

ASSEMBLY BILL

No. 1550

**Introduced by Committee on Banking and Finance (Nava (Chair),
Evans, Fong, Fuentes, Mendoza, Ruskin, Swanson, and Torres)**

March 10, 2009

An act to amend Section 80130 of the Water Code, relating to electricity.

LEGISLATIVE COUNSEL'S DIGEST

AB 1550, as introduced, Committee on Banking and Finance. Department of Water Resources: refunding bonds.

Existing law authorizes the Department of Water Resources to administer contracts entered into before January 1, 2003, for the purchase of electricity, and to sell electricity to retail end-use customers and, with certain exceptions, local publicly owned utilities, at not more than the department's acquisition costs. Existing law requires the department to recover those costs through the issuance of bonds, in an amount up to \$13,423,000,000, or as otherwise specified, to be repaid by ratepayers. Existing law authorizes the department to refund those bonds and specifies that the refunding of bonds to obtain a lower interest rate is not subject to the aggregate amount of bonds authorized to be issued.

This bill would grant additional authority to the department to refund those bonds, including the authority to refund bonds bearing a variable interest rate with bonds bearing interest at a fixed interest rate and to refund bonds if a national recognized rating agency reduces or withdraws, or proposes to reduce or withdraw, the rating assigned to specified indebtedness. The bill would specify that refunding bonds issued by the department pursuant to this program before January 1,

2010, are deemed to have been issued for one or more of these authorized purposes.

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. Section 80130 of the Water Code is amended to
2 read:

3 80130. (a) The department may incur indebtedness and issue
4 bonds as evidence thereof, provided that bonds may not be issued
5 in an amount the debt service on which, to the extent payable from
6 the fund, is estimated by the department to exceed the amounts
7 estimated to be available in the fund for their payment. ~~The~~

8 (b) ~~The~~ department may authorize the issuance of bonds
9 (excluding notes issued in anticipation of the issuance of bonds
10 and retired from the proceeds of those bonds) in an aggregate
11 amount up to the greater of thirteen billion four hundred
12 twenty-three million dollars (\$13,423,000,000) or the amount
13 calculated by multiplying by a factor of four the annual revenues
14 generated by the California Procurement Adjustment, as determined
15 by the commission pursuant to Section 360.5 of the Public Utilities
16 Code; ~~provided, such if the aggregate amount shall~~ does not exceed
17 thirteen billion four hundred twenty-three million dollars
18 (\$13,423,000,000). ~~Nothing in this~~

19 (c) ~~This section shall~~ does not prohibit the department from
20 issuing bonds prior to the effective date of this bill based upon the
21 authorization granted to the department by the provisions of
22 Chapter 4 of the Statutes of 2001–02 First Extraordinary Session.
23 ~~Refunding~~

24 (d) (1) ~~Refunding of bonds to obtain a lower interest rate for~~
25 ~~any of the following purposes shall not be included in the~~
26 ~~calculation of the aggregate amount. In amount:~~

27 (A) ~~Refunding bonds to obtain a lower interest rate.~~

28 (B) ~~Refunding bonds bearing a variable interest rate with bonds~~
29 ~~bearing interest at a fixed interest rate.~~

30 (C) ~~Refunding bonds if any nationally recognized rating agency~~
31 ~~reduces or withdraws, or proposes to reduce or withdraw, the~~
32 ~~rating assigned to indebtedness under this chapter that is secured~~
33 ~~by bond insurance policies, credit or liquidity facilities issued by~~

1 *the provider of a bond insurance policy, or a credit or liquidity*
2 *facility securing the bonds being refunded.*

3 *(2) All refunding bonds issued by the department under this*
4 *chapter before January 1, 2010, shall be deemed to have been*
5 *issued for one or more purposes described in this subdivision and*
6 *shall not be included in the calculation of the aggregate amount.*

7 *(e) In addition, before the issuance of bonds in a public offering,*
8 *the department shall establish a mechanism to ensure that the bonds*
9 *will be sold at investment grade ratings and repaid on a timely*
10 *basis from pledged revenues. This mechanism may include, but*
11 *is not limited to, an agreement between the department and the*
12 *commission as described in Section 80110.*