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**SB-1374 State Energy Resources Conservation and Development Commission: Alternative and Renewable Fuel and Vehicle Technology Program: assessments and forecasts: integrated energy policy report.** (2017-2018)

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**Senate Bill No. 1374**

**CHAPTER 611**

An act to amend Sections 25301, 25302, 25303, 25304, and 25401.2 of, to amend and repeal Section 25303.5 of, and to repeal Sections 25305.5 and 25307 of, the Public Resources Code, relating to energy.

[ Approved by Governor September 20, 2018. Filed with Secretary of State September 20, 2018. ]

**LEGISLATIVE COUNSEL'S DIGEST**

SB 1374, Hueso. State Energy Resources Conservation and Development Commission: Alternative and Renewable Fuel and Vehicle Technology Program: assessments and forecasts: integrated energy policy report.

(1) The Warren-Alquist State Energy Resources Conservation and Development Act establishes the Energy Commission, consisting of 5 members appointed by the Governor. Existing law requires the Energy Commission, in consultation with specified state and federal agencies and at least every 2 years, to conduct assessments and forecasts of all aspects of energy industry supply, production, transportation, delivery and distribution, demand, and prices. Existing law requires the Energy Commission, in consultation with the specified entities, to adopt a biennial integrated energy policy report containing certain information in a specified format.

This bill would delete the California Consumer Power and Conservation Financing Authority from the list of specified entities with which the Energy Commission is required to consult for the purposes of the assessments and forecasts described above, and would repeal a requirement that the integrated energy policy report be provided to the authority. The bill would revise the content and format of the integrated energy policy report.

(2) Existing law requires the Energy Commission to include in the integrated energy policy report an assessment of the state of the California energy technology and energy conservation industry's efforts to enter foreign markets, a description of international energy market prospects, an evaluation of the Energy Commission's export promotion activities, and recommendations for state government initiatives to foster the California energy technology and energy conservation industry's competition in world markets. Existing law requires the Governor, on or before 90 days after the receipt of the integrated energy policy report, to review the report and to report to the Legislature the Governor's agreement or disagreement with the policy recommendations contained in the report.

This bill would repeal these requirements.

(3) The Natural Gas Act requires the commission, beginning November 1, 2015, and every 4 years thereafter, to identify strategies to maximize the benefits obtained from natural gas as an energy source.

This bill would make the Natural Gas Act inoperative on November 1, 2025.

## THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

### **SECTION 1.** Section 25301 of the Public Resources Code is amended to read:

**25301.** (a) At least every two years, the commission shall conduct assessments and forecasts of all aspects of energy industry supply, production, transportation, delivery and distribution, demand, and prices. The commission shall use these assessments and forecasts to develop and evaluate energy policies and programs that conserve resources, protect the environment, ensure energy reliability, enhance the state's economy, and protect public health and safety. To perform these assessments and forecasts, the commission may require the submission of demand forecasts, resource plans, market assessments, related outlooks, individual customer historic electric or gas service usage, or both, and individual customer historic billing data, in a format and level of granularity specified by the commission from electric and natural gas utilities, transportation fuel and technology suppliers, and other market participants. These assessments and forecasts shall be done in consultation with the appropriate state and federal agencies, including, but not limited to, the Public Utilities Commission, the Public Advocate's Office of the Public Utilities Commission, the State Air Resources Board, the Electricity Oversight Board, the Independent System Operator, the Department of Water Resources, the Department of Transportation, and the Department of Motor Vehicles. The commission shall maintain reasonable policies and procedures to protect customer information from unauthorized disclosure.

(b) In developing the assessments and forecasts prepared pursuant to subdivision (a), the commission shall do all of the following:

- (1) Provide information about the performance of energy industries.
- (2) Develop and maintain the analytical capability sufficient to answer inquiries about energy issues from the government, market participants, and the public.
- (3) Analyze, develop, and evaluate energy policies and programs.
- (4) Provide an analytical foundation for regulatory and policy decisionmaking.
- (5) Facilitate efficient and reliable energy markets.

