

Date of Hearing: August 30, 2018

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY

Chris Holden, Chair

AB 2346 (Quirk) – As Amended August 22, 2018

SUBJECT: Public utilities: rates: wildfire expense memorandum accounts

SUMMARY: Requires the California Public Utilities Commission (CPUC) to authorize electrical corporations (IOUs) to create memorandum accounts to track unreimbursed expenses related to wildfires occurring after January 1, 2015 and specifies the costs that can be tracked in those accounts.

EXISTING LAW:

- 1) Requires the CPUC if, after a hearing, it finds that the rates charged or collected by any IOU are insufficient, unlawful, unjust, unreasonable, discriminatory, or preferential, to determine and fix, by order, the just, reasonable, or sufficient rates, classifications, rules, practices, or contracts to be thereafter observed and in force. (Public Utilities Code § 728)
- 2) Requires that all charges demanded or received by any public utility for any product, commodity or service be just and reasonable, and that every unjust or unreasonable charge is unlawful. (Public Utilities Code § 451)
- 3) Requires the CPUC to authorize IOUs to create memorandum accounts to track expenses related to catastrophic events and permits recovery of recorded costs in rates upon application by the IOU and a finding of reasonableness and approval by the CPUC. (Public Utilities Code § 454.9)

FISCAL EFFECT: The Senate Appropriations Committee ordered the bill to the floor pursuant to Senate Rule 28.8.

COMMENTS:

Memorandum Accounts. The IOUs are required to receive CPUC authorization prior to establishing a memorandum account. Once approved, the IOU can record expenses in the account for events not covered by a general rate case. However, the IOU must later request recovery for those expenses from the CPUC who must ensure that rate recovery of the expenses is just and reasonable.

Wildfire Expense Memorandum Account (WEMA). In the case of wildfire-related expenses, including those related to damages from wildfires, the IOU files an application with the CPUC requesting authorization to have ratepayer funds collected to recover the costs associated with the uninsured expense. The CPUC opens a rate-setting proceeding to allow parties to weigh in on the matter and develop an evidentiary record to review the expenses with the CPUC making a final determination based on the merits found in the record. In the case of uninsured expenses, the burden is on the utility to demonstrate through a preponderance of the evidence that it acted prudently and reasonable in order to receive approval for cost recovery through ratepayer funding.

Not Just Accounting. Although the bill appears to be a simple accounting exercise, the results of this measure tie the hands of the CPUC, reduce public comment on the necessity of these mechanisms, and increase the likelihood of an IOU double-counting or recovering the same costs in multiple proceedings at a later date. The author responds that the ongoing authority to establish these accounts is necessary for the utilities to be able to track expenses as soon as possible.

REGISTERED SUPPORT / OPPOSITION:**Support**

California State Association of Electrical Workers
California State Pipe Trades Council
Coalition Of California Utility Employees
Pacific Gas And Electric Company
Southern California Edison

Oppose

The Utility Reform Network

Analysis Prepared by: Kellie Smith / U. & E. /