Assembly Bill 2168 (Williams)
Date: 03/17/16
Program: Property Taxes
Sponsor: Author
Public Utilities Code Section 314.5
Effective: January 1, 2017

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Summary: Deletes the requirement that the Public Utilities Commission (PUC) provide the BOE with their public utilities' audit reports.

Purpose: To fulfill the State Auditor's recommendation[1] to delete the requirement.

Fiscal Impact Summary: None.

Existing Law: The California Constitution[2] requires the BOE to annually assess property owned or used by telegraph or telephone companies and companies transmitting or selling gas or electricity. It also empowers the Legislature to authorize BOE assessment of property owned or used by other public utilities.

Existing law[3] requires the PUC to inspect and audit the books and records of public utilities for regulatory and tax purposes. The audit must be performed every three years for every electrical, gas, heat, telegraph, telephone, and water corporation serving over 1,000 customers. The schedule is every five years for public utilities with less than 1,000 customers. The law specifies audits that are conducted in connection with rate proceedings fulfill the audit requirement.

The law requires the PUC to furnish these audit reports to the BOE for use in the assessment of those public utilities.

Proposed Law: This bill, in part, deletes the requirement that the PUC furnish their audit reports to the BOE and instead requires the PUC to post the report on its website.

The amendment is operative January 1, 2017.

Background: In 2013, the State Auditor reviewed various PUC responsibilities. The State Auditor also looked at the PUC's role in auditing utilities and reporting that information. The State Auditor discovered that the PUC has not been providing its audit reports to the BOE as required by statute. The PUC had discontinued providing the reports to the BOE shortly after the law became effective in 1975, because BOE notified the commission that the reports were not useful to the BOE for its tax assessment purposes. Therefore, among the State Auditor's conclusions was the recommendation that the information sharing provision be struck from law.

In 2015, AB 825 (Rendon and Stone) deleted the requirement that the BOE be provided the PUC's auditing reports and instead required these reports to be posted on the PUC's website. AB 825 included a number of other provisions and the Governor vetoed the bill for reasons unrelated to the report requirement.

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[1] California State Auditor Report 2013-109 (March 2014). At page 32: "The Legislature should amend California Public Utilities Code, Section 314.5, to remove the requirement that the commission provide audit reports to Equalization."
[2] Section 19 of Article XIII.
[3] Public Utilities Code (PUC) Section 314.5.

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the BOE's formal position.

Commentary:

1. **The PUC reports did not assist the BOE with its assessment duties and are not needed.** Some 30 years ago, the BOE informed the PUC that it was unnecessary to share the reports, since the information was not useful for property tax assessment purposes. As a result, the PUC stopped providing the reports. The PUC's reports lacked information the BOE could use to assess public utilities on an annual basis or to audit public utilities. This bill amends the statute so that the PUC will no longer be out of compliance with the law.
2. **The BOE has existing authority to obtain the information it needs to make annual assessments and audit public utilities.** The BOE has existing processes to obtain the specific information it needs for property tax assessment purposes. Furthermore, the BOE assessment of public utilities also covers entities that the PUC may not regulate.
3. **Related Legislation.** AB 2570 (Quirk) also proposes deleting the requirement that PUC provide the BOE with these reports. AB 2570 differs in that it does not require the PUC to post the reports on its website.

Administrative Costs: This measure has no impact on BOE.

Revenue Impact: The BOE does not receive, need, or use these reports so this change would not impact state or local revenue.

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