### **SEC. 2.** Section 25302 of the Public Resources Code is amended to read:

**25302.** (a) Beginning November 1, 2003, and every two years thereafter, the commission shall adopt an integrated energy policy report. This integrated report shall contain an overview of major energy trends and issues facing the state, including, but not limited to, supply, demand, pricing, reliability, efficiency, and impacts on public health and safety, the economy, resources, and the environment. The integrated energy policy report shall present policy recommendations based on an in-depth and integrated analysis of the most current and pressing energy issues facing the state. The analyses supporting this integrated energy policy report shall explicitly address interfuel and intermarket effects to provide a more informed evaluation of potential tradeoffs when developing energy policy across different markets and systems.

(b) The integrated energy policy report shall include an assessment and forecast of system reliability and the need for resource additions, efficiency, and conservation that considers all aspects of energy industries and markets that are essential for the state economy, general welfare, public health and safety, energy diversity, and protection of the environment. This assessment shall be based on the determinations made pursuant to this chapter.

(c) Beginning November 1, 2004, and every two years thereafter, the commission shall prepare an energy policy review to update analyses from the integrated energy policy report prepared pursuant to subdivisions (a) and (b), or to raise energy issues that have emerged since the release of the integrated energy policy report. The commission may also periodically prepare and release technical analyses and assessments of energy issues and concerns to provide timely and relevant information for the Governor, the Legislature, market participants, and the public.

(d) In the preparation of the report, the commission shall consult with the following entities: the Public Utilities Commission, the Public Advocate's Office of the Public Utilities Commission, the State Air Resources Board, the Electricity Oversight Board, the Independent System Operator, the Department of Water Resources, the Department of Transportation, and the Department of Motor Vehicles, and any federal, state, and local agencies it deems necessary in preparation of the integrated energy policy report. To assure the collaborative development of state energy policies, these agencies shall make a good faith effort to provide data, assessment, and proposed recommendations for review by the commission.

(e) The commission shall provide the report to the Public Utilities Commission, the Public Advocate's Office of the Public Utilities Commission, the State Air Resources Board, the Electricity Oversight Board, the Independent System Operator, the Department of Water Resources, and the Department of Transportation. For the purpose of ensuring consistency in the underlying information that forms the foundation of energy policies and decisions affecting the state, those entities shall carry out their energy-related duties and responsibilities based upon the information and analyses contained in the report. If an entity listed in this subdivision objects to information contained in the report and has a reasonable basis for that objection, the entity shall not be required to consider that information in carrying out its energy-related duties.

(f) The commission shall make the report accessible to state, local, and federal entities and to the general public.

**SEC. 3.** Section 25303 of the Public Resources Code is amended to read:

**25303.** (a) As part of the report prepared pursuant to Section 25302, the commission shall conduct electricity and natural gas forecasting and assessment activities, including, but not limited to, all of the following:

(1) Assessment of trends in electricity and natural gas supply and demand, and the outlook for wholesale and retail prices for commodity electricity and natural gas under current market structures and expected market conditions.

(2) Forecasts of statewide and regional electricity and natural gas demand, including annual, seasonal, and peak demand, and the factors leading to projected demand growth, including, but not limited to, projected population growth, urban development, industrial expansion and energy intensity of industries, energy demand for different building types, energy efficiency, and other factors influencing demand for electricity. With respect to long-range forecasts of the demand for natural gas, the report shall include an evaluation of average conditions, as well as best- and worst-case scenarios, and an evaluation of the impact of the increasing use of renewable resources on natural gas demand.

(3) Evaluation of the adequacy of electricity and natural gas supplies to meet forecasted demand growth. Assessment of the availability, reliability, and efficiency of the electricity and natural gas infrastructure and systems, including, but not limited to, natural gas production capability both in and out of state, natural gas interstate and intrastate pipeline capacity, storage and use, and western regional and California electricity and transmission system capacity and use.

(4) Evaluation of potential impacts of electricity and natural gas supply, demand, and infrastructure and resource additions on the electricity and natural gas systems, public health and safety, the economy, resources, and the environment.

