DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 2, 2007 **BILL NUMBER:** SB 1012
POSITION: Neutral **AUTHOR:** R. Dutton

BILL SUMMARY: Electrical Restructuring: Oversight Board

This bill would delete statutes that authorize the establishment and operation of the Power Exchange (PX) but does not preclude a reorganized PX to wind up its operations prior to a bankruptcy plan and Federal Energy Regulatory Commission orders. Additionally, this bill would delete the governing board of the Electricity Oversight Board (Oversight Board) and on and after January 1, 2008 the Oversight Board would be directly accountable to the Secretary of the Resources Agency or his or her designee.

FISCAL SUMMARY

This bill would have no fiscal impact on the Oversight Board and the PX has been bankrupt and out of operation since 2001.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the May 2, 2007 version are minor and do not alter our position. The changes include making the Oversight Board directly accountable to the Secretary of the Resources Agency, or his or her designee, on and after January 1, 2008.

COMMENTS

The Department of Finance is neutral on this bill. However, we note that we continue to support complete elimination of the Oversight Board.

This bill would delete the PX and governing board of the Oversight Board. The Oversight Board would continue as a program office under the Resources Agency and report to the Secretary of the Resources Agency.

The PX was established as part of California's Electricity Restructuring in 1996. The role of the PX was to provide a venue where electric power could be bought and sold in order to meet the fluctuations in California's supply and demand for electricity. Due to a variety of factors, the PX went bankrupt during the energy crisis of 2001.

The Oversight Board was created specifically to address issues arising in the restructured electricity industry and markets in California and reports directly to the Office of the Governor. The Oversight Board works to ensure a reliable electricity system and just and reasonable wholesale electricity prices by providing oversight of the California Independent System Operator (CAISO), monitoring and investigating matters in wholesale energy markets, and representing the State in legal proceedings affecting these subjects. However, these functions are also performed by the Federal Energy Regulatory Commission, the Public Utilities Commission, and the CAISO itself, making continued operation of the Oversight Board unnecessary.

(Continued)

Analyst/Principal	Date	Program Budget Manager	Date
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Department Deputy Director Date

Governor's Office: By: Date: Position Approved_____
Position Disapproved_____

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Code/Department Agency or Revenue Type	SO LA CO RV	(Fiscal Impact by Fiscal Year) (Dollars in Thousands) PROP 98	FC	2007-2008	FC	2008-2009	FC	2009-2010	Fund Code
8665/Consumer Pwr	SO	No	---------- No/Minor Fiscal Impact ----------						9326

Fund Code	Title
9326	CA Consumer Pwr & Conservation Fin Auth