

AMENDED IN ASSEMBLY JULY 19, 1995
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 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 OII 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14 comprised of policies that are fragmented, outdated,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 No. 143 (Resolution Chapter 148
22 of the Statutes of 1994) which sets forth general terms that
23 reflect the state’s ongoing policy concerns with 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 ensuring safety and reliability of the
32 utility grid.

33 SEC. 2. Section 702.1 is added to the Public Utilities
34 Code, to read:



1 702.1. (a) The commission's decision to restructure
2 the electric services industry and the order, or orders,
3 implementing that decision shall comply with the
4 following criteria:

5 (1) The order shall establish a definite period for the
6 transition to a restructured electrical services industry no
7 later than January 1, 1997. The transition period shall
8 establish a suitable timeframe for changing the present
9 operating practices and conventions of the electric
10 services industry to operating practices and conventions
11 appropriate to the restructured competitive industry.

12 (2) (A) With respect to transition costs the order shall
13 establish and implement a methodology for determining
14 transition costs associated with the restructuring of the
15 electric services industry.

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

17 (i) Determine what constitutes a noneconomic utility
18 asset.

19 (ii) Determine the value of the noneconomic utility
20 assets.

21 (iii) Prescribe a fair, just, and equitable allocation of
22 the value of the noneconomic assets among all consumer
23 classes.

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

26 (v) Prescribe a mechanism to be used to recover the
27 costs.

28 ~~(3) The order shall ensure that reductions in the cost
29 of electricity that result from restructuring are not
30 entirely offset by charges for recovering transition costs.
31 Accordingly, the amortization period over which the
32 costs will be recovered, together with the collection
33 mechanism used for recovering those costs, shall not
34 result in annual transition cost payments from any
35 consumer class that exceed 50 percent of the estimated
36 annual reduction in the cost of electricity for that class,
37 which is attributable to restructuring.~~

38 *(3) Transition costs shall be amortized and recovered*
39 *in a manner that, in the judgment of the commission,*
40 *maximizes the public benefits of restructuring.*



1 *Accordingly, the commission may decide either to*
2 *accelerate the recovery of transition costs over a shorter*
3 *period of time or to extend the recovery period for a*
4 *longer period of time. In no event, however, shall annual*
5 *transition costs exceed the estimated reduction in the cost*
6 *of electricity that is attributable to restructuring.*

7 (b) The commission shall provide that consumer bills
8 for electric services be unbundled, and show separately,
9 among other items, the cost of electricity, the cost of
10 transmission and distribution charges, itemized transition
11 cost recovery charges, and charges for public benefit
12 programs.

13 (c) The commission shall not order the restructuring
14 of the electric services industry unless it determines that
15 the proposed restructuring shall provide retail consumers
16 the opportunity to purchase electricity at prices no
17 greater than would have been the case without
18 restructuring. *This subdivision applies solely to the price*
19 *of electricity and does not include charges for*
20 *transmission and distribution services, for transition costs,*
21 *or for public benefit programs.*

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

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



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

8 (g) For purposes of this section:

9 (1) "Public benefit programs" means all social,
10 economic, and environmental programs currently
11 funded through rates charged to customers receiving
12 electrical services in the State of California.

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

17 (3) "Transition costs" means those costs determined to
18 arise as a result of the restructuring of the electrical
19 services industry.

20 (h) This section shall become inoperative on January
21 1, 2003, and as of that date is repealed, unless a later
22 enacted statute that is chaptered on or before January 1,
23 2003, deletes or extends that date.

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

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

