

AMENDED IN ASSEMBLY APRIL 13, 2009

CALIFORNIA LEGISLATURE—2009—10 REGULAR SESSION

ASSEMBLY BILL

No. 413

Introduced by Assembly Member Fuentes

February 23, 2009

An act to amend Sections 327, 382, 739.1, and 747 of, and to add Sections 739.9 and 745 to, the Public Utilities Code, and to amend Section 80110 of the Water Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

AB 413, as amended, Fuentes. Energy: rates.

(1) Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations and gas corporations, as defined. Existing law authorizes the commission to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable.

This bill would prohibit the commission from requiring or permitting an electrical corporation to employ time-variant pricing, as defined, for residential customers, but would authorize the commission to authorize an electrical corporation to offer residential customers the option of receiving service pursuant to time-variant pricing. The bill, commencing January 1, 2016, would authorize the commission to authorize an electrical corporation to employ default time-variant pricing for residential customers, if the customer has the option of receiving service pursuant to a rate schedule that is not based upon time-variant pricing and if residential customers that exercise the option to not receive service pursuant to the time-variant pricing incur no additional costs as a result of the exercise of *fee or surcharge to exercise* that option.

(2) Existing law requires the commission to establish a program of assistance to low-income electric and gas customers, referred to as the California Alternate Rates for Energy or CARE program, and prohibits the cost to be borne solely by any single class of customer.

This bill would require the commission to establish the CARE program to provide assistance to low-income electric and gas customers with annual household incomes at or below 200% of the federal poverty guideline levels, and require that the cost of the program be recovered on an equal cents per kilowatthour ~~or per therm~~ basis from all classes of customers that were subject to the surcharge that funded the CARE program on January 1, 2008.

(3) Existing law relative to electrical restructuring requires that the electrical corporations and gas corporations that participate in the CARE program administer low-income energy efficiency and rate assistance programs described in specified statutes, and undertake certain actions in administering specified energy efficiency and weatherization programs.

This bill would require that electrical corporations, in administering the specified energy efficiency and weatherization programs, to target energy efficiency and solar programs to upper-tier and multifamily customers in a manner that will result in long-term permanent reductions in electricity usage and develop programs that specifically target new construction by, and new and retrofit appliances for, nonprofit affordable housing providers. The bill would require the commission to require electrical corporations to deploy enhanced Low-Income Energy Efficiency (LIEE) programs, as defined, designed to reach as many eligible customers as practicable by December 31, 2014, particularly targeting those customers occupying apartment houses or similar multiunit residential structures, and would require the commission and electrical corporations and gas corporations to expend all reasonable efforts to coordinate ratepayer-funded programs with other energy conservation and efficiency programs and to obtain additional federal funding to support actions undertaken pursuant to this requirement.

(4) Existing law relative to electrical restructuring requires the commission to authorize and facilitate direct transactions between electricity suppliers and retail end-use customers.

Existing law requires the commission to designate a baseline quantity of electricity and gas necessary for a significant portion of the reasonable energy needs of the average residential customer, and requires that electrical and gas corporations file rates and charges, to be approved

by the commission, providing baseline rates and requires the commission, in establishing baseline rates, to avoid excessive rate increases for residential customers.

Existing law enacted during the energy crisis of 2000–01, authorized the Department of Water Resources, until January 1, 2003, to enter into contracts for the purchase of electricity, and to sell electricity to retail end use customers and, with specified exceptions, local publicly owned electric utilities, at not more than the department’s acquisition costs and to recover those costs through the issuance of bonds to be repaid by ratepayers. That law provides that the department is entitled to recover certain expenses resulting from its purchases and sales of electricity and authorizes the commission to enter into an agreement with the department relative to cost recovery. That law prohibits the commission from increasing the electricity charges in effect on February 1, 2001, for residential customers for existing baseline quantities or usage by those customers of up to 130% of then existing baseline quantities, until the department has recovered the costs of electricity it procured for electrical corporation retail end use customers. That law also suspends the right of retail end-use customers, other than community choice aggregators and a qualifying direct transaction customer, to acquire service through a direct transaction until the Department of Water Resources no longer supplies electricity under that law.

