

AMENDED IN SENATE JANUARY 30, 2001
AMENDED IN SENATE JANUARY 29, 2001
AMENDED IN SENATE JANUARY 25, 2001
AMENDED IN ASSEMBLY JANUARY 16, 2001

CALIFORNIA LEGISLATURE—2001–02 FIRST EXTRAORDINARY SESSION

ASSEMBLY BILL

No. 1

Introduced by Assembly Members Keeley and Migden
(Principal coauthor: Assembly Member Hertzberg)

January 3, 2001

An act to amend Section 366.5 of, and to add Section 360.5 to, and to repeal Section 355.1 of, the Public Utilities Code, and to add Division 27 (commencing with Section 80000) to the Water Code, relating to electric power, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 1, as amended, Keeley. Power exchanges: Department of Water Resources: electric power.

(1) The Public Utilities Act establishes the Power Exchange to provide an efficient competitive auction, open on a nondiscriminatory basis to all electric power suppliers, that meets the loads of all exchange customers at efficient prices. Existing law authorizes the Public Utilities Commission to investigate issues associated with multiple qualified exchanges, and requires the commission, if it determines that allowing electrical corporations to purchase from multiple qualified exchanges is in the public interest, to prepare and submit findings and

recommendations to the Legislature on or before June 1, 2001. Existing law prohibits the implementation by the commission of certain commission decisions regarding other exchanges, as specified.

This bill would repeal those provisions, regarding multiple qualified exchanges.

(2) Existing law prohibits any change in the aggregator or supplier of electric power for certain customers from being made until the change has been verified.

This bill would provide that electric power sold to customers pursuant to the bill is not subject to those provisions.

(3) Under existing law relating to the Central Valley Project, the Department of Water Resources has the authority to fix and establish the prices, rates, and charges at which the resources and facilities made available by the project are sold and disposed of, and to enter into contracts and agreements and do any and all things that the department determines to be necessary, convenient, or expedient for the accomplishment of the purposes and objectives of that existing law.

This bill would authorize the department to enter into contracts for the purchase of electric power. The bill would authorize the department to sell power to retail end use customers and, *with specified exceptions*, to local publicly owned electric utilities at not more than the department's acquisition costs, as specified. The bill would prohibit the department from contracting for the purchase of electrical power on and after January 2, 2003. The bill would ~~prohibit the department from entering into or engaging in a~~ *provide, with specified exceptions, that nothing in the bill authorizes the department to take ownership of transmission or, generation, or distribution enterprise for purposes of the act assets, as specified.* The bill would also authorize the department to hire and appoint additional employees and contract for the services of public and private entities.

The bill would authorize the department to issue revenue bonds not to exceed a certain amount, containing specified terms and conditions, upon authorization by written determination of the department and with the approval of the Director of Finance *and the Treasurer*, as specified.

The bill would establish in the State Treasury the Department of Water Resources Electric Power Fund, to be continuously appropriated to the department, and available for the purposes described above. The bill would require all revenues payable to the department under the bill to be deposited in the fund. The bill would require that payments from the fund be made only for certain purposes. The bill would transfer up

to ~~\$500,000,000~~ \$495,755,000 from the General Fund to the fund for the purposes described above and require repayment to the General Fund at the earliest possible time. *The bill would appropriate \$4,245,000 to the department for the 2000–01 fiscal year for administrative cost incurred by the department for purposes of the bill.*

The bill would permit the Department of Finance to authorize the creation of deficiencies for this appropriation.

This bill would require the Public Utilities Commission to calculate the California Procurement Adjustment and would further require the commission to determine the amount of the adjustment payable to the department for deposit into the fund.

The bill would require the Bureau of State Audits to conduct a financial and performance audit of the department’s implementation of the bill.

(4) This bill would declare that it is to take effect immediately as an urgency statute.

