

BILL ANALYSIS

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SENATE THIRD READING
SB 1037 (Kehoe)
As Amended August 15, 2005
Majority vote

SENATE VOTE :26-14 _

<u>UTILITIES AND COMMERCE</u>	7-3	<u>NATURAL</u>
<u>RESOURCES</u>	7-2	

Ayes: Levine, Baca, Blakelsee, Calderon, Jerome Horton, Montanez, Ridley-Thomas	Ayes: Chu, Bass, Berg, Calderon, Laird, Klehs, Leno, Nation, Levine, Saldana, Yee, Mullin
Nays: Bogh, Keene, Wyland	Nays: Sharon Runner, Emmerson, Haynes, Nakanishi, Walters

APPROPRIATIONS 12-5

Ayes: Chu, Bass, Berg, Calderon, Laird, Klehs, Leno, Nation, Levine, Saldana, Yee, Mullin		
Nays: Sharon Runner, Emmerson, Haynes, Nakanishi, Walters		

SUMMARY : Requires electric utilities, municipal utilities (munis), and the Public Utilities Commission (PUC) to make energy efficiency programs a priority before acquiring other sources of electricity or building new transmission lines. Specifically, this bill requires:

- 1)PUC to require gas and electric utilities, in procuring energy, to first acquire all available energy efficiency and

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demand reduction recourses that are cost-effective, reliable, and feasible (before conventional generation or other resources), as specified.

- 2)PUC, in considering an application for a certificate of public convenience and necessity for an electric transmission line, to consider all cost-effective alternatives that would meet the need, as specified.
- 3)Munis, in procuring energy, to first acquire all available energy efficiency and demand reduction recourses that are cost-effective, reliable, and feasible (before conventional generation or other resources), as specified.
- 4)Munis to annually report to its customers and to the California Energy Commission (CEC) its investments in energy efficiency and demand reduction programs.

EXISTING LAW :

- 1)Establishes and funds various energy efficiency programs for public and private electric and gas utilities.
- 2)Requires each investor-owned electric utility to purchase energy according to a procurement plan, subject to PUC approval.

FISCAL EFFECT : According to the Assembly Appropriations Committee, minor absorbable costs to the PUC and the CEC.

COMMENTS : The purpose of this bill is to codify recent PUC decisions requiring electricity companies to make energy efficiency measures their first priority in planning to meet new demands.

California's energy agencies, including PUC, have adopted an "Energy Action Plan" (EAP) which includes a "loading order" for the acquisition of new resources. The loading order prioritizes energy efficiency by stating that energy needs should first be met by energy efficiency and demand reduction programs before a utility procures new electricity from renewable resources or fossil fuel fired generating facilities. Energy efficiency measures are considered some of the most cost effective ways of

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meeting California's growing energy needs, since it is generally less expensive to conserve electricity than it is to build new power plants to meet demand.

EAP and its loading order have no force of law and merely state the planning preferences of the state's energy agencies. However, elements of EAP, including the loading order, have been incorporated into PUC decisions governing the privately-owned utilities it regulates. EAP has not been adopted by, and is not directly enforceable upon, publicly-owned utilities. Publicly-owned utilities are subject to state law, but are not subject to PUC jurisdiction. Instead, they are public agencies governed by local elected officials.

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