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Unit Meeting Schedule and Locations

Week of Oct. 11-14

Topic: Pros & Cons of Ballot Propositions

Monday 6:15 pm Mid City T. Swift 453-8707 5308 Shepard Ave.

Tuesday 9:15 am Morning Suburban M. McCullough 967-7382 2426 Garfield Ave. Carmichael

Tuesday 9:30 am Greenhaven/Land Park M. Hopkins 422-6958 45 Sunlite Circle

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What is a Structural Budget Deficit?



Many experts believe that California faces a “structural budget deficit.” This means that with the current revenue structure (e.g., taxes, fees, and other sources), the state has insufficient income to maintain services at the current level. Each year, the Legislative Analyst’s Office (LAO) publishes a forecast of the California fiscal situation for five years into the future. In November 2003, the LAO’s estimate was that without

corrective action, the ongoing gap between revenue and expenditures is about \$14 billion dollars, assuming that the state continued funding the Vehicle License Fee backfill, as Governor Schwarzenegger has promised it will.

The LAO has also analyzed the budget the governor has proposed for 2004-2005. This budget proposes significant reductions in expenditures. These included reduced expenditures for education, transportation, social services and a ten percent reduction in Medi-Cal reimbursement rates. There are increases in fees, such as increased tuition for higher education, but no increase in general taxes. According to the LAO, about 37 percent of the budget savings are one-time savings. The office concludes that even if the budget were enacted as proposed, the General Fund would face a shortfall of about \$88 million for 2004-05, and a continuing structural deficit of about \$7 billion dollars.

In its analysis of the 2004-05 budget, the California Budget Project (CBP) attempted to refute the governor’s assertion that, “If the government had simply spent at the same rate that California’s economy has grown, the state budget would be balanced today.” According to the CBP, state spending has not kept pace with growth in personal income. In addition to the loss of revenues from the decline in collection of the personal income tax, the CBP identifies several other areas of revenue loss. These include sales tax (service consumption is growing and not taxed), Internet, mail order sales and the phase-out of federal estate taxes.

Moreover, corporations are paying a smaller percentage of their net incomes in corporate income taxes. Shifting costs to local governments also account for some of the savings in the 2004-05 budget.

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What is a Structural Budget Deficit?

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In its publications the Public Policy Institute of California (PPIC) is essentially in agreement with the CBP and the LAO about the reasons for the current budget situation. It also identifies the drop-off in revenues from personal income tax on stock options and capital gains as the major factor in the decline in General Fund Revenues, and asserts that these revenues are “unlikely to return to peak values in the foreseeable future.” The PPIC also points out that voter initiatives limit the flexibility of the state’s legislature.

An ongoing activity of the PPIC has been a series of statewide surveys of Californians. A recent survey showed widespread support for the governor but widespread distrust of state government in general. Respondents are generally committed to funding education, local governments, and health and human services. In the responses to the survey about 64 percent stated they would be willing to pay higher taxes to maintain current levels of support for K-12 education. They overwhelmingly opposed an increase in the Vehicle License Fee or state sales tax. They support “sin” taxes—although even doubling the state’s tax on cigarettes would have only a very small effect on the state’s revenue stream.

With the proposals being considered and the acclaim a state budget agreement will engender, it appears that California’s structural budget deficit will continue.



A World of Its Own: Electric Utility Regulation in California

*Third in a series of informative articles for
an update of the LWVC Energy Position*

Background

Public utilities bring essential commodities and services to the public – electricity, gas, water, telephones, transportation. At their beginnings a century and more ago, they enjoyed (some more than others) a period of untrammelled competition. The results included a disorderly, sometimes dangerous and always needless multiplication of pipe lines and overhead pole lines, and demonstrated to the satisfaction of most that public utilities were “natural monopolies.”

Legislatures granted them exclusive service territories. Recognizing that this protection from competition could be abused, they also set up regulatory bodies to control utility rates and ensure that they operate in the public interest. A particular benefit, not always generally appreciated, was the ability this gave the utilities to make orderly, long-term plans to serve the public.

