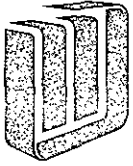


JAN 14 1992



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Kevin E. Duff
EXECUTIVE SECRETARY

8-10

January 8, 1992

To: Board of Directors (Executive Committee--Action)
From: General Manager
Subject: Opposition to Proposed Bill Which Would Subject Public Water Wholesaler Corporations to Jurisdiction of the PUC

Report

Senators Wadie Deddeh (San Diego) and Herschel Rosenthal (Los Angeles) have introduced SB 1270 which would subject public water wholesalers to the jurisdiction of the California Public Utilities Commission (PUC). Specifically, the bill would characterize "any public corporation established pursuant to a special water district act which sells, leases, rents, or delivers water wholesale or at cost to its constituent members" as a public utility and therefore subject to the Public Utilities Act and the PUC. Although it is not clear what is meant by a "special water district act", it is believed that the bill is intended to render the District and other water wholesalers subject to PUC regulation.

Currently, the Board of Metropolitan, reflecting the views of Metropolitan's member agencies and their constituents, has full responsibility for all decisions affecting Metropolitan's revenues and levels of service. Adding the PUC as a regulatory agency will burden the District and its rate payers with the costs of funding the PUC's efforts, as discussed below, without assuring any greater expertise than already resides in the Board and staff in dealing with the problems facing Metropolitan.

The PUC was created to regulate the charges that investor-owned utilities could impose on their customers. Unless regulation is provided, such utilities could abuse their monopoly status and charge whatever the market could bear in an effort to maximize the rate of return to their investors. In drafting the legislation, its authors have failed to consider that, unlike private utilities, Metropolitan is not a profit-making entity; that proposed actions by the Board are subject to public comment; that water rates, in particular, are not established by the Board until the public has had an opportunity to comment on them in open hearings; and that,

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therefore, the regulatory oversight appropriate to the private sector is unnecessary for Metropolitan.

Obviously, the District would incur additional expenditures in gathering data to substantiate requested water rates and other charges, and in preparing information for presentation to the PUC on the matters discussed above. The PUC levies an annual charge of one and one-half percent of gross revenues on regulated water utilities. Based upon current projected revenues, this would mean an increased cost of \$8.25 million in 1992-93. Additional costs to retain consultants and for staff and travel costs associated with presenting rate cases to the PUC are estimated at approximately \$3 to \$5 million per year in addition to the \$8.25 million previously mentioned. The bill, however, recognizes that it imposes a state-mandated program resulting in increased costs for local agencies and provides for their reimbursement. Pending such reimbursement, water rates may have to be increase to accommodate the additional fiscal burden on the District resulting from enactment of the bill.

The action requested by this letter is exempt from the provisions of CEQA.

Board Committee Assignment

This letter is referred for action to the Executive Committee because of its authority to make recommendations with regard to legislation in any way affecting the District pursuant to Administrative Code section 2416(a).

Recommendation

EXECUTIVE COMMITTEE FOR ACTION.

It is recommended that the Board oppose Senate Bill 1270.


Carl Boronkay

DM:pmsm:jh
diamah/bdltr/pucbill

Attachment

39422

SENATE BILL**No. 1270****Introduced by Senators Deddeh and Rosenthal**

January 7, 1992

An act to add Section 2701.1 to the Public Utilities Code, relating to public utilities.

LEGISLATIVE COUNSEL'S DIGEST

SB 1270, as introduced, Deddeh. Public utilities: water corporations.

Under existing law, persons firms, or corporations owning, controlling, operating, or managing water systems who sell, lease, rent, or deliver water are public utilities.

This bill would provide that any public corporation established pursuant to a special water district act which sells, leases, rents, or delivers water wholesale or at cost to its constituent members, whether under contract or otherwise, is a public utility, and is subject to the Public Utilities Act and subject to the jurisdiction, control, and regulation of the commission.

Since existing law makes any public utility who violates specified provisions regulating public utilities guilty of a misdemeanor, this bill would impose a state-mandated local program by creating a new crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement, including the creation of a State Mandates Claims Fund to pay the costs of mandates which do not exceed \$1,000,000 statewide and other procedures for claims whose statewide costs exceed \$1,000,000.

This bill would provide that, if the Commission on State Mandates determines that this bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to those statutory procedures and, if the statewide

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cost does not exceed \$1,000,000, shall be made from the State Mandates Claims Fund.

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

The people of the State of California do enact as follows:

1 SECTION 1. Section 2701.1 is added to the Public
2 Utilities Code, to read:
3 2701.1. Notwithstanding any provision of law to the
4 contrary, any public corporation established pursuant to
5 a special water district act which sells, leases, rents, or
6 delivers water wholesale or at cost to its constituent
7 members, whether under contract or otherwise, is a
8 public utility, and is subject to the provisions of Part 1 of
9 Division 1 and to the jurisdiction, control, and regulation
10 of the commission.

11 SEC. 2. Notwithstanding Section 17610 of the
12 Government Code, if the Commission on State Mandates
13 determines that this act contains costs mandated by the
14 state, reimbursement to local agencies and school
15 districts for those costs shall be made pursuant to Part 7
16 (commencing with Section 17500) of Division 4 of Title
17 2 of the Government Code. If the statewide cost of the
18 claim for reimbursement does not exceed one million
19 dollars (\$1,000,000), reimbursement shall be made from
20 the State Mandates Claims Fund. Notwithstanding
21 Section 17580 of the Government Code, unless otherwise
22 specified in this act, the provisions of this act shall become
23 operative on the same date that the act takes effect
24 pursuant to the California Constitution.