

PUBLIC UTILITIES COMMISSION

Office of Governmental Affairs
770 L Street, Suite 1230
Sacramento, CA 95814
(916) 327-3277



August 11, 2008

--- SENATE FLOOR ALERT ---
AB 3058 (Assembly Utilities & Commerce Committee) - SUPPORT

Members of the Senate:

The California Public Utilities Commission (CPUC) supports AB 3058, which requires the CPUC to review contracts that Department of Water Resources (DWR) modifies and recommend for or against the modification on whether it is just and reasonable.

Earlier this year, DWR amended an existing contract unilaterally, against the recommendation of CPUC staff and the utility that is assigned that contract for operational purposes. At legislative hearings, witnesses provided information indicating that the result of the DWR action was a net cost to California ratepayers. Nevertheless, DWR subsequently found that the costs resulting from its action were "just and reasonable." As a result of DWR's action, the CPUC has had to (1) increase the rates of the utility that had to replace the "lost" DWR power, (2) process and incorporate into rates the amended costs of the DWR power portfolio, and (3) address a Petition to Modify the method used by the Commission to allocate DWR's annual costs among the three (3) IOUs that receive DWR power.

This bill would allow the CPUC to determine whether proposed modifications of contracts by DWR in the future would have the effect of increasing or decreasing ratepayer costs—before those actions are undertaken, rather than after-the-fact.

If you have any question or wish to discuss this matter, please do not hesitate to call me at (916) 327-8441.

Sincerely,

A handwritten signature in blue ink that reads "Pamela Loomis".

PAMELA LOOMIS
Director