(5) Evaluation of the potential impacts of electricity and natural gas load management efforts, including end-user response to market price signals, as a means to ensure reliable operation of electricity and natural gas systems.

(6) Evaluation of whether electricity and natural gas markets are adequately meeting public interest objectives including the provision of all of the following: economic benefits; competitive, low-cost reliable services; customer information and protection; and environmentally sensitive electricity and natural gas supplies. This evaluation may consider the extent to which California is an element within western energy markets, the existence of appropriate incentives for market participants to provide supplies and for consumers to respond to energy prices, appropriate identification of responsibilities of various market participants, and an assessment of long-term versus short-term market performance. To the extent this evaluation identifies market shortcomings, the commission shall propose market structure changes to improve performance.

(7) Identification of impending or potential problems or uncertainties in the electricity and natural gas markets, potential options and solutions, and recommendations.

(b) Commencing November 1, 2003, and every two years thereafter, to be included in the integrated energy policy report prepared pursuant to Section 25302, the commission shall assess the current status of the following:

(1) The environmental performance of the electric generation facilities of the state, to include all of the following:

(A) Generation facility efficiency.

(B) Air emission pollution control technologies in use in operating plants.

(C) The extent to which recent resource additions have, and expected resource additions are likely to, displace or reduce the operation of existing facilities, including the environmental consequences of these changes.

(2) The geographic distribution of statewide environmental, efficiency, and socioeconomic benefits and drawbacks of existing generation facilities, including, but not limited to, the impacts on natural resources including wildlife habitat, air quality, and water resources, and the relationship to demographic factors. The assessment shall describe the socioeconomic and demographic factors that existed when the facilities were constructed and the current status of these factors. In addition, the report shall include how expected or recent resource additions could change the assessment through displaced or reduced operation of existing facilities.

(c) The commission, in consultation with the Public Utilities Commission, shall make all reasonable adjustments to its energy demand forecasts conducted pursuant to Sections 25301 and 25302 to account for its findings of market conditions and existing baselines, and, in making those adjustments, may consider the results from subdivisions (b) and (d) of Section 381.2 of the Public Utilities Code.

**SEC. 4.** Section 25303.5 of the Public Resources Code is amended to read:

**25303.5.** (a) This section shall be known, and may be cited, as the Natural Gas Act.

(b) Beginning November 1, 2015, and every four years thereafter, the commission shall, with the integrated energy policy report prepared pursuant to Section 25302, identify strategies to maximize the benefits obtained from natural gas, including biomethane for purposes of this section, as an energy source, helping the state realize the environmental and cost benefits afforded by natural gas. As part of this report, the commission, at a minimum, shall identify strategies and options for each of the following:

(1) Making the best use of natural gas as a transportation fuel, as appropriate, including for the movement of freight, vessels, mass transit, and other commercial and passenger vehicle use and identifying methods to develop natural gas refueling infrastructure.

(2) Determining the role of natural gas-fired generation as part of a resource portfolio, including, but not limited to, combined heat and power, and the impact of that role on meeting greenhouse gas targets.

(3) Taking the best advantage of natural gas as a low-emission resource, including potential zero and near-zero greenhouse gas emissions, natural gas, and biogas options, taking into account the impact on electric system operations.

(4) Optimizing the role of natural gas as a flexible and convenient end use energy source, including the efficient use of natural gas for heating, water heating, cooling, cooking, engine operation, and other end uses, and the optimization of appliances for these uses.

(5) Identifying effective methods by which the electric and natural gas industries can facilitate implementation of any of the strategies identified in this section.

(6) Determining the extent to which a long-term policy is needed to ensure adequate infrastructure and storage and developing strategies for pursuing additional infrastructure development to maintain or enhance pipeline and system reliability, including increased natural gas storage. In developing those strategies, the commission shall consider needed policies to protect against system capacity constraints, minimize system leakage and related emissions, mitigate investment risk associated with the long-term investment in infrastructure in an evolving energy market, and identify factors that could limit the ability to receive maximum benefits from natural gas as an energy resource.

(7) Determining the role that natural gas can play in the development of zero net energy buildings, as appropriate.

