

# local power

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## **California Assembly Bill 2006 (Nuñez) Analysis Supplement Details: Key “Re-monopolization” Provisions**

by Paul Fenn June 23, 2004

### **1. SECTION 1: Explanations**

Section 1( c ) says “(e)lectrical corporations have an obligation to provide their customers with reliable electric service at just and reasonable rates.”

Section 1 (d) says “(i)n order to provide safe, reliable, and affordable electric service to consumers, electric corporations must provide needed resources, including cost effective energy efficiency and other demand reduction measures, utility-owned and procured generation, new and repowered generation, cogeneration, renewable generation, transmission, distribution, and an adequately sized, well-trained workforce, in a manner that produces the best value for ratepayers.”

Section 1 (g) says “(i)n order to ensure that a long-term resource plan will result in investments in resources sufficient to provide reliable electric service to customers of an electrical corporation without stranding costs or shifting costs, a stable and predictable customer base is necessary and essential.”

Section 1 (h) says “(i)n order to attract sufficient capital to make investments in needed resources, there must be assurance that reasonable costs and investments, including a return of and on direct investments, and payments made to third parties under contract with an electrical corporation for non-utility-owned generation, are recovered in rates.”

### **2. SECTION 2: Remonopolization**

400.1 (b) says “(f)or purposes of this article, “electric service” includes providing adequate and efficient resources, including cost effective energy efficiency and other demand response resources, utility-owned and procured generation resources, new and repowered generation resources, cogeneration, renewable generation resources, transmission and distribution resources, metering, billing, and employing and adequately sized, well-trained utility workforce.”

400.1( c ) says “(N)o costs incurred by the electrical corporation to serve customers that have entered into a direct transaction, shall be shifted to the utility’s bundled customers.”

400.5(a) says “...the commission shall authorize an electrical corporation to provide efficient,

cost effective resources, including cost effective energy efficiency and demand response resources, utility-owned and procured generation resources, new and repowered generation resources, cogeneration, and renewable generation resources, consistent with the electrical corporation's procurement plan adopted pursuant to Section 454.4."

**400.5(b) says "(t)he commission shall, after public hearing, approve and thereafter maintain just and reasonable rates sufficient to ensure that the electrical corporation fully recovers the cost of investments found reasonable by the commission in the resources necessary to provide customers with reliable electric service, including a reasonable opportunity to fully recover a reasonable return on investment over the life of the resource, in addition to costs reasonably incurred to operate and maintain those resources, on a timely basis."**

400.5 ( c ) says "(t)he cost recovery assurance for investments in resources applies to both of the following:

(1) Direct investments made by an electrical corporation.

(2) The electrical corporation's full costs of contracting for generation resources with another entity, including the reasonable costs, as determined by the commission, for any collateral requirements and debt equivalence.

**400.5(3) says "(i)t is the intent of the Legislature in enacting this section to affirm, without requiring revision, California's traditional doctrine regarding an electrical corporation's reasonable opportunity to fully recover reasonable costs and investment, as reflected in regulatory and judicial decisions prior to 1994."**

400.10(a) says the utility shall prepare a long-term resource plan, that "(t)he plan shall include demand and supply forecasts for 5-, 10-, and 15-year periods....The commission shall, after public hearing, review and approve a long-term resource plan for every electrical corporation consistent with Section 454.5..."

400.10( c ) says "(t)he plan shall provide for investments in all practicable and cost effective energy efficiency and demand response resources..."

400.10 (d)(1) says "(t)he plan may provide for investments in distributed generation,,,"

400.10(e) says "(t)he plan shall provide for the continuation of the self-generation incentive program authorized pursuant to Section 379.6"

400.10.(f) says (t)he plan shall provide that an electrical corporation shall meet the resource adequacy requirements, by owning or contracting for sufficient physical generating capacity to meet 100 percent of annual peak demands...for the electric load served by the electrical corporation."

400.15( c )(3) says "(t)he electrical corporations may file for a certificate of public convenience and necessity for utility-owned generation, consistent with the electrical corporation's

procurement plan approved pursuant to Section 454.5. Prior to approving the certificate of public convenience and necessity, the commission shall find that the utility-owned generation is reasonably priced relative to a market-based benchmark.”

### **C. Assembly Bill 2006 Detail: Key “Core-Noncore” Provisions**

**400.20 (a)(2) says “(a) core and noncore electric service model, under which an electrical corporation is required to provide electric service to all core customers with a maximum peak demand of less than 500 kilowatts on a cost of service basis, while noncore customers with a maximum peak demand of at least 500 kilowatts, can elect to enter into a direct transaction to purchase electricity from a nonutility electric service provider, will, if properly structured, provide this stability.”**

400.21 On or before December 31, 2005, the commission shall adopt rules and regulations to implement a core and noncore model that accomplish the following:

( c ) A noncore customer that does not elect to enter into a direct transaction with a nonutility electric service provider shall be subject to a five-year rolling commitment to the electrical corporation.”

**400.21 (j) says “(i)n designating the earliest possible date for implementation of a community choice aggregation program, the commission shall ensure that there will be no cost-shifting or stranding of investments made pursuant to a long-term resource plan of the electrical corporation that has been approved by the commission pursuant to Section 454.5.”**

400.22(a) says “(a)ll electrical load serving entities, including nonutility electric service providers and community choice aggregators, shall be subject to the same requirements for resource adequacy, resource diversity, and the renewable portfolio standard, as applicable to electrical corporations.”