This bill would delete the prohibition that the commission not increase the electricity charges in effect on February 1, 2001, for residential customers for existing baseline quantities or usage by those customers of up to 130% of then existing baseline quantities. The bill would authorize the commission, until January 1, 2019, to increase the rates charged residential customers for electricity usage up to 130% of the baseline quantities by the annual percentage change in the Consumer Price Index from the prior year plus 1%, but not less than 3% and not more than 5% per year. This authorization would be subject to the limitation that rates charged residential customers for electricity usage up to the baseline quantities, including any customer charge revenues, not exceed 90% of the system average rate, as defined. The bill would authorize the commission to increase the rates for participants in the CARE program, subject to certain limitations. The bill would authorize the commission to allow individual retail end-use customers taking service from an electric service provider on January 1, 2010, or eligible to take service from an electric service provider under rules adopted by

the commission in existence on January 1, 2008, to acquire service for new accounts, as defined, from an electric service provider. The bill would suspend the right of retail end-use customers to acquire service through a direct transaction until the Legislature, by statute, lifts the suspension or otherwise authorizes direct transactions.

(5) Existing law requires the commission to prepare and submit to the Governor and the Legislature a written report on an annual basis before February 1 of each year on the costs of programs and activities conducted by an electrical corporation or gas corporation that ~~have~~ *has* more than a specified number of customers in California.

This bill would also require the report to contain the commission's recommendations for actions that can be undertaken during the upcoming year to limit utility cost increases ~~and reduce rates~~, consistent with the state's carbon reduction, energy, and environmental goals. The bill would require the commission to annually require electrical and gas corporations to study and report to the commission on measures that they recommend be undertaken to limit cost increases ~~and reduce rates~~.

(6) Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because certain of the provisions of this bill would be a part of the act and because a violation of an order or decision of the commission implementing its requirements would be a crime, the bill would impose a state-mandated local program by creating a new crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

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

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

- 1 SECTION 1. Section 327 of the Public Utilities Code is
- 2 amended to read:
- 3 327. (a) The electrical corporations and gas corporations that
- 4 participate in the California Alternate Rates for Energy program,
- 5 as established pursuant to Section 739.1, shall administer

1 low-income energy efficiency and rate assistance programs
2 described in Sections 382, 739.1, 739.2, and 2790, subject to
3 commission oversight. In administering the programs described
4 in Section 2790, the electrical corporations and gas corporations,
5 to the extent practicable, shall do all of the following:

6 (1) Continue to leverage funds collected to fund the program
7 described in subdivision (a) with funds available from state and
8 federal sources.

9 (2) Work with state and local agencies, community-based
10 organizations, and other entities to ensure efficient and effective
11 delivery of programs.

12 (3) Encourage local employment and job skill development.

13 (4) Maximize the participation of eligible participants.

14 (5) Work to reduce consumers electric and gas consumption,
15 and bills.

16 (6) For electrical corporations, target energy efficiency and solar
17 programs to upper-tier and multifamily customers in a manner that
18 will result in long-term permanent reductions in electricity usage,
19 and develop programs that specifically target new construction
20 by, and new and retrofit appliances for, nonprofit affordable
21 housing providers.

22 (b) If the commission requires low-income energy efficiency
23 programs to be subject to competitive bidding, the electric and gas
24 corporation described in subdivision (a), as part of their bid
25 evaluation criteria, shall consider both cost-of-service criteria and
26 quality-of-service criteria. The bidding criteria, at a minimum,
27 shall recognize all of the following factors:

28 (1) The bidder's experience in delivering programs and services,
29 including, but not limited to, weatherization, appliance repair and
30 maintenance, energy education, outreach and enrollment services,
31 and bill payment assistance programs to targeted communities.

32 (2) The bidder's knowledge of the targeted communities.

33 (3) The bidder's ability to reach targeted communities.