Vote: ²/₃. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 355.1 of the Public Utilities Code is
2 repealed.
3 SEC. 2. Section 360.5 is added to the Public Utilities ~~Code~~
4 *Code*, to read:
5 360.5. The commission shall determine that portion of each
6 existing electrical corporation’s retail rate effective on January 5,
7 2001, that is equal to the difference between *the generation related*
8 *component of* the retail rate and the sum of the costs of the utility’s
9 own generation, ~~qualified~~ *qualifying* facility contracts, ~~bilateral~~
10 *existing bilateral* contracts, and ~~transmission and distribution~~
11 *ancillary services*. That portion of the retail rate shall be known as
12 the California Procurement Adjustment. The commission shall
13 further determine the amount of the California Procurement
14 Adjustment that is allocable to the power sold by the department.
15 That amount shall be payable, *by each electrical corporation,*
16 *upon receipt by the electrical corporation of the revenues from its*
17 *retail end use customers*, to the department for deposit in the
18 Department of Water Resources Electric Power Fund, established
19 by Section 80200 of the Water Code. The amount determined

1 pursuant to this subdivision shall be known as the Fixed
2 Department of Water Resources Set-Aside.

3 SEC. 3. Section 366.5 of the Public Utilities Code is amended
4 to read:

5 366.5. (a) No change in the aggregator or supplier of electric
6 power for any small commercial customer may be made until one
7 of the following means of confirming the change has been
8 completed:

9 (1) Independent third-party telephone verification.

10 (2) Receipt of a written confirmation received in the mail from
11 the consumer after the consumer has received an information
12 package confirming the agreement.

13 (3) The customer signs a document fully explaining the nature
14 and effect of the change in service.

15 (4) The customer's consent is obtained through electronic
16 means, including, but not limited to, computer transactions.

17 (b) No change in the aggregator or provider of electric power
18 for any residential customer may be made over the telephone until
19 the change has been confirmed by an independent third-party
20 verification company, as follows:

21 (1) The third-party verification company shall meet each of the
22 following criteria:

23 (A) Be independent from the entity that seeks to provide the
24 new service.

25 (B) Not be directly or indirectly managed, controlled, or
26 directed, or owned wholly or in part, by an entity that seeks to
27 provide the new service or by any corporation, firm, or person who
28 directly or indirectly manages, controls, or directs, or owns more
29 than 5 percent of the entity.

30 (C) Operate from facilities physically separate from those of
31 the entity that seeks to provide the new service.

32 (D) Not derive commission or compensation based upon the
33 number of sales confirmed.

34 (2) The entity seeking to verify the sale shall do so by
35 connecting the resident by telephone to the third-party verification
36 company or by arranging for the third-party verification company
37 to call the customer to confirm the sale.

38 (3) The third-party verification company shall obtain the
39 customer's oral confirmation regarding the change, and shall
40 record that confirmation by obtaining appropriate verification

1 data. The record shall be available to the customer upon request.
2 Information obtained from the customer through confirmation
3 shall not be used for marketing purposes. Any unauthorized
4 release of this information is grounds for a civil suit by the
5 aggrieved resident against the entity or its employees who are
6 responsible for the violation.

7 (4) Notwithstanding paragraphs (1), (2), and (3), an aggregator
8 or provider of electric power shall not be required to comply with
9 these provisions when the customer directly calls an aggregator or
10 provider of electric power to change service providers. However,
11 an aggregator or provider of electric power shall not avoid the
12 verification requirements by asking a customer to contact an
13 aggregator or provider of electric power directly to make any
14 change in the service provider.

15 (c) No change in the aggregator or provider of electric power
16 for any residential customer may be made via an Internet
17 transaction, in which the customer accesses the website of the
18 aggregator or provider, unless both of the following occur with
19 respect to confirming the change:

20 (1) In addition to any other information gathered in the course
21 of the transaction, the customer shall be asked to read and respond
22 to a separate screen that states, in easily legible text, the following:

23 “I acknowledge that in entering this transaction I am voluntarily
24 choosing to change the entity that supplies me with my electric
25 power.”

26 (2) The separate screen shall offer the customer the option to
27 complete or terminate the transaction.

28 (d) (1) No change in the aggregator or provider of electric
29 power for any residential customer may be made via a written
30 transaction unless the change has been confirmed, as provided in
31 this subdivision. In order to comply with this subdivision, in
32 addition to any other information gathered in the course of the
33 transaction, and in addition to any other signature required, the
34 customer shall be asked to sign and date a document separate from
35 that written transaction, containing the following words printed in
36 10-point type or larger:

37 “I acknowledge that in signing this contract or agreement, I am
38 voluntarily choosing to change the entity that supplies me with
39 electric power.”

(2) The acknowledgment document described in paragraph (1) may not be included with a check or in connection with a sweepstakes solicitation.

