Date of Hearing: April 4, 2011

ASSEMBLY COMMITTEE ON UTILITIES AND COMMERCE
Steven Bradford, Chair
AB 1392 (Committee on Utilities and Commerce) – As Introduced: February 23, 2011

SUBJECT: Energy: California Solar Initiative.

SUMMARY: Deletes obsolete authority vested in the Public Utilities Commission (PUC) to consider exempting from the California Solar Initiative's time-variant tariff those residential customers whose rates were protected under a rate freeze adopted during the electricity crisis of 2000-01. Specifically, this bill:

1) Deletes the permissive authority previously granted to the PUC to exclude residential customers under the rate cap for baseline quantities or usage by those customers of up to 130 percent of baseline quantities stemming from the 2000-01 electricity crisis when developing the time-variant tariff for the California Solar Initiative (CSI).

EXISTING LAW:

1) Authorizes the PUC to fix the rates and charges for every public utility and requires those rates and charges to be just and reasonable.

2) Defines the "California Solar Initiative" as the program providing ratepayer funded incentives for eligible solar energy systems adopted by the PUC in Decision 06-01-024. However, nothing in the CSI language contained in SB1 (Murray) Chaptered 132, Statutes of 2006, shall be construed to codifying PUC Decision 06-01-024.

3) Requires the PUC to undertake implementation of the CSI and authorizes the Commission to develop a time-variant tariff that:

a) creates the maximum incentive for ratepayers to install solar energy systems so that the system's peak electricity production coincides with peak electricity demands; and

b) assures ratepayers receive the due value for their contribution to the purchase of the system and customers with systems continue to have an incentive to use electricity efficiently.

4) Authorizes the PUC in developing this time-variant rate to exclude customers from a freeze on residential electricity rates adopted during the electricity crisis of 2000–01.

FISCAL EFFECT: None.

BACKGROUND:

ABX1 1: During the 2000-01energy crisis, the three large investor owned utilities (Pacific Gas and Electric Company (PG&E), Southern California Edison (SCE) and San Diego Gas and Electric (SDG&E)) were subject to volatile wholesale prices due in part to the market restructuring of AB 1890 (Brulte) Chaptered 854, Statutes of 2006 and the subsequent actions of market participants. Some investor owned utilities (IOUs) began having balance sheet problems as they were paying more for electricity than they could sell it to customers. The State stepped in to ensure the IOUs could continue to provide service to their customers and help stabilize the market through long-term contracts.

ABX1 1 (Keeley) Chaptered 4, Statutes of 2001, authorized the Department of Water Resources (DWR) to issue revenue bonds to purchase power for the IOUs. ABX1 1 also prohibited the PUC from increasing rates for usage under 130% of baseline until the DWR bond charges were paid off. ("Baseline" is roughly the amount needed to meet 60% of the typical residential customer's usage, adjusted for climate and season.)

The California Solar Initiative: The CSI was originally conceived by then Governor Schwarzenegger in his residential "Million Solar Roofs" initiative. Ultimately the CSI was implemented through efforts at the PUC and the Legislature. The PUC adopted several regulatory decisions in 2006 and the Legislature passed SB 1 (Murray) in 2006.

The CSI is overseen by the PUC and provides incentives for solar system installations to customers of the state's three large IOUs. The CSI Program provides upfront incentives for solar systems installed on existing residential homes, existing and new commercial, industrial, government, non-profit, and agricultural properties within IOU service territories.

An ABX1 1 Compromise: Residential customers are charged based on the quantity of electricity used based on a block formula and each successive block of electricity used is billed at an increased per-unit price, in part to encourage conservation. Each block is referred to as a "tier." ABX1 1 capped the lowest two tiers of electricity usage: (1) baseline and (2) 130% of baseline. Tiers are based on a customer's usage, not income base.

By 2007, unintentional consequences were accruing to the detriment of to commercial ratepayers due to the 2 tier ABX1 1 rate freeze. Further, it appeared that the rate freeze shielded some residential customers from rising fuel costs as well as some legislatively mandated and PUC-created programs.

Senator Kehoe introduced SB 695 in 2009 to address the ABX1 1 rate inequity as well as other post-crisis problems such as direct access. The compromise language contained within SB 695 ended the 2 tier rate freeze from ABX1 1.

COMMENTS:

This bill seeks to delete obsolete authority vested in the PUC that was granted while a rate freeze stemming from the 2000-01 electricity crisis was in place. That rate freeze has since been removed and replaced in SB 695. The language to be deleted in AB 1392 provided a ratepayer protection based on the 2000-01 rate freeze. This language is no longer needed as SB 695 implemented different ratepayer protections.

Legislative policy committees often author omnibus bills to clean up non-controversial, obsolete code. While AB 1392 only contains only one such clean up, it is similar to omnibus bills.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

None on file.

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