

2022-23 Governor's Budget Trailer Bill Language

Utility Audit Requirements

The following sections of Public Utilities Code are amended to read:

Pub. Util. Code section 314.5

(a) ~~(1)~~ The commission shall *apply a risk-based methodology to conduct* audits or reviews of the books and records ~~for regulatory purposes of every~~ electrical, gas, ~~heat, telegraph,~~ telephone, ~~and~~ water, ~~sewer, and transportation~~ corporations ~~subject to the commission's regulatory jurisdiction. serving over 10,000 customers at least once every three years or in accordance with the commission approved general rate case cycle, if that cycle provides for a rate case no less frequently than once every five years.~~

~~(2) The commission shall review or audit the books and records for regulatory purposes of every electrical, gas, heat, telegraph, telephone, and water corporation serving 10,000 or fewer customers at least once every five years.~~

(b) An audit ~~or review~~ conducted ~~in connection with a rate proceeding or pursuant to Section 274 or Section 792.5~~ shall be deemed to fulfill the requirements of ~~paragraph (1) of~~ subdivision (a), ~~and a review or audit conducted in connection with a rate proceeding shall be deemed to fulfill the requirements of paragraph (2) of subdivision (a).~~

(c) The commission shall post reports of reviews and audits and other pertinent information on its internet website.

Pub. Util. Code section 792.5

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

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

(c) The commission shall maintain in inventory of the balancing accounts established pursuant to this section.

(d) The commission shall require the public utility to record all related costs and revenues in the balancing account, unless those costs or revenues are specifically exempted by the commission.

~~(e) The commission shall adopt balancing account review or audit procedures that may prioritize the review based on of the following balancing accounts:~~

~~(1) Balancing accounts with a quarter end year end balance with more than a 10 percent differential from the balancing account's authorized revenue amount.~~

~~(2) Balancing accounts with an authorized revenue amount in the top 25th percentile of all balancing accounts.~~

~~(3) Balancing accounts that have experienced volatile fluctuations in their quarterly balances over time.~~

~~(4) Balancing accounts that have not been reviewed or audited in the previous three years.~~

(f) The commission may forgo the review or audit of a balancing account pursuant to this section if ~~the Public Advocate's Office of the Public Utilities Commission or~~ an independent auditor ~~plans to~~ has reviewed or audited the balancing account ~~in the last five years~~. ~~The balancing account review or audit procedures adopted pursuant to subdivision (e) do not apply to the Public Advocate's Office of the Public Utilities Commission, and the commission shall retain sole responsibility for the results of those reviews or audits conducted by the Public Advocate's Office of the Public Utilities Commission or by independent auditors.~~

Pub. Util. Code section 274

The commission may on its own order, whenever it determines it to be necessary, conduct ~~audits or reviews~~ ~~financial audits~~ of the revenues required to be collected and submitted to the commission for each of the funds specified in Section 270. The commission may on its own order, whenever it determines to be necessary, conduct compliance audits ~~or reviews~~ on the compliance with commission orders with regard to each program subject to this chapter. The commission shall ~~apply a risk-based methodology to~~ conduct ~~financial and compliance~~ audits ~~or reviews~~ of program-related costs and activities ~~at least once every three years~~. ~~This shall not limit commission's ability to initiate an audit or review when circumstances warrant. The first three year period for a financial and compliance audit commences on July 1, 2002. The second and subsequent three year periods for financial audits commence three years after the completion of the prior financial audit. The second and subsequent three year periods for compliance audits commence three years after the completion of the prior compliance audit.~~ The commission may contract with the California State Auditor's Office, ~~or the~~ Department of Finance, ~~or~~ other qualified audit or consulting firm for ~~all~~ any necessary auditing ~~or review~~ services ~~if the commission's own auditing services are not available~~. All costs for audits ~~or reviews~~ shall be paid from the fund that supports the activities of the board audited and shall be subject to the availability of money in that fund.