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## SENATE COMMITTEE ON APPROPRIATIONS

Senator Anthony Portantino, Chair  
2019 - 2020 Regular Session

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### AB 913 (Calderon) - Electrical corporations: wildfire and undercollection

**Version:** August 27, 2020

**Urgency:** No

**Hearing Date:** August 30, 2020

**Policy Vote:** E., U., & C. 13 - 0

**Mandate:** Yes

**Consultant:** Ashley Ames

**Bill Summary:** This bill would authorize the California Public Utilities Commission (CPUC) to authorize the securitization by electric investor-owned utilities (IOUs) of undercollection of utility bill amounts for the year 2020.

#### **Fiscal Impact:**

- The CPUC estimates that costs would be absorbable to implement the provisions of this bill.
- Unknown potential short-term savings, likely in the low millions of dollars annually over the next few years, to the state as a utility ratepayer due to utilities being able to backfill COVID undercollections over many years instead of only in 2020-21. In the longer term, there would be no net savings or costs due to spreading out the costs of undercollections over several years.
- Unknown potential long-term costs, possibly in the millions or low tens of millions total, to the state as a utility ratepayer due to payment of interest if the costs of undercollections are financed.

**Background:** The COVID pandemic has abruptly altered daily life. The public health directives to adhere to social distancing has resulted in policies to encourage working from home and also temporarily closing businesses that may be at higher risk of spreading the virus, including restaurants, bars, retail establishments, schools, and others. In mid-March, most of the state was directed to shelter at home in order to bend the curve of increasing infections. The state also implemented orders to protect residents from the economic impacts of the policies to shelter at home. Unemployment has also grown significantly as compared to pre-pandemic levels. Within the utility space, the CPUC ordered all electric and natural gas IOUs to suspend service disconnections due to non-payment for both residential and commercial customers until April 16, 2021. Publicly owned utilities (POUs) similarly adopted related policies to protect their customers from utility service disconnections. As customers utilize these programs and commercial electricity sales may experience a decline due to policies to close many indoor commercial activities, electric utilities may have greater difficulty in collecting utility bills and recovering their full and forecasted costs.

**Proposed Law:** This bill would:

1) Authorize an electrical corporation to file an application requesting the CPUC to issue a financing order to authorize the recovery of certain incremental undercollection amounts for calendar year 2020 resulting from the COVID-19 pandemic through the issuance of bonds by the electrical corporation that are secured by a rate component, if specified requirements are met. Specifically: (1) the electrical corporation's annual true-

up advice letter is accepted and verified and (2) those incremental amounts are verified for calendar year 2020.

2) Prohibit the recovery of the incremental undercollection amounts that are subject to a financial order through any other cost recovery application, mechanism, or request by the electrical corporation.

3) Revise the definition of “eligible claim” to change “calendar year” to “year.”

**Related Legislation:**

AB 1054 (Holden, Chapter 79, Statutes of 2019) among its provisions, included authority to securitize a dedicated rate component for the purposes of funding the Wildfire Fund to pay for claims stemming from damages from specified electric IOU-caused wildfires.

**Staff Comments:** The ability to finance the costs of undercollections due to COVID would mitigate any potential rate spikes in 2020-21 should the utility be required to roll those costs into rates immediately. This would result in short-term savings due to costs being spread over several years. There are additional costs associated with financing these costs, including the cost of interest paid on the bonds that will increase total costs overall. The need for the CPUC to review and ensure that such costs and financing orders are just and reasonable for ratepayers is important and preserved in this bill. This bill also contains language to allow the CPUC to assign cost recovery to each customer class based on their contribution to the undercollection. Exactly how each class of customers will be affected is not yet clear.

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