(e) Any aggregator or provider of electric power offering electricity service to residential and small commercial customers that switches the electric service of a customer without the customer's consent shall be liable to the aggregator or provider of electric power offering electricity services previously selected by the customer in an amount equal to all charges paid by the customer after the violation and shall refund to the customer any amount in excess of the amount that the customer would have been obligated to pay had the customer not been switched.

(f) An aggregator or provider of electric power shall keep a record of the confirmation of a change pursuant to subdivision (b), (c), or (d) for two years from the date of that confirmation, and shall make those records available, upon request, to the customer and to the commission in the course of a commission investigation of a customer complaint or an investigation pursuant to subdivision (c) of Section 394.2.

(g) Public agencies are exempt from this section to the extent they are serving customers within their jurisdiction.

(h) Notwithstanding subdivisions (c) and (d), the commission may require third-party verification for all residential changes to electric service providers if it finds that the application of subdivisions (c) and (d) results in the unauthorized changing of a customer's electric service provider.

(i) An electrical corporation is exempt from this section for customers that default to the service of the electrical corporation.

(j) Electric power sold to customers pursuant to Section 80100 of the Water Code is not subject to this section.

SEC. 4. Division 27 (commencing with Section 80000) is added to the Water Code, to read:

DIVISION 27. PURCHASE AND SALE OF ELECTRIC POWER

CHAPTER 1. GENERAL PROVISIONS AND DEFINITIONS

80000. The Legislature hereby finds and declares all of the following:

(a) The furnishing of reliable reasonably priced electric service is essential for the safety, health, and well-being of the people of California. A number of factors have resulted in a rapid, unforeseen shortage of electric power and energy available in the state and rapid and substantial increases in wholesale energy costs and retail energy rates, with statewide impact, to such a degree that it constitutes an immediate peril to the health, safety, life and property of the inhabitants of the state, and the public interest, welfare, convenience and necessity require the state to participate in markets for the purchase and sale of power and energy.

(b) In order for the department to adequately and expeditiously undertake and administer the critical responsibilities established in this division, it must be able to obtain, in a timely manner, additional and sufficient personnel with the requisite expertise and experience in energy marketing, energy scheduling, and accounting.

80002. Nothing in this division shall be construed to reduce or modify any electrical corporation's obligation to serve. The commission shall issue orders it determines are necessary to carry out this section. *Nothing in this section shall be construed to obligate the department for any procurement cost obligations of any electrical corporation that may have existed as of the effective date of this section.*

80002.5. It is the intent of the Legislature that power acquired by the department under this division shall be sold to all retail end use customers being served by electrical corporations, and *may be sold, to the extent practicable, as determined by the department,* to those local publicly owned electric utilities requesting such power. Power sold by the department to retail end use customers shall be allocated pro rata among all classes of customers to the extent practicable.

80003. (a) The development and operation of a program as provided in this division is in all respects for the welfare and the benefit of the people of the state, to protect the public peace, health, and safety, and constitutes an essential governmental purpose.

(b) This division shall be construed in a manner so as to effectuate the purposes and objectives thereof.

80004. (a) The powers and responsibilities of the department established under this division are within the scope of the primary

1 duties of the department, but are not governed by the provisions
2 relating to the State Water Resources Development System.

3 (b) The Department of Water Resources Electric Purchases
4 Fund, established by Section 80200, and the money in that fund are
5 separate and distinct from any other fund and money administered
6 by the department.

7 80010. As used in this division, unless the context otherwise
8 requires, the following terms have the following meanings:

9 (a) “Bonds” means bonds, notes, or other evidences of
10 indebtedness issued solely for the purposes of paying the cost of
11 electric power and transmission, scheduling, and other related
12 expenses incurred by the department on and after the effective date
13 of this division, or to reimburse expenditures from the fund for
14 those purposes; repaying to the General Fund any advances made
15 to the department from appropriations made to the fund pursuant
16 hereto or hereafter for purposes of this division, any advances
17 made to the department from the Water Resources Electric Power
18 Fund, and General Fund moneys expended by the department
19 pursuant to the Governor’s Emergency Proclamation dated
20 January 17, 2001; establishing or maintaining reserves in
21 connection with the bonds; costs of issuance of bonds or incidental
22 to their payment or security; capitalized interest; or to renew or
23 refund any bonds.

24 (b) “Commission” means the Public Utilities Commission.

