

AMENDED IN ASSEMBLY AUGUST 30, 1999

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

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

LEGISLATIVE COUNSEL'S DIGEST

SB 418, as amended, Polanco. 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.

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 846.2 is added to the Public
2 Utilities Code, to read:

3 846.2. (a) The provisions set forth in subdivisions ~~(b)~~
4 ~~and (e)~~ (b), (c), and (d) supersede any other provision
5 of law, and any existing or future orders or decisions of the
6 commission, and shall be used to clarify existing financing
7 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 (e) and (d)~~
12 *subdivision (c)*, a portion of the transition property
13 previously sold by the electrical corporation and
14 extinguish that portion of the transition property. All the
15 proceeds of the sale of the transition property shall be
16 used to redeem or defease a portion of the associated rate
17 reduction bonds. Upon a redemption or defeasance of
18 rate reduction bonds, the purchased portion of the
19 associated transition property shall be automatically
20 extinguished, and the fixed transition amounts associated
21 with the extinguished transition property shall be
22 adjusted to reflect the reduced amount necessary to
23 ensure the timely payment of principal and interest on
24 the rate reduction bonds that have not been redeemed or
25 defeased. The commission shall approve that adjustment.

26 (c) The price to be paid for the transition property
27 repurchased pursuant to subdivision (b) shall be equal to
28 the present value, using a discount rate equal to the rate
29 provided in subdivision (d) of Section 367, of the excess
30 of the originally projected savings to be paid or credited
31 to residential and small commercial customers, as
32 calculated in the original approved issuance advice letter
33 required by existing financing orders, over the amount of

1 savings actually provided through rate reductions and
2 offsets from the date of issuance of the rate reduction
3 bonds to the date of the redemption or defeasance of the
4 rate reduction bonds. The originally projected savings
5 shall be the sum of the 10 percent rate reduction amounts
6 and the fixed transition amounts during the originally
7 projected four years and three months rate freeze period.
8 The amount of transition property treated as purchased
9 and extinguished by the electrical corporation is the
10 amount required to generate the fixed transition amounts
11 necessary to pay principal and interest on the redeemed
12 or defeased bonds.

13 (d) The repurchase and extinguishment of transition
14 property by the electrical corporation and redemption or
15 defeasance of rate reduction bonds pursuant to
16 subdivision (b) above shall be in satisfaction of any and all
17 other obligations to pay or credit to residential and small
18 commercial customers any balances that have been
19 credited to or otherwise would be credited to any account
20 in connection with an early termination of the rate freeze
21 period and the rate reduction financed with the rate
22 reduction bonds.