34 (4) The bidder's ability to utilize and employ people from the
35 local area.

36 (5) The bidder's general contractor's license and evidence of
37 good standing with the Contractors' State License Board.

38 (6) The bidder's performance quality as verified by the funding
39 source.

40 (7) The bidder's financial stability.

1 (8) The bidder's ability to provide local job training.

2 (9) Other attributes that benefit local communities.

3 (c) Notwithstanding subdivision (b), the commission may
4 modify the bid criteria based upon public input from a variety of
5 sources, including representatives from low-income communities
6 and the program administrators identified in subdivision (b), in
7 order to ensure the effective and efficient delivery of high quality
8 low-income energy efficiency programs.

9 SEC. 2. Section 382 of the Public Utilities Code is amended
10 to read:

11 382. (a) Programs provided to low-income electricity
12 customers, including, but not limited to, targeted energy-efficiency
13 services and the California Alternate Rates for Energy program
14 shall be funded at not less than 1996 authorized levels based on
15 an assessment of customer need.

16 (b) In order to meet legitimate needs of electric and gas
17 customers who are unable to pay their electric and gas bills and
18 who satisfy eligibility criteria for assistance, recognizing that
19 electricity is a basic necessity, and that all residents of the state
20 should be able to afford essential electricity and gas supplies, the
21 commission shall ensure that low-income ratepayers are not
22 jeopardized or overburdened by monthly energy expenditures.
23 Energy expenditure may be reduced through the establishment of
24 different rates for low-income ratepayers, different levels of rate
25 assistance, and energy efficiency programs.

26 (c) Nothing in this section shall be construed to prohibit electric
27 and gas providers from offering any special rate or program for
28 low-income ratepayers that is not specifically required in this
29 section.

30 (d) The commission shall allocate funds necessary to meet the
31 low-income objectives in this section.

32 (e) Beginning in 2002, an assessment of the needs of low-income
33 electricity and gas ratepayers shall be conducted periodically by
34 the commission with the assistance of the Low-Income Oversight
35 Board. The assessment shall evaluate low-income program
36 implementation and the effectiveness of weatherization services
37 and energy efficiency measures in low-income households. The
38 assessment shall consider whether existing programs adequately
39 address low-income electricity and gas customers' energy
40 expenditures, hardship, language needs, and economic burdens.

(f) The commission shall require electrical corporations to deploy enhanced low-income energy efficiency programs designed to reach as many eligible customers as practicable by December 31, 2014, particularly targeting those customers occupying apartments or similar multiunit residential structures. The commission and electrical corporations and gas corporations shall make all reasonable efforts to coordinate ratepayer-funded programs with other energy conservation and efficiency programs and to obtain additional federal funding to support actions undertaken pursuant to this subdivision. For purposes of this subdivision, “enhanced programs” are programs that provide long-term reductions in energy consumption at the dwelling unit based on an audit or assessment of the dwelling unit, and may include improved insulation, energy efficient appliances, measures that utilize solar energy, and other cost-effective improvements to the physical structure.

SEC. 3. Section 739.1 of the Public Utilities Code is amended to read:

739.1. (a) As used in this subdivision, the following terms have the following meanings:

(1) “Baseline quantity” has the same meaning as defined in Section 739.

(2) “California Solar Initiative” means the program providing ratepayer funded incentives for eligible solar energy systems adopted by the commission in Decision 05-12-044 and Decision 06-01-024, as modified by Article 1 (commencing with Section 2851) of Chapter 9 of Part 2 and Chapter 8.8 (commencing with Section 25780) of Division 15 of the Public Resources Code.

(3) “CalWORKs program” means the program established pursuant to the California Work Opportunity and Responsibility to Kids Act (Chapter 2 (commencing with Section 11200) of Part 3 of Division 9 the Welfare and Institutions Code).

(4) “Public goods charge” means the nonbypassable separate rate component imposed pursuant to Article 7 (commencing with Section 381) of Chapter 2.3 and the nonbypassable system benefits charge imposed pursuant to the Reliable Electric Service Investments Act (Article 15 (commencing with Section 399) of Chapter 2.3).