25 (c) “Electrical corporation” has the same meaning as that term
26 is defined in Section 218 of the Public Utilities Code.

27 (d) “Fund” means the Department of Water Resources Electric
28 Power Fund established by Section 80200.

29 (e) “Local publicly owned electric utility” includes the entities
30 defined in subdivision (d) of Section 9604 of the Public Utilities
31 Code and publicly owned utilities that provide electricity.

32 (f) “Power” means electric power and energy, including, but
33 not limited to, capacity and output, or any of them.

34 (g) “Public utility” has the same meaning as that term is
35 defined in Section 216 of the Public Utilities Code.

36 80012. The department shall do those things necessary and
37 authorized under Chapter 2 (commencing with Section 80100) to
38 make power available directly or indirectly to electric consumers
39 in California. Except as otherwise stated, nothing in this division
40 authorizes the department to take ownership of the transmission,

1 generation, or distribution assets of any electrical corporation in
2 this state.

3 80014. (a) The department and commission may adopt
4 regulations for purposes of this division as emergency regulations
5 in accordance with Chapter 3.5 (commencing with Section 11340)
6 of Part 1 of Division 3 of Title 2 of the Government Code. For
7 purposes of that Chapter 3.5, including Section 11349.6 of the
8 Government Code, the adoption of the regulations shall be
9 considered by the Office of Administrative Law to be necessary
10 for the immediate preservations of the public peace, health and
11 safety, and general welfare. Notwithstanding subdivision (e) of
12 Section 11346.1 of the Government Code, the regulations shall be
13 repealed 180 days after their effective date, unless the adopting
14 authority or agency complies with that Chapter 3.5, as provided in
15 subdivision (e) of Section 11346.1 of the Government Code.

16 (b) Unless the department determines that application of any
17 such provision to such contracts is detrimental to accomplishing
18 the purposes of this division, the provisions of the Government
19 Code and Public Contract Code applicable to state contracts,
20 including, but not limited to, advertising and competitive bidding
21 requirements and prompt payment requirements, apply to
22 contracts entered into under this division.

23 80016. All state agencies and other official state
24 organizations, and all persons connected therewith, shall and are
25 hereby authorized to, at the request of the department, give the
26 department reasonable assistance or other cooperation in carrying
27 out the purposes of this division.

28
29 CHAPTER 2. POWER PROGRAM
30

31 Article 1. Powers of the Department
32

33 80100. Upon those terms, limitations, and conditions as it
34 prescribes, the department may contract with any person, local
35 publicly owned electric utility, or other entity for the purchase of
36 power on such terms and for such periods as the department
37 determines and at such prices the department deems appropriate
38 taking into account all of the following:

1 (a) The intent of the program described in this division is to
2 achieve an overall portfolio of contracts for energy resulting in
3 reliable service at the lowest possible price per kilowatthour.

4 (b) The need to have contract supplies to fit each aspect of the
5 overall energy load profile.

6 (c) The desire to secure as much low-cost power as possible
7 under contract.

8 (d) The duration and timing of contracts made available from
9 sellers.

10 (e) The length of time sellers of electricity offer to sell such
11 electricity.

12 (f) The desire to secure as much firm and nonfirm renewable
13 energy as possible. Prior to commencement of the program
14 described in this division, the department shall assess the need for
15 power in the state in consultation with the Public Utilities
16 Commission and local publicly owned electric utilities and
17 electrical corporations in the state and such other entities in the
18 state as the department determines are appropriate. The
19 department may also enter into options or forward contracts with
20 respect to the foregoing, and contract with any person, local
21 publicly owned electric utility, or other entity for transmission,
22 scheduling, and other related power services necessary or
23 desirable to accomplish the purposes of this division.

24 80102. (a) Contracts under this division may provide for the
25 assignment thereof on any terms and conditions as the contracts
26 may specify.

27 (b) Any contract for the purchase or sale of electric power shall
28 contain any contractual terms and security provisions as are
29 determined by the department to be necessary or appropriate and
30 the department may enter into such arrangements as may be
31 necessary or appropriate to implement the foregoing.

32 (c) Notwithstanding any other provision of law, the department
33 may pay or provide for the payment of power or use of
34 transmission or distribution facilities and other related services
35 prior to the delivery or utilization thereof, provided that the
36 department determines that prepayment is beneficial to ratepayers
37 and that adequate provision has been made for the security of the
38 department.