The Regulators and the Regulated

Our state is served by three major investor-owned electric utilities: Pacific Gas & Electric (PG&E), Southern California Edison (SCE) and San Diego Gas & Electric (SDG&E). Other electric utilities are owned by municipalities or irrigation districts and not subject to state regulation. Three principal state agencies do the regulating:

The California Public Utilities Commission

(CPUC), with both legislative and judicial powers.

A principal duty of the five commissioners is to question and analyze detailed applications by the utilities for rate changes and set the final rates that are charged customers.

The California Energy Commission (CEC) (as it is generally known). Its five commissioners must forecast energy needs, license power plants, and promote conservation and alternative energy resources.

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The California Independent System Operator (CA ISO), established in 1996 along with the legislation, AB 1890, which “deregulated” the private utilities. AB 1890 required the utilities to commit control of their transmission facilities to the ISO. In addition, the **Federal Energy Regulatory Commission (FERC)** regulates natural gas and hydro-power projects, and interstate transmission of natural gas, oil and electricity.

Electricity Generation

Through nearly all of the 1900s, most of California’s electricity was produced in plants owned by the three major investor-owned utilities (IOUs). As their fuel costs increased and as they invested in new facilities, they petitioned the CPUC for adjustments in their rates to recover these costs.

For a variety of reasons, by the 1990s electric rates in California were among the highest in the nation. Demand was increasing, power plants were aging and new ones were not being built.

Hoping to bring prices down by encouraging the construction of new plants and by increasing the available fuel supply, the state legislature passed AB 1890, which ended the protected-monopoly status of the three IOUs. They were required to sell most of their largest generating plants. Competition was invited into the market.

The results are well remembered. “Merchant generators” – independent power producers, out-of-state utilities, and power brokers – established a *de facto* oligopoly. They kept prices high. In the 2000-2001 energy crisis they took plants off-line when demand was highest – like hot summer afternoons with massive air-conditioning usage – causing truly outrageous wholesale prices. Legislation now keeps them from doing this. And the CA ISO is developing ways to separate real from contrived price fluctuations, so the legislature or the CPUC can cap prices if manipulation again becomes evident.

In 2002 the legislature passed SB 1389, which requires the CEC to prepare an Integrated Energy Policy Report every two years. The staff is asked to look ahead five to 20 years and judge what California’s energy systems should look like, and what we need to do to get there. The LWVC Energy Committee has

been working with the CEC staff for more than a year to present a public interest perspective on this.

Incentives – to produce and to conserve – remain the big issues in the area of generation. More than 9,400 MW of new capacity came on line in the last four years, but forecasters warn that without yet more investment in new plants, another power crunch is likely – and within two to six years. The weakened financial status of utilities and merchant generators remains a concern.

Electricity Transmission

Before deregulation, the major California transmission lines were owned and operated by the IOUs. They were responsible for reliability within their service territories, although their lines were (and still are) part of a coordinated 14- western-state grid. Then AB1890 required the utilities to give control of their transmission facilities to the ISO. Owners of the lines still develop their own expansion plans, but the ISO judges the need and (if a proposed CPUC rule is adopted) the CPUC then defines the transmission routes that best serve the “public convenience and necessity.”

Current long- and short-term visions of the CEC, CPUC and CPA are set out in an action plan that supports development of a strategic, long-range plan for transmission. But even as this planning goes forward, a number of areas have transmission constraints, most notably the San Francisco Bay, Tehachapi, Devers and San Diego areas.

Some of the big questions in transmission include how to:

- Ensure system reliability when the public fights grid expansion.
- Ensure reliability when generators are far distant from end users.
- Develop a cost/benefit assessment process that includes merchant generators.
- Factor environmental justice into siting decisions.
- Remedy the present balkanized state of the transmission system.
- Find or establish statewide or regional land-use planning authorities.

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Electricity Distribution

Distribution refers to the lower-voltage lines and equipment that deliver power from the high-voltage transmission lines to the consumers. Before AB 1890 all end-users – industrial, commercial and residential – were customers of the IOUs. With the passage of that bill, choice was offered: customers could negotiate **direct access** contracts with other suppliers. The hope – or dream – was that more generation would come into the market and prices would decline. What happened was the “perfect storm” of price increases.