(b) (1) The commission shall establish a program of assistance to low-income electric and gas customers with annual household

1 incomes at or below 200 percent of the federal poverty guideline
2 levels, the cost of which shall be recovered on an equal
3 cent-per-kilowatthour ~~or equal cents-per-therm~~ basis from all
4 classes of customers that were subject to the surcharge that funded
5 the program on January 1, 2008. The program shall be referred to
6 as the California Alternate Rates for Energy or CARE program.
7 The commission shall ensure that the level of discount for
8 low-income electric and gas customers correctly reflects the level
9 of need.

10 (2) The commission may, subject to the limitation in paragraph
11 (4), increase the rates in effect for CARE program participants for
12 electricity usage up to 130 percent of baseline quantities by the
13 annual percentage increase in benefits under the CalWORKs
14 program as authorized by the Legislature for the fiscal year in
15 which the rate increase would take effect, but not to exceed 3
16 percent per year. This paragraph shall become inoperative on
17 January 1, 2019, unless a later enacted statute deletes or extends
18 that date.

19 (3) Beginning January 1, 2019, the commission may, subject
20 to the limitation in paragraph (4), establish rates for CARE program
21 participants pursuant to Sections 739, 739.9, and this section,
22 subject to both of the following requirements:

23 (A) That low-income ratepayers are not jeopardized or
24 overburdened by monthly energy expenditures.

25 (B) That the level of discount for low-income electric and gas
26 customers correctly reflects the level of need as determined by the
27 needs assessment conducted pursuant to subdivision (e) of Section
28 382.

29 (4) Tier 1, tier 2, and tier 3 CARE rates shall not exceed 80
30 percent of the corresponding tier 1, tier 2, and tier 3 rates charged
31 residential customers not participating in the CARE program,
32 excluding any Department of Water Resources bond charge
33 imposed pursuant to Division 27 (commencing with Section 80000)
34 of the Water Code, the CARE surcharge portion of the public
35 goods charge, any charge imposed pursuant to the California Solar
36 Initiative, and any charge imposed to fund any other program that
37 exempts CARE participants from paying the charge.

38 (5) Rates charged to CARE program participants shall not have
39 more than three tiers. An electrical corporation that does not have
40 a tier 3 CARE rate may introduce a tier 3 CARE rate that, in order

1 to moderate the impact on program participants whose usage
2 exceeds 130 percent of baseline quantities, shall be phased in to
3 80 percent of the corresponding rates charged residential customers
4 not participating in the CARE program, excluding any Department
5 of Water Resources bond charge imposed pursuant to Division 27
6 (commencing with Section 80000) of the Water Code, the CARE
7 surcharge portion of the public goods charge, any charge imposed
8 pursuant to the California Solar Initiative, and any other charge
9 imposed to fund a program that exempts CARE participants from
10 paying the charge. For electrical corporations that currently do not
11 have a tier 3 CARE rate, the initial rate shall be no more than 150
12 percent of the CARE baseline rate and any additional revenues
13 collected by an electrical corporation resulting from the adoption
14 of a tier 3 CARE rate shall, until the utility's next periodic general
15 rate case review of cost allocation and rate design, be tracked and
16 credited to reduce rates of residential ratepayers not participating
17 in the CARE program with usage above 130 percent of baseline
18 quantities.

19 (c) The commission shall work with the public utility electrical
20 and gas corporations to establish penetration goals. The
21 commission shall authorize recovery of all administrative costs
22 associated with the implementation of the CARE program that the
23 commission determines to be reasonable, through a balancing
24 account mechanism. Administrative costs shall include, but are
25 not limited to, outreach, marketing, regulatory compliance,
26 certification and verification, billing, measurement and evaluation,
27 and capital improvements and upgrades to communications and
28 processing equipment.

