

3. Finance EBR

DEPARTMENT OF FINANCE ENROLLED BILL REPORT

AMENDMENT DATE: August 15, 2005
RECOMMENDATION: Sign
SPONSOR: Natural Resources Defense Counsel
ASSEMBLY: 47/31
SENATE: 22/12

BILL NUMBER: SB 1037
AUTHOR: C. Kehoe

BILL SUMMARY: Energy Efficiency

This bill will require the Public Utilities Commission (PUC), in consultation with the California Energy Commission (Energy Commission), to identify all potentially achievable cost effective electricity and natural gas efficiency measures and establish efficiency targets for private electrical and natural gas corporations. The bill will also require both private and publicly-owned utilities to use all available efficiency and demand reduction measures that are cost effective and reliable before acquiring supply resources or increasing electrical transmission capacity. Lastly, the bill will require publicly-owned electric utilities to report annually to the Energy Commission their investment in energy efficiency and demand reduction programs.

FISCAL SUMMARY

Energy efficiency measures for private electric utilities are currently being developed. Therefore, the requirements of this portion of the bill will be accomplished within existing resources. The costs for the PUC and the Energy Commission to establish efficiency targets for natural gas corporations are also expected to be minor and absorbable.

By requiring local publicly-owned electric utilities to report energy efficiency and demand reduction information to customers and the state, the bill will impose additional requirements on those entities. However, the bill will not result in a reimbursable state-mandated cost because publicly-owned utilities have the authority to recover reporting costs in rates.

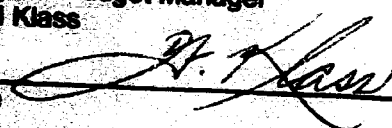
COMMENTS

Finance recommends that this bill be signed because it will require utilities to place greater emphasis on energy efficiency and conservation activities.

Existing law requires privately-owned electric utilities to acquire power according to a procurement plan, which must be approved by the PUC. This bill will, in addition:

- Require the PUC, in consultation with the Energy Commission, to identify all achievable cost effective efficiency savings and set efficiency targets for electrical and natural gas corporations.
- Require private and publicly-owned natural gas and electric utilities to meet resource needs through energy efficiency and conservation measures before acquiring additional sources of energy or increasing transmission capacity.
- Require publicly-owned electric utilities to report annually to their customers and the Energy Commission their investment in energy efficiency and conservation measures.

(Continued)

Analyst/Principal (0622) M. Almy	Date	Program Budget Manager Fred Klass	Date
Department Director John Klyde	Date 9/13/05		Date 9/12/05

ENROLLED BILL REPORT

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COMMENTS (continued)

- Require the PUC, in reviewing a privately-owned electric utility's application for construction of an electric transmission facility, to consider all cost effective alternatives, including energy efficiency and conservation measures.

Code/Department Agency or Revenue Type	SO LA CO RV	PROP 98	FC	(Fiscal Impact by Fiscal Year)			Fund Code
				2005-2006	2006-2007	2007-2008	
8660/PUC	SO	No		No/Minor Fiscal Impact			0462
8994/St Mandates	SO	No		No/Minor Fiscal Impact			0001
Fund Code	Title						
0001	General Fund						
0462	Publ Utilities Comm Utilities Reimb Acct						

SUGGESTED VETO MESSAGE

SB 1037

(as amended August 15, 2005)

I am returning Senate Bill No. 1037 without my signature.

This bill would require the Public Utilities Commission (PUC), in consultation with the California Energy Commission (Energy Commission), to identify all potentially achievable cost effective, reliable electricity and natural gas efficiency and demand reduction measures. The bill would require both private and publicly-owned utilities to implement these measures before acquiring supply resources or increasing electrical transmission capacity. The bill would also require publicly-owned electric utilities to report annually to the Energy Commission their investment in energy efficiency and demand reduction programs.

It has been a long-standing energy policy goal of mine to promote energy efficiency and demand reduction. This bill would seek to codify requirements for utilities to meet resource needs through energy efficiency and demand reduction alternatives before acquiring additional sources of energy or increasing transmission capacity. However, this bill is unnecessary because the Energy Action Plan and decisions made by the Public Utilities Commission have already established energy efficiency and demand response as top priorities for meeting California's energy needs.