The IOUs at that point had virtually no long-term wholesale contracts in place, and they became more and more dependent on the day-ahead market price for purchased power as set by the ISO through a bidding process. Power outages and financial hemorrhaging of the IOUs followed.

In a desperate attempt to save the situation, then-Governor Davis had the state enter into long-range contracts at the best prices available in an already stressed market. The resulting contracts called for payments to merchant generators of twice the actual cost of generation, for up to 10 years. These contracts account for most of the electricity being distributed to retail customers today (and made a significant contribution to the premature departure of Gov. Davis).

Predictably, as supplies tightened and prices rose, more industrial customers opted out of their utility relationships in favor of **direct access** contracts with merchant generators. This practice was ultimately barred, with about 14 percent of industrial customers left buying directly from non-utility suppliers. They have been required to pay a surcharge of 2.7 cents per kilowatt-hour, which supposedly covers their share of the excess costs incurred by the state’s long-term contracts; they continue to use the utility-owned transmission and distribution systems.

Recent Developments

The legislature and the CPUC are considering a new market structure with just two basic customer groups: **Core customers**, residential and small commercial; and **non-core customers**, large commercial and industrial. Non-core customers could negotiate **direct access** contracts with non-utility suppliers, but would lose the guarantee of back-up power from the utilities.

And their contracts would have to protect the economic interests of core customers, unable to negotiate with outside suppliers. The CPUC proposals include additional options for both customer classes, including real-time (dynamic) pricing and green (renewable) power options.

Governor Schwarzenegger, independent power producers, SCE and the Silicon Valley Manufacturing Group actively support this core/non-core or “hybrid market” approach.

A major worry: Non-core customers are expected to make up 25 to 40 percent of total capacity contracts, which could make it difficult to protect the economic interests of core customers.

Over the past year there have also been legislative efforts to re-regulate – to put the IOUs back into the boxes that were shattered by the 1996 deregulation. This would be difficult if not impossible. The utilities had to sell much of their generating capacity, which is now owned by out-of-state merchant generators, and the wholesale prices charged by these plants are not subject to CPUC control and get only cursory review by the Federal Energy Regulatory Commission.

Right now both planning and regulation of the electric industry in California are in a state of flux. Decisions that will restore some stability are vital to stimulating the investments that will build new power plants and re-power existing ones, and vital as well to stimulating investments in energy efficiency and the strengthened power grid that is essential to a reliable state electric system.



Online Alert: SMART VOTER

Be a part of this on-line project that provides information to the voters on candidates. Smart Voter needs people to do phone follow-up with candidates to ask them to submit information to the web site and to confirm information already sent. (Initial contact is by mail)

Contact Donna Chipps at sv@lwvsacramento.org or call LWVS office (447-8683).

Web Aids For Registration & Turnout

These web sites offer novel ways of reaching out to voters to help increase registration and voter turnout. National and local leagues are involved in all of these efforts.:

smackdownyourvote.com

smartwomenvote.com

www.rockthevote.org

Other Websites of Interest

Smart Voter—www.smartvoter.org

CA Budget Project—www.cbp.org

Secretary of State—www.ss.ca.gov

CA Senate—www.senate.ca.gov

CA Assembly—www.assembly.ca.gov

CA Legislative Analyst—www.lao.ca.gov

US legislation—thomas.loc.org



State of the Community Luncheon - Call for Sponsors

The League's State of the Community Luncheon (SOCL) is scheduled for February 23, 2005. It will be our 21st annual luncheon - we must be coming of age! The event is our one major fund-raiser. If you remember from your Annual Meeting packet, this luncheon is anticipated to raise about \$33,000 and net the League about \$12,000. The expenses for the luncheon are primarily the meals and the room. We are a captive audience and must pay the Convention Center's catering prices.

