Date of Hearing: June 10, 2026

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY
Cottie Petrie-Norris, Chair
SB 327 (McNerney) – As Amended May 7, 2026

SENATE VOTE: 30-10

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

SUMMARY: Explicitly grants the Public Advocates Office (Cal Advocates) the same authority to discover information and review public utility accounts as the California Public Utilities Commission (CPUC), and adds municipalization opposition to the existing list of expenses that investor-owned utilities (IOUs) may not recover from ratepayers.

EXISTING LAW:

Pursuant to Federal Law:

1) Provides 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) Defines "political advertising" as any advertising for the purpose of influencing public opinion with respect to legislative, administrative, or electoral matters, or with respect to any controversial issue of public importance. (16 United States Code § 2625(h)(1)(B))

Pursuant to State Law:

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

4) Prohibits a public utility from including with any bill for services or commodities furnished 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 any election whether local, statewide, or national, (2) to promote or defeat any candidate for nomination or election to any public office, (3) to promote or defeat the appointment of any person to any administrative or executive position in federal, state, or local government, or (4) to promote or defeat any change in federal, state, or local legislation or regulations. (Public Utilities Code § 453(d))

5) Provides the CPUC with general, broad authority to regulate every public utility in the state. (Public Utilities Code § 701)

6) Authorizes the CPUC to, at any time, inspect the accounts, books, papers, and documents of any public utility. (Public Utilities Code § 314)

7) Prohibits a utility from recording to an above-the-line account, or otherwise recovering from ratepayers, direct or indirect costs for political influence activities, among other activities. Defines "political influence activities" to include activity for the purpose of directly or indirectly influencing: (1) the adoption, repeal, or modification of federal, state, regional, or local legislation; (2) the election or adoption of initiatives or referanda; or (3) the approval, modification, or revocation of franchise of a utility. Provides that a "political influence activity" does not include an activity that is directly and necessarily related to appearance before regulatory or other governmental bodies in connection with the utility's existing or proposed operations of the utility's regulated system or a request by a government agency for technical information. Requires the CPUC to assess a civil penalty based on the severity of the violation against a public utility that violates or fails to comply with the requirements to record political influence activities to an above-the-line account. (Public Utilities Code § 748.3)

8) Establishes Cal Advocates as an independent office within the CPUC to represent and advocate on behalf of the interests of public utility customers and subscribers within the CPUC's jurisdiction. Provides that the goal of Cal Advocates is to obtain the lowest possible rate for service consistent with reliable and safe service levels, and that Cal Advocates shall primarily consider the interests of residential and small commercial customers in revenue allocation and rate design matters. (Public Utilities Code § 309.5(a))

9) Authorizes Cal Advocates to compel the production or disclosure of any information it deems necessary to perform its duties from any entity regulated by the CPUC. Requires that any objections to a request for information be decided in writing by the assigned commissioner or, if there is no assigned commissioner, by the president of the CPUC. (Public Utilities Code § 309.5(e))

BACKGROUND:

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.

Recent legislation expands the scope of prohibited activities. Most recently, AB 1167 (Berman, Chapter 634, Statutes of 2025) prohibits recovery of political influence expenses from ratepayers by IOUs, including both direct and indirect costs of political activities and promotional

advertisements. The bill takes effect this year; however, utilities report need for clarity on implementing some of the requirements.

FISCAL EFFECT: Unknown. This bill is keyed fiscal, and will be referred to the Assembly Committee on Appropriations for its review. According to the Senate Committee on Appropriations, an earlier version of this measure resulted in unknown, potentially significant ongoing cost pressures (ratepayer funds) for the CPUC and Cal Advocates to expand their scope of activities as provided by an earlier version of this bill. This bill has since been amended.

COMMENTS:

1) *Author's Statement*. 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 327 will ban the use of ratepayer funds to oppose efforts to form municipal utilities. Additionally, this bill will ensure the Public Advocates Office has the authority to review utility information available to the CPUC."