29 (d) The commission shall examine methods to improve CARE
30 enrollment and participation. This examination shall include, but
31 need not be limited to, comparing information from CARE and
32 the Universal Lifeline Telephone Service (ULTS) to determine
33 the most effective means of utilizing that information to increase
34 CARE enrollment, automatic enrollment of ULTS customers who
35 are eligible for the CARE program, customer privacy issues, and
36 alternative mechanisms for outreach to potential enrollees. The
37 commission shall ensure that a customer consents prior to
38 enrollment. The commission shall consult with interested parties,
39 including ULTS providers, to develop the best methods of
40 informing ULTS customers about other available low-income

1 programs, as well as the best mechanism for telephone providers
2 to recover reasonable costs incurred pursuant to this section.

3 (e) (1) The commission shall improve the CARE application
4 process by cooperating with other entities and representatives of
5 California government, including the California Health and Human
6 Services Agency and the Secretary of California Health and Human
7 Services, to ensure that all gas and electric customers eligible for
8 public assistance programs in California that reside within the
9 service territory of an electrical corporation or gas corporation,
10 are enrolled in the CARE program. To the extent practicable, the
11 commission shall develop a CARE application process using the
12 existing ULTS application process as a model. The commission
13 shall work with public utility electrical and gas corporations and
14 the Low-Income Oversight Board established in Section 382.1 to
15 meet the low-income objectives in this section.

16 (2) The commission shall ensure that an electrical corporation
17 or gas corporation with a commission-approved program to provide
18 discounts based upon economic need in addition to the CARE
19 program, including a Family Electric Rate Assistance program,
20 utilize a single application form, to enable an applicant to
21 alternatively apply for any assistance program for which the
22 applicant may be eligible. It is the intent of the Legislature to allow
23 applicants under one program, that may not be eligible under that
24 program, but that may be eligible under an alternative assistance
25 program based upon economic need, to complete a single
26 application for any commission-approved assistance program
27 offered by the public utility.

28 (f) The commission's program of assistance to low-income
29 electric and gas customers shall, as soon as practicable, include
30 nonprofit group living facilities specified by the commission, if
31 the commission finds that the residents in these facilities
32 substantially meet the commission's low-income eligibility
33 requirements and there is a feasible process for certifying that the
34 assistance shall be used for the direct benefit, such as improved
35 quality of care or improved food service, of the low-income
36 residents in the facilities. The commission shall authorize utilities
37 to offer discounts to eligible facilities licensed or permitted by
38 appropriate state or local agencies, and to facilities, including
39 women's shelters, hospices, and homeless shelters, that may not

1 have a license or permit but provide other proof satisfactory to the
2 utility that they are eligible to participate in the program.

3 (g) It is the intent of the Legislature that the commission ensure
4 CARE program participants are afforded the lowest possible
5 electric and gas rates and, to the extent possible, are exempt from
6 additional surcharges attributable to the energy crisis of 2000–01.

7 SEC. 4. Section 739.9 is added to the Public Utilities Code, to
8 read:

9 739.9. (a) The commission may, subject to the limitation in
10 subdivision (b), increase the rates charged residential customers
11 for electricity usage up to 130 percent of the baseline quantities,
12 as defined in Section 739, by the annual percentage change in the
13 Consumer Price Index from the prior year plus 1 percent, but not
14 less than 3 percent and not more than 5 percent per year. For
15 purposes of this subdivision, the annual percentage change in the
16 Consumer Price Index shall be calculated using the same formula
17 that was used to determine the annual Social Security Cost of
18 Living Adjustment on January 1, 2008. This subdivision shall
19 become inoperative on January 1, 2019, unless a later enacted
20 statute deletes or extends that date.

21 (b) The rates charged residential customers for electricity usage
22 up to the baseline quantities, including any customer charge
23 revenues, shall not exceed 90 percent of the system average rate
24 prior to January 1, 2019, and may not exceed 92.5 percent after
25 that date. For purposes of this subdivision, the system average rate
26 shall be determined by dividing the electrical corporation's total
27 revenue requirements for bundled service customers by the adopted
28 forecast of total bundled service sales.