It is a lot of work to raise money for the League and it takes many hands. I will be rallying our trusty Steering Committee in the next few weeks to start the process of getting business and personal sponsorships of the event. We tend to keep calling on the same faithful companies year after year. We need new blood - and more exposure for the League's mission! Do you, or your spouse, friend, child, etc. work for a firm in town? Would you/they be willing to ask management to consider sponsoring the luncheon? Could you provide us with contacts and help us call companies in town? I have a feeling that Leaguers know a lot of people! If so, please call Suzanne Phinney at 379-0350 (work) or 359-0899 (home). I would love your ideas and help.

Water Forum Update

By Rick Bettis

The LWVS continues its' participation in the Water Forum and related activities. The Forum is a more than forty member collaborative stakeholder process intended to develop consensus solutions that would insure meeting of the water needs of the Sacramento area through the year 2030, and protect the environmental in-stream values of the Lower American River. Stakeholders represent government, business, water purveyors, and environmental and public interest organizations from Sacramento County, along with water agencies from Placer and El Dorado Counties.

The Water Forum "Successor Effort" is attempting to implement the Water Forum Agreement, a memorandum of understanding that was signed in the year 2000. This agreement has facilitated moving the construction of several water supply projects such as the expansions of the City of Sacramento water intake and treatment plants on the Sacramento and American Rivers. It also helped with the agreement between Sacramento County and the East Bay Municipal Utility District. to divert water from the Sacramento River at Freeport, instead of the American River at Nimbus Dam.

One of the key goals of the Forum is to develop and adopt a flow standard for the American River that will enhance the river's fisheries. Since 2000 the Forum has spent millions of dollars performing studies and negotiating with federal agencies in an effort to establish this standard. The U.S. Bureau of Reclamation and Fish and Wildlife Service have not accepted the standard, which they believe could limit their operational flexibility, and ability to meet the requirements for downstream water supply, water quality in the Delta, and other environmental water needs. The Forum staff hopes to complete the negotiations for the standard by mid-2005, and submit it to the state Water Resources Control Board for formal adoption.

Another key element of the Water Forum Agreement is a requirement that water purveyors adopt water conserving best management practices, that will result in a per- capita water savings of approximately 26 percent by the year 2030. The implementation of this program is behind schedule, and some water purveyors believe that some of the management practices are not cost effective. Renegotiations of these conservation practices have been initiated.

The related Central Sacramento County Groundwater Forum, initiated in 2002, has completed initial phases

of its' work and has issued an "Early Review and Authorization to Proceed" report. The LWVS, as one of the stakeholder organizations, has approved a Resolution that gives the Forum authorization to proceed. The Forum has developed and adopted "Agreements In Principle" that will guide future negotiations. Currently the Forum is focused on developing and evaluating alternatives for a governance structure to manage the groundwater resources in the County between the American and Consumnes Rivers. A draft water well protection ordinance has also been developed, that would provide for compensation of existing well owners if future land development and water use degrades the capacity of their wells.



Topics for the 2004-05 League Year

This year's topics for discussion cover both statewide and local issues. The following are the topics for discussion:

- October-Pros & Cons of the Ballot Propositions
- November-LWVC Education Study
- January-"California Voices"
- February-Public Financing of Arenas
- March-Issues of Aging
- April-Energy Regulation

The topics included in this list are to be covered through a combination of general meetings and unit meetings. In particular, the Pros & Cons and the Education Study will be dealt with in unit meetings. The January issue will be covered in a general meeting. "California Voices" is the result of a joint LWVC and California Public Libraries project in which students and other people who vote in low numbers engaged in conversations with state officials. We'll get to see some of those conversations and learn what's on the minds of these potential voters.

Please keep in mind that this list is subject to change if political circumstances change and an issue becomes irrelevant or if an unforeseen issue becomes "hot" and more compelling than those announced here. One such issue may be the February topic, public financing for arenas. If there is no special election in March on the issue, a different topic might be introduced.

Watch the Voter for more details on all these topics. If there are other issues or topics that you would like to see addressed in the future please contact Carol Moon Goldberg at the League office.

