

February 26, 2015

Hon. Kamala D. Harris  
Attorney General  
1300 I Street, 17<sup>th</sup> Floor  
Sacramento, California 95814

Attention: Ms. Ashley Johansson  
Initiative Coordinator

Dear Attorney General Harris:

Pursuant to Elections Code Section 9005, we have reviewed a proposed statutory initiative related to electrical utilities in California (A.G. File No. 15-0002).

This measure creates the California Electrical Utility District, which would have the responsibility to provide electricity service to customers within the territory currently served by the three largest electricity investor-owned utilities (IOUs) in the state—Pacific Gas and Electric, Southern California Edison, and San Diego Gas and Electric. This new district would be a public entity governed by a board of directors that would have the authority to establish electricity rates, enforce electricity regulations and contracts, condemn for public use privately held property, and issue bonds for certain purposes.

Pursuant to subsection (c) of Section 9005 of the Elections Code, we are informing you that, in our opinion, a reasonable estimate of the net fiscal impact of this proposed initiative measure cannot be prepared within 50 calendar days from the date this proposed initiative was received. Given that the measure grants such potentially broad authority and discretion, the full scope of the changes this measure would put in place is highly uncertain. For example, the long-run fiscal effects would depend on how the measure impacts electricity rates, which could vary widely depending on many different factors, including specific decisions made by the district's governing board and legal determinations regarding the value of any assets that the district acquires from IOUs through eminent domain proceedings. To the extent there is a significant difference in rates compared to what IOUs would charge, it would affect government costs for electricity needed to operate public facilities, as well as affect overall economic activity in the state. In addition, while transferring the responsibility to provide electricity from private companies to a public entity would likely reduce certain state and local tax revenues (such as property tax and corporate income tax) because public entities often do not pay such taxes, it is uncertain how governments would respond to this potential reduction in tax revenue. For example, governments could choose to assess additional fees or taxes on electricity service providers or customers. The net effect of these factors, as well as many others, on state and local finances is highly uncertain.

As required by Section 9005, we are informing you that it is our opinion that the measure would result in a substantial net change in state and local finances.

Sincerely,

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Mac Taylor  
Legislative Analyst

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Michael Cohen  
Director of Finance