29 (c) This section does not require the commission to raise any
30 residential rate or restrict, or otherwise limit, the authority of the
31 commission to reduce any residential rate in effect immediately
32 preceding January 1, 2010.

33 SEC. 5. Section 745 is added to the Public Utilities Code, to
34 read:

35 745. (a) The commission shall not require or permit an
36 electrical corporation to employ mandatory time-variant pricing
37 for residential customers.

38 (b) The commission may authorize an electrical corporation to
39 offer residential customers the option of receiving service pursuant
40 to time-variant pricing.

(c) Commencing January 1, 2016, the commission may authorize an electrical corporation to employ default time-variant pricing for residential customers, if the customer has the option of receiving service pursuant to a rate schedule that is not based upon time-variant pricing. The commission shall only approve an electrical corporation's default use of time-variant pricing if residential customers that exercise the option to not receive service pursuant to time-variant pricing incur no additional costs as a result of the exercise of *fee or surcharge to exercise* that option.

(d) For purposes of this section, "time-variant pricing" includes time-of-use rates, critical-peak pricing, and real-time pricing, but does not include programs that provide customers with discounts from the standard tariff rate as an incentive to reduce consumption at certain times, including peak-time rebates.

SEC. 6. Section 747 of the Public Utilities Code is amended to read:

747. (a) It is the intent of the Legislature that the commission reduce rates for electricity and natural gas to the lowest amount possible.

(b) (1) The commission shall prepare a written report on the costs of programs and activities conducted by each electrical corporation and gas corporation that is subject to this section, including activities conducted to comply with their duty to serve. The report shall be completed on an annual basis before February 1 of each year, and shall identify, clearly and concisely, all of the following:

(A) Each program mandated by statute and its annual cost to ratepayers.

(B) Each program mandated by the commission and its annual cost to ratepayers.

(C) Energy purchase contract costs and bond-related costs incurred pursuant to Division 27 (commencing with Section 80000) of the Water Code.

(D) All other aggregated categories of costs currently recovered in retail rates as determined by the commission.

(2) The report shall also contain the commission's recommendations for actions that can be undertaken during the upcoming year to limit utility cost increases ~~and reduce rates~~, consistent with the state's carbon reduction, energy, and environmental goals.

1 (3) In preparing the report, the commission shall annually require
2 electrical and gas corporations to study and report to the
3 commission on measures that they recommend be undertaken to
4 limit cost increases ~~and reduce rates~~.

5 (c) As used in this section, the reporting requirements apply to
6 electrical corporations with at least 1,000,000 retail customers in
7 California and gas corporations with at least 500,000 retail
8 customers in California.

9 (d) The report required by subdivision (b) shall be submitted to
10 the Governor and the Legislature no later than February 1 of each
11 year.

12 (e) The commission shall post the report required by subdivision
13 (b) in a conspicuous area of its Internet Web site.

14 SEC. 7. Section 80110 of the Water Code is amended to read:

15 80110. (a) For purposes of this section, a “new account” means
16 either of the following:

17 (1) An account belonging to an individual retail end-use
18 customer, as described in subdivision (g), that exists on January
19 1, 2010, and that receives bundled utility service from an electrical
20 corporation.

21 (2) An additional meter or request for service of an individual
22 retail end-use customer, as described in subdivision (g), added
23 after January 1, 2010.

24 (b) The department shall retain title to all power sold by it to
25 the retail end-use customers. The department shall be entitled to
26 recover, as a revenue requirement, amounts and at the times
27 necessary to enable it to comply with Section 80134, and shall
28 advise the commission as the department determines to be
29 appropriate.

30 (c) The revenue requirements may also include any advances
31 made to the department hereunder or hereafter for purposes of this
32 division, or from the Department of Water Resources Electric
33 Power Fund, and General Fund moneys expended by the
34 department pursuant to the Governor’s Emergency Proclamation
35 dated January 17, 2001.