Presidents Column - Life in the Limelight

By Carol Moon Goldberg

You probably read about the League in the Sacramento Bee recently. The whole episode with the Elk Grove officials and the resulting article, editorial and subsequent correction is the League's moment in the limelight during this election year, an interesting little episode in the life of the League. The most important thing about this episode lies in what it reveals about the public's knowledge and understanding of the League, League members and what "nonpartisan" means. It is up to us to educate the public.

League's time in the limelight occurred when a couple of unelected Elk Grove city officials raised concerns about public appearances in Elk Grove by League member Dannetta Garcia. She is a resident of the city and a vocal activist there, speaking to the city council from time to time. Sometimes she was critical of the city. These concerned officials seemed a bit confused about what it was she was doing in these public appearances...registering voters or demonstrating voting machines. Whatever it was she was supposed to be doing, these officials felt that there was a potential for partisanship if Dannetta Garcia appeared publicly. No one ever cited an actual incident of partisanship.

In reality, Garcia was demonstrating the new voting machines to public gatherings at places like a senior center as part of a League and Registrar of Voters joint project. She and an employee of the Registrar showed the machinery and answered questions relating all the concerns about voter fraud, tampering with the vote, and recounting. Garcia, like all League members, does not promote her political views while representing the League.

As reported in the Bee editorial on Sept.21 there was a demonstration of this equipment to the Elk Grove City Council that Garcia was not involved in. The Bee concluded that the League pulled her from that event. However, this demonstration was not part of the joint project and Garcia was never supposed to be there. The Registrar's office handled demonstrations to all the city councils in Sacramento County.

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Presidents Column - Life in the Limelight

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(The Bee later corrected its inaccurate reporting of the facts.) The League did not pull Dannetta Garcia out of any scheduled demonstrations. The League did not cave in to pressure from the city officials.

So, what does this have to do with the public's knowledge and understanding of the League and non-partisanship? In going through this episode it became clear that the Elk Grove city officials and even reporters aren't fully aware of the League's mission, non-partisanship, and how it all works together. We must educate the public about these things at every opportunity.

The League does not support or oppose any political party or any candidate. League members know this, but perhaps the general public does not. Merely saying that we are "nonpartisan" is not enough in a political atmosphere in which "if you're not for us, then you must be against us and everything you do is against us." We must be specific reminding the public that we do not support or oppose parties or candidates. It won't correct the misimpressions of people who are determined to find partisanship in everything, but it will help with those who are uniformed but objective.

As League members, we know that any member can participate in the political process visibly, on their own time so long as s/he does not claim to be representing the League's views. It's tempting sometimes to get up and say "I'm so an so and this is what should be done" and to throw in the phrase "and I'm a member of the League" to give your point further clout and emphasis. Don't do it. Only certain people designated by our bylaws can speak for the League.

Our nonpartisan policy prohibits board members from running for office and further prohibits the president and voter service director from taking an active, visible role in candidate campaigns. Our local policy and general League guidelines gives the board of directors discretion to determine if specific members should participate in League activities given the extent to which a member is identified with a specific political activity. All these rules aid the League in remaining nonpartisan while still allowing its members to participate in governmental activities and the political process.

Don't be discouraged by our moment of questionable publicity. This episode just shows that our mission to encourage informed and active participation of citizens in government is more important than ever. To be effective, we must make every effort to assure that our

educational activities are nonpartisan and that the public we serve understands what that means. It's up to us.

Opportunities

Contact the League Office NOW to learn how you can help make EVERY VOTE COUNT!

Assist Voter Services by:

- Providing Voter Supplies
- Registering Voters

Assist the Registrar of Voters

- Volunteer on Election Day

League of Women Voters Sacramento Mission Statement

To encourage the informed and active participation of citizens in government and to influence public policy through education and advocacy.

Unit Meeting Schedule and Locations

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Tuesday 1:00 pm East Sacramento E. Hickey 456-3794 1307 39th St.

Tuesday 7:00 pm Elk Grove N. Myers 689-6943 9710 Parktree Way

Wednesday 10:00 am Foothill/Sunrise B. Seamas 988-5840 8085 Capitola, Fair Oaks

Everyone is welcome to attend any unit they choose regardless of geographic area. Please call the numbers given for directions to the unit locations.

