
**SENATE COMMITTEE ON ENERGY, UTILITIES AND
COMMUNICATIONS**

**Senator Josh Becker, Chair
2025 - 2026 Regular**

Bill No:	SB 24	Hearing Date:	4/21/2025
Author:	McNerney		
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Urgency:	No	Fiscal:	Yes
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SUBJECT: Electrical and gas corporations: rates: political influence activities and promotional advertising: termination of services

DIGEST: This bill includes two main provisions: (1) prohibits certain political influence activities and advertising expenses by electrical or gas corporations from being recovered from ratepayers; and (2) prohibits electrical or gas corporations from terminating residential or commercial service for nonpayment on days (and three days after) when the air quality index is unhealthy for sensitive groups.

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 U.S. Code §2623(b)(5))
- 2) Establishes and vests the California Public Utilities Commission (CPUC) with regulatory authority over public utilities, including electrical and gas 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) 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) Provides the CPUC with general, broad authority to regulate every public utility in the state. (Public Utilities Code §701)
 - 6) 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)
 - 7) 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 Codes §707)
 - 8) Requires the CPUC to determine the appropriate ratemaking treatment for incentive compensation paid to officers or employees of an electrical corporation or gas corporation for incentive compensation that is linked to the stock price or financial performance of the electrical or gas corporation. (Public Utilities Code §746)
 - 9) Prohibits an electrical or gas corporation, except for Golden State Energy, from recovering a fine or penalty through a rate approved by the CPUC. (Public Utilities Code §748.1)
 - 10) Authorizes the CPUC to require a public utility to correct any rates, practices, equipment or behavior that is unjust, unreasonable, unsafe, improper, inadequate, or insufficient. (Public Utilities Code §761)
 - 11) 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)
 - 12) Requires the CPUC to disallow all expenses for advertising which encourage increased consumption in rates charged by electrical or gas corporations for the services or commodities furnished by the utility. Authorizes the CPUC to

include in rates charges for services, expenses for advertising which encourage the more efficient operation of the electric, or gas plant, or for advertising which encourage the more efficient use of electricity or gas, or the conservation of energy or natural resources, or presents accurate information on the economical purchase, maintenance, or effective use of electrical or gas appliances and devices. (Public Utilities Code §796)

- 13) Provides the CPUC with authority to levy fines against regulated entities for violation of law. Generally prevents the CPUC from distributing, expending, or encumbering any moneys received by the CPUC as a result of any CPUC proceeding or judicial action until the CPUC has notified the Director of Finance and the Director of Finance provides notice to the chairpersons of the appropriate legislative budget subcommittees, except where statute expressly provides how the monies are to be paid or used. Requires penalties to be deposited in the State's General Fund. (Public Utilities Code §2100 *et seq.*)
- 14) Requires the CPUC to establish a standard limited allowance in addition to the baseline quantity and higher energy allocation of gas and electricity for residential customers dependent on life-support equipment and patients being treated for a life-threatening illness or who have a compromised immune system, if a licensed physician or other specified medical personnel certifies in writing to the ability that the additional heating or cooling allowance is medically necessary to sustain life or prevent deterioration of the person's medical condition, often referred to as the Medical Baseline Allowance program. (Public Utilities Code §739 (2)(c))
- 15) Prohibits an electrical corporation or gas corporation from terminating a customer's residential service for nonpayment of a delinquent account in certain circumstances, including, when the corporation gives notice to the customer of the delinquency and impending termination, during the pendency of an investigation by the corporation of the customer's dispute or complaint, or when the customer has been granted an extension of the period for payment of a bill. (Public Utilities Code §779)
- 16) Requires an electrical corporation or gas corporation to restore service to a residential customer whose service was previously terminated for nonpayment of a delinquent amount upon the customer entering into an amortization agreement or other arrearage payment plan determined by the CPUC. (Public Utilities Code § 779.6)
- 17) Requires the CPUC, by July 1, 2025, to determine whether to direct electrical and gas corporations to take into account a customer's ability to pay before terminating service due to nonpayment and other circumstances. Requires the

CPUC to consider whether to limit the amount an electrical corporation can collect up to an amount specified by the CPUC. (Public Utilities Code §779.7)

- 18) Requires that a statute that limits the right of access to the meetings of public bodies or the writings of public officials and agencies be adopted with findings demonstrating the interest protected by the limitation and the need for protecting that interest. (Article 1, §3 of the California Constitution)

This bill:

