

AMENDED IN ASSEMBLY JULY 11, 1995
AMENDED IN ASSEMBLY JUNE 19, 1995
AMENDED IN ASSEMBLY APRIL 25, 1995

CALIFORNIA LEGISLATURE—1995-96 REGULAR SESSION

ASSEMBLY BILL

No. 1890

Introduced by Assembly Member Conroy
(Principal coauthor: Assembly Member Martinez)

February 24, 1995

An act to add Section 702.1 to the Public Utilities Code, relating to public utilities, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 1890, as amended, Conroy. Public utilities: restructuring.

Under existing law, the Public Utilities Commission is vested with regulatory authority over public utilities.

This bill would ~~declare the intent of the Legislature that specified requirements be implemented in order to ensure a smooth and equitable restructuring of~~ *require that the commission's decision to restructure* the electrical services industry in California, *and the orders implementing that decision, comply with specified criteria,* and would state findings and declarations in that regard.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: 2/3. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

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

1 SECTION 1. ~~The Legislature finds and declares that:~~

2 ~~(a) The Public Utilities Commission in its Order~~
3 ~~Instituting Rulemaking and Order Instituting~~
4 ~~Investigation (OIR 94-04-031 and OH 94-04-032,~~
5 ~~commonly referred to as “The Blue Book”) set forth a~~
6 ~~proposed policy statement on restructuring California’s~~
7 ~~electric services industry and reforming its regulatory~~
8 ~~policy.~~

9 ~~(b) The Public Utilities Commission determined that~~
10 ~~the people of the State of California pay some of the~~
11 ~~highest energy rates in the nation.~~

12 ~~(c) The high rates paid by California ratepayers are~~
13 ~~primarily due to an existing regulatory structure~~
14 ~~comprised of policies which are fragmented, outdated,~~
15 ~~arcane, and overly complex, engendering a lack of~~
16 ~~competitiveness among utilities, providing weak~~
17 ~~incentives to utilities to operate and invest efficiently,~~
18 ~~and is administratively burdensome and acts as a barrier~~
19 ~~to public participation.~~

20 ~~(d) In 1994 the Legislature passed Assembly~~
21 ~~Concurrent Resolution 143 (Resolution Chapter 148 of~~
22 ~~the Statutes of 1994) which sets forth general terms that~~
23 ~~reflect the state’s ongoing policy concerns by which~~
24 ~~proposed electric restructuring policies should comply.~~
25 ~~The criteria included achieving significant rate~~
26 ~~reductions, establishing performance standards for~~
27 ~~utilities that assure their performance is among the most~~
28 ~~efficient in the nation, promoting fair competition and~~
29 ~~customer choice, protecting public health and complying~~
30 ~~with all federal and state law, reducing regulation costs~~
31 ~~and burdens, and insuring safety and reliability of the~~
32 ~~utility grid.~~

33 ~~(e) The primary purposes of the restructuring of the~~
34 ~~electrical industry are as follows:~~



1 ~~(1) To reduce rates and ensure that the benefits of the~~
2 ~~restructuring inure to all classes of California ratepayers.~~

3 ~~(2) To foster a competitive electrical services industry~~
4 ~~and to implement significant reduction in regulation of~~
5 ~~utilities.~~

6 ~~(3) To enable all utility providers to engage in~~
7 ~~equitable competition through guaranteed open, equal,~~
8 ~~and comparable access to transmission and distribution~~
9 ~~systems.~~

10 ~~(4) To ensure that all existing contracts will be~~
11 ~~honored.~~

12 ~~(5) To ensure that the costs of public policy programs,~~
13 ~~including social, economic, and environmental programs,~~
14 ~~shall continue to be supported by all customers and~~
15 ~~providers.~~

16 ~~(6) To ensure that all classes of ratepayers eventually~~
17 ~~obtain the ability to exercise choice in the selection of an~~
18 ~~electrical service provider.~~

19 ~~(7) To ensure that the current standards of safety,~~
20 ~~reliability, and service are maintained in a restructured~~
21 ~~electrical service industry.~~

22 ~~SEC. 2. Section 702.1 is added to the Public Utilities~~
23 ~~Code, to read:~~

24 ~~702.1. (a) To ensure a smooth and equitable~~
25 ~~restructuring of the electrical services industry in~~
26 ~~California, it is the intent of the Legislature that the~~
27 ~~following requirements shall be implemented:~~

28 ~~(1) The establishment of a five-year transition period~~
29 ~~for the restructuring of the electrical industry beginning~~
30 ~~no later than January 1, 1997.~~

31 ~~(2) All stranded costs as identified by the utilities and~~
32 ~~the Public Utilities Commission and approved by the~~
33 ~~Legislature shall be paid off no later than January 1, 2003.~~

34 ~~(3) Electricity rates for all consumer classes shall not~~
35 ~~rise above current levels throughout the transition~~
36 ~~period. If possible, electrical rates for all consumers shall~~
37 ~~be lowered when feasible.~~

38 ~~(4) All transition costs shall be recovered by virtue of~~
39 ~~the savings generated by the restructuring of the~~
40 ~~electrical service industry.~~



1 ~~(5) All classes of customers shall share equally in the~~
2 ~~transition costs through a charge on the distribution~~
3 ~~system.~~

4 ~~(6) Electrical bills for all classes shall be unbundled,~~
5 ~~utilizing line itemization to reveal the various component~~
6 ~~costs of providing electrical services.~~

7 ~~(7) All public benefit programs currently authorized~~
8 ~~by the Legislature or the commission, or both, shall be~~
9 ~~reevaluated and reauthorized no later than January 1,~~
10 ~~1999.~~

11 ~~(8) Charges for public benefit programs currently~~
12 ~~authorized by the Legislature or the commission, or both,~~
13 ~~shall be unbundled and appear in line item format on~~
14 ~~electrical bills for all classes of customer.~~

15 ~~(b) For purposes of this section, “public benefit~~
16 ~~programs” means all social, economic, and~~
17 ~~environmental programs currently funded through rates~~
18 ~~charged to customers receiving electrical services in the~~
19 ~~State of California.~~

20 ~~(c) This section shall become inoperative on January~~
21 ~~1, 2003.~~

22 *SECTION 1. The Legislature finds and declares that:*

23 *(a) The Public Utilities Commission in its Order*
24 *Instituting Rulemaking and Order Instituting*
25 *Investigation (OIR 94-04-031 and OII 94-04-032,*
26 *commonly referred to as ‘The Blue Book’) set forth a*
27 *proposed policy statement on restructuring California’s*
28 *electric services industry and reforming its regulatory*
29 *policy.*

30 *(b) The Public Utilities Commission determined that*
31 *the people of the State of California pay some of the*
32 *highest energy rates in the nation.*

33 *(c) The high rates paid by California ratepayers are*
34 *primarily due to an existing regulatory structure*
35 *comprised of policies that are fragmented, outdated,*
36 *arcane, and overly complex, engendering a lack of*
37 *competitiveness among utilities, providing weak*
38 *incentives to utilities to operate and invest efficiently,*
39 *and is administratively burdensome and acts as a barrier*
40 *to public participation.*



1 (d) In 1994, the Legislature passed Assembly
2 Concurrent Resolution No. 143 (Resolution Chapter 148
3 of the Statutes of 1994) which sets forth general terms that
4 reflect the state's ongoing policy concerns with which
5 proposed electric restructuring policies should comply.
6 The criteria included achieving significant rate
7 reductions, establishing performance standards for
8 utilities that assure their performance is among the most
9 efficient in the nation, promoting fair competition and
10 customer choice, protecting public health and complying
11 with all federal and state law, reducing regulation costs
12 and burdens, and ensuring safety and reliability of the
13 utility grid.

14 SEC. 2. Section 702.1 is added to the Public Utilities
15 Code, to read:

16 702.1. (a) The commission's decision to restructure
17 the electric services industry and the order, or orders,
18 implementing that decision shall comply with the
19 following criteria:

20 (1) The order shall establish a definite period for the
21 transition to a restructured electrical services industry no
22 later than January 1, 1997. The transition period shall
23 establish a suitable timeframe for changing the present
24 operating practices and conventions of the electric
25 services industry to operating practices and conventions
26 appropriate to the restructured competitive industry.

27 (2) (A) With respect to transition costs the order shall
28 establish and implement a methodology for determining
29 transition costs associated with the restructuring of the
30 electric services industry.

31 (B) The methodology shall do all of the following:

32 (i) Determine what constitutes a noneconomic utility
33 asset.

34 (ii) Determine the value of the noneconomic utility
35 assets.

36 (iii) Prescribe a fair, just, and equitable allocation of
37 the value of the noneconomic assets among all consumer
38 classes.

39 (iv) Prescribe a reasonable amortization period for
40 the recovery of the amounts from all consumer classes.

1 (v) Prescribe a mechanism to be used to recover the
2 costs.

3 (3) The order shall ensure that reductions in the cost
4 of electricity that result from restructuring are not
5 entirely offset by charges for recovering transition costs.
6 Accordingly, the amortization period over which the
7 costs will be recovered, together with the collection
8 mechanism used for recovering those costs, shall not
9 result in annual transition cost payments from any
10 consumer class that exceed 50 percent of the estimated
11 annual reduction in the cost of electricity for that class,
12 which is attributable to restructuring.

13 (b) The commission shall provide that consumer bills
14 for electric services be unbundled, and show separately,
15 among other items, the cost of electricity, the cost of
16 transmission and distribution charges, itemized transition
17 cost recovery charges, and charges for public benefit
18 programs.

19 (c) The commission shall not order the restructuring
20 of the electric services industry unless it determines that
21 the proposed restructuring shall provide retail consumers
22 the opportunity to purchase electricity at prices no
23 greater than would have been the case without
24 restructuring.

25 (d) Prior to issuing a restructuring order, the
26 commission shall enumerate the various public benefit
27 programs currently required by statute or regulation,
28 shall identify the cost of each program enumerated, and
29 shall separately list the enumerated costs on bills to
30 customers. These programs currently authorized by the
31 Legislature or the commission, or both, shall be
32 reevaluated and reauthorized no later than January 1,
33 1999.

34 (e) The commission shall establish a methodology that
35 shall provide residential and small business consumers
36 with the opportunity to share in the benefits of a
37 restructured electrical services industry either by
38 providing for the relative ease of aggregation for small
39 business and residential customers in a geographical area
40 consistent with the area of the franchise or other method



1 to be determined consistent with the requirements of the
2 restructured electric services industry established by
3 statute or regulation.

4 (f) In conjunction with the commission's ultimate goal
5 of implementing direct access, the commission shall
6 develop proposed tariffs consistent with this goal. The
7 proposed tariffs shall provide for direct
8 nondiscriminatory open access transmission to all retail
9 buyers of electric energy who choose to purchase
10 electricity from any third party power producer.

11 (g) For purposes of this section:

12 (1) "Public benefit programs" means all social,
13 economic, and environmental programs currently
14 funded through rates charged to customers receiving
15 electrical services in the state of California.

16 (2) "Transition period" means the period required for
17 the electrical services industry to convert from a
18 command and control system to a system employing
19 competitive market practices.

20 (3) "Transition costs" means those costs determined to
21 arise as a result of the restructuring of the electrical
22 services industry.

23 (h) This section shall become inoperative on January
24 1, 2003, and as of that date is repealed, unless a later
25 enacted statute that is chaptered on or before January 1,
26 2003, deletes or extends that date.

27 SEC. 3. This act is an urgency statute necessary for the
28 immediate preservation of the public peace, health, or
29 safety within the meaning of Article IV of the
30 Constitution and shall go into immediate effect. The facts
31 constituting the necessity are:

32 In order to facilitate the transition of the current
33 regulatory utility structure to a new utility structure
34 which will have a profound and immediate impact on the
35 people and State of California, it is necessary that this act
36 take effect immediately.

