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AB-420 Public utilities: property, franchises, and permits: exemption. (2025-2026)

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Assembly Bill No. 420

CHAPTER 150

An act to amend Section 851 of the Public Utilities Code, relating to public utilities.

[Approved by Governor October 01, 2025. Filed with Secretary of State October 01, 2025.]

LEGISLATIVE COUNSEL'S DIGEST

AB 420, Petrie-Norris. Public utilities: property, franchises, and permits: exemption.

Existing law vests the Public Utilities Commission with regulatory authority over public utilities. Existing law prohibits public utilities, other than certain common carriers, from selling, leasing, assigning, mortgaging, or otherwise disposing of, or encumbering, its assets that are necessary or useful in the performance of its duties to the public, unless the public utility has secured an order from the commission to do so for a qualified transaction above \$5,000,000 or an approval from the commission through the filing of an advice letter for a qualified transaction at or below \$5,000,000.

This bill would exempt from that prohibition easements, or changes to easements, that have a ratepayer financial impact valued at \$100,000 or less if a public utility that is a party to the qualified transaction has gross annual California revenues of \$500,000,000 or more. The bill would require, beginning January 1, 2030, and every 5 years thereafter, those threshold values to increase to reflect any increase in inflation, as specified. The bill would require each public utility to annually file a Tier 1 advice letter with a report of all transactions performed pursuant to this exemption, enumerated by date, value, location, and party.

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 a violation of a commission action implementing the above-described provisions would be a crime, the bill would impose a state-mandated local program.

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 Local Program: yes

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 851 of the Public Utilities Code is amended to read:

851. (a) Except as provided in subdivision (c), a public utility, other than a common carrier by railroad subject to Part A of the Interstate Commerce Act (49 U.S.C. Sec. 10101 et seq.), shall not sell, lease, assign, mortgage, or otherwise dispose of, or

encumber the whole or any part of, its railroad, street railroad, line, plant, system, or other property necessary or useful in the performance of its duties to the public, or any franchise or permit or any right thereunder, or by any means whatsoever, directly or indirectly, merge or consolidate its railroad, street railroad, line, plant, system, or other property, or franchises or permits or any part thereof, without first having either secured an order from the commission authorizing it to do so for qualified transactions valued above five million dollars (\$5,000,000), or for qualified transactions valued at five million dollars (\$5,000,000) or less, filed an advice letter and obtained approval from the commission authorizing it to do so. If the advice letter is uncontested, approval may be given by the executive director or the director of the division of the commission having regulatory jurisdiction over the utility. The commission shall determine the types of transactions valued at five million dollars (\$5,000,000) or less, that qualify for advice letter handling. For a qualified transaction valued at five million dollars (\$5,000,000) or less, the commission may designate a procedure different than the advice letter procedure if it determines that the transaction warrants a more comprehensive review. Absent protest or incomplete documentation, the commission shall approve or deny the advice letter within 120 days of its filing by the applicant public utility. The commission shall reject any advice letter that seeks to circumvent the five-million-dollar (\$5,000,000) threshold by dividing a single asset with a value of more than five million dollars (\$5,000,000) into component parts, each valued at less than five million dollars (\$5,000,000). Every sale, lease, assignment, mortgage, disposition, encumbrance, merger, or consolidation made other than in accordance with the advice letter and approval from the commission authorizing it is void. The permission and approval of the commission to the exercise of a franchise or permit under Article 1 (commencing with Section 1001) of Chapter 5, or the sale, lease, assignment, mortgage, or other disposition or encumbrance of a franchise or permit under this article, shall not revive or validate any lapsed or invalid franchise or permit, or enlarge or add to the powers or privileges contained in the grant of any franchise or permit, or waive any forfeiture.

(b) (1) Subdivision (a) shall apply to any transaction described in subparagraph (F) of paragraph (1) of subdivision (b) of Section 854.2.

(2) For any transaction described in subparagraph (F) of paragraph (1) of subdivision (b) of Section 854.2, as part of its review under subdivision (a), the commission shall determine whether the transaction is fair and reasonable to affected public utility employees, including both union and nonunion employees.

(c) (1) Subdivision (a) shall not apply to an easement, or a change to an easement, that has a ratepayer financial impact valued at one hundred thousand dollars (\$100,000) or less if a public utility that is a party to the qualified transaction has gross annual California revenues of five hundred million dollars (\$500,000,000) or more.

(2) On January 1, 2030, and every five years thereafter, the threshold values specified in paragraph (1) shall be adjusted to reflect any increase in inflation as measured by the Consumer Price Index for All Urban Consumers (CPI-U) published by the United States Bureau of Labor Statistics.

(3) Each public utility shall annually file a Tier 1 advice letter with the commission by April 1, with a report of all transactions performed pursuant to paragraph (1), enumerated by date, value, location, and party.

(d) This section does not prevent the sale, lease, encumbrance, or other disposition by any public utility of property that is not necessary or useful in the performance of its duties to the public, and any disposition of property by a public utility shall be conclusively presumed to be of property that is not useful or necessary in the performance of its duties to the public, as to any purchaser, lessee, or encumbrancer dealing with that property in good faith for value, provided that this section does not apply to the interchange of equipment in the regular course of transportation between connecting common carriers.

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