SENATE COMMITTEE ON ENERGY, UTILITIES AND COMMUNICATIONS
Senator Josh Becker, Chair
2025 - 2026 Regular

Bill No:	SB 327	**Hearing Date:**	1/12/2026
Author:	McNerney		
Version:	1/5/2026 Amended		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Nidia Bautista		

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

DIGEST: This bill prohibits certain political influence activities and expenses by electrical or gas corporations (those 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) 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 California Public Utilities Commission (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, at any time, inspect the accounts, books, papers, and documents of any public utility. (Public Utilities Code §314)

4) 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)

5) 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))

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 corporations 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)

8) Prohibits a utility from recording to an above-the-line account, or otherwise recover 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 referenda; 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)

9) 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)

10) 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; or (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, or 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, 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.

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.

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. SB 24 (McNerney, 2025) included nearly identical provisions as AB 1167 until it was amended on the Assembly Floor and reflecting nearly the identical language currently in this bill. SB 24 was vetoed by the Governor citing a clerical error related to the definition of political influence activity.

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 the City of San

Diego and South San Joaquin Irrigation District, 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 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.

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. The utilities opposed to this bill 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 or fishing expeditions by the PAO. The PAO argues the court decision has stymied their historical authority and role. They and the supporters of this bill believe the PAO needs its discovery rights clearly reinstated in statute because it plays a critical watchdog role in protecting California ratepayers from utility misconduct, including the misuse of ratepayer funds. The PAO raises concerns about the limitations by the Appellate Court's 2023 decision to allow them to issue data requests for shareholder accounts – under that authority they were able to discover the SoCalGas activity supporting C4BES. They believe SB 327 would restore the PAO's discovery authority, which will help it in its role of protecting the public's interest.

Amendments needed. The author and committee may wish to amend this bill to address redundancy and conflicts with the chaptering of AB 1167 (Berman, 2025). *Specifically, the author and committee may wish to delete Section 2 of this bill and instead replace the author's language, with some clarifications, within Public Utilities Code §748.3, as added by AB 1167.*

Prior/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 ¾ of the moneys 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, required the CPUC to initiate a Code of Conduct rulemaking, and allows CCAs to receive public purpose funds to administer energy efficiency programs.

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

SUPPORT:

The Utility Reform Network (Sponsor)
350 Humboldt: Grass Roots Climate Action
Agricultural Energy Consumers Association
California Environmental Voters
Climate Action California
Climate Reality Project - Silicon Valley Chapter
Public Advocates Office

OPPOSITION:

California Chamber of Commerce
Pacific Gas and Electric
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:

> TURN is proud to sponsor and support SB 327 to protect ratepayers from having their money used against them to support utility lobbying, promotional advertising, and to stop cities from creating or expanding municipal utilities. … It is critical that the legislature act to protect ratepayers and ensure that ratepayer dollars are not used to undermine the wellbeing of ratepayers. …For-profit utilities generally have a monopoly within their service territories, except where cities have established a municipal utility district. …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.

The Public Advocates Office states:

> … [SB 327] would directly support and advance our mission to advocate for affordable, safe, and reliable utility services. Californians face the highest energy rates in the country. Decisionmakers are working diligently to find ways to make monthly utility bills more affordable while continuing to advance the state's clean energy goals. This is done in part by gathering input and analysis from interested stakeholders – including our office, the IOUs, the public, and others – to support well-informed decisions. SB 327 would establish much-needed safeguards, transparency, and support the ensure that ratepayer dollars are not used appropriately – not for political influence or advertising that can unnecessarily increase customers' bills.

ARGUMENTS IN OPPOSITION: Pacific Gas & Electric and Southern California Edison state:

> SB 327 creates duplicative regulation, adds additional vague terms, and imposes unnecessary compliance costs—ultimately harming the customers it seeks to protect. PG&E and SCE urge the Legislature to narrow SB 327 to clarifications aligned with Governor Newsom's veto message and avoid duplicating AB 1167. SB 327 disregards the Governor's veto message of SB 24 and creates a code section that is duplicative to AB 1167 (Berman, 2025), which was just enacted. While SB 327 corrects the drafting error, it still creates a new code section (PUC § 748.4) that is essentially identical to AB 1167 (PUC §743.3). …As noted in prior comments on SB 24 and AB 1167, IOUs are already prohibited from using customer funds in direct support of, or opposition to, campaigns on proposed or actual municipalization initiatives or proposals from local agencies. CPUC orders require IOUs to track time spent analyzing and monitoring proposed legislation or regulations for campaign purposes. SB 327 fails to clarify that customer funds can and should be spent on activities necessary to implement a municipalization order.

San Diego Gas & Electric and Southern California Gas state:

> While we support efforts to ensure transparency and accountability in utility operations, SB 24 raises serious constitutional and regulatory concerns by

expanding the authority of the Public Advocate's Office (PAO) in ways that conflict with established law and judicial precedent. In addition, SB 327 is internally inconsistent with respect to its definition of political influence activity and how it treats costs associated with municipalization, some of which are legitimately treated as above the line costs. …Expanding PAO authority in a manner inconsistent with the intent for PAO to collect information relevant to rate affordability risks violating procedural due process, gives the PAO more discovery authority than any other advocate in the same proceeding, and increases the risk of PAO's abuse of power, including unchecked intrusions into constitutionally protected areas in which the judiciary had to recently intervene. This expansion is unnecessary, as the PAO already has full access to ratepayer-funded accounts and data needed to assess ratepayer impacts. Thus, this change in law would not lower rates for utility customers – the purported purpose of this statute. Granting additional authority would not improve transparency but rather create imbalance and risk.

-- END --