

Proposition 16: Utility Provider Selection

March 21, 2010 Meeting of the Forum, Unitarian Universalist Church of Palo Alto
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Background

This proposal is a state constitutional amendment put forward by the voters directly. This means that 694,354 voters (8% of those who voted in the gubernatorial race of the last general election) have signed petitions to bring it to a vote.¹

Proposal²

Currently, Californians receive electricity from three types of sources:

| Current Types of Electricity Providers | | | |
|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|-------------------------------------|
| Type of electricity provider | Description | Examples | % of CA electricity provided |
| Investor-owned utility (IOU) | A private entity with a government agreement for primary service in a given location | PG&E; Southern California Edison; San Diego Gas & Electric | 68% |
| Municipality-owned utility | A local public entity | Los Angeles Department of Water and Power; Sacramento Municipal Utility District | 24% |
| Electric service provider (ESP) | A private entity that some customers use as an alternative to their local IOU or municipal utility but that uses the regular power grid | | 8% |
| Community choice aggregator (CCA) | A non-IOU private entity that, on the municipality's behalf, would provide ESP-generated electricity through the local IOU grid | | minimal |

Proposition 16 would alter the process by which local municipalities could decide to change their local electricity service. Currently, when a local government switches the primary electricity provider in its jurisdiction, there are limited circumstances within which a popular vote is required to finalize the change. This proposal would expand those requirements as described in the table below.

¹ For more on proposition qualification requirements, see Secretary of State, "Initiative Guide" (online, available: <<http://www.sos.ca.gov/elections/ballot-measures/initiative-guide.htm>>, 27 February, 2010).

² The following information is heavily based on the Legislative Analyst's Office (LAO) official analysis. See LAO, "Proposition 16" (17 February, 2010) (online, available: <http://lao.ca.gov/ballot/2010/16_06_2010.pdf>, 27 February, 2010) 1-3.

| Changes to Popular Votes for Electricity Provider Selection | | |
|--------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| Scenario | Current State Law | Under Proposition 16 |
| Municipality wants to expand its public utility into new territory | Sometimes majority vote required of residents in new territory; vote of residents in old territory at municipal government's discretion | 2/3 vote required of residents in new territory; 2/3 vote also required of residents in old territory |
| Municipality wants to create a CCA | Popular vote at municipal government's discretion | 2/3 popular vote required |
| Municipality wants to create a public utility | Sometimes a popular vote is required | 2/3 popular vote required |

The proposal includes exceptions to these requirements when:

1. *Voter approval for a proposed change has already been received.*
2. *The proposed new source is exclusively certain types of renewable energy.*
3. *The proposed change only impacts the local government's own electricity usage and not that of the residents.*

LAO Score³

The Legislative Analyst's Office (LAO) is a state agency charged with making an official assessment of a proposition's potential impact on state and local governmental finances. For Proposition 16, the LAO anticipates minimal costs related to the conducting of elections. Because the outcomes of this proposed decision process cannot be predicted, the LAO declined to anticipate an impact on the government's own electricity usage costs. There may also be costs related to the administration of new publicly-owned utilities.

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³ LAO, "Proposition 16" 3-4.