(8) Optimizing the methods by which the pursuit of these strategies can facilitate jobs development in the private sector, particularly in distressed areas.

(9) Optimizing the methods by which state and federal policy can facilitate any of the proposed strategies.

(10) Evaluating the incremental beneficial and adverse economic cost and environmental impacts of proposed strategies, including life-cycle greenhouse gas emissions from the production, transportation, and use of natural gas, based on authoritative, peer-reviewed, and science-based analysis or in consultation with the State Air Resources Board.

(c) In developing the strategies described in subdivision (b), the commission shall consult with the Public Utilities Commission, the State Water Resources Control Board, the Independent System Operator, the State Air Resources Board, the Department of Oil, Gas, and Geothermal Resources, and the Department of Conservation to obtain relevant input. The report is intended to assist in establishing state policy and does not independently change any statute, regulation, or regulatory decision.

(d) This section shall become inoperative on November 1, 2025, and, as of January 1, 2026, is repealed.

**SEC. 5.** Section 25304 of the Public Resources Code is amended to read:

**25304.** As a part of the report prepared pursuant to Section 25302, the commission shall conduct transportation forecasting and assessment activities, including, but not limited to:

(a) Assessment of trends in transportation fuels, technologies, and infrastructure supply and demand and the outlook for wholesale and retail prices for petroleum, petroleum products, and alternative transportation fuels under current market structures and expected market conditions.

(b) Forecasts of statewide and regional transportation energy demand, both annual and seasonal, and the factors leading to projected demand growth including, but not limited to, projected population growth, urban development, vehicle miles traveled, the type, class, and efficiency of personal vehicles and commercial fleets, and shifts in transportation modes.

(c) Evaluation of the sufficiency of transportation fuel supplies, technologies, and infrastructure to meet projected transportation demand growth. Assessment of crude oil and other transportation fuel feedstock supplies; in-state, national, and worldwide production and refining capacity; product output storage availability; and transportation and distribution systems capacity and use.

(d) Assessments of the risks of supply disruptions, price shocks, or other events and the consequences of these events on the availability and price of transportation fuels and effects on the state's economy.

(e) Evaluation of the potential for needed changes in the state's energy shortage contingency plans to increase production and productivity, improve efficiency of fuel use, increase conservation of resources, and other actions to maintain sufficient, secure, and affordable transportation fuel supplies for the state.

(f) Evaluation of alternative transportation energy scenarios, in the context of least environmental and economic costs, to examine potential effects of alternative fuels usage, vehicle efficiency improvements, and shifts in transportation modes on public health and safety, the economy, resources, the environment, and energy security.

(g) Examination of the success of the introduction, prices, and availability of advanced transportation technologies, low- or zero-emission vehicles, and clean-burning transportation fuels, including their potential future contributions to air quality, energy security, and other public interest benefits.

(h) Recommendations to improve the efficiency of transportation energy use, reduce dependence on petroleum fuels, decrease environmental impacts from transportation energy use, and contribute to reducing congestion, promoting economic development, and enhancing energy diversity and security.

**SEC. 6.** Section 25305.5 of the Public Resources Code is repealed.

**SEC. 7.** Section 25307 of the Public Resources Code is repealed.

**SEC. 8.** Section 25401.2 of the Public Resources Code is amended to read:

**25401.2.** (a) As part of the report required by Section 25302, the commission shall develop and update an inventory of current and potential cost-effective opportunities in each utility's service territory to improve efficiencies and to help utilities manage loads in all sectors of natural gas and electricity use. The report shall include estimates of the overall magnitude of these resources, load shapes, and the projected costs associated with delivering the various types of energy savings that are identified in the inventory. The report shall also estimate the amount and incremental cost per unit of potential energy efficiency and load management activities. Where applicable, the inventory shall include data on variations in savings and costs associated with particular measures. The report shall take into consideration environmental benefits as developed in related commission and Public Utilities Commission proceedings.

(b) The commission shall develop and maintain the inventory in consultation with electric and gas utilities, the Public Utilities Commission, academic institutions, and other interested parties.