

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: RN 11 23733
POSITION: Oppose

BILL NUMBER: SB 939
AUTHOR: R. Wright

BILL SUMMARY: Natural Gas Surcharge

Existing law establishes a natural gas surcharge on customers served by regulated gas pipelines regulated by the Federal Energy Regulatory Commission (FERC) and requires public utility gas corporations to collect the surcharge from ratepayers/consumers and remit the money to the BOE. Existing law requires consumers of natural gas delivered by an interstate pipeline to pay the surcharge directly to the BOE. The surcharge funds expenditures by gas utility companies for public purpose programs including low-income assistance, energy efficiency and conservation activities, and Public Interest Research Development & Demonstration (RD&D).

This bill would eliminate the existing administrative process requiring funds collected by public utility gas corporations for natural gas public purpose programs be deposited into an account within the State Treasury at the Board of Equalization (BOE) before being used to fund gas corporation public purpose programs.

FISCAL SUMMARY

The BOE is currently analyzing the bill and does not yet have a fiscal estimate. However, the Department of Finance (Finance) notes the majority of BOE costs to administer the Natural Gas Surcharge program are fixed costs (i.e., technology) and there are a relatively small number of payors. Specifically, the BOE collects public purpose funds from 13 entities; this number includes utility corporations and several natural gas consumers serviced directly by an interstate natural gas pipeline.

Therefore, reducing the number of payees and the collections from utility gas corporations likely will not reduce BOE costs significantly. During 2009-10, BOE collected \$532.3 million in Natural Gas Surcharges from public utility corporations (\$531.5 million) and natural gas consumers (\$830,000).

COMMENTS

Finance is opposed to the bill because it would reduce the state's administrative oversight of more than one-half billion dollars in Natural Gas Surcharges annually, almost 100 percent of the funds paid annually and dedicated to important public purpose programs including low-income assistance, energy efficiency and conservation activities. Further, eliminating the requirement that the funds be provided to the BOE for deposit within the State Treasury before being allocated pursuant to Public Utility Commission requirements has the potential to compromise state cash-flow management.

According to the author's office, the bill's intended purpose is to protect public purpose ratepayer funds from diversion to support the General Fund and stabilize public purpose program funding by eliminating the requirement that public utility gas corporations remit public purpose funds to the BOE. In the 2011 Budget Act, \$155 million was transferred from the Gas Consumption Surcharge Fund to the General Fund.

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Analyst/Principal (0623) J. McGuinn	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

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

BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)

AUTHOR

AMENDMENT DATE

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SB 939

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	
0840/Controller	SO	No	-----	See Fiscal Summary	-----				3015
8660/PUC	SO	No	-----	See Fiscal Summary	-----				3015

<u>Fund Code</u>	<u>Title</u>
3015	Gas Consumption Surcharge Fund