39 80104. Upon the delivery of power to them, the retail end use
40 customers shall be deemed to have purchased that power from the

department. Payment for any sale shall be a direct obligation of the retail end use customer to the department.

80106. (a) The department may contract with the related electrical corporation or its successor in the performance of related service, for the electrical corporation or its successor in the performance of related service, to transmit or provide for the transmission of, and distribute the power and provide billing, collection, and other related services, as agent of the department, on terms and conditions that reasonably compensate the electrical corporation for its services.

(b) At the request of the department, the commission shall order the related electrical corporation or its successor in the performance of related service, to transmit or provide for the transmission of, and distribute the power and provide billing, collection, and other related services, as agent of the department, on terms and conditions that reasonably compensate the electrical corporation for its services.

80108. The commission may issue rules regulating the enforcement of the agency function pursuant this division, including collection and payment to the department.

80110. The department shall retain title to all power sold by it to the retail end use customers. The department shall be entitled to recover, as a revenue requirement, amounts and at the times necessary to enable it to comply with Section 80134, and shall advise the commission as the department determines to be appropriate. Such revenue requirements may also include any advances made to the department hereunder or hereafter for purposes of this division, or from the Department of Water Resources Electric Power Fund, and General Fund moneys expended by the department pursuant to the Governor's Emergency Proclamation dated January 17, 2001. For purposes of this division and except as otherwise provided in this section, the Public Utility Commission's authority as set forth in Section 451 of the Public Utilities Code shall apply, except any just and reasonable review under Section 451 shall be conducted and determined by the department. The commission may enter into an agreement with the department with respect to charges under Section 451 for purposes of this division, and that agreement shall have the force and effect of a financing order adopted in accordance with Article 5.5 (commencing with Section 840) of

1 Chapter 4 of Part 1 of Division 1 of the Public Utilities Code, as
2 determined by the commission. In no case shall the commission
3 increase the *electric procurement portion of* electricity charges in
4 effect on the date that the act that adds this section becomes
5 effective for residential customers for existing baseline quantities
6 or usage by those customers of up to 130 percent of existing
7 baseline quantities, *until such time as the department has*
8 *recovered the costs of power it has procured for the electrical*
9 *corporation's retail end use customers as provided in this division.*

10 After the passage of such period of time after the effective date of
11 this section as shall be determined by the commission, the right of
12 retail end use customers pursuant to Article 6 (commencing with
13 Section 360) of Chapter 2.3 of Part 1 of Division 1 of the Public
14 Utilities Code to ~~be served by~~ *acquire service from* other providers
15 shall be suspended until the department no longer supplies power
16 hereunder. The department shall have the same rights with respect
17 to the payment by retail end use customers for power sold by the
18 department as do providers of power to such customers.

19 80112. All money collected with respect to any power
20 acquired and sold pursuant to this division and the Governor's
21 Emergency Proclamation dated January 17, 2001, and all money
22 paid directly or indirectly to or for the account of the department
23 with respect to any sale, exchange, transfer, or disposition of
24 power acquired pursuant hereto, shall constitute property of the
25 department and shall be deposited in the fund in accordance with
26 subdivision (b) of Section 80200. To the extent any moneys are
27 ~~held received~~ by an electrical corporation pursuant to Section
28 80106 in the process of collection, and pending their ~~payment~~
29 *transfer* to the department, they shall be *segregated by the*
30 *electrical corporation on terms and conditions established by the*
31 *department and shall be held in trust for the benefit of the*
32 *department.*

33 80114. The commission shall take those actions necessary to
34 ensure that all, or a portion of, the component rates that are
35 available to electrical corporations for the purchase of their net
36 short position of electricity are used to recover the revenue
37 requirements established pursuant to this division.

38 80116. The department may sell any power acquired by the
39 department pursuant to this division to retail end use customers,
40 and to local publicly owned electric utilities, at not more than the



department's acquisition costs, including transmission, scheduling, and other related costs, plus other costs as provided in Section 80200, or exchange power with any person or public or private entity. *The department may not sell power to any local publicly owned electric utility, as defined in Section 9604 of the Public Utilities Code, which is itself a net seller of power.* However, to the extent that any acquired power is not required for use within the state, if it is otherwise advantageous and necessary, the power may be sold, transferred, or otherwise disposed of, or an option may be granted with respect to the power, to any person or public or private entity. Except to maintain system integrity, the department shall sell the power that is to be delivered to retail end use customers within the service area of the electrical corporations that purchase power from the electrical corporations directly to the retail end use customers.

