Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 327 (McNerney) – As Amended June 15, 2026

Policy Committee: Utilities and Energy Vote: 12 - 2

Urgency: No State Mandated Local Program: Yes Reimbursable: No

SUMMARY:

This bill (1) adds efforts to oppose municipalization of electrical or gas utility service to the existing list of expenses that an electrical or gas investor-owned utility (IOU) may not recover from ratepayers (by recording such expenses to what is known as an "above-the-line account" or otherwise recovering from ratepayers) and (2) provides the Public Advocates Office (PAO) within the California Public Utilities Commission (CPUC) the same authority as the CPUC to compel disclosure or sharing of an IOU's information and review of the IOU's accounts.

FISCAL EFFECT:

As described further below, existing state law explicitly prohibits an IOU from recording to an above-the-line account or otherwise recovering from ratepayers costs for, among many other things, "political influence activities." This bill further applies this prohibition to activities related to opposing the municipalization of IOU electrical or gas service. The bill then provides a nonexhaustive list of such political influence activities: lobbying and engaging in city or county proceedings, as well as "other political influence activities."

It seems, therefore, that the author of the bill understands activities related to opposing municipalization to be types of political influence activities. Nonetheless, the bill structures political influence activities and activities related to opposing municipalization as distinct, coequal items, the costs of which an IOU may not recover from ratepayers.

Perhaps for this reason, the CPUC characterizes the bill as creating "new prohibitions" the CPUC is to track and enforce. Accordingly, the CPUC provided the committee with a cost estimate to enable it to undertake additional activity: $958,000 annually (Public Utilities Commission Utilities Reimbursement Account) for four new positions (two attorneys, an administrative law judge and a regulatory analyst) to conduct ongoing regulatory and enforcement work.

COMMENTS:

1) **Purpose.** This bill addresses two distinct issues: (a) an IOU's ability to recover from its ratepayers costs the IOU incurs to oppose an effort to municipalize electrical or gas utility service and (b) the authority of PAO to compel an IOU to make certain information available to PAO. Each topic was addressed by legislation—SB 24 (McNerney)—approved by this committee in 2025; however, the Governor, who expressed his support for "clarifying" the authority of PAO to "collect information relevant to the affordability of customer electric and

gas rates and bills" but asserted the bill "contains a significant clerical error…making this bill unimplementable," vetoed SB 24.

This bill includes generally the same provisions as SB 24, though the author has pared back the language from SB 24 and seems to have resolved the clerical error to which the Governor objected. The author argues in favor of this bill, as he did for SB 24, that:

> 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) **Background.** ***No Ratepayer Monies for IOU Political Communication.*** Existing law limits an IOU's ability to collect from its ratepayers the costs of certain types of communication. For example, federal law prohibits 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. 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.

It would seem this body of law already prohibits an IOU from collecting from its ratepayers costs to oppose municipalization of utility governance. Indeed, the state's largest IOUs, writing collectively in opposition to this bill, make just this claim and warn:

> At best, SB 327 is redundant and adds no substantive restriction beyond AB 1167. At worst, it creates confusion about the scope and application of existing law, making it more difficult for regulators and courts to interpret legislative intent. This ambiguity increases compliance risk and potential penalty exposure for utilities, without providing any meaningful additional protection for ratepayers.

Supporters do not counter this objection directly. Rather, they generally note California's high electric utility rates and the propriety of prohibiting IOU ratepayer spending on political activities, such as municipalization.

PAO Authority to Compel Disclosure or IOU Information. State law creates PAO as an independent office within the CPUC to represent and advocate on behalf of the interests of IOU customers and subscribers with the goal of obtaining the lowest possible rate for service consistent with reliable and safe service levels.

State law provides the CPUC broad authority to inspect the accounts, books, papers and documents of any IOU. Similarly, state law provides PAO authority to compel the production or disclosure of any information it deems necessary to perform its duties from any entity regulated by the CPUC; however, the law conditions this authrority in that any objections to a PAO request for information is to be decided in writing by a commissioner of the CPUC.

For years, the CPUC has viewed PAO's authority to compel production or discovery of IOU information as the same as the CPUC's own authority. Despite the CPUC's description of its longstanding view, in 2023, a state appellate court concluded PAO's scope of authority is less than the CPUC's scope of authority. Specifcally, the court noted state law's description of the goal of PAO as limited to obtaining the lowest possible rate for service consistent with reliable and safe service levels. Consistent with that description, the court found PAO's authority to compel disclosure is limited to its mission of achieving the lowest rates for ratepayers. (See *Southern California Gas Co. v. Public Utilities Com.,* 87 Cal.App.5th 324 (2023).)

The CPUC, in February of 2023, petitioned the California Supreme Court to review the appellate court decision, arguing, among other things, that "the Opinion's narrow focus on low utility rates as the mission of [PAO] is not correct" and that the CPUC "has consistently taken the position that [PAO] is Commission staff, with all of the requisite regulatory and investigatory tools as other Commission staff."

The IOUs disagree, as does the California Chamber of Commerce, which writes:

> Because SB 327 seeks to allow the PAO to discover information unnecessary to the performance of the PAO's duties, SB 327 invites fishing expeditions, increases the risk of misuse of competitively sensitive or confidential information, and unnecessarily creates additional costs of compliance that ratepayers will ultimately bear.

The California Water Association makes similar arguments and asserts that providing PAO such discovery authority will result in increased PAO activity, with resulting increases in state costs.

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