

AMENDED IN ASSEMBLY MARCH 9, 2011

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

**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 amended, 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~~ to 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 reserve, but in no event may the reserve be  
14 less than the amount of refined fuel that the commission estimates  
15 could be produced by the largest California refiner over a two  
16 week period. In making this examination and recommendation,  
17 the commission shall take into account all of the following:  
18 (1) Inventories of California-quality fuels or fuel components  
19 reasonably available to the California market.  
20 (2) Current and historic levels of inventory of fuels.  
21 (3) The availability and cost of storage of fuels.  
22 (4) The potential for future supply interruptions, price spikes,  
23 and the costs thereof to California consumers and businesses.  
24 (c) The commission shall evaluate a mechanism to release fuel  
25 from the reserve that permits a customer to contract at any time  
26 for the delivery of fuel from the reserve in exchange for an equal  
27 amount of fuel that meets California specifications and is produced  
28 from a source outside of California that the customer agrees to  
29 deliver back to the reserve within a time period to be established  
30 by the commission, but not longer than six weeks.  
31 (d) The commission shall evaluate reserve storage space from  
32 existing facilities.  
33 (e) The commission shall evaluate a reserve operated by an  
34 independent operator that specializes in purchasing and storing  
35 fuel, and is selected through competitive bidding.

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

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

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

18 (4) The commission and the State Air Resources Board shall  
19 do all of the following:

20 (A) Attain the targets set forth in the strategy as efficiently as  
21 possible.

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

25 (C) Modify existing programs to maximize the attainment of  
26 the targets.

27 (D) Require all future regulations and guidelines to maximize  
28 the attainment of the targets.

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

31 (i) The requirement for submitting a report imposed under this  
32 subparagraph is inoperative on July 1, 2016, pursuant to Section  
33 10231.5 of the Government Code.

34 (ii) A report to be submitted pursuant to this subparagraph shall  
35 be submitted in compliance with Section 9795 of the Government  
36 Code.

37 (5) On or before January 1, 2013, the commission and the board,  
38 in consultation with other state and local agencies the commission  
39 deems necessary, shall adopt a series of interim actions to reduce  
40 petroleum fuel consumption by 15 percent below the 2003 level

1 by 2020 and increase alternative fuel consumption ~~by~~ *to* 26 percent  
2 by 2022, consistent with this subdivision and Section 43866 of the  
3 Health and Safety Code.

4 (g) The studies required by this section shall be conducted in  
5 conjunction with any other studies required by acts enacted during  
6 the 2000 portion of the 1999–2000 Regular Session dealing with  
7 gasoline prices.

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