



ORA

*Office of Ratepayer Advocates
California Public Utilities Commission*

505 Van Ness Avenue
San Francisco, California 94102
Tel: 415-703-2381
Fax: 415-703-2057

JOSEPH P. COMO
Acting Director

<http://ora.ca.gov>

April 15, 2014

Honorable Adam Gray
California State Assembly
State Capitol, Room 6012
Sacramento, CA 95814

RE: AB 2334 (Gray) - Oppose

Dear Assemblymember Gray:

The Office of Ratepayer Advocates (ORA) is the independent consumer advocate within the California Public Utilities Commission (CPUC). ORA's statutory mandate is to obtain the lowest possible rates for utility services consistent with safe and reliable service levels. ORA also advocates for customer and environmental protections in connection with utility service.

ORA respectfully opposes your AB 2334, which would require the CPUC to institute a program to implement "economic development rates" for three former military bases, and provide a 40% discount on their electricity rate until 2024. AB 2334 would also require the CPUC to provide annual reports to the Legislature on the performance of this program, as specified.

ORA recognizes your efforts to improve economic development on former military bases affected by base realignment and closure. However, by peremptorily setting a discount rate, your bill does not take into consideration the true cost of providing electricity to these former bases, and would shift fixed utility costs onto other customers, including residential customers, many of whom are struggling to pay for their monthly electricity bills.

Moreover, this bill is unnecessary as current legislation allows for Investor Owned Utilities to offer and target discounted rates otherwise known as "economic development rates" (EDR) in their service territories. Public Utilities Code section 740.4(h) includes important provisions that are designed to avoid shifting costs to other customers as a result of EDR, by requiring that "the utility incurring or proposing to incur those expenses and rate discounts demonstrates that the ratepayers of the public utility will derive a benefit from those programs." In effect, this requires that the discounted EDR rate remains above the IOU's marginal cost of service. The flat 40% discount proposed in AB 2334 would likely result in rates below cost of service, and result in cost shifting.

If you have any questions or would like to discuss this matter further, please call ORA's Legislative Advisor Rebecca Lee, at (916) 327-1407 or me at (415) 703-2381.

Respectfully,

Joseph P. Como, Acting Director
Office of Ratepayer Advocates

By
Rebecca Lee
Legislative Advisor