

BILL ANALYSIS

SENATE RULES COMMITTEE	AB 2021
Office of Senate Floor Analyses	
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THIRD READING

Bill No: AB 2021  
 Author: Levine (D)  
 Amended: 8/28/06 in Senate  
 Vote: 21

SENATE ENERGY, U.&C. COMMITTEE : 8-0, 6/29/06  
 AYES: Escutia, Cox, Alarcon, Bowen, Dunn, Kehoe, Murray,  
 Simitian  
 NO VOTE RECORDED: Battin, Dutton

SENATE APPROPRIATIONS COMMITTEE : 12-0, 8/17/06  
 AYES: Murray, Aanestad, Alarcon, Alquist, Ashburn, Dutton,  
 Escutia, Florez, Ortiz, Poochigian, Romero, Torlakson  
 NO VOTE RECORDED: Battin

ASSEMBLY FLOOR : 57-18, 5/31/06 - See last page for vote

SUBJECT : Public utilities: energy efficiency

SOURCE : Author

DIGEST : This bill requires (1) publicly owned utilities to report on achievable cost-effective electricity measures and targets for statewide efficiency, (2) the California Energy Commission (CEC) to summarize the utilities' information and report on achievable cost-effective electricity and natural gas efficiency savings, and set targets for statewide efficiency savings, and (3) the CEC to develop a plan for improving the energy efficiency of air conditioners.

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Senate Floor Amendments of 8/28/06 clarify the standards for CEC adoption of energy efficiency targets, require publicly-owned utilities (POUs) to treat energy efficiency investments as "procurement" investments, and increase reporting requirements for both POUs and the CEC regarding POUs energy efficiency programs.

ANALYSIS :

Existing law:

- 1.Establishes and funds various energy efficiency programs for investor-owned utilities (IOUs) and publicly-owned utilities (POUs).
- 2.Requires each IOU to purchase energy according to a procurement plan, subject to the Public Utilities Commission's (PUC's) approval.
- 3.Requires both IOUs and POUs, in procuring energy, to first acquire all available energy efficiency and demand reduction resources that are cost effective, reliable, and feasible.
- 4.Requires the PUC to identify all potentially achievable cost-effective energy efficiency savings and establish efficiency targets for each IOU.
- 5.Requires each POU to report annually to its customers and to the California Energy Commission (CEC), its investment in energy efficiency and demand reduction programs, including expenditures and energy savings results.

This bill:

- 1.Requires the CEC, every three years, to develop a

statewide estimate of all potentially achievable cost-effective energy efficiency savings and adopt targets for energy efficiency savings over 10 years, both on a statewide basis and for each POU.

- 2.Requires the PUC to incorporate the most recent targets into the integrated energy policy report, and clarifies

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the reports' required information.

- 3.Freezes POU spending on energy efficiency from public goods charge funds at 2005 levels and requires POU's to treat energy efficiency investments as a "procurement investment."
- 4.Requires the CEC to report on POU's performance in meeting the established energy efficiency targets.
- 5.Requires the CEC to develop a plan to increase efficiency of air conditioners, including recommend changes in law.

Background

AB 1890 (Brulte), Chapter 854, Statutes of 1996, required electric utility ratepayers to fund a variety of system reliability, in-state benefit and low-income customer programs at specified levels from 1998 through 2001 through a public goods charge. Subsequent legislation has extended the collection of the public goods charge until 2012. IOUs are required, by statute, to use the public goods charge revenues to fund energy efficiency, renewable energy, research and low-income customer assistance. Minimum amounts are prescribed for each program. POU's are required, by statute, to collect a public goods charge that matches the lowest level of the three largest IOUs. The POU's may fund energy efficiency, renewable energy, research and/or low-income customer assistance with the public goods charge revenues, but no allocation is prescribed in statute.

The public goods charge represents a required minimum investment in energy efficiency and other public purpose programs. IOUs are required to allocate minimum funding to "cost-effective energy efficiency and conservation activities." While POU's must collect a minimum amount of public goods charge, they have discretion as to what to spend it on and can choose to allocate any amount of their public goods charge revenues to energy efficiency.