2) *Purpose of Bill*. This bill amends two sections of the Public Utilities Code to address utility accountability and ratepayer protections. First, it adds subdivision (c) to Section 314 to explicitly grant Cal Advocates the same authority to discover information and review public utility accounts as the CPUC. Second, it amends Section 748.3 to add municipalization opposition to the existing list of expenses that IOUs may not recover from ratepayers. Specifically, new subdivision (b)(12) prohibits above-the-line cost recovery for activities opposing the municipalization of electrical or gas utility service, including lobbying, participation in city council or county board of supervisors proceedings to oppose municipalization efforts, and other political influence activities intended to prevent the establishment of a publicly owned municipal utility. Current law already prohibits ratepayer funding of IOU ballot measure activity; this bill extends that prohibition to a broader range of anti-municipalization activities.

   The provisions in this bill are substantively identical to those in SB 24 (McNerney, 2025), which was vetoed due to a clerical error introducing a contradictory definition of "political influence activity." That error is not at issue in this bill. Language substantially similar in policy effect previously passed this committee 11-1-6.

3) *Cal Advocates Discovery Authority: Codification of CPUC Administrative Practice.* Existing law grants the CPUC broad authority to inspect the accounts, books, papers, and documents of any public utility at any time, extending to each commissioner and each officer and person employed by the CPUC.[1] The text of the statute governing Cal Advocates, by contrast, authorizes it to compel the production or disclosure of information only as necessary to perform its duties – language that the California Court of Appeal, Second Appellate District, construed in *Southern California Gas Co. v. Public*

[1] Public Utilities Code § 314.

Utilities Com., 87 Cal.App.5th 324 (2023), to limit Cal Advocates' discovery authority to information relating to rates for service.[2] As discussed below, however, the CPUC has historically interpreted Cal Advocates' authority far more broadly, treating Cal Advocates as Commission staff with access to the Commission's investigatory tools. The *SoCalGas* decision brought this tension between the statutory text as construed by the Court of Appeal and the CPUC's longstanding administrative practice to a head, and this bill responds by codifying the broader interpretation in statute.

The scope of Cal Advocates' discovery authority was tested following a 2019 Sierra Club allegation that C4BES, a nonprofit that had sought party status in a building decarbonization proceeding before the CPUC, was actually founded and funded by Southern California Gas Company (SCG). Cal Advocates investigated and sought to compel discovery from SCG, including of contracts funded solely by shareholders. The CPUC sided with Cal Advocates, rejecting SCG's First Amendment freedom of association objection. SCG appealed.

In *SoCalGas*, the Court of Appeal reversed and held that Cal Advocates' discovery authority is not coextensive with that of the CPUC, concluding that their distinct statutory mandates necessarily produce different discovery rights. Because the shareholder-funded expenditures at issue were not directly related to ratepayer costs, the court held that Cal Advocates' requests exceeded its authority under Section 309.5(e). The court further found that SCG had made a sufficient showing that disclosure of shareholder-funded contracts would chill its First Amendment right to freely associate, and that this interest outweighed the case for compelled disclosure. It is unclear whether the courts would reach a similar conclusion if the CPUC itself, rather than Cal Advocates, were to compel the same information.

Following the decision, the CPUC filed a petition for review with the California Supreme Court, arguing that the Opinion contained significant legal errors and "blocks Cal Advocates from accessing critical accounting data necessary to fulfill its core functions."[3] The CPUC maintained that the Opinion erred by failing to recognize that Resolution ALJ-391 compelling discovery "was issued by the Commission, not Cal Advocates," and that the Commission "has consistently taken the position that Cal Advocates is Commission staff, with all of the requisite regulatory and investigatory tools as other Commission staff."[4] The CPUC also argued that the Court of Appeal's treatment of ratepayer and shareholder accounts as clearly separable was mistaken, as "[t]he distinctions between shareholder and ratepayer-funded accounts are not always clear-cut" and "[t]he division itself is a regulatory construct," such that "Cal Advocates cannot ensure that advocacy costs are not booked to ratepayer accounts by strictly examining ratepayer accounts."[5] The CPUC further relied on the legislative history of AB 476 (Stats. 1985, ch. 562), which created Cal Advocates' predecessor, to argue that "the Opinion's narrow focus on low utility rates as the mission of Cal Advocates is not

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[2] Public Utilities Code § 309.5(a), (e).
[3] *SCG v. CPUC*, Pet. for Review, p. 9.
[4] *Id.* at pp. 18, 23.
[5] *Id.* at p. 26.

correct" and that "[n]o California court has ever construed Cal Advocates' authority so narrowly."[6]

This bill responds to the *SoCalGas* decision by adding a new subdivision (c) to Section 314 granting Cal Advocates the same discovery authority as the CPUC. Opponents argue that this represents a meaningful expansion of Cal Advocates' powers rather than a codification of existing practice, conflicts with the 2023 appellate court ruling, and could open the door to fishing expeditions into information unrelated to Cal Advocates' core ratepayer advocacy duties.