80120. The department may fix and establish the procedure and charges for the sale or other disposal of power purchased by the department.

80122. The department may do any of the following as may be, in the determination of the department, necessary for the purposes of this division:

(a) Hire and appoint employees as required, at salary levels determined by the director to be competitive to attract and retain persons with the necessary expertise and skills. Prior to hiring or appointing an employee at a salary in excess of a salary approved by the Department of Personnel Administration, the director shall submit the proposed salary to the Director of Finance who shall submit it to the Legislature in accordance with Section 27.00 of the annual Budget Act. *No excess salary authorized under this section may be paid on or after January 1, 2003. The excess portion of a salary authorized under this section may not be considered salary in the calculation of final compensation for purposes of benefits under the Public Employees' Retirement System.*

(b) Engage the services of private parties to render professional and technical assistance and advice and other services in carrying out the purposes of this division.

(c) Contract for the services of other public agencies.

(d) The State Personnel Board and the Department of Personnel Administration shall assist the department in expediting the hiring of personnel necessary and desirable for the timely and

1 successful implementation and administration of the department's
2 duties and responsibilities pursuant to this division.

3
4 CHAPTER 2.5. BONDS
5

6 80130. The department may incur indebtedness and issue
7 bonds as evidence thereof, provided that bonds may not be issued
8 in an amount the debt service on which, to the extent payable from
9 the fund, is expected by the department to exceed the amounts
10 expected to be available in the fund for their payment. In no event
11 shall the department authorize the issuance of bonds (excluding
12 notes issued in anticipation of the issuance of bonds and retired
13 from the proceeds of those bonds) in an aggregate amount greater
14 than the amount calculated by multiplying by a factor of four the
15 annual revenues generated by the California Procurement
16 Adjustment, as determined by the commission pursuant to
17 ~~subdivision (a) of Section 360.5.~~ *In addition, before the issuance*
18 *of bonds, the department shall establish a mechanism to ensure*
19 *that the bonds will be sold at investment grade ratings and repaid*
20 *on a timely basis from pledged revenues. This mechanism may*
21 *include, but is not limited to, an agreement between the department*
22 *and the commission as described in Section 80110.*

23 80132. (a) Bonds may be issued by the department upon
24 authorization by written determination of the director of the
25 department with the approval of the Director of Finance *and the*
26 *State Treasurer. The Department of Finance shall notify the*
27 *Chairperson of the Joint Legislative Budget Committee and the*
28 *chairperson of the committee in each house that considers*
29 *appropriations of its written determination.* The bonds shall be
30 sold at such prices and in such manner, and on such terms and
31 conditions, as shall be specified in such determination, and such
32 determination may contain or authorize any other provision,
33 condition, or limitation not inconsistent herewith and such
34 provisions as may be deemed reasonable and proper for the
35 security of the bondholders. Bonds may mature at such time or
36 times, and bear interest at such rate or rates, which may be fixed
37 or variable and be determined by reference to an index or such
38 other method, as shall be specified in such determination. Neither
39 the person executing the determination to issue bonds nor any
40 person executing bonds shall be personally liable therefor or be

1 subject to any personal liability or accountability by reason of the
2 issuance thereof.

3 (b) In the discretion of the department, any bonds may be
4 secured by a trust agreement by and between the department and
5 a corporate trustee, which may be any trust company or bank
6 having trust powers within or without the state, or the State
7 Treasurer. Notwithstanding any other provision of law, the State
8 Treasurer shall not be deemed to have a conflict of interest by
9 reason of acting as such trustee. The department may enter into
10 such contracts or arrangements as it shall deem to be necessary or
11 appropriate for the issuance and further security of the bonds.

12 (c) Bonds shall be legal investments for all trust funds, the
13 funds of all insurance companies, banks both commercial and
14 savings, trust companies, executors, administrators, trustees, and
15 other fiduciaries, for state school funds, pension funds, and, for
16 any funds that may be invested in county, school, or municipal
17 bonds.

18 (d) Notwithstanding that bonds may be payable from a special
19 fund, they shall be deemed to be negotiable instruments for all
20 purposes.

