

**ASSEMBLY BILL**

**No. 1266**

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**Introduced by Assembly Member Gonzalez**

February 27, 2015

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An act to add Section 706 to the Public Utilities Code, relating to electrical and gas corporations.

LEGISLATIVE COUNSEL'S DIGEST

AB 1266, as introduced, Gonzalez. Electrical and gas corporations: excess compensation.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations and gas corporations. Existing law authorizes the commission to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable. Existing law requires that any expense resulting from a bonus paid to an executive officer, as defined, of a public utility that has ceased to pay its debts in the ordinary course of business, be borne by the shareholders of the public utility and prohibits any expense from being recovered in rates.

This bill would prohibit an electrical corporation or gas corporation from recovering from ratepayers expenses for excess compensation, as defined, paid to an officer of the utility following a triggering event, as defined, unless the utility obtains the approval of the commission. Following a triggering event and prior to paying or seeking recovery of excess compensation, the electrical corporation or gas corporation would be required to file a Tier 3 advice letter with the commission containing specified information and the commission would be required to open a proceeding or expand the scope of an existing proceeding to evaluate the advice letter and, following a duly notice public hearing

in the proceeding, to issue a written decision determining whether, and if so, how much, of each officers’ compensation shall be recoverable from ratepayers.

Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because the provisions of this bill would be a part of the act and because a violation of an order or decision of the commission implementing its requirements would be a crime, the bill would impose a state-mandated local program by creating a new crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

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

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

1 SECTION 1. Section 706 is added to the Public Utilities Code,  
 2 to read:

3 706. (a) For purposes of this section, the following terms have  
 4 the following meanings:

5 (1) “Excess compensation” means any salary, bonus, benefits,  
 6 stock options, or other consideration of any value, paid to an officer  
 7 of an electrical corporation or gas corporation that is in excess of  
 8 10 times the average compensation paid by the utility to the utility’s  
 9 journeyman linemen.

10 (2) A “triggering event” occurs if, after January 1, 2013, an  
 11 electrical corporation or gas corporation violates a federal or state  
 12 safety regulation with respect to the plant and facility of the utility  
 13 and, as a proximate cause of that violation, ratepayers incur a  
 14 financial responsibility in excess of five million dollars  
 15 (\$5,000,000).

16 (b) No electrical corporation or gas corporation shall recover  
 17 expenses for excess compensation from ratepayers following a  
 18 triggering event unless the utility complies with the requirements  
 19 of this section and obtains the approval of the commission pursuant  
 20 to this section.

1 (c) Following a triggering event and prior to paying or seeking  
2 recovery of excess compensation, an electrical corporation or gas  
3 corporation shall file a Tier 3 advice letter with the commission  
4 that, with respect to any officer paid excess compensation, includes  
5 all of the following:

6 (1) The compensation history for the officer.

7 (2) The proposed compensation to be paid to the officer,  
8 including the compensation recovered from ratepayers and that  
9 paid solely by shareholders of the utility.

10 (3) Any justification for the proposed compensation.

11 (4) Any additional information required by the commission.

12 (d) The commission shall open a hearing, or expand the scope  
13 of an existing proceeding, to evaluate the advice letter. As part of  
14 the proceeding, the commission shall consider the costs to  
15 ratepayers of the triggering event. The commission shall hold not  
16 less than one duly noticed public hearing in the proceeding. The  
17 commission shall issue a written decision determining whether,  
18 and if so, how much, of each officers' compensation shall be  
19 recoverable from ratepayers.

20 SEC. 2. No reimbursement is required by this act pursuant to  
21 Section 6 of Article XIII B of the California Constitution because  
22 the only costs that may be incurred by a local agency or school  
23 district will be incurred because this act creates a new crime or  
24 infraction, eliminates a crime or infraction, or changes the penalty  
25 for a crime or infraction, within the meaning of Section 17556 of  
26 the Government Code, or changes the definition of a crime within  
27 the meaning of Section 6 of Article XIII B of the California  
28 Constitution.

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