
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

SB 327 (McNerney) - Public utilities: review of accounts: electrical and gas corporations: rates: political influence activities

Version: January 15, 2026

Urgency: No

Hearing Date: January 20, 2026

Policy Vote: E., U. & C. 10 - 3

Mandate: Yes

Consultant: Ashley Ames

Bill Summary: This bill would expand the prohibition on certain political influence activities and advertising expenses by electrical or gas corporations from being recovered from ratepayer to include those related to opposing efforts to municipalize energy utility service. It would also expand the authority of the Public Advocates Office (PAO) to discover information and review the accounts of public utilities.

Fiscal Impact:

- Unknown, potentially significant ongoing cost pressures (ratepayer funds) for the CPUC and PAO to expand their scope of activities as provided by this bill.

Background: 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, including the PAO, 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.

Proposed Law: Under existing law, a regulated public utility is prohibited from using ratepayer funds for advocacy-related activities that are political or do not otherwise benefit ratepayers. Existing law prohibits each electrical corporation or gas corporation from recording to an above-the-line account, or otherwise recovering from ratepayers, direct or indirect costs of specified activities. This bill would additionally prohibit, except as provided, each electrical corporation or gas corporation from recording to, an above-the-line account, or otherwise recovering from ratepayers, the direct or indirect costs of activities related to opposing the municipalization of electrical or gas utility service, as specified.

This bill would also specify that the PAO has the same authority to discover information and review the accounts of a public utility as the CPUC.

Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime. Because the above-described provisions would be part of the act and a violation of a commission action implementing the bill's requirements would be a crime, this bill would impose a state-mandated local program.

Related Legislation:

AB 1167 (Berman, Chapter 634, Statutes of 2025) included related provisions prohibiting recovery of political influence expenses from ratepayers by IOUs.

SB 24 (McNerney) of 2025, included nearly identical provisions as this bill. The bill was vetoed by the Governor.

SB 938 (Min) of 2023, would have expanded the types of activities an electrical or gas corporation is prohibited from recovering in rates by expanding the definitions of political activities and advertising, and requires specified reporting of related activities. The bill also would have required the CPUC to assess specified civil penalties for any violations of the proposed prohibition and required $\frac{3}{4}$ of the moneys to be deposited in a new Zero-Emission Equity Fund within the State Treasury. The bill died in policy committee.

AB 562 (Santiago, Chapter 429, Statutes of 2019) required that any expense incurred by an IOU in assisting or deterring union organizing, as defined, is not recoverable either directly or indirectly in the utility's rates and is required to be borne exclusively by the shareholders of the IOU.

AB 874 (Williams) of 2013, would have prohibited any expense incurred by an IOU in assisting or deterring union organizing to be recoverable either directly or indirectly in the utility's rates. The bill died in the Assembly.

SB 790 (Leno, Chapter 599, Statutes of 2012) revised and expanded the definition of CCA, required the CPUC to initiate a Code of Conduct rulemaking, and allows CCAs to receive public purpose funds to administer energy efficiency programs.

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