

**ASSEMBLY BILL**

**No. 638**

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**Introduced by Assembly Member Skinner**

February 16, 2011

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An act to amend Section 25720 of the Public Resources Code, relating to fuel resources.

LEGISLATIVE COUNSEL'S DIGEST

AB 638, as introduced, Skinner. Fuel resources: State Energy Resources Conservation and Development Commission.

Existing law requires the State Energy Resources Conservation and Development Commission (Energy Commission) to examine the feasibility of operating a strategic fuel reserve and recommend an appropriate level of reserves. Existing law also requires the Energy Commission and the State Air Resources Board, in consultation with other state and local agencies the commission deems necessary, to develop and adopt recommendations for the Governor and Legislature on a California Strategy to Reduce Petroleum Dependence.

This bill would require the commission and the board to, among other things, attain the targets set forth in the strategy as efficiently as possible, coordinate the attainment of the targets with provisions regulating alternative fuels, and require all future regulations and guidelines to maximize the attainment of targets. The bill would also require the commission and the board, on or before January 1, 2013, in consultation with other state and local agencies the commission deems necessary, to adopt a series of interim actions to reduce petroleum fuel consumption by 15% below the 2003 levels by 2020 and increase alternative fuel consumption by 26% by 2022.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 25720 of the Public Resources Code is  
2 amended to read:  
3 25720. (a) By January 31, 2002, the commission shall examine  
4 the feasibility, including possible costs and benefits to consumers  
5 and impacts on fuel prices for the general public, of operating a  
6 strategic fuel reserve to insulate California consumers and  
7 businesses from substantial short-term price increases arising from  
8 refinery outages and other similar supply interruptions. In  
9 evaluating the potential operation of a strategic fuel reserve, the  
10 commission shall consult with other state agencies, including, but  
11 not limited to, the State Air Resources Board.  
12 (b) The commission shall examine and recommend an  
13 appropriate level of ~~reserves of fuel~~ *reserve*, but in no event may  
14 the reserve be less than the amount of refined fuel that the  
15 commission estimates could be produced by the largest California  
16 refiner over a two week period. In making this examination and  
17 recommendation, the commission shall take into account all of the  
18 following:  
19 (1) Inventories of California-quality fuels or fuel components  
20 reasonably available to the California market.  
21 (2) Current and historic levels of inventory of fuels.  
22 (3) The availability and cost of storage of fuels.  
23 (4) The potential for future supply interruptions, price spikes,  
24 and the costs thereof to California consumers and businesses.  
25 (c) The commission shall evaluate a mechanism to release fuel  
26 from the reserve that permits ~~any~~ *a* customer to contract at any  
27 time for the delivery of fuel from the reserve in exchange for an  
28 equal amount of fuel that meets California specifications and is  
29 produced from a source outside of California that the customer  
30 agrees to deliver back to the reserve within a time period to be  
31 established by the commission, but not longer than six weeks.  
32 (d) The commission shall evaluate reserve storage space from  
33 existing facilities.

1 (e) The commission shall evaluate a reserve operated by an  
2 independent operator that specializes in purchasing and storing  
3 fuel, and is selected through competitive bidding.

4 (f) (1) Not later than January 31, 2002, the commission and the  
5 State Air Resources Board, in consultation with the other state and  
6 local agencies *that* the commission deems necessary, shall develop  
7 and adopt recommendations for the Governor and Legislature on  
8 a California Strategy to Reduce Petroleum Dependence.

9 (2) The strategy shall include a base case forecast by the  
10 commission of gasoline, diesel, and petroleum consumption in  
11 years 2010 and 2020 based on current best estimates of economic  
12 and population growth, petroleum base fuel supply and availability,  
13 vehicle efficiency, and utilization of alternative fuels and advanced  
14 transportation technologies.

15 (3) The strategy shall include recommended statewide goals for  
16 reductions in the rate of growth of gasoline and diesel fuel  
17 consumption and increased transportation energy efficiency and  
18 utilization of nonpetroleum based fuels and advanced transportation  
19 technologies, including alternative fueled vehicles, hybrid vehicles,  
20 and high fuel efficiency vehicles.

21 (4) *The commission and the State Air Resources Board shall*  
22 *do all of the following:*

23 (A) *Attain the targets set forth in the strategy as efficiently as*  
24 *possible.*

25 (B) *Coordinate the attainment of the targets with Article 6.5*  
26 *(commencing with Section 43865) of Chapter 4 of Part 5 of*  
27 *Division 26 of the Health and Safety Code.*

28 (C) *Modify existing programs to maximize the attainment of the*  
29 *targets.*

30 (D) *Require all future regulations and guidelines to maximize*  
31 *the attainment of the targets.*

32 (E) *On or before July 1, 2012, report to the relevant legislative*  
33 *policy committees on progress implementing this section.*

34 (i) *The requirement for submitting a report imposed under this*  
35 *subparagraph is inoperative on July 1, 2016, pursuant to Section*  
36 *10231.5 of the Government Code.*

37 (ii) *A report to be submitted pursuant to this subparagraph shall*  
38 *be submitted in compliance with Section 9795 of the Government*  
39 *Code.*

1     (5) *On or before January 1, 2013, the commission and the board,*  
2 *in consultation with other state and local agencies the commission*  
3 *deems necessary, shall adopt a series of interim actions to reduce*  
4 *petroleum fuel consumption by 15 percent below the 2003 level*  
5 *by 2020 and increase alternative fuel consumption by 26 percent*  
6 *by 2022, consistent with this subdivision and Section 43866 of the*  
7 *Health and Safety Code.*  
8     (g) The studies required by this section shall be conducted in  
9 conjunction with any other studies required by acts enacted during  
10 the 2000 portion of the 1999–2000 Regular Session dealing with  
11 gasoline prices.