

Assembly Concurrent Resolution

No. 2

**Introduced by Assembly Members Koretz, Goldberg and Keeley
(Coauthors: Assembly Members Firebaugh, Jackson, Migden,
Pavley, Steinberg, and Strom-Martin)**

May 15, 2001

Assembly Concurrent Resolution No. 2—Relative to energy price caps.

LEGISLATIVE COUNSEL'S DIGEST

ACR 2, as introduced, Koretz. Electricity price caps.

This measure requests that the Governor utilize his executive emergency powers or sponsor urgency legislation to establish a 2-year maximum price cap on electricity purchases on the spot market based upon generators' actual cost of production plus a reasonable profit and consult with the Governors of other western states to encourage them to join California in adopting a cap at the same level.

Fiscal committee: yes.

- 1 WHEREAS, Wholesale prices for electrical energy to
2 California have skyrocketed, placing the state's investor owned
3 utilities in precarious financial condition and forcing the State of
4 California to buy electricity at inflated prices, jeopardizing the
5 state's economy; and
6 WHEREAS, There is a critical need to immediately stabilize the
7 volatile energy market in order to solve the energy crisis that is
8 threatening the livelihood of the State of California; and
9 WHEREAS, The State of California is currently spending
10 billions of dollars on the spot market purchasing power for

1 ratepayers on behalf of California utility companies in order to
2 keep the lights on throughout the state; and

3 WHEREAS, Power generators are reaping excessive profits by
4 supplying power to California on the spot market at inflated rates;
5 and

6 WHEREAS, Suppliers of energy to California are the subject of
7 numerous investigations, refund orders and lawsuits alleging
8 collusion and price-fixing; and

9 WHEREAS, Some experts believe that caps on the wholesale
10 price of electricity will provide predictability and stability to the
11 marketplace and will enable the state's utilities, utility creditors
12 and the bankruptcy court process to make long-term decisions
13 more effectively; and

14 WHEREAS, Critics of the recent order of the Federal Energy
15 Regulatory Commission point out that the cap on wholesale prices
16 only covers power bought when reserves are low, though
17 consumer advocates say generators are gouging all the time
18 regardless of levels of supply; and

19 WHEREAS, Californians are already 49th in the nation in per
20 capita energy use and continue to significantly reduce our energy
21 consumption, and new power plants are scheduled to be on line
22 soon, nonetheless, aggressive and drastic steps must be taken
23 before long-term power contracts take effect to prevent the energy
24 crisis from wreaking havoc on our state's economy in the short
25 term; now therefore, be it

26 *Resolved by the Assembly of the State of California, the Senate*
27 *thereof concurring*, That as efforts continue to seek meaningful
28 relief at the federal level, and in light of the continued refusal of
29 electricity generators to discontinue manipulating the marketplace
30 and taking advantage of California state government and
31 ratepayers, the Governor should utilize his executive emergency
32 powers or sponsor urgency legislation in the extraordinary session
33 to establish a state electricity price cap, a maximum power
34 purchase rate that the State of California will pay electricity
35 generators, under any circumstances, to purchase power on the
36 spot market; and be it further

37 *Resolved*, That the Governor should establish this rate for two
38 years and base the rate on the generators' actual cost of production
39 plus a reasonable profit; and be it further



1 *Resolved*, That the Governor should consult with Governors of
2 other western states and encourage them to join California in
3 capping at the same level the price they are willing to pay for
4 power; and be it further

5 *Resolved*, That the Governor is encouraged to take this bold
6 action and lead the people of the State of California in fighting
7 back against those power generators who are gouging Californians
8 to gain excessive profits; and be it further

9 *Resolved*, That the Chief Clerk of the Assembly transmit copies
10 of this resolution to the Governor.

