

AMENDED IN ASSEMBLY AUGUST 19, 1999

AMENDED IN ASSEMBLY JULY 15, 1999

AMENDED IN SENATE APRIL 26, 1999

AMENDED IN SENATE APRIL 5, 1999

**SENATE BILL**

**No. 418**

**Introduced by Senator Polanco**  
**(Coauthor: Senator Brulte)**

February 12, 1999

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An act to add Section 739.10 to the Public Utilities Code, relating act to add Section 846.2 to the Public Utilities Code, relating to public utilities.

LEGISLATIVE COUNSEL'S DIGEST

SB 418, as amended, Polanco. ~~Utility companies: gas transportation service: tariff~~ Public utilities: transition property.

Existing law authorizes the issuance of rate reduction bonds and authorizes electrical corporations to sell or assign their interests to financing entities that use the property as a basis for the issuance of these bonds. Existing law also authorizes electrical corporations to pledge transition property as collateral for rate reduction bonds.

This bill would authorize electrical corporations to repurchase transition property previously sold and to redeem rate reduction bonds, as prescribed. The bill would establish a formula to set the repurchase price, as prescribed. The bill also would provide that the repurchase and extinguishment

of transition property will be credited in a specified manner against rate reduction financing.

~~Under existing law, the Public Utilities Commission is responsible for the regulation of public utilities in the state.~~

~~This bill would require the commission to authorize a public utility gas corporation to impose a tariff for gas transportation service on international customers that excludes the costs for public goods programs and gas restructuring charges, if the commission determines that offering international gas transportation service will provide net benefits to affected customers.~~

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

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

1     ~~SECTION 1. Section 739.10 is added to the Public~~  
 2     SECTION 1. Section 846.2 is added to the Public  
 3     Utilities Code, to read:  
 4     846.2. (a) The provisions set forth in subdivisions (b)  
 5     and (c) supersede any other provision of law, and any  
 6     existing or future orders or decisions of the commission,  
 7     and shall be used to clarify existing financing orders.  
 8     (b) An electrical corporation that ended its rate freeze  
 9     period described in subdivision (a) of Section 368 prior to  
 10    July 15, 1999, may repurchase, for a price and in an  
 11    amount determined under subdivisions (c) and (d), a  
 12    portion of the transition property previously sold by the  
 13    electrical corporation and extinguish that portion of the  
 14    transition property. All the proceeds of the sale of the  
 15    transition property shall be used to redeem or defease a  
 16    portion of the associated rate reduction bonds. Upon a  
 17    redemption or defeasance of rate reduction bonds, the  
 18    purchased portion of the associated transition property  
 19    shall be automatically extinguished, and the fixed  
 20    transition amounts associated with the extinguished  
 21    transition property shall be adjusted to reflect the  
 22    reduced amount necessary to ensure the timely payment  
 23    of principal and interest on the rate reduction bonds that

1 have not been redeemed or defeased. The commission  
2 shall approve that adjustment.

3 (c) The price to be paid for the transition property  
4 repurchased pursuant to subdivision (b) shall be equal to  
5 the present value, using a discount rate equal to the rate  
6 provided in subdivision (d) of Section 367, of the excess  
7 of the originally projected savings to be paid or credited  
8 to residential and small commercial customers, as  
9 calculated in the original approved issuance advice letter  
10 required by existing financing orders, over the amount of  
11 savings actually provided through rate reductions and  
12 offsets from the date of issuance of the rate reduction  
13 bonds to the date of the redemption or defeasance of the  
14 rate reduction bonds. The originally projected savings  
15 shall be the sum of the 10 percent rate reduction amounts  
16 and the fixed transition amounts during the originally  
17 projected four years and three months rate freeze period.  
18 The amount of transition property treated as purchased  
19 and extinguished by the electrical corporation is the  
20 amount required to generate the fixed transition amounts  
21 necessary to pay principal and interest on the redeemed  
22 or defeased bonds.

23 (d) The repurchase and extinguishment of transition  
24 property by the electrical corporation and redemption or  
25 defeasance of rate reduction bonds pursuant to  
26 subdivision (b) above shall be in satisfaction of any and all  
27 other obligations to pay or credit to residential and small  
28 commercial customers any balances that have been  
29 credited to or otherwise would be credited to any account  
30 in connection with an early termination of the rate freeze  
31 period and the rate reduction financed with the rate  
32 reduction bonds.

33 ~~Utilities Code, to read:~~

34 ~~739.10. The commission shall authorize a public utility~~  
35 ~~gas corporation to impose a tariff for gas transportation~~  
36 ~~service on international customers that excludes the costs~~  
37 ~~for public goods programs and gas restructuring changes,~~  
38 ~~if the commission determines that offering international~~

- 1 ~~gas transportation service will provide net benefits to~~
- 2 ~~affected customers in the state.~~

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