- 1) Defines “political influence activity” to mean an activity to influence the adoption, repeal, or modification of federal state, 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.
- 2) Defines “promotional advertising” to mean written, online, video, or audio communications that primarily build the public image of an electrical or gas corporation and does not include safety measures or communications required by a government agency.
- 3) Prohibits, except as provided, an electrical corporation or gas corporation from recording various expenses associated with political influence activities, promotional advertising, or opposing the municipalization of electrical or gas service, to accounts that contain expenses that the electrical corporation or gas corporation recovers from ratepayers.
- 4) Requires electrical corporations and gas corporations to clearly and conspicuously disclose in all of its advertising whether the costs of the advertising are paid for by the corporation’s shareholders or ratepayers.
- 5) Requires an electrical corporation or gas corporation, on or before April 30, 2026, and annually thereafter, to provide the CPUC with a report of expenses from the previous calendar year and would require that, for each business unit of the corporation that performs work associated with political influence activities or promotional advertising, the report contain specified information.
- 6) Requires the CPUC to make the report publicly available and authorizes the CPUC to redact information that the CPUC deems to be confidential in the report. Requires that the Public Advocates Office (PAO) has the same authority as the CPUC to discover information and review electrical and gas corporation accounts.

- 7) Requires the CPUC to assess a civil penalty, of not less than \$1,000 and not more than \$10,000 for each violation, against an electrical corporation or gas corporation that violates certain prohibitions or that fails or neglects to comply with any part or provision of any order, decision, decree, rule, direction, demand, or requirement of the CPUC related to implementing those provisions, as provided.

Relevant to disconnecting electricity or natural gas utility service

- 8) Prohibits an electrical corporation or gas corporation from terminating residential service at a service address on a day in which the air quality index (AQI) of the ZIP Code area in which the service address is located is in the unhealthy for sensitive groups category or worse and for three days immediately after the AQI is no longer in the unhealthy for sensitive groups category. Requires an electrical corporation or gas corporation to restore residential service for which service is terminated due to nonpayment of a delinquent account on a day in which the ZIP Code area of the service address has an AQI in the unhealthy for sensitive groups category or worse and for three days immediately after the AQI is no longer in the unhealthy for sensitive groups category at the ZIP Code area.

Relevant to limiting disclosure of certain information

- 9) Makes legislative findings that it is necessary to limit the disclosure of certain information provided by the electrical or gas corporations including the need for protecting that interest is to preserve the confidential information of an electrical corporation or gas corporation, including any personally identifiable information, to protect the privacy of individuals.

Background

Cost recovery of expenses by investor-owned utilities (IOUs). CPUC-regulated utilities routinely submit requests for cost recovery 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.

Relevant to utility disconnections due to nonpayment

Actions to prohibit energy utility disconnections due to nonpayment. Prior to the COVID-19 pandemic, the number of utility disconnections due to nonpayment had been trending upwards among the four largest utilities—Pacific Gas & Electric (PG&E), San Diego Gas & Electric (SDG&E), Southern California Edison (SCE), and Southern California Gas Company (SoCalGas). In response to the rise of electric and gas utility disconnections due to nonpayment, the Legislature passed SB 598 (Hueso, Chapter 362, Statutes of 2017). The bill prohibited electrical and gas corporations from disconnecting service due to nonpayment from customers facing life-threatening medical conditions when the customer is financially unable to pay for service within the normal payment period and is willing to enter into an amortization agreement. The bill also required the CPUC to adopt rules, policies and regulations with the goal of reducing the statewide level of gas and electric utility service disconnections for nonpayment by residential customers.

In response to SB 598, in July 2018, the CPUC opened a rulemaking proceeding (R. 18-07-005), Order Instituting Rulemaking to Consider New Approaches to Disconnections and Reconnections to Improve Energy Access and Contain Costs. The proceeding has been very active and robust, with many stakeholders participating, including ratepayer organizations, utilities, CCAs, and organizations representing particular stakeholders. Within the proceeding there have been several CPUC decisions to require new policies and new pilot programs to address electric and gas residential utility disconnections. Overlapping the timing of these decisions are related policies to address the COVID-19 pandemic. Among the provisions adopted are arrearage management plans that authorize 24-month payment plans with the ability to retire debt and pilot programs to consider a percentage of the customer's income in developing payment plans. Currently, the CPUC is in the midst of considering the requirements from SB 1142 (Menjivar, Chapter 600, Statutes of 2024) which required the CPUC, on or before July 1, 2025, to determine whether to direct electrical and gas corporations to take into account a customer's ability to pay before terminating or reconnecting services and whether to cap the amount the corporation can collect from the customer.