Calendar 2004 - 2005

October

- 3 4:30 PM Forum on Measure A rebroadcast on Metro Cable 14*
- 10 4:30 PM Forum on Measure A rebroadcast
- 16 4:30 PM Forum on Measure A rebroadcast
- 18 Last Day to Register to Vote
- 24 4:30 PM Forum on Measure A rebroadcast

November

- 2 Election Day
- 11 Veterans Day (Office Closed)

The League of Women Voters Recommends...

✓ YES ON PROPOSITION 59

GOVERNMENT OPEN TO THE PEOPLE

Support Proposition 59--Public Records. Open Meetings.

This measure will add to the State Constitution the requirement that meetings of public bodies and writings of public officials and agencies be open to public scrutiny. California's open government laws have been weakened by special interest legislation, court decisions that put the burden on the public to justify disclosure, and government officials who want to avoid scrutiny and keep secrets. Prop. 59 establishes a new civil right of access to meetings of government bodies and writings of government officials. It protects personal privacy and allows reasonable exceptions in the public interest. Citizens should not have to prove to government officials why they should have access to "public" records and procedures. Prop. 59 shifts the burden, requiring government officials to prove their need for secrecy. For more information:

www.yesonprop59.org

✗ NO ON PROPOSITION 69

FIGHT ATTACK ON PRIVACY RIGHTS

Oppose Proposition 69--DNA Samples. Collection. Database. Funding.

More than a fingerprint, DNA exposes personal, private medical information about you and your family. California already has a DNA database for criminals who have committed sexual assault and other serious, violent crimes. Proposition 69 would expand the collection of DNA to include all convicted felons and some nonfelons, and, beginning in 2009, all adults arrested for any felony. This expansion is an invasion of privacy not needed for criminal justice. Once individuals are put into the criminal DNA database, they must request a court order to be removed--even if they are factually innocent and never charged with a crime--and the government has no obligation to remove them. Prop. 69 violates the principle that one is innocent until proven guilty. For more information:

www.protectmydna.com

✓ YES ON PROPOSITION 72

SUPPORT CALIFORNIA HEALTH CARE

Support Proposition 72--Health Care Coverage Requirements. Referendum.

Prop. 72 allows a 2003 law (SB 2) to go into effect, giving health coverage to a million uninsured employees and dependents. Prop 72 requires large and mid-sized employers to provide health benefits or contribute to a statewide purchasing pool. About 80 percent of those who will be covered are employees of large companies (200 or more workers) and their families. Small businesses with under 50 employees are exempt from Proposition 72. Rising health care costs are a concern to all Californians. Prop 72 will help employees by limiting their share of premiums and out-of-pocket costs; it gives employers marketing power to lower premiums. It will level the playing field for companies that provide health insurance benefits but have to compete against those who don't. For more information: www.yesonprop72.com

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The Sacramento Voter is published ten times a year by the League of Women Voters of Sacramento. Membership is open to all United States citizens, 18 years of age or older. Membership dues, payable to the league of Women Voters of Sacramento, are \$50 per year (\$75 for families). Contributions to the LVW and membership dues are not deductible as charitable contributions for tax purposes.

BE AN ADVOCATE FOR GOOD GOVERNMENT VOTE WITH THE LEAGUE ON NOVEMBER 2

The League of Women Voters is always non-partisan: It does not support or oppose candidates or political parties. However, we are political because we support and oppose legislation, lobby legislators and take stands on ballot measures. The League of Women Voters of California gives permission to print, copy, or link to this page in its entirety.

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LWVS Diversity Policy

LWVS affirms, in both its values and practices, its belief and commitment to diversity and pluralism, which means there shall be no barriers to participation based on national origin, race, gender, creed/religion, age, sexual orientation or disability. (Adopted 2001)

The League recognizes that diverse perspectives are important and necessary for responsible and representative decision making. LWV subscribes to the belief that diversity and pluralism are fundamental to the values it upholds and that this inclusiveness enhances the organization's ability to respond more effectively to changing conditions and needs.

The League affirms its commitment to reflecting the diversity of America in its board, staff and programs.