



# SB 938

Utility Accountability Act  
Senator Dave Min, 37<sup>th</sup> District

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## SUMMARY

SB 938 would prohibit utilities from using ratepayer dollars to fund political activities, promotional advertisements and membership dues of trade associations engaged in lobbying.

## BACKGROUND

As California works to end its dependence on natural gas and other fossil fuels, the current business model and shareholder profits of gas-only utilities is being threatened. These companies have responded by spending millions of ratepayer dollars on political activities that not only derail the state's climate and public health goals, but also increase customer rates.

Although current state and federal regulations largely prohibit utilities from billing customers for costs to influence public opinion or the decisions of public officials, the lack of effective accountability mechanisms have enabled utilities to sneak these expenses into customers' monthly bills.

Investigations by the California Public Advocates Office (Public Advocates), the independent consumer advocate at the California Public Utilities Commission (CPUC), and the Sacramento Bee have documented the ongoing misuse of ratepayer funds by Southern California Gas Company (SoCalGas).

The Sacramento Bee reported that SoCalGas, the nation's largest gas utility, "booked at least \$36 million to its customers for political lobbying to undermine California policies aimed at addressing the climate crisis since 2019."<sup>1</sup>

In one example, a secret contract showed how SoCalGas had used an undisclosed sum of customer money to pay the Business Federation of Los Angeles to recruit speakers against electrification even driving them to CPUC meetings.<sup>2</sup>

In another instance, SoCalGas booked \$29.1 million to a ratepayer account and created a front group, California for Balanced Energy Solutions (C4BES) to oppose building electrification policies in CPUC proceedings.<sup>3</sup> C4BES, a seemingly independent advocacy group, attempted to take part in the rule making process without disclosing its relationship to the utility, essentially giving SoCalGas a second voice.

While the costs of these activities should not be passed on to customers, existing General Rate Case review processes provide a structural incentive for utilities to see what they can get away with. Parties participating in General Rate Cases review thousands of pages of testimony work papers and hundreds of accounts, and resources are not available to conduct the detailed review necessary to catch all or even most of these abuses. Even when an abuse of customer funds is discovered, utilities will simply claim "inadvertent error" and move the costs to a shareholder account with no further consequences.

Furthermore, California utilities attempt to charge customers millions of dollars a year in membership dues to trade associations engaging in lobbying and political influence, such as the Edison Electric Institute and the American Gas Association.

In recent years, utility trade associations have operated training camps to teach utility lobbyists

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<sup>1</sup> Rubin, J., & Plachta, A. (2023, August 17). SoCalGas fought a key California climate solution for years. It cost customers millions. *The Sacramento Bee*.

<sup>2</sup> IBID

<sup>3</sup> <https://docs.cpuc.ca.gov/PublishedDocs/SupDoc/A2205015/6825/520613981.pdf>



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and executives how to run winning political campaigns, orchestrated nationwide attacks on building electrification, and lobbied to undermine environmental and public health standards.<sup>4</sup> For this reason, states like Colorado, Connecticut, Maine and New York have prohibited customer funds from being used to pay memberships to trade associations engaged in lobbying activity.

California families already face the burden of high gas and electric bills - they should not have to pay for their utilities' political influence efforts.

## SOLUTION

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Utilities have the right to recover the cost of providing safe and reliable service, but the costs of political lobbying and promotional advertising should not be a recoverable cost of doing business. By defining the activities utility shareholders must pay for, setting transparency provisions to ease enforcement, and penalties to incentivize compliance, this bill will put a stop to utility misuse of customer funds.

Specifically, this bill will:

- Prohibit an electrical or gas corporation recovering expenses for political influence activities and promotional advertising and require the CPUC to impose penalties if a utility improperly books these costs to customers

- Prohibit recovery of membership dues to trade associations engaged in political activities
- Require electrical or gas corporations to clearly and conspicuously disclose whether the costs of their public messaging and advertising are being paid for by shareholders or customers
- Require electrical or gas corporations to file a publicly available annual report to make it easier to assess compliance with this bill
- Require ¾ of funds collected pursuant to any settlement or penalties collected by the CPUC for a violation of this bill to be deposited in the Zero Emission Equity Fund for the purposes of assisting low income households in transitioning zero-emission appliances
- The remaining quarter of any penalties collected will fund Commission enforcement of these provisions.

## SUPPORT

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Earthjustice – Sponsor

The Utility Reform Network – Sponsor

## OPPOSITION

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None on file

## STAFF CONTACT

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<sup>4</sup> Pomerantz, D. (2022, January 13). *EEI used anti-clean energy campaigns as role models in political boot camp for utility execs*. Energy and Policy Institute. <https://energyandpolicy.org/eei-campaign-institute/>