

**ASSEMBLY BILL**

**No. 2168**

---

---

**Introduced by Assembly Member Williams**

February 17, 2016

---

---

An act to amend Sections 314.5 and 792.5 of the Public Utilities Code, relating to the Public Utilities Commission.

LEGISLATIVE COUNSEL'S DIGEST

AB 2168, as introduced, Williams. Public Utilities Commission Audit Compliance Act of 2016.

(1) Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations, gas corporations, heat corporations, telegraph corporations, telephone corporations, and water corporations. The California Constitution authorizes the commission to establish rules, examine records, and prescribe a uniform system of accounts for all public utilities. The Public Utilities Act requires the commission to inspect and audit the books and records of electrical corporations, gas corporations, heat corporations, telegraph corporations, telephone corporations, and water corporations for regulatory and tax purposes. An inspection and audit is required to be done at least every 3 years if the utility has over 1,000 customers and at least every 5 years if the utility has 1,000 or fewer customers. The act requires that reports of the inspections and audits and other pertinent information be furnished to the State Board of Equalization for use in the assessment of the public utilities.

This bill, which would be known as the Public Utilities Commission Audit Compliance Act of 2016, would delete the requirement that the reports of the inspections and audits and other pertinent information be

furnished to the State Board of Equalization for use in the assessment of the public utilities and instead would require the commission to post reports of the inspections and audits and other pertinent information on its Internet Web site.

(2) Existing law directs the Public Utilities Commission to require a public utility to establish and maintain a reserve account whenever the commission authorizes a change in rates reflecting and passing through to customers specific changes in costs to reflect the balance between the related costs and revenues.

This bill would require the commission to develop a risk-based approach for reviewing those balancing accounts periodically to ensure that the transactions recorded in the balancing accounts are for allowable purposes and are supported by appropriate documentation.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. This act shall be known, and may be cited, as the  
2 Public Utilities Commission Audit Compliance Act of 2016.

3 SEC. 2. (a) The Legislature hereby finds and declares that the  
4 California State Auditor, at the behest of the Joint Legislative Audit  
5 Committee, has made multiple legislative recommendations  
6 relating to the operations of the Public Utilities Commission in  
7 recent years. Those legislative recommendations include both of  
8 the following:

9 (1) The Legislature should amend Section 314.5 of the Public  
10 Utilities Code to remove the requirement that the Public Utilities  
11 Commission provide audit reports to the State Board of  
12 Equalization (Report 2013-109).

13 (2) To ensure proper oversight of balancing accounts to protect  
14 ratepayers from unfair rate increases, the Legislature should amend  
15 Section 792.5 of the Public Utilities Code to require the Public  
16 Utilities Commission to develop a risk-based approach for  
17 reviewing all balancing accounts periodically to ensure that the  
18 transactions recorded in the balancing accounts are for allowable  
19 purposes and are supported by appropriate documentation, such  
20 as invoices (Report 2013-109).

21 (b) It is the intent of the Legislature in enacting this act to codify  
22 the California State Auditor’s legislative recommendations

1 described in subdivision (a) to ensure that the Public Utilities  
2 Commission continues to prioritize the protection of ratepayers  
3 and remains accountable to legislative oversight.

4 SEC. 3. Section 314.5 of the Public Utilities Code is amended  
5 to read:

6 314.5. The commission shall inspect and audit the books and  
7 records for regulatory and tax purposes—~~(a) (1) at least once in~~  
8 every three years in the case of every electrical, gas, heat, telegraph,  
9 telephone, and water corporation serving over 1,000 customers,  
10 and—~~(b) (2) at least once in every five years in the case of every~~  
11 electrical, gas, heat, telegraph, telephone, and water corporation  
12 serving 1,000 or fewer customers. An audit conducted in  
13 connection with a rate proceeding shall be deemed to fulfill the  
14 requirements of this section. ~~Reports~~ *The commission shall post*  
15 *reports of—such the inspections and audits and other pertinent*  
16 *information shall be furnished to the State Board of Equalization*  
17 *for use in the assessment of public utilities; on its Internet Web*  
18 *site.*

19 SEC. 4. Section 792.5 of the Public Utilities Code is amended  
20 to read:

21 792.5. (a) Whenever the commission authorizes any change  
22 in rates reflecting and passing through to customers specific  
23 changes in costs, except rates set for common carriers, the  
24 commission shall require as a condition of—~~such the~~ order that the  
25 public utility establish and maintain a reserve account reflecting  
26 the balance, whether positive or negative, between the related costs  
27 and revenues, and the commission shall take into account by  
28 appropriate adjustment or other action any positive or negative  
29 balance remaining in—~~any such the~~ reserve account at the time of  
30 any subsequent rate adjustment.

31 (b) *The commission shall develop a risk-based approach for*  
32 *reviewing all balancing accounts periodically to ensure that the*  
33 *transactions recorded in the balancing accounts are for allowable*  
34 *purposes and are supported by appropriate documentation.*

O