

AMENDED IN SENATE MAY 25, 2012
AMENDED IN SENATE APRIL 10, 2012

SENATE BILL

No. 1496

Introduced by Senator Simitian

February 24, 2012

An act to amend Section 25303 of, to add Section 21090.2 to, and to add Chapter 3.5 (commencing with Section 25250) to Division 15 of, the Public Resources Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1496, as amended, Simitian. Energy: State Energy Resources Conservation and Development Commission: natural gas.

(1) The Warren-Alquist State Energy Resources Conservation and Development Act (act) establishes the State Energy Resources Conservation and Development Commission (Energy Commission) and requires the commission to prepare a biennial integrated energy policy report containing specified information related to major energy trends and issues facing the state, as well as a biennial energy policy review.

~~This bill would enact the Liquefied Natural Gas Market Assessment Act and would require the Energy Commission, beginning on January 1, 2013, as a component of the integrated energy policy report, to conduct a study of the effect of liquefied natural gas imports and exports on the state's energy demand. The bill would also require the Energy Commission, prior to a lease or permit being issued by the State Lands Commission or the California Coastal Commission to license a liquefied natural gas facility on the California coast, to update its study of the effect of liquefied natural gas imports and exports at least 60 days prior to a hearing by the State Lands Commission or the California Coastal~~

~~Commission if the Energy Commission has not issued an integrated energy policy report within 180 days of the hearing. The bill would require the Energy Commission to create and maintain a matrix of information regarding liquefied natural gas terminal projects.~~

The bill would also require a liquefied natural gas terminal project applicant to include in the application evidence that it has consulted with the United States Department of Defense and its impacted service components. For a project involving the construction or operation of a liquefied natural gas terminal for which an application submitted to the Federal Energy Regulatory Commission (FERC) or the United States Maritime Administration has not been deemed data adequate on or before January 1, 2013, and the application is being processed for further action by the FERC or the United States Maritime Administration, an environmental impact report prepared for that project by a lead agency would be required to contain specified information. By requiring a local agency to prepare an environmental impact report that contains specified information, the bill would increase the level of service provided by a local agency, thereby imposing a state-mandated local program.

~~The bill would also require the commission to impose a fee upon a liquefied natural gas terminal project applicant proposing a liquefied natural gas terminal that would be subject to the bill's provisions and would authorize the commission to expend the fees, upon appropriation by the Legislature, to implement those provisions.~~

(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

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

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

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) The state has a critical role in decisions regarding the siting
- 4 and design of new onshore and offshore infrastructure for the
- 5 importation and exportation of liquefied natural gas with regard
- 6 to public health, safety, and the environment.

1 (b) California has a rich history of innovative and strong
2 environmental laws and should continue to strive for the best
3 protections possible.

4 (c) Utilities in California are required to meet new demand
5 through energy efficiency programs before acquiring other sources
6 of electricity.

7 (d) Accelerating the use of renewable energy resources wherever
8 feasible and ensuring a diverse and affordable portfolio of fuel
9 sources may minimize supply interruptions and increase reliability.

10 (e) Decisions regarding the importation and exportation of
11 liquefied natural gas should be based on a comprehensive review
12 of current and projected natural gas supply and demand in
13 California.

14 (f) The possible importation and exportation of liquefied natural
15 gas should be reviewed as part of the state's integrated energy
16 policy report, which contains an overview of major energy trends
17 and issues facing the state, including supply, demand, and price.

18 SEC. 2. Section 21090.2 is added to the Public Resources Code,
19 to read:

20 21090.2. (a) In addition to any other requirements under this
21 division, for a project involving the construction or operation of
22 an onshore or offshore liquefied natural gas terminal in California
23 for which an application submitted to the Federal Energy
24 Regulatory Commission or the United States Maritime
25 Administration has not been deemed data adequate on or before
26 January 1, 2013, and the application is being processed for further
27 action by the Federal Energy Regulatory Commission or the United
28 States Maritime Administration, an environmental impact report
29 shall include all of the following:

30 (1) A comparative analysis of feasible alternative project
31 technologies pursuant to Section 15126.6 of Title 14 of the
32 California Code of Regulations.

33 (2) An analysis of potential disproportionately high and adverse
34 human health or environmental effects on minority and low-income
35 populations.

36 (3) A full life-cycle analysis of the impacts of greenhouse gases.

37 (b) This section shall not be construed as a limitation on the
38 power of a public agency to otherwise disapprove the project
39 pursuant to any other provision of law.

1 (c) This section shall not be construed as a limitation to comply
2 with any other requirements of this division or any other provision
3 of law.

4 *SEC. 3. Section 25303 of the Public Resources Code is*
5 *amended to read:*

6 25303. (a) The commission shall conduct electricity and natural
7 gas forecasting and assessment activities to meet the requirements
8 of paragraph (1) of subdivision (a) of Section 25302, including,
9 but not limited to, all of the following:

10 (1) Assessment of trends in electricity and natural gas supply
11 and demand, and the outlook for wholesale and retail prices for
12 commodity electricity and natural gas under current market
13 structures and expected market conditions.

14 (2) Forecasts of statewide and regional electricity and natural
15 gas demand including annual, seasonal, and peak demand, and the
16 factors leading to projected demand growth, including, but not
17 limited to, projected population growth, urban development,
18 industrial expansion and energy intensity of industries, energy
19 demand for different building types, energy efficiency, and other
20 factors influencing demand for electricity. With respect to
21 long-range forecasts of the demand for natural gas, the report shall
22 include an evaluation of average conditions, as well as best and
23 worst case scenarios, and an evaluation of the impact of the
24 increasing use of renewable resources on natural gas demand.

25 (3) Evaluation of the adequacy of electricity and natural gas
26 supplies to meet forecasted demand growth. Assessment of the
27 availability, reliability, and efficiency of the electricity and natural
28 gas infrastructure and systems, including, but not limited to, natural
29 gas production capability both in and out of state, natural gas
30 interstate and intrastate pipeline capacity, storage and use, and
31 western regional and California electricity and transmission system
32 capacity and use.

33