

AMENDED IN ASSEMBLY MAY 31, 2001

AMENDED IN ASSEMBLY MAY 9, 2001

AMENDED IN ASSEMBLY APRIL 16, 2001

AMENDED IN ASSEMBLY APRIL 4, 2001

CALIFORNIA LEGISLATURE—2001-02 REGULAR SESSION

**ASSEMBLY BILL**

**No. 578**

**Introduced by Assembly Member La Suer**

February 21, 2001

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~~An act to add Section 80136 to the Water Code, relating to electric power, and making an appropriation therefor. An act to amend Section 332.1 of the Public Utilities Code, relating to electric power.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 578, as amended, La Suer. ~~Department of Water Resources: electric power: undercollections~~ *Electric power: San Diego Gas and Electric Company.*

*The Public Utilities Act requires the Public Utilities Commission to institute a proceeding to examine the prudence and reasonableness of the San Diego Gas and Electric Company (SDG&E) in the procurement of wholesale energy on behalf of its customers, for a period beginning at the latest on June 1, 2000. Under existing law, if the commission finds that SDG&E acted imprudently or unreasonably, the commission is required to issue orders that it determines to be appropriate affecting the retail rates of SDG&E customers including, but not limited to, refunds. Existing law also requires the commission to establish an accounting procedure to track and recover reasonable and prudent*

*costs of providing electric energy to retail customers unrecovered through retail bills due to the application of a price ceiling.*

*This bill would require the commission, upon completion of the proceeding to examine the prudence and reasonableness of SDG&E in the procurement of wholesale energy, to establish a payment mechanism for customers served by SDG&E that is sufficient to allow full payment of the amount determined pursuant to the above-described accounting procedure.*

~~Existing law authorizes the Department of Water Resources to enter into contracts for the purchase of electric power and sell that power to retail end-use customers and, with specified exceptions, to local publicly owned electric utilities at not more than the department's acquisition costs. The department is authorized, for these purposes, to issue revenue bonds not to exceed a certain amount upon authorization by written determination of the department and with the approval of the Director of Finance and the Treasurer. Existing law establishes in the State Treasury the Department of Water Resources Electric Power Fund, the funds in which are continuously appropriated to the department. Existing law requires all revenues payable to the department under those power purchase provisions to be deposited in the fund.~~

~~Existing law requires the Public Utilities Commission to establish a ceiling of \$0.065 per kilowatthour on the energy component of electric bills for residential, small commercial, and street lighting customers of the San Diego Gas and Electric Company, through December 31, 2002, retroactive to June 1, 2000. If the commission finds it in the public interest, this ceiling may be extended through December 2003 and may be adjusted. The commission is required to establish an accounting procedure to track and recover reasonable and prudent costs of providing electric energy to retail customers unrecovered through retail bills due to the application of the specified ceiling. The accounting procedure is required to utilize revenues associated with sales of energy from utility-owned or managed generation assets to offset an undercollection, if undercollection occurs.~~

~~This bill would authorize the department to issue bonds, in whole or in part, for the purpose of offsetting all or part of any undercollection incurred under the \$0.065 per kilowatthour rate ceiling imposed under existing law, in addition to any other purpose authorized for the issuance of bonds under those power purchase provisions in existing law, thereby making an appropriation.~~



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

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

1 ~~SECTION 1.—Section 80136 is added to the Water Code, to~~  
2 ~~read:~~

3 ~~80136.—In addition to any other purpose authorized for the~~  
4 ~~issuance of bonds under this division, the department may issue~~  
5 ~~bonds, in whole or in part, for the purpose of offsetting all or part~~  
6 ~~of any undercollection incurred under Section 332.1 of the Public~~  
7 ~~Utilities Code.~~

8 *SECTION 1. It is the intent of the Legislature, in order to*  
9 *prevent undue financial hardship for the customers of San Diego*  
10 *Gas and Electric Company, that customers responsible for*  
11 *unrecovered costs, as described in subdivision (c) of Section 332.1*  
12 *of the Public Utilities Code, pay those costs to San Diego Gas and*  
13 *Electric Company over a five-year period.*

14 *SEC. 2. Section 332.1 of the Public Utilities Code, as*  
15 *amended by Chapter 6 of the Statutes of 2001, is amended to read:*

16 332.1. (a) (1) It is the intent of the Legislature to enact Item  
17 1 (revised) on the commission’s August 21, 2000 agenda, entitled  
18 “Opinion Modifying Decision (D.) D.00-06-034 and  
19 D.00-08-021 to Regarding Interim Rate Caps for San Diego Gas  
20 and Electric Company,” as modified below.

21 (2) It is also the intent of the Legislature that to the extent that  
22 the Federal Energy Regulatory Commission orders refunds to  
23 electrical corporations pursuant to their findings, the commission  
24 shall ensure that any refunds are returned to customers.

25 (b) The commission shall establish a ceiling of six and  
26 five-tenths cents (\$0.065) per kilowatthour on the energy  
27 component of electric bills for electricity supplied to residential,  
28 small commercial, and street lighting customers by the San Diego  
29 Gas and Electric Company, through December 31, 2002,  
30 retroactive to June 1, 2000. If the commission finds it in the public  
31 interest, this ceiling may be extended through December 2003 and  
32 may be adjusted as provided in subdivision (d).

33 (c) The commission shall establish an accounting procedure to  
34 track and recover reasonable and prudent costs of providing  
35 electric energy to retail customers unrecovered through retail bills



1 due to the application of the ceiling provided for in subdivision (b).  
2 The accounting procedure shall utilize revenues associated with  
3 sales of energy from utility-owned or managed generation assets  
4 to offset an undercollection, if undercollection occurs. The  
5 accounting procedure shall be reviewed periodically by the  
6 commission, but not less frequently than semiannually. The  
7 commission may utilize an existing proceeding to perform the  
8 review. The accounting procedure and review shall provide a  
9 reasonable opportunity for San Diego Gas and Electric Company  
10 to recover its reasonable and prudent costs of service over a  
11 reasonable period of time.

12 (d) If the commission determines that it is in the public interest  
13 to do so, the commission, after the date of the completion of the  
14 proceeding described in subdivision (g), may adjust the ceiling  
15 from the level specified in subdivision (b), and may adjust the  
16 frozen rate from the levels specified in subdivision (f), consistent  
17 with the Legislature's intent to provide substantial protections for  
18 customers of the San Diego Gas and Electric Company and their  
19 interest in just and reasonable rates and adequate service.

20 (e) For purposes of this section, "small commercial customer"  
21 includes, but is not limited to, all San Diego Gas and Electric  
22 Company accounts on Rate Schedule A of the San Diego Gas and  
23 Electric Company, all accounts of customers who are "general  
24 acute care hospitals," as defined in Section 1250 of the Health and  
25 Safety Code, all San Diego Gas and Electric Company accounts  
26 of customers who are public or private schools for pupils in  
27 kindergarten or any of grades 1 to 12, inclusive, and all accounts  
28 on Rate Schedule AL-TOU under 100 kilowatts.

29 (f) The commission shall establish an initial frozen rate of six  
30 and five-tenths cents (\$0.065) per kilowatthour on the energy  
31 component of electric bills for electricity supplied to all customers  
32 by the San Diego Gas and Electric Company not subject to  
33 subdivision (b), for the time period ending with the end of the rate  
34 freeze for the Pacific Gas and Electric Company and the Southern  
35 California Edison Company pursuant to Section 368, retroactive  
36 to February 7, 2001. The commission shall consider the  
37 comparable energy components of rates for comparable customer  
38 classes served by the Pacific Gas and Electric Company and the  
39 Southern California Edison Company and, if it determines it to be  
40 in the public interest, the commission may adjust this frozen rate,



1 and may do so, retroactive to the date that rate increases took effect  
2 for customers of Pacific Gas and Electric Company and Southern  
3 California Edison Company pursuant to the commission's March  
4 27, 2001, decision. The commission shall determine the Fixed  
5 Department of Water Resources Set-Aside pursuant to Section  
6 360.5 for customers subject to this section, reflecting a retail rate  
7 consistent with the rate for the energy component of electric bills  
8 as determined in this subdivision, in place of the retail rate in effect  
9 on January 5, 2001. This section shall be construed to modify the  
10 payment provisions, but may not be construed to modify the  
11 electric procurement obligations of the Department of Water  
12 Resources, pursuant to any contract or agreement in accordance  
13 with Division 27 (commencing with Section 80000) of the Water  
14 Code, and in effect as of February 7, 2001, between the  
15 Department of Water Resources and San Diego Gas and Electric  
16 Company.

17 (g) The commission shall institute a proceeding to examine the  
18 prudence and reasonableness of the San Diego Gas and Electric  
19 Company in the procurement of wholesale energy on behalf of its  
20 customers, for a period beginning at the latest on June 1, 2000. If  
21 the commission finds that San Diego Gas and Electric Company  
22 acted imprudently or unreasonably, the commission shall issue  
23 orders that it determines to be appropriate affecting the retail rates  
24 of San Diego Gas and Electric Company customers including, but  
25 not limited to, refunds.

26 (h) *Upon completion of the proceeding instituted pursuant to*  
27 *subdivision (g), the commission shall establish a payment*  
28 *mechanism for customers served by San Diego Gas and Electric*  
29 *Company that is sufficient to allow full payment of the amount*  
30 *determined pursuant to the procedure established as required by*  
31 *subdivision (c). The amount shall not include any costs that have*  
32 *been determined to be unrecoverable as a result of the proceeding*  
33 *instituted pursuant to subdivision (g).*

34 (i) Nothing in this section shall be construed to limit the  
35 authority of the Department of Water Resources pursuant to  
36 Division 27 (commencing with Section 80000) of the Water Code.

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