California Public Utilities Commission

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News Release

October 24, 2002 PUC: 101 Docket: A00-11-038
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PUC ADOPTS METHOD TO REPAY DWR BOND-RELATED COSTS

The California Public Utilities Commission (PUC) today adopted a methodology for establishing a charge to repay bond-related costs resulting from the Department of Water Resources' (DWR) bond sale to refinance an interim loan taken out to cover electricity costs, and to repay advances from the State's General Fund, and to create financial reserves in connection with the bonds.

This decision anticipates that DWR will shortly advise the Commission more precisely of the revenues it needs to repay bond-related costs and adopts a per kilowatt-hour (kWh) charge on all energy consumption that is not specifically excluded to establish a charge to repay these bonds. Under Assembly Bill 1X, the Commission must impose a bond charge on customers to ensure DWR's repayment of the bonds. The bond charge is set by dividing the annual revenue requirement for bond-related costs by an estimate of the annual consumption not excluded from this charge.

The Commission today adopted a policy that excludes a major block of bundled residential consumption from the bond charge. In particular, based on a consideration of applicable law, past Commission precedent and legislative intent, the Commission excluded San Diego Gas and Electric Company (SDG&E) residential sales up to 130 percent of baseline, and all medical baseline and California Alternate Rates for Energy (CARE) eligible customer usage from the bond charges.

The Commission estimates that this policy will result in a per kWh surcharge between 0.5021 and 0.8042 cents in 2003, and between 0.4675 and 0.6850 in 2004, depending on the final level of the bond placement and terms of repayment. For 2003, until a decision in the Commission's Direct Access Cost Responsibility Surcharge proceeding becomes final and unappealable, the most probable initial bond charge imposed on the consumption of bundled electric service from the local utility will range between 0.5940 and 0.8042 cents per kWh.

Consistent with the terms of the Commission's Rate Agreement with DWR, the decision establishes an advice letter process that, following DWR's determination of its more precise 2003 bond revenue requirement and a compliance filing by Pacific Gas and Electric Company (PG&E), Southern California Edison, and SDG&E, sets a bond charge that applies a per kWh surcharge to the non-excluded consumption of all customers receiving bundled electric service from these utilities.

Today's decision sets up a mechanism to reduce the bond charge on utility customers by applying it to both utility and Direct Access customers once there is a final and unappealable decision in the Direct Access Cost Responsibility Surcharge proceeding.

It is possible for the customers of PG&E and Edison to pay the bond charge without a rate increase. For the customers of SDG&E, the record in this proceeding is unclear about whether current rates will cover these bond charges in addition to other costs. The Commission, therefore, orders SDG&E to establish a balancing account to track the amount it remits to DWR and thus allow SDG&E to seek a rate change to the extent necessary to permit recovery of its own authorized costs independent of these increased remittances to DWR. This account should enable SDG&E to show whether and how charges should change to accommodate both the bond charge and other costs in the DWR Revenue Requirement Phase of this proceeding. Overall rates cannot be determined until the completion of DWR's Revenue Requirement, filed with the Commission in August and scheduled for completion in December.

Consistent with past decisions, PG&E, SDG&E and Edison will add a line item to the electric bill specifying bond charges.

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