21 (e) Any and all bonds, their transfer and the income therefrom
22 shall at all times be free from taxation of every kind by the state
23 and by all political subdivisions of the state.

24 (f) Bonds shall not be deemed to constitute a debt or liability of
25 the state or of any political subdivision thereof, other than the
26 department, or a pledge of the faith and credit of the state or of any
27 such political subdivision, other than the department, but shall be
28 payable solely from the funds herein provided for. All bonds shall
29 contain a statement to the following effect: "Neither the faith and
30 credit nor the taxing power of the State of California is pledged to
31 the payment of the principal of or interest on this bond." The
32 issuance of bonds shall not directly or indirectly or contingently
33 obligate the state or any political subdivision thereof to levy or to
34 pledge any form of taxation whatever therefor or to make any
35 appropriation for their payment.

36 (g) The department may pledge or assign any revenues under
37 any obligation entered into, and rights to receive the same, and
38 moneys on deposit in the fund and income or revenue derived from
39 the investment thereof, as security for the department's obligations
40 hereunder. It is the intention of the Legislature that any pledge of

1 moneys, revenues, or property made by the department shall be
2 valid and binding from the time when the pledge is made; that the
3 moneys, revenues, or property so pledged and thereafter collected
4 from retail end use customers, or paid directly or indirectly to or
5 for the account of the department, is hereby made, and shall
6 immediately be, subject to the lien of such pledge without any
7 physical delivery thereof or further act; that the lien of any such
8 pledge shall be valid and binding as against all parties having
9 claims of any kind in tort, contract, or otherwise against the
10 department irrespective of whether such parties have notice
11 thereof, and that no resolution or instrument by which such pledge
12 or lien created pursuant to this subdivision is expressed,
13 confirmed, or approved need be filed or recorded in order to
14 perfect such pledge or lien. The provisions hereof shall in all
15 respects govern the creation, perfection, priority, and enforcement
16 of any lien created hereby or hereunder.

17 80134. (a) The department shall, and in any obligation
18 entered into pursuant to this division may covenant to, at least
19 annually, and more frequently as required, establish and revise
20 revenue requirements sufficient, together with any moneys on
21 deposit in the fund, to provide all of the following:

22 ~~(a)~~

23 (1) The amounts necessary to pay the principal of and
24 premium, if any, and interest on all bonds as and when the same
25 shall become due.

26 ~~(b)~~

27 (2) The amounts necessary to pay for power purchased by it and
28 to deliver it to purchasers, *including the cost of electric power and*
29 *transmission, scheduling, and other related expenses incurred by*
30 *the department*, or to make payments under any other contracts,
31 agreements, or obligations entered into by it pursuant hereto, in the
32 amounts and at the times the same shall become due.

33 ~~(c)~~

34 (3) Reserves in such amount as may be determined by the
35 department from time to time to be necessary or desirable.

36 (4) *The pooled money investment rate on funds advanced for*
37 *electric power purchases prior to the receipt of payment for those*
38 *purchases by the purchasing entity.*

39 (5) *Repayment to the General Fund of appropriations made to*
40 *the fund pursuant hereto or hereafter for purposes of this division,*

appropriations made to the Department of Water Resources Electric Power Fund, and General Fund moneys expended by the department pursuant to the Governor's Emergency Proclamation dated January 17, 2001.

(6) The administrative costs of the department incurred in administering this division.

(b) The department shall notify the commission of its revenue requirement pursuant to Section 80110.

CHAPTER 3. DEPARTMENT OF WATER RESOURCES ELECTRIC
PURCHASES POWER FUND

80200. (a) There is hereby established in the State Treasury the Department of Water Resources Electric Power Fund. Notwithstanding Section 13340 of the Government Code, all moneys in the fund are continuously appropriated, without regard to fiscal year, to the department, and shall be available for the purposes of this division. It is the intent of the Legislature that this fund be a continuation of the fund created in Chapter 3 of the Statutes of 2001 (SB 7 of the First 2001–02 Extraordinary Session).

(b) All revenues payable to the department under this division shall be deposited in the fund. Notwithstanding any other provision of law, interest accruing on money in the fund shall remain in the fund and shall be used for the purposes of this division. Payments from the fund may be made only for the purposes authorized by this division, including, but not limited to, payments for any of the following:

(1) The cost of electric power and transmission, scheduling, and other related expenses incurred by the department.

