



DIANNE JACOB

CHAIRWOMAN
SUPERVISOR, SECOND DISTRICT
SAN DIEGO COUNTY BOARD OF SUPERVISORS

AGENDA ITEM

DATE: August 10, 2004

TO: Board of Supervisors

SUBJECT: A FAIR ALLOCATION OF CALIFORNIA'S ENERGY CONTRACTS
(District: All)

SUMMARY:

Overview

At the height of the energy crisis in 2001, the State's three largest utilities, San Diego Gas and Electric (SDG&E), Southern California Edison (SCE) and Pacific Gas and Electric (PG&E), could not afford to purchase expensive power on the State's newly deregulated wholesale market. On behalf of their customers, the Department of Water Resources (DWR) entered into about \$43 billion worth of long-term energy contracts and divided them among the utilities. Current contract allocations are use-based, meaning they take into consideration which utility needs how much energy and when. The total costs are averaged out and shared by the three utilities.

Now, the California Public Utilities Commission (CPUC) is deciding how to allocate permanently the State's long-term contracts. The CPUC is considering a proposal by the SCE, PG&E and the Utility Reform Network, a Northern California consumer watchdog group, that would require each utility to pay the cost of its own long-term contracts, rather than sharing the costs. If approved, SDG&E customers would be saddled with more than \$1 billion in additional electricity costs. This is unacceptable! On behalf of local ratepayers, the County can and must strongly urge the CPUC to retain its current allocation methodology, which accurately represents the true cost that should be paid by our constituents.

Recommendation(s)

CHAIRWOMAN JACOB:

Direct the Chief Administrative Officer to draft a letter for the chair's signature urging the CPUC to protect San Diego ratepayers from an unfair cost shift of more than \$1 billion by maintaining the existing allocation of DWR costs.

Fiscal Impact

There is no fiscal impact associated with the proposal

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BACKGROUND:

At the height of the energy crisis in 2001, the State's three largest utilities, San Diego Gas and Electric (SDG&E), Southern California Edison (SCE) and Pacific Gas and Electric (PG&E), could not afford to purchase expensive power on the State's newly deregulated wholesale market. On behalf of their customers, the Department of Water Resources (DWR) entered into about \$43 billion worth of long-term energy contracts and divided them among the utilities. There are about eight years left on the contracts. Current contract allocations are use-based, meaning they take into consideration which utility needs how much energy and when. The total costs are averaged out and shared by the three utilities.

Now, the California Public Utilities Commission (CPUC) is deciding how to allocate permanently the State's long-term contracts. The CPUC is considering a proposal by SCE, PG&E and the Utility Reform Network, a Northern California consumer watchdog group, that would require each utility to pay the cost of its own long-term contracts, rather than sharing the costs. If approved, SDG&E customers would be saddled with more than \$1 billion in additional electricity costs. This is unacceptable! SDG&E customers consume approximately 10 percent of the total energy used in the State. The proposal would have SDG&E customers pay about 16 percent of the total costs of the contracts. It is arbitrary and unfair to ask San Diego ratepayers to shoulder this burden.

On behalf of local ratepayers, the County can and must strongly urge the CPUC to retain its current allocation methodology, which accurately represents the true cost that should be paid by our constituents. I urge your support!

Respectfully submitted,

DIANNE JACOB
Chairwoman
Supervisor, Second District

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AGENDA ITEM INFORMATION SHEET

CONCURRENCE(S)

COUNTY COUNSEL REVIEW	<input type="checkbox"/> Yes	
Written Disclosure per County Charter Section 1000.1 Required	<input type="checkbox"/> Yes	[X] No
GROUP/AGENCY FINANCE DIRECTOR	<input type="checkbox"/> Yes	[X] N/A
CHIEF FINANCIAL OFFICER	<input type="checkbox"/> Yes	[X] N/A
Requires Four Votes	<input type="checkbox"/> Yes	[X] No
GROUP/AGENCY INFORMATION TECHNOLOGY DIRECTOR	<input type="checkbox"/> Yes	[X] N/A
COUNTY TECHNOLOGY OFFICE	<input type="checkbox"/> Yes	[X] N/A
DEPARTMENT OF HUMAN RESOURCES	<input type="checkbox"/> Yes	<input type="checkbox"/> N/A

Other Concurrence(s): N/A

ORIGINATING DEPARTMENT: District 2

CONTACT PERSON(S):

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AUTHORIZED REPRESENTATIVE: _____