

AMENDED IN ASSEMBLY MARCH 17, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

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 amended, 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 *rename the reserve accounts “balancing accounts” and 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~~ *include,*
8 *among other recommendations,* both of 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). *2013-109, Recommendation 15).*

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). *2013-109, Recommendation 1).*

1 (b) It is the intent of the Legislature in enacting this act to codify
2 the California State Auditor’s legislative recommendations
3 described in subdivision (a) to ensure that the Public Utilities
4 Commission continues to prioritize the protection of ratepayers
5 and remains accountable to legislative oversight.

6 SEC. 3. Section 314.5 of the Public Utilities Code is amended
7 to read:

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

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

20 792.5. (a) Whenever the commission authorizes any change
21 in rates reflecting and passing through to customers specific
22 changes in costs, except rates set for common carriers, the
23 commission shall require as a condition of the order that the public
24 utility establish and maintain a ~~reserve~~ *balancing* account reflecting
25 the balance, whether positive or negative, between the related costs
26 and revenues, and the commission shall take into account by
27 appropriate adjustment or other action any positive or negative
28 balance remaining in the ~~reserve~~ *balancing* account at the time of
29 any subsequent rate adjustment.

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