Supporters counter that the *SoCalGas* decision mischaracterizes Cal Advocates' historical role and the administrative practice under which it has long operated as CPUC staff. As a statutory body, Cal Advocates may be granted additional duties and authority by the Legislature, and to the extent this bill codifies the CPUC's longstanding administrative treatment of Cal Advocates as having coextensive discovery authority, it may be understood as a statutory expression of existing practice – even if it goes beyond what the Court of Appeals recognized as Cal Advocates' existing statutory authority. While the bill codifies that longstanding practice, it would also have the practical effect of narrowing the legal grounds on which public utilities may challenge Cal Advocates data requests.

The Committee may wish to amend the bill to relocate the expanded authority from Section 314 to Section 309.5(e), which directly governs Cal Advocates' role and powers. Doing so would consolidate all Cal Advocates-related provisions in one place, reduce the risk that amending the CPUC's general discovery statute would unsettle existing precedent, and expressly preserve the existing procedural check requiring that any utility objection to a Cal Advocates data request be decided in writing by the assigned commissioner or CPUC president. These amendments would not alter the Author's intent that Cal Advocates have coextensive discovery authority with the CPUC, including the ability to issue data requests both to perform its own duties and to support the CPUC's duties – an interpretation this Committee understands to be consistent with the CPUC's longstanding administrative practice under current law.

4) *Scope of New Subdivision (b)(12) – What Activities Are Intended to Be Covered Beyond Current Law?* Supporters of this bill argue that California law needs to be strengthened to better define the expenses that IOUs must charge their shareholders and are not recoverable from their customers. They argue that high IOU bills 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 IOUs have 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 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 the City of San Diego and South San Joaquin Irrigation District, as well as recent efforts by the City of

[6] *Id.* at p. 23.

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 and campaign 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.

Opponents argue that these activities are already prohibited under AB 1167 (Berman, Chapter 634, Statutes of 2025), which broadly bars the use of ratepayer funds for political influence activities, making SB 327 redundant at best and legally contradictory at worst. They further contend that the bill fails to account for circumstances where utilities are legally compelled – not acting voluntarily – to participate in municipalization proceedings, such as providing detailed information regarding the location, valuation, and function of utility assets, responding to discovery, and presenting testimony before courts or the CPUC.

5) *Prior Legislation*.

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

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

SB 938 (Min, 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 would have required 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 ¾ of the moneys to be deposited in a new Zero-Emission Equity Fund within the State Treasury. Status: Died in the Senate Committee on Energy, Utilities, and Communications.

AB 562 (Santiago) 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. Status: Chapter 429, Statutes of 2019.

AB 874 (Williams, 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. Status: Died in the Assembly.

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

REGISTERED SUPPORT / OPPOSITION:

Support

The Utility Reform Network (TURN) (sponsor)
350 Bay Area Action
350 Humboldt
Affordable Energy Campaign
Alliance for Californians for Community Empowerment (ACCE)
California Environmental Justice Alliance
California Environmental Voters
California Public Interest Research Group (CALPIRG)
Climate Action Campaign, Orange County
Democrats of Greater Irvine
Earthjustice
Media Alliance
NextGen California
Orange County Young Democrats
The Public Advocates Office
Rising Sun Center for Opportunity
San Diego 350
Sierra Club CA
Small Business Utility Advocates
Sustainable Rossmoor
Third Act Bay Area Working Group
The Climate Center
Women for American Values and Ethics (WAVE)

Opposition

The California Chamber of Commerce (CalChamber)
Pacific Gas and Electric (PG&E)
San Diego Gas and Electric (SDG&E)
Southern California Edison (SCE)
Southern California Gas Company (SoCalGas)

Oppose Unless Amended

California Broadband & Video Association
California Communications Association
California Water Association
CTIA
USTelecom – The Broadband Association

Analysis Prepared by: Suman Tatapudy / U. & E. / (916) 319-2083