

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: RN 07 25882 to July 18, 2007
POSITION: Oppose
SPONSOR: Coalition of CA Utility Employees

BILL NUMBER: SB 980
AUTHOR: A. Padilla

BILL SUMMARY: Energy: Integrated Energy Policy Report

Under existing law, the Energy Resources Conservation and Development Commission (CEC) prepares the Integrated Energy Policy Report (Energy Report) biennially to provide energy planning and forecasting information and policy recommendations. This bill would require the CEC to evaluate the adequacy of the electric distribution system of publicly-owned electric utilities with more than 50,000 customers. The report would be due on or before November 1, 2009.

FISCAL SUMMARY

According to the CEC, preparing the required evaluation would require three positions at a cost of \$390,000 and \$700,000 in contract funds, resulting in annual costs of \$1,090,000 to the Energy Resources Programs Account (ERPA). Costs to update the evaluation biennially for subsequent Energy Reports would be less.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the May 2, 2007 version include the following significant amendments which do not change our position:

- The California Public Utilities Commission (PUC) has been replaced by the CEC as lead for preparing the report required by this bill.
The CEC would be required to perform the evaluation of the electric distribution system of a publicly-owned utility with more than 50,000 customers, of which 84 percent or more are residential customers.
Clarifies that no authority is given to the CEC to regulate publicly-owned utilities.
This report requirement would be repealed on January 1, 2011.

COMMENTS

Notwithstanding the merits of addressing problems with the electric distribution system that have led to blackouts despite adequate generation capacity, Finance is opposed to this bill for the following reasons:

- The bill would result in significant costs to the ERPA, and would create pressure for the CEC to increase the surcharge on the state's electric customers.
The bill would result in costs not reflected in the Governor's Budget, and for which no appropriation has been made.
It is unclear how this information would be used because there are no requirements in the bill beyond reporting the evaluations in the Energy Report, and neither the CEC nor the PUC have the authority to regulate publicly-owned utilities.

(Continued)

COMMENTS (continued)

Analyst/Principal Date Program Budget Manager Date
(0685) T. Tatosian Karen Finn

Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

AUTHOR

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The bill defines the electric distribution system as all lines, substations, equipment, and facilities from the transmission system to the individual customer's meter, and all facilities for operating and controlling that system. The evaluation required by the bill would consider the following for each utility: 1) the age and expected life of system components, 2) the adequacy of system maintenance, 3) the level of recent and planned investment in the distribution system, 4) the opportunities for energy efficiency improvements in the system, 5) the performance reliability of the system and the system's restoration after blackouts, and 6) the programs instituted by the utility for recruiting and training to replace and expand the aging workforce.

Code/Department Agency or Revenue Type	SO LA CO RV	(Fiscal Impact by Fiscal Year)							Fund Code
		PROP	2007-2008		2008-2009		2009-2010		
		98	FC	FC	FC	FC	FC		
3360/Energy Comm	SO	No	C	\$545	C	\$545	C	\$390	0465
<u>Fund Code</u>	<u>Title</u>								
0465	Energy Resources Programs Account								