Energy efficiency spending minimums for IOUs:

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SDG&E - \$32M/year

SCE - \$90M/year

PG&E - \$106M/year

California's energy agencies, including the 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. The EAP and its loading order are unenforceable themselves. However, elements of the EAP, including the loading order, have been incorporated into PUC decisions governing the IOUs it regulates. The EAP has not been adopted by, and is not directly enforceable upon, POU's. POU's are subject to state law, but are not subject to PUC jurisdiction. Instead, they are public agencies governed by local elected officials.

Last year, SB 1037 (Kehoe), Chapter 366, Statutes of 2005, codified energy efficiency's place in the loading order by requiring both IOUs and POU's, in procuring energy, to first acquire all available energy efficiency and demand reduction resources that are cost effective, reliable, and feasible.

Last September, the PUC adopted energy efficiency programs

for the IOUs for 2006-2008. The PUC decision, finding more energy efficiency potential, requires IOUs to spend an additional \$2 billion over the next three years, over and above the public goods charge minimums. The PUC decision more than doubles IOUs' spending on energy efficiency. IOUs do not plan to spend as much on energy efficiency.

State law requires the CEC to adopt energy efficiency standards for appliances sold in California, whose use requires a significant amount of energy on a statewide basis. The CEC has set standards only for appliances which aren't federally regulated. The U.S. Department of Energy sets minimum performance standards for many larger electrical appliances, including air conditioners. The federal standards preempt state standards.

FISCAL EFFECT : Appropriation: No Fiscal Com.: Yes

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Local: Yes

Fiscal Impact (in thousands)

<u>Major Provisions</u> <u>2007-08</u>	<u>Fund</u>	<u>2005-06</u>	<u>2006-07</u>
CEC reports \$ 75	Special*		\$375
PUC consultation \$100	Special		\$100
Mandated program - unknown -- Report	Not		--
		reimbursable	

\*Energy Resources Programs Account

SUPPORT : (Verified 8/10/06)

California Chamber of Commerce  
Coalition of California Utility Employees  
Division of Ratepayer Advocates  
Environmental Defense  
Natural Resources Defense Council  
Pacific Gas and Electric Company  
Planning and Conservation League  
Public Utilities Commission  
Sierra Club California  
Silicon Valley Leadership Group  
Southern California Edison  
Union of Concerned Scientists

OPPOSITION : (Verified 8/10/06)

Alameda Power and Telecom  
Antonio Villaraigosa, Mayor, City of Los Angeles  
City of Alameda's Public Utilities Board  
Cities of Anaheim, Burbank, Lodi, Palo Alto, Rancho Cucamonga and Santa Clara  
Imperial Irrigation District  
Lassen Municipal Utility District

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Los Angeles Department of Water and Power  
Modesto Irrigation District  
Northern California Power Authority  
Redding Electric Utility  
Sacramento Municipal Utility District  
Southern California Public Power Authority  
Turlock Irrigation District

ASSEMBLY FLOOR :

AYES: Aghazarian, Arambula, Baca, Bass, Bermudez, Blakeslee, Bogh, Calderon, Canciamilla, Chan, Chu, Cohn, Coto, Daucher, De La Torre, Emmerson, Evans, Frommer, Garcia, Goldberg, Hancock, Harman, Jerome Horton, Shirley Horton, Huff, Jones, Karnette, Klehs, Koretz, Laird, Leno, Levine, Lieber, Lieu, Liu, Matthews, Montanez, Mullin, Nation, Nava, Negrete McLeod, Oropeza, Parra,

Pavley, Richman, Ruskin, Saldana, Salinas, Spitzer,  
Torrice, Tran, Umberg, Vargas, Wolk, Wyland, Yee, Nunez  
NOES: Benoit, DeVore, Haynes, Houston, Keene, La Malfa, La  
Suer, Leslie, Maze, McCarthy, Mountjoy, Nakanishi,  
Niello, Plescia, Sharon Runner, Strickland, Villines,  
Walters  
NO VOTE RECORDED: Berg, Chavez, Cogdill, Dymally,  
Ridley-Thomas

NC:cm 8/27/06 Senate Floor Analyses

SUPPORT/OPPOSITION: SEE ABOVE

\*\*\*\* END \*\*\*\*