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Assembly
California Legislature

EXHIBIT 4-A

JOHN LAIRD
ASSEMBLY MEMBER, TWENTY-SEVENTH DISTRICT



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NEWS RELEASE

For Immediate Release
April 21, 2004

Contact: John Laird
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Laird desal water bill passes two Assembly Committees

A bill to allow desalinization plants in California to have access to cheaper energy has passed out of two important Assembly policy committees this week.

The bill, AB 2918, by Assemblymember John Laird (D-Santa Cruz) would allow the Public Utility Commission to consider a lower rate for electricity to desalinization plants. High power usage and cost is one of the drawbacks to desalinization of seawater. By allowing desalinization plants to buy power without having to pay for the repayment costs related to the energy crisis would make desalinated water more affordable to jurisdictions considering such proposals.

"Given the need for a reliable water source in the 27th Assembly District, and indeed all of California, I felt it was important to draft legislation that would actually do something to address our water needs in a positive way. It is time to focus on the details of constructing a successful water project."

Several desalinization plants are being considered in the Monterey Bay area. This bill would cover desalinization plants that are operated by a public agency or by a regulated utility and are put into operation after January 1, 2006.

"New technologies have made desalinated water more feasible. Desalinization plants are going to be built in California. There is no doubt about that. The environmental issues surrounding desal plants are of great concern to me, and still must be addressed. By allowing the plants to buy cheaper energy will make it more cost-effective to implement required environmentally protective technologies and practices," Laird added.

AB 2918, which passed the Utilities and Commerce Committee on Monday, and the Water, Parks, and Wildlife Committee on Tuesday will next be heard in the Assembly Appropriations Committee.

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BILL NUMBER: AB 2918 AS AMENDED
BILL TEXT

AMENDED IN ASSEMBLY APRIL 15, 2004

INTRODUCED BY Assembly Member Laird

FEBRUARY 20, 2004

An act to add Section 747 to the Public Utilities Code, relating to desalination facilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 2918, as amended, Laird. Desalination facilities: electricity rates. Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations, and authorizes the commission to fix just and reasonable rates and charges for all public utilities.

This bill would, for any electrical corporation serving more than 1,000,000 customers, require that by July 1, 2005, the commission initiate either a quasi-legislative or ratesetting proceeding to determine the feasibility of establishing a separate rate class for desalination plants operated by public agencies or by regulated utilities, which are placed in service after January 1, 2006.

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

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

SECTION 1. The Legislature finds and declares all of the following:

- (a) The state has serious water supply problems which will be difficult to solve without additional supplies of clean fresh water.
- (b) Some methods for addressing fresh water shortages raise very controversial issues, including the environmental effects of new dams used to store additional supplies, purchasing water from agricultural interests, and shipping water from one part of the state to another.

(c) Desalination has recently become more cost effective as a result of recent technological improvements, although desalination is not free of difficult policy and environmental issues.

(d) Fresh water provided by desalination will remain costly, partly because of the cost of electricity used in the desalination process.

(e) As a result of the energy crisis of 2000-01, the Department of Water Resources began to purchase electricity for the customers of the investor-owned utilities in January 2001 to avoid electricity service disruptions and to minimize the adverse effect on California's economy.

(f) California issued revenue bonds to finance the Department of Water Resources electricity purchases and to repay funds borrowed from the state's General Fund.

(g) Electricity rates approved by the Public Utilities Commission for the customers of the state's largest electrical corporations will, for 20 years, include charges to repay the bonds issued to finance the Department of Water Resources electricity purchases.

(h) Because there were no major desalination plants in existence during the electricity crisis and because desalination was not expected to be a significant consumer of electricity at the time the Department of Water Resources entered into the electricity purchase agreements, it is questionable whether desalination plants should be charged in their electricity rates for the costs for electricity procured during the electricity crisis.

(i) Predictable long-term negotiated electricity costs for desalination facilities will aid local water agencies and regulated water corporations in addressing critical water problems.

SEC. 2. Section 747 is added to the Public Utilities Code, to read:

747. The commission shall, by July 1, 2005, for any electrical corporation serving more than 1,000,000 customers, initiate either a quasi-legislative or ratesetting proceeding to determine the feasibility of establishing a separate rate class for desalination plants operated by public agencies or by regulated utilities, which are placed in service after January 1, 2006. The commission may make the determination in the utility's next general rate case. In the proceeding, the commission shall determine the costs and benefits associated with exempting public agencies or regulated utilities operating a desalination facility from costs of electricity procured through the Department of Water Resources pursuant to Division 27 (commencing with Section 80000) of the Water Code, or through any historical procurement costs associated with restructuring of the electrical industry, including any utility undercollections or insolvency or bankruptcy related charges, both during and after the energy crises of 2000-01. In the proceeding, the commission shall additionally consider whether a desalination facility employs programs to shift electricity consumption to offpeak electricity demand periods, including interruptible or curtailable service programs, and use of real time metering.