

AMENDED IN ASSEMBLY SEPTEMBER 7, 1999

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

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.~~ *by a financing order of the Public Utilities Commission if the commission determines that the issuance of those bonds in relationship to transition costs, would reduce rates that certain customers would have paid if the financing order had not been adopted. Existing law*

also makes financing orders in relation to rate reduction bonds binding on the commission.

~~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; the commission to order a fair and reasonable credit to ratepayers of any excess rate reduction bond proceeds, as defined.~~

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~~

4 846.2. (a) *Notwithstanding subdivision (c) of Section*
5 *841, for any electrical corporation that ended its rate*
6 *freeze period described in subdivision (a) of Section 368*
7 *prior to July 15, 1999, the commission may order a fair and*
8 *reasonable credit to ratepayers of any excess rate*
9 *reduction bond proceeds.*

10 (b) *‘Excess rate reduction bond proceeds,’ as used in*
11 *this section, means proceeds from the sale of rate*
12 *reduction bonds authorized by commission financing*
13 *orders issued pursuant to this article that are*
14 *subsequently determined by the commission to be in*
15 *excess of the amounts necessary to provide the 10 percent*
16 *rate reduction during the period when the rates were*
17 *frozen pursuant to subdivision (a) of Section 368.*

18 ~~(b), (c), and (d) supersede any other provision of law,~~
19 ~~and any existing or future orders or decisions of the~~
20 ~~commission, and shall be used to clarify existing financing~~
21 ~~orders.~~

22 ~~(b) An electrical corporation that ended its rate freeze~~
23 ~~period described in subdivision (a) of Section 368 prior to~~
24 ~~July 15, 1999, may repurchase, for a price and in an~~

~~1 amount determined under subdivision (e), a portion of
2 the transition property previously sold by the electrical
3 corporation and extinguish that portion of the transition
4 property. All the proceeds of the sale of the transition
5 property shall be used to redeem or defease a portion of
6 the associated rate reduction bonds. Upon a redemption
7 or defeasance of rate reduction bonds, the purchased
8 portion of the associated transition property shall be
9 automatically extinguished, and the fixed transition
10 amounts associated with the extinguished transition
11 property shall be adjusted to reflect the reduced amount
12 necessary to ensure the timely payment of principal and
13 interest on the rate reduction bonds that have not been
14 redeemed or defeased. The commission shall approve
15 that adjustment.~~

~~16 (e) The price to be paid for the transition property
17 repurchased pursuant to subdivision (b) shall be equal to
18 the present value, using a discount rate equal to the rate
19 provided in subdivision (d) of Section 367, of the excess
20 of the originally projected savings to be paid or credited
21 to residential and small commercial customers, as
22 calculated in the original approved issuance advice letter
23 required by existing financing orders, over the amount of
24 savings actually provided through rate reductions and
25 offsets from the date of issuance of the rate reduction
26 bonds to the date of the redemption or defeasance of the
27 rate reduction bonds. The originally projected savings
28 shall be the sum of the 10 percent rate reduction amounts
29 and the fixed transition amounts during the originally
30 projected four years and three months rate freeze period.
31 The amount of transition property treated as purchased
32 and extinguished by the electrical corporation is the
33 amount required to generate the fixed transition amounts
34 necessary to pay principal and interest on the redeemed
35 or defeased bonds.~~

~~36 (d) The repurchase and extinguishment of transition
37 property by the electrical corporation and redemption or
38 defeasance of rate reduction bonds pursuant to
39 subdivision (b) above shall be in satisfaction of any and all
40 other obligations to pay or credit to residential and small~~

1 ~~commercial customers any balances that have been~~
2 ~~credited to or otherwise would be credited to any account~~
3 ~~in connection with an early termination of the rate freeze~~
4 ~~period and the rate reduction financed with the rate~~
5 ~~reduction bonds.~~

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