Comments

Need for this bill. Supporters contend that IOUs are only supposed to charge ratepayers for service, maintenance, and safety related costs, however, IOUs continue to charge political activities to ratepayers. The supporters cite news reports and CPUC actions that identified utilities booking some costs to ratepayers that should have been booked to shareholders. These costs include those in relation

to paying speakers and funding organizations to advocate against energy efficiency codes and standards, after a CPUC order prohibited the utility from doing so, and which subsequently resulted in the CPUC taking enforcement action. They note that in recent years, SoCalGas has spent millions in ratepayer dollars to pay for lobbying activities, legal fees, trade association dues, and even set up an astro-turf advocacy group. As ratepayers try to keep up with rate increase after rate increase, it is wholly inappropriate to also pass these expenses on to ratepayers. They note that several states have attempted to rein in utility abuses of ratepayer funds. Additionally, they note that unaffordable utility rates from IOUs have led many cities to consider establishing publicly owned utilities (municipalization of energy service). IOUs have also spent millions to oppose these initiatives, including efforts in Davis and more recently in San Diego. Lastly, they note that utility rate hikes and the high cost of living lead to customers missing monthly bill payments and resulting in utilities disconnecting service. They contend that protections against disconnecting service provided on extreme weather events should be extended to days when the air quality is unhealthy for sensitive groups or worse.

Moreover, 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 suggest that this bill simply incorporates into state law the FERC USofA accounting and reporting requirements for electric and natural gas utilities, along with additional clarifications on their applicability, in order to stop utilities from continuing to attempt to charge political influence expenses to their customers. The supporters cite the continual need for intervenors in utility GRC proceedings to invest significant time and resources ensuring customers are protected from bearing these costs. Supporters cite various incidents where SoCalGas used or attempted to use ratepayer funds to influence regulatory and local ordinances that supporters of this bill contend are not directly related to the safe operation of the system. Additionally, the supporters urge to limit the ability of utilities to collect from ratepayers the memberships to trade associations where those associations are engaged in lobbying activity. They point to similar restrictions adopted by Colorado, New York, Connecticut, and Maine.

Definitions of political influence activity clarified and expanded. This bill attempts to clarify and expand the definitions of political influence activities that would not be recoverable from ratepayers to include: an activity to influence rate-setting by the utility; the portion of a utility employee's salary/bonus/benefits that supports political influence activity; membership dues or other contributions to an industry trade association, group, or related entity incorporated under Section 501 of the IRS Code of 1986 if any portion support political activities; costs directly related to appearing before governmental bodies to influence policies not related to the

utility's existing or proposed operations including those affecting demand for gaseous fuels or electricity. This bill would require specified accounting and reporting of these activities, delineated as below-the-line activities.

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 advertising of a political nature. 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. SDG&E and 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.

CPUC General Order (GO) 77 requires specified annual reporting by IOUs. Specifically, GO-77 requires electric and gas IOUs annually report by May 31 list of officers and employees (employee names are not disclosed in the public report) with the amount paid directly or indirectly to each employee and the proportion paid by ratepayers. The general order also requires electric and gas IOUs to each report by March 31 the total dues, donations, subscriptions, contributions, payments to attorneys. In this regard, much of the required reporting in SB 24 is required by GO-77. However, SB 24 requires specified accounting for these expenses and prohibits some that would otherwise be authorized, including those to fund associations where a portion of funds may contribute towards political influencing activities.

First Amendment Constitutional issues? 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 was actually 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 PAO and rejected the utility's claim to First Amendment infringement on freedom of speech. SoCalGas then appealed to the court. The court 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 decision distinguished between the statutory authority of PAO, as more narrow, to that of the CPUC, while also acknowledging 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 and 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 PAO, but a challenge by the utilities could be likely.

Air quality index (AQI) and utility disconnections due to nonpayment. The sponsor of this bill, The Utility Reform Network, contends that high electricity bills have resulted in many customers experiencing disconnection of service. When the AQI is in the range of very unhealthy air, the public is encouraged to stay indoors and not open windows. They contend that "During these events people are wholly dependent upon electricity to run air filters and air conditioners; it is inhumane to disconnect people from electricity and force customers to breathe very unhealthy air." As currently drafted, this bill would prohibit an electrical or gas corporation from terminating service due to nonpayment on days when a Zip Code experiences unhealthy air for sensitive populations and requires reconnection of service that had been disconnected due to nonpayment and maintain service for three days after the day with the unhealthy air. Unfortunately, many parts of the state experience unhealthy air on a regular basis. The existing threshold in this bill could be a few days in a coastal region with generally good air quality, but can be over 200 days in inland areas, such as Riverside County. Plus, an additional three days for each day when the AQI is unhealthy for sensitive populations, it may be that service could never be terminated due to nonpayment for the entire year in these areas. Additionally, the utilities note that monitoring daily AQI for every ZIP Code to determine whether utility service should not be shut off due to nonpayment or reconnected would be administratively cumbersome, complicated, and costly for all customers.