(2) The pooled money investment rate on funds advanced for electric power purchases prior to the receipt of payment for those purchases by the purchasing entity.

(3) Payment of any bonds or other contractual obligations authorized by this division.

(4) Repayment to the General Fund of appropriations made to the fund pursuant hereto or hereafter for purposes of this division, appropriations made to the Department of Water Resources Electric Power Fund, and General Fund moneys expended by the department pursuant to the Governor's Emergency Proclamation

1 dated January 17, 2001. It is the intent of the Legislature that such
2 repayment be made as soon as practicable.

3 ~~(5) The administrative costs of the department incurred in~~
4 ~~administering this division.~~

5 *(c) Except as provided in subdivision (b) of Section 5 of the*
6 *statute adding this section, the administrative costs of the*
7 *department incurred in administering this division shall be*
8 *provided in the annual Budget Act.*

9 ~~(e)~~

10 *(d) Obligations authorized by this division shall be payable*
11 *solely from the fund. Neither the full faith and credit nor the taxing*
12 *power of the state are or may be pledged for any payment under*
13 *any obligation authorized by this division.*

14 ~~(d)~~

15 *(e) While any obligations of the department incurred under this*
16 *division remain outstanding and not fully performed or*
17 ~~*discharged, the powers, duties, and existence of the department*~~
18 *discharged, the rights, powers, duties, and existence of the*
19 *department and the commission shall not be diminished or*
20 *impaired in any manner that will affect adversely the interests and*
21 *rights of the holders of or parties to such obligations. The*
22 *department may include this pledge and undertaking of the state*
23 *in the department's obligations.*

24

25 CHAPTER 4. REPORTING

26

27 80250. The department shall make quarterly and annual reports
28 to the Governor and the Legislature regarding its activities *and*
29 *expenditures* pursuant to this division.

30

31 CHAPTER 5. TERMINATION OF AUTHORITY TO CONTRACT

32

33 ~~80260. The department shall not contract for the purchase of~~
34 ~~electrical power on and after January 1, 2003. This section does not~~
35 ~~effect~~

36 80260. *On and after January 1, 2003, the department shall*
37 *not contract under this division for the purchase of electrical*
38 *power. This section does not affect the authority of the department*
39 *to administer contracts entered into prior to that date or the*
40 *department's authority to sell electricity.*



CHAPTER 6. AUDIT

80270. The Bureau of State Audits shall conduct a financial and performance audit of the department's implementation of this division. The audit shall be completed before December 31, 2001. The bureau shall issue a final report on or before March 31, 2003.

~~SEC. 5. The sum up to five hundred million dollars (\$500,000,000) is hereby transferred from the General Fund to the Department of Water Resources Electric Power Fund, established by Section 80200 of the Water Code, for the purposes of Division 27 (commencing with Section 80000) of the Water Code. The five hundred million dollars (\$500,000,000) shall be repaid from the fund to the General Fund at the earliest possible time.~~

SEC. 5. The following sums are hereby transferred or appropriated from the General Fund, as follows:

(a) Four hundred ninety-five million seven hundred fifty-five thousand dollars (\$495,755,000) is hereby transferred to the Department of Water Resources Electric Power Fund, established by Section 80200 of the Water Code, for the purposes of Division 27 (commencing with Section 80000) of the Water Code. The four hundred ninety-five million seven hundred fifty-five thousand dollars (\$495,755,000) shall be repaid from the fund to the General Fund at the earliest possible time.

(b) Four million two hundred forty-five thousand dollars (\$4,245,000) is appropriated to the department for the 2000-01 fiscal year for the administrative costs incurred by the department for the purposes of Division 27 (commencing with Section 80000) of the Water Code.

SEC. 6. The Department of Finance may authorize the creation of deficiencies for the appropriation made by Section 5 of the act adding this section. No deficiency may be approved under this section any sooner than 10 days after written notification of the proposed deficiency is given to the Chairperson of the Joint Legislative Budget Committee *and the chairperson of the committee in each house that considers appropriations.*

SEC. 7. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

1 In order to address the rapid, unforeseen shortage of electric
2 power and energy available in the state and rapid and substantial
3 increases in wholesale energy costs and retail energy rates, that
4 endanger the health, welfare, and safety of the people of this state,
5 it is necessary for this act to take effect immediately.

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