



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Resolution in Support of Senate Bill 1554, regarding local publicly owned electric utilities: cost responsibility surcharge (exit fees).

MEETING DATE: April 5, 2006

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: That the City Council adopt a resolution in support of Senate Bill 1554, regarding local publicly owned electric utilities: cost responsibility surcharge (exit fees).

BACKGROUND INFORMATION: Recent decisions of the California Public Utilities Commission (CPUC) have created a situation where future customers of publicly owned utilities could be charged fees ("exit fees") associated with the energy crisis and the PG&E bankruptcy, even though they never received electric service from any of the investor owned utilities, did not receive any benefit from the rate reduction bonds, did not receive any electricity purchased by the State (DWR) and will not get power purchased through the State's long term contracts.

In regard to new electric load, the CPUC has authorized the collection of charges relating to DWR bond charges associated with procurement costs (through 2022), DWR power charges recovering going-forward uneconomic power contract costs (through 2012), competition transition charges (through 2024), and PG&E bankruptcy-related charges (through 2012). The CPUC has not yet finalized a ruling regarding the calculation and quantification of these surcharges that could be as much 2.7 cents/kwh. The details regarding the billing and collections of these fees are still to be developed by the CPUC.

Senate Bill 1554 (Bowen and Cox) would prohibit the CPUC from imposing any charge, or "exit fee", on a customer of a local publicly owned utility if that customer's service location has not previously received service from an electrical corporation.

Energy rates are important factors in attracting business to California. These "exit fees" will further increase electric rates that are already the highest in the nation. Unfortunately, the CPUC's exit fee decisions may result in the imposition of charges on future electric customers of municipalities locating in newly annexed areas. Businesses who would otherwise locate in annexed areas of Lodi, for instance, may choose to locate out-of-state to avoid these additional costs; further discouraging new economic development in the state.

Staff believes it is not appropriate to charge customers who never received service from an investor owned utility for the costs of the investor owned utility. Without a legislative solution, customers who move into new residences and businesses in newly developed municipally-served areas could receive a

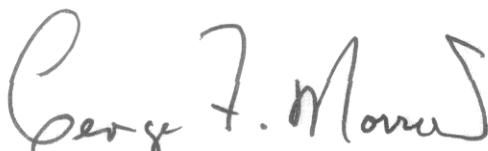
APPROVED: _____


Blair King, City Manager

bill from the local utility for electric service and bill from the investor owned utility for service they never used.

For these reasons, it is respectfully requested that the City Council adopt the attached resolution in support of SB 1554

FUNDING: None

A handwritten signature in black ink that reads "George F. Morrow". The signature is written in a cursive style with a large initial "G" and "M".

George F. Morrow
Electric Utility Director

GM/mw
Attachment

cc: C i Attorney
Sondra Huff

BILL NUMBER: SB 1554 INTRODUCED
BILL TEXT

INTRODUCED BY Senators Bowen and Cox

FEBRUARY 23, 2006

An act to add Section 9601.5 to the Public Utilities Code,
relating to local publicly owned electric utilities.

LEGISLATIVE COUNSEL'S DIGEST

SB 1554, as introduced, Bowen Local publicly owned electric
utilities: cost responsibility surcharge.

Under existing law, the Public Utilities Commission has regulatory
authority over public utilities, including electrical corporations.
Under existing law, the commission has imposed a cost responsibility
surcharge on municipal departing load, as defined in commission
decisions. Existing law relative to electrical restructuring, with
certain exceptions, prohibits a local publicly owned electric utility
from providing electric service to a retail customer of an
electrical corporation unless the customer first confirms in writing
an obligation to pay to the electrical corporation a nonbypassable
generation-related severance fee or transition charge established by
the regulatory body for that electrical corporation.

This bill would prohibit the commission from imposing any charge,
including a cost responsibility surcharge, on a customer of a local
publicly owned electric utility if the customer's service location
has not previously received service from an electrical corporation.

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

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 9601.5 is added to the Public Utilities Code,
to read:

9601.5. Notwithstanding any other law, the commission shall not
impose any charge, including, but not limited to, a cost
responsibility surcharge, on a customer of a local publicly owned
electric utility if the customer's service location has not
previously received service from an electrical corporation.

RESOLUTION NO. 2006-54

A RESOLUTION OF THE LODI CITY COUNCIL IN
SUPPORT OF SENATE BILL 1554 REGARDING
LOCAL PUBLICLY OWNED ELECTRIC UTILITIES:
COST RESPONSIBILITY SURCHARGE (EXIT FEES)

WHEREAS, the City of Lodi operates a municipal electric utility, which provides electric service to its residents; and

WHEREAS, the City of Lodi annexes unpopulated and undeveloped territory to encourage and accommodate orderly commercial and residential growth; and

WHEREAS, the economy of the State of California needs such growth: and

WHEREAS, the electricity rates of California's investor-owned electric utilities are artificially high as the State seeks to recover from the energy crisis of 2000-2001; and

WHEREAS, high electricity costs hinder economic growth; and

WHEREAS, decisions of the California Public Utilities Commission to artificially increase the price of electricity for new customers of the City of Lodi's electric utility in newly annexed areas of the city are unwarranted.

NOW, THEREFORE, BE IT RESOLVED that the City of Lodi strongly supports Senate Bill 1554 (Bowen) and urges its passage by the California State Legislature.

Dated: April 5, 2006

I hereby certify that Resolution No. 2006-54 was passed and adopted by the City Council of the City of Lodi in a regular meeting held April 5, 2006, by the following vote:

AYES: COUNCIL MEMBERS – Hansen, Johnson, Mounce, and
Mayor Hitchcock

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – Beckman

ABSTAIN: COUNCIL MEMBERS – None



SUSAN J. BLACKSTON
City Clerk