Need for amendments. *The author and committee may wish to amend this bill to:*

- *Preserve the ability of the CPUC to determine the appropriate penalty amount for violations in connection to the requirements proposed in this bill.*
- *Add language related to the labor provisions in the section 1, PUC Section 748.3 (c) to section 2 of the bill concerning municipalization.*
- *Delete language that authorizes the CPUC to redact information from the required report in section 748.3(e)(1) as section 583 of the Public Utilities Code already provides for the protection of confidential information (which will also remove section 4 of the bill).*
- *Delete section 3 of the bill concerning protections for disconnections due to nonpayment and reconnections on days when the air quality index is unhealthy for sensitive groups.*

Dual Referral. Should this bill be approved by this committee, it will be re-referred to the Senate Judiciary Committee.

Prior/Related Legislation

AB 1167 (Berman) of the current legislative session, includes many of the same provisions related to prohibiting recovery of political influence expenses from ratepayers. The bill is pending in the Assembly Utilities & Energy Committee.

SB 332 (Wahab) of the current legislative session, among its provisions prohibits disconnection of electric service by utilities for specified customers, including those with a member of the household who is a child, pregnant, 65 years or older and others. The bill also makes changes to the treatment of utilities' executive compensation. The bill is pending in this committee.

SB 636 (Menjivar) of the current legislative session, prohibits an electrical or gas corporation from disconnecting service of a customer for three months, if the customer is participating in specified low-income assistance programs and is experiencing specified hardships. The bill is pending in the Senate Appropriations Committee.

SB 938 (Minn) of 2023, 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 required the CPUC to assess specified civil penalties for any violations of the proposed prohibition and required $\frac{3}{4}$ of the monies to be deposited in a new Zero-Emission Equity Fund within the State Treasury. The bill died in this 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, requires the CPUC to initiate a Code of Conduct rulemaking, and allows CCAs to receive public purpose funds to administer energy efficiency programs.

SB 598 (Hueso, Chapter 362, Statutes of 2017) required the CPUC to adopt rules, policies and regulations with the goal of reducing the statewide level of gas and electric utility service disconnections for nonpayment by residential customers and extends special considerations to residential customers who have specified medical conditions or who have a member of the household with those conditions.

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

SUPPORT:

The Utility Reform Network (Sponsor)
California Solar & Storage Association
Environmental Working Group
Housing Action Coalition
South San Joaquin Irrigation District
Union of Concerned Scientists

OPPOSITION:

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

ARGUMENTS IN SUPPORT: The Utility Reform Network (TURN), the sponsor of this bill, states that “SB 24 will ensure ratepayers are protected from abuse by for-profit utilities.” TURN argues that the bill would prevent utilities from misusing ratepayer money on political lobbying and promotional advertising. TURN also says this bill would prohibit electrical or gas corporations from collecting from ratepayers costs associated with fighting efforts by local jurisdictions to municipalize their utility service away from the investor-owned utility model.

The South San Joaquin Irrigation District contends SB 24 will help level the playing field for communities like theirs, which seeks to municipalize their electric utility service in San Joaquin County, by removing barriers to the municipalization where the process is tilted in favor of well-funded IOUs who are able to cause delays in court and at the CPUC.

ARGUMENTS IN OPPOSITION: PG&E, SCE, SDG&E, and SoCal Gas generally contend this bill is overbroad, vague, duplicative, and conflicting with CPUC and FERC oversight with regards to the treatment of accounting and

recovery of expenses for political activity and promotional advertising. They note the various accounting procedures, reporting requirements, and extensive review of the utility's GRC which allows all stakeholders to examine proposed expenses. PG&E takes issue with the vague municipalization language in the bill and state that current requirements already prohibit direct support or opposition to campaigns on proposed municipalization. Additionally, the utilities oppose the language in this bill to prohibit disconnection of service and require restoration of service on days when the AQI is unhealthy for sensitive groups. They argue these prohibitions increase costs for other customers and are burdensome to administer as AQI would need to be tracked daily by zip code. They state that if state wishes to provide these protections it should apply to all utilities, including publicly owned utilities.

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