36 (d) (1) For the purposes of this division and except as otherwise
37 provided in this section, the Public Utility Commission’s authority
38 as set forth in Section 451 of the Public Utilities Code shall apply,
39 except any just and reasonable review under Section 451 shall be
40 conducted and determined by the department. Prior to the execution

1 of any modification of any contract for the purchase of power by
2 the department pursuant to this division, on or after the effective
3 date of this section, the department or the commission, as
4 applicable, shall do the following:

5 (A) The department shall notify the public of its intent to modify
6 a contract and the opportunity to comment on the proposed
7 modification.

8 (B) At least 21 days after providing public notice, the department
9 shall make a determination as to whether the proposed
10 modifications are just and reasonable. The determination shall
11 include responses to any public comments.

12 (C) No later than 70 days before the date of execution of the
13 contract modification, the department shall provide a written report
14 to the commission setting forth the justification for the
15 determination that the proposed modification is just and reasonable,
16 including documents, analysis, response to public comments, and
17 other information relating to the determination.

18 (D) Within 60 days of the date of receipt of the department's
19 written report, the commission shall review the report and make
20 public its comments. If the commission in its comments
21 recommends against the proposed modification, the department
22 shall not execute the proposed contract modification.

23 (2) This subdivision does not apply to the modification of a
24 contract modified to settle litigation to which the commission is
25 a party.

26 (3) This subdivision does not apply to the modification of a
27 contract for the purchase of electricity that is generated from a
28 facility owned by a public agency if the contract requires the public
29 agency to sell electricity to the department at or below the public
30 agency's cost of that power.

31 (4) This subdivision does not apply to the modification of a
32 contract to address issues relating to billing, scheduling, delivery
33 of electricity, and related contract matters arising out of the
34 implementation by the Independent System Operator of its market
35 redesign and technology upgrade program.

36 (5) (A) For purposes of this subdivision, the department
37 proposes to "modify" a contract if there is any material change
38 proposed in the terms of the contract.

39 (B) A change to a contract is not material if it is only
40 administrative in nature or the change in ratepayer value results

1 in ratepayer savings, not to exceed twenty-five million dollars
2 (\$25,000,000) per year. For the purpose of making a determination
3 that a change is only administrative in nature or results in ratepayer
4 savings of twenty-five million dollars (\$25,000,000) or less per
5 year, the executive director of the commission shall concur in
6 writing with each of those determinations by the department.

7 (e) The commission may enter into an agreement with the
8 department with respect to charges under Section 451 for purposes
9 of this division, and that agreement shall have the force and effect
10 of a financing order adopted in accordance with Article 5.5
11 (commencing with Section 840) of Chapter 4 of Part 1 of Division
12 1 of the Public Utilities Code, as determined by the commission.

13 (f) The right of retail end-use customers pursuant to Article 6
14 (commencing with Section 360) of Chapter 2.3 of Part 1 of
15 Division 1 of the Public Utilities Code to acquire service from
16 other providers is suspended until the Legislature, by statute,
17 repeals the suspension or otherwise authorizes direct transactions.

18 (g) Notwithstanding subdivision (f), the commission may allow
19 individual retail end-use customers taking service from an electric
20 service provider as of January 1, 2010, or eligible to take service
21 from an electric service provider under rules adopted by the
22 commission in existence on January 1, 2008, to acquire service
23 for new accounts from an electric service provider.

24 (h) The department shall have the same rights with respect to
25 the payment by retail end-use customers for power sold by the
26 department as do providers of power to the customers.

27 SEC. 8. No reimbursement is required by this act pursuant to
28 Section 6 of Article XIII B of the California Constitution because
29 the only costs that may be incurred by a local agency or school
30 district will be incurred because this act creates a new crime or
31 infraction, eliminates a crime or infraction, or changes the penalty
32 for a crime or infraction, within the meaning of Section 17556 of
33 the Government Code, or changes the definition of a crime within
34 the meaning of Section 6 of Article XIII B of the California
35 Constitution.