas rates and bills, the drafting error is concerning and must be corrected.

For this reason, I cannot sign this bill.

ASSEMBLY FLOOR: 46-9, 9/11/25
AYES: Addis, Aguiar-Curry, Ahrens, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Caloza, Carrillo, Connolly, Elhawary, Fong, Gabriel, Garcia, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, Muratsuchi, Ortega, Papan, Pellerin, Petrie-Norris, Ransom, Celeste Rodriguez, Rogers, Schiavo, Schultz, Sharp-Collins, Stefani, Ward, Wicks, Wilson, Rivas
NOES: Chen, Davies, DeMaio, Dixon, Ellis, Jeff Gonzalez, Hadwick, Macedo, Tangipa
NO VOTE RECORDED: Alanis, Calderon, Castillo, Flora, Gallagher, Gipson, Hoover, Johnson, Lackey, McKinnor, Nguyen, Pacheco, Patel, Patterson, Quirk-Silva, Ramos, Michelle Rodriguez, Blanca Rubio, Sanchez, Solache, Soria, Ta, Valencia, Wallis, Zbur

Prepared by: Nidia Bautista / E., U. & C. / (916) 651-4107
10/17/25 12:18:05

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