

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 authorizes the commission to fix just and reasonable rates and charges for all public utilities.

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.

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 following:

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

5 (b) Some methods for addressing fresh water shortages raise
6 very controversial issues, including the environmental effects of
7 new dams used to store additional supplies, purchasing water from
8 agricultural interests, and shipping water from one part of the state
9 to another.

10 (c) Desalination has recently become more cost effective as a
11 result of recent technological improvements, although
12 desalination is not free of difficult policy and environmental
13 issues.

14 (d) Fresh water provided by desalination will remain costly,
15 partly because of the cost of electricity used in the desalination
16 process *can be as much as 75 percent of the cost of water from a*
17 *desalination plant.*

18 ~~(e) The Public Utilities Commission should not shift costs as a~~
19 ~~result of the enactment of this act.~~

20 (e) *It is the intent of the Legislature that any special rate class*
21 *established by the Public Utilities Commission pursuant to this act*
22 *for desalination plants not result in shifting costs to other*
23 *electricity users and that the rates for other electricity users not*
24 *shift costs to desalination plants.*

25 SEC. 2. Section 747 is added to the Public Utilities Code, to
26 read:

27 747. The commission shall, by July 1, 2005, for any electrical
28 corporation serving more than 1,000,000 customers, initiate either
29 a quasi-legislative or ratesetting proceeding to determine the
30 feasibility of establishing a separate rate class for desalination
31 plants operated by public agencies or by regulated utilities, which
32 are placed in service after January 1, 2006. The commission may
33 make the determination in the utility's next general rate case. ~~In the~~
34 ~~proceeding, the commission shall determine the costs and benefits~~
35 ~~associated with exempting a desalination facility operated by a~~

1 ~~public agency or regulated utility from costs of electricity~~
2 ~~procured through the Department of Water Resources pursuant to~~
3 ~~Division 27 (commencing with Section 80000) of the Water Code,~~
4 ~~or through any historical procurement costs associated with~~
5 ~~restructuring of the electrical industry, including any utility~~
6 ~~undercollections or insolvency or bankruptcy related charges,~~
7 ~~both during and after the energy crises of 2000-01.~~ In the
8 proceeding, the commission shall additionally consider whether a
9 desalination facility employs programs to shift electricity
10 consumption to offpeak electricity demand periods, including
11 interruptible or curtailable service programs, and use of real time
12 metering.

