

### **3. Finance EBR**

# DEPARTMENT OF FINANCE ENROLLED BILL REPORT

AMENDMENT DATE:  
RECOMMENDATION:

August 28, 2006  
Sign

BILL NUMBER: AB 2021  
AUTHOR: L. Levine

ASSEMBLY: 58/17  
SENATE: 36/1

## BILL SUMMARY: Public Utilities: Energy Efficiency

Existing law requires publicly-owned utilities (munis) to first meet resource needs through energy efficiency and demand response programs. This bill will place additional energy efficiency requirements on munis and will require munis to report to the Energy Commission on their energy efficiency programs. The bill will also require the Energy Commission to develop a plan to improve the efficiency of air conditioners and to report to the Legislature on the plan.

## FISCAL SUMMARY

The bill requires munis to develop energy efficiency savings targets. The bill will also require munis to contract for an independent evaluation of the energy savings produced by their energy efficiency and demand response programs. Consequently, the cost of the evaluation will not be borne by the state. The Energy Commission will need approximately \$75,000 and one position to develop the plan to improve the efficiency of air conditioners. These costs will be funded from the Energy Resource Programs Account. Finance notes that requests for additional resources will be evaluated in the annual budget development process.

Local government costs resulting from the mandate in this bill will not be state-reimbursable because munis are authorized to recover costs through rates.

## COMMENTS

Finance recommends this bill be signed because it is consistent with the Climate Action Team (CAT) report recommendation that munis comply with energy efficiency requirements similar to those placed on the state's investor-owned utilities. The CAT report estimated that this strategy will reduce annual greenhouse gas emissions by 1 million tons in 2010 and 5.9 million tons in 2020.

In June 2005, the Governor issued an Executive Order that established greenhouse gas reduction targets. The Executive Order established the goal to reduce emissions to 2000 levels by 2010, 1990 levels by 2020, and 80 percent below 1990 levels by 2050. The Governor created the CAT, led by Cal-EPA, to identify strategies to reduce greenhouse gas emissions. The final CAT report included a recommendation to require munis to implement energy efficiency and demand response programs on the same scale as investor-owned utilities.

Finance notes that the bill:

- Requires munis, by June 1, 2007 and every three years thereafter, to develop 10-year energy efficiency and demand reduction targets. Targets will be based, at least in part, on the targets set for investor-owned utilities. The Energy Commission, in consultation with munis and the Public Utilities Commission, will be required to develop estimates for statewide energy efficiency savings over the next 10-year period by November 1, 2007 and every three years thereafter.

Analyst/Principal (0624) M. Almy <i>Matt Almy</i>	Date <i>9/13/06</i>	Program Budget Manager Fred Klass <i>[Signature]</i>	Date <i>9/14/06</i>
Department Director <i>[Signature]</i>	Date		

ENROLLED BILL REPORT

Form DE-43 (Rev. 05/06) (Info)

# BILL ANALYSIS CONTROLLED REPORT - COMMISSION AUTHOR AMENDMENT DATE

L. Levine

August 26, 2006

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BILL NUMBER

## COMMISSION (continued)

- Requires municipalities to contract for independent evaluations of their energy efficiency and demand response programs.
- Requires municipalities to submit annual reports on energy savings to their customers and to the Energy Commission and requires the Energy Commission to include a comparison of energy savings targets and realized savings in the Integrated Energy Policy Report (IEPR). The Energy Commission will also be required to include a comparison of energy savings targets and realized savings in the IEPR for investor-owned utilities.
- Requires the Energy Commission to recommend any feasible improvements that can be made to municipal energy efficiency programs to municipalities, the Legislature, and the Governor.
- Requires the Energy Commission, by January 1, 2008, to develop a plan to improve the energy efficiency of air conditioners and to report to the Legislature on the plan.

Code/Department Agency or Revenue Type	SO LA CO RV	(Fiscal Impact by Fiscal Year) (Dollars in Thousands)							
		PROP		FC		FC		FC	
		98	No	FC	2006-2007	FC	2007-2008	FC	2008-2009
330 Energy Comm	SO	No	C		\$36	C	\$73	C	\$73

Fund Code  
0466

Title  
Energy Resources Programs Account

**SUGGESTED VETO MESSAGE**

**AB 2021**

**(as amended August 28, 2006)**

**I am returning Assembly Bill No. 2021 without my signature.**

**This bill would place additional energy efficiency requirements on munis and would require munis to report to the Energy Commission on their energy efficiency programs. The bill would also require the Energy Commission to develop a plan to improve the efficiency of air conditioners and to report to the Legislature on the plan.**

**In June 2005, I issued an Executive Order that established greenhouse gas reduction targets. The Executive Order established the goal to reduce emissions to 2000 levels by 2010, 1990 levels by 2020, and 80 percent below 1990 levels by 2050. I also created the Climate Action Team (CAT), led by CalEPA, to identify strategies to reduce greenhouse gas emissions. The final CAT report included a recommendation to require munis to implement energy efficiency and demand response programs on the same scale as investor-owned utilities.**

**While I am strongly supportive of energy efficiency efforts, I am vetoing this bill because it does not guarantee a minimum level of energy efficiency savings. Consequently, this bill may not result in sufficient energy efficiency savings to meet the Climate Action Team estimates for this strategy.**