

AMENDED IN SENATE JULY 12, 2004

AMENDED IN SENATE JUNE 17, 2004

AMENDED IN ASSEMBLY MAY 17, 2004

AMENDED IN ASSEMBLY APRIL 27, 2004

AMENDED IN ASSEMBLY APRIL 15, 2004

AMENDED IN ASSEMBLY APRIL 12, 2004

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

ASSEMBLY BILL

No. 2918

Introduced by Assembly Member Laird

February 20, 2004

An act to ~~add Section 747 to the Public Utilities Code,~~ relating to desalination facilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 2918, as amended, Laird. Desalination facilities: ~~electricity rates.~~

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations, ~~and~~ *and water corporations. Existing law* authorizes the commission to fix just and reasonable rates and charges for all public utilities.

The existing Cobey-Porter Saline Water Conversion Law authorizes the Department of Water Resources, either independently or in cooperation with public or private entities, to conduct a program of investigation, study, and evaluation in the field of saline water conversion, to provide assistance to persons or entities seeking to

construct desalination facilities, and after submission of a written report and upon appropriation from the Legislature, to finance, construct, and operate saline water conversion facilities.

~~This bill would, for any electrical corporation serving more than 1,000,000 customers, require that by July 1, 2005, the commission initiate either a quasi-legislative or ratesetting proceeding to determine the feasibility of establishing a separate rate class for desalination plants operated by public agencies or by regulated utilities, which are placed in service after January 1, 2006 require the commission to evaluate the interrelationship between the commission's electricity policies and water policies as they relate to saline water conversion through ocean desalination, and to report to the Governor and the Legislature, on or before January 1, 2006, on the balance between electricity ratepayers and water ratepayers. The commission would be required to invite the Department of Water Resources, the State Water Resources Control Board, the Department of Fish and Game, the State Energy Resources Conservation and Development Commission, and the California Coastal Commission, to participate in the evaluation.~~

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

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

1 ~~SECTION 1.—The Legislature finds and declares all of the~~
 2 *SECTION 1. The Public Utilities Commission shall evaluate*
 3 *the interrelationship between the commission's electricity policy*
 4 *and water policy as it relates to saline water conversion through*
 5 *ocean desalination and shall report to the Governor and the*
 6 *Legislature by January 1, 2006, on the balance between the*
 7 *interests of electricity and water ratepayers. The commission shall*
 8 *invite the Department of Water Resources, the State Water*
 9 *Resources Control Board, the Department of Fish and Game, the*
 10 *State Energy Resources Conservation and Development*
 11 *Commission, and the California Coastal Commission, to*
 12 *participate in the evaluation.*

13 ~~following:~~

14 ~~(a) The state has serious water supply problems which will be~~
 15 ~~difficult to solve without additional supplies of clean fresh water.~~

16 ~~(b) Some methods for addressing fresh water shortages raise~~
 17 ~~very controversial issues, including the environmental effects of~~



1 ~~new dams used to store additional supplies, purchasing water from~~
2 ~~agricultural interests, and shipping water from one part of the state~~
3 ~~to another.~~

4 ~~(e) Desalination has recently become more cost effective as a~~
5 ~~result of recent technological improvements, although~~
6 ~~desalination is not free of difficult policy and environmental~~
7 ~~issues.~~

8 ~~(d) Fresh water provided by desalination will remain costly,~~
9 ~~partly because the cost of electricity used in the desalination~~
10 ~~process can be as much as 75 percent of the cost of water from a~~
11 ~~desalination plant.~~

12 ~~(e) It is the intent of the Legislature that any special rate class~~
13 ~~established by the Public Utilities Commission pursuant to this act~~
14 ~~for desalination plants not result in shifting costs to other~~
15 ~~electricity users and that the rates for other electricity users not~~
16 ~~shift costs to desalination plants.~~

17 ~~SEC. 2. Section 747 is added to the Public Utilities Code, to~~
18 ~~read:~~

19 ~~747. The commission shall, by July 1, 2005, for any electrical~~
20 ~~corporation serving more than 1,000,000 customers, initiate either~~
21 ~~a quasi-legislative or ratesetting proceeding to determine the~~
22 ~~feasibility of establishing a separate rate class for desalination~~
23 ~~plants operated by public agencies or by regulated utilities, which~~
24 ~~are placed in service after January 1, 2006. The commission may~~
25 ~~make the determination in the utility's next general rate case. In the~~
26 ~~proceeding, the commission shall consider whether a desalination~~
27 ~~facility employs programs to shift electricity consumption to~~
28 ~~offpeak electricity demand periods, including interruptible or~~
29 ~~curtailable service programs, and use of real time metering.~~

