

Memorandum

Date: December 21, 2021

To: Marybel Batjer, President
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

From: **Department of Water Resources**

Subject: Rulemaking 15-02-012 Excess Amounts

In this memorandum, the Department of Water Resources ("DWR" or "the Department") provides information pertaining to the wind-down of the Electric Power Fund ("EPF") and provides information to the California Public Utilities Commission ("CPUC" or "Commission") regarding additional "excess amounts" available to be returned to ratepayers in the Pacific Gas and Electric Company ("PG&E"), Southern California Edison ("SCE"), and San Diego Gas & Electric Company ("SDG&E") (collectively, the "investor-owned utilities" (or "IOUs")) service areas.

Background

As described in the Department's August 6, 2021 Notice ("Notice") to the Commission, the Department confirmed that on September 24, 2020, the Department had sufficient amounts available in its Bond Accounts in excess of its future bond obligations so that all the remaining Power Supply Revenue Bonds ("PSRB") were defeased through the establishment of an irrevocable escrow composed of securities backed by the U.S. government.

In its Notice, the Department informed the Commission that the IOUs should "shut off" the EPF Bond Charge (which secured the Power Supply Revenue Bonds) on or before September 30, 2020. DWR also gave notice to the Commission to direct the IOUs to begin charging specified ratepayers in the IOUs service areas the Wildfire Non-By-Passable Charge. In its Rulemaking 19-07-017, the Commission directed the IOUs to begin imposition and collection of the Wildfire Non-By-Passable Charge on October 1, 2020. The IOUs stopped imposition of the EPF Bond Charge on September 30, 2020.

The Department also described that it is a participant, along with other California Parties, in the Federal Energy Regulatory Commission ("FERC") Refund Proceedings associated with the energy crisis in California in 2000 and 2001. Therefore, when the Department receives amounts associated with settlements it will notify the CPUC and support its allocation of any excess amounts that can be returned to ratepayers in the IOUs service areas.

The Commission, in its Decision 21-12-001 ("Decision"), described its allocation methodology for excess EPF Power Charge amounts and excess EPF Bond Charge

amounts. The Commission decided that, as set forth in D.05-06-060, the IOUs' respective allocation rates for collection of charges is as follows: PG&E 42.2%, SCE 47.5%, and SDG&E 10.3%; and further decided that these allocation rates will guide the return of any excess amounts related to EPF Power Charges to customers in the IOU service areas. The CPUC also directed the allocation of bond charge excess amounts based on the actual EPF Bond Charge remittances from the IOUs to DWR, which were as follows: PG&E 44.767%, SCE 45.305%, and SDG&E 9.928%. The Decision ordered the IOUs to each establish an AB 1X Balancing Account in which funds being returned by DWR would be deposited.

Determination of Excess Amounts

In this memorandum, the Department confirms that, after examination of the EPF Bond Charge collections by the Department in prior annual revenue requirement periods, the Department has an excess of \$170.7 million in its Bond Charge Accounts.

This memorandum also provides notice to the CPUC that the Department has received \$140.2 million in excess EPF Power Charge amounts related to settlements the Department has received due to its participation, along with other California Parties, in the FERC Refund Proceedings associated with the energy crisis in California in 2000 and 2001.

Table 1

	<u>Bond Charge Excess Amount Allocation</u>			
	PG&E	SCE	SDG&E	Total
D.21-12-001 Percentages	44.767%	45.305%	9.928%	100.00%
Excess Cash Return	\$ 76,417,269	\$77,335,635	\$16,947,096	\$170,700,000

Table 2

	<u>Power Charge Excess Amount Allocation</u>			
	PG&E	SCE	SDG&E	Total
D.05-06-060 Percentages	42.2000%	47.5000%	10.3000%	100.00%
USBA True-up Percentages ¹	42.1997%	47.5004%	10.2999%	100.00%
Excess Cash Return	\$ 59,145,059	\$66,574,195	\$14,435,879	\$140,155,133

Future Revenue Requirement

The Department will, upon further receipt of settlements from any legal proceedings involving the Department², and when it no longer requires maintaining certain amounts for Administrative and General expenses, inform the CPUC of these amounts and provide a future notice to the CPUC to return such amounts to ratepayers in the IOUs service areas consistent with the methodology described in Decision 21-12-001. These future notices to the CPUC will take the place of the Department's past revenue requirement filings as Decision 21-12-001 closed out Rulemaking 15-02-012 OIR to consider the annual revenue requirement determination of DWR.

Additionally, the Department, relying upon the allocation principles in the CPUC's Decision 21-12-001, has created an analytical framework to guide the future allocations pertaining to the end of the Department's Power Supply Program. Specifically, the IOUs are directed to refund the excess of \$170.7 million in Bond Charge amounts, to those electricity customers who are currently paying the Wildfire Fund Non-By-Passable Charge. The IOUs are also directed to facilitate the return of the California energy crisis litigation-related monies, and all interest accrued on such funds, to those electricity customers who are paying the Wildfire Fund Non-By-Passable Charge. The return of such funds will use the percentages described in D.05-06-060, which outlines the IOUs' respective allocation rates for collection of charges as follows: PG&E 42.2%, SCE 47.5%, and SDG&E 10.3%. As stated, these allocation rates will guide the return of any excess amounts related to Power Charges

¹ The Department has maintained Utility Specific Balancing Accounts throughout the EPF Program. Due to the late receipt of certain Power Charge remittances, the USBA percentages are slightly different than the Decision percentages.

² The Department is a participant, along with other California Parties, in the Federal Energy Regulatory Commission Refund Proceedings associated with the energy crisis in California in 2000 and 2001. When the Department receives amounts associated with settlements it will notify the CPUC and support its allocation of any excess amounts that can be returned to ratepayers in the IOU service areas.

to customers in the IOU service areas and will be wired by the Department to each of the IOUs to be deposited into the AB 1X Balancing Account of each IOU.

Summary

The Power Supply Revenue Bonds were defeased on September 24, 2020. However, the Department continued to receive previously imposed EPF Bond Charges as they were collected by the IOUs and submitted to DWR following the “shut off” of said charge on September 30, 2020. As described in Table 1, the revenues associated with these charges results in a \$170.7 million overcollection through June 30, 2021. This amount is deemed Bond Charge excess amounts by the Department. The Department will utilize the allocation principles outlined in the Decision to direct the IOUs on how to return said excess Bond Charge funds to electricity customers who are currently paying the Wildfire Fund Non-By-Passable Charge through the AB1X Balancing Accounts.

The Department has also received \$140.2 million in settlements related to its role as a participant, along with other California Parties, in the FERC Refund Proceedings associated with the energy crisis in California in 2000 and 2001. The Department will use the allocation percentages outlined in D.05-06-060, and as referenced in Decision 21-12-001, and will work with the IOUs to return said excess litigation settlement funds to customers in the IOU service areas.

If you have any questions or need additional information, please contact Jesse Cason at (916) 557-4620 or jesse.cason@water.ca.gov.

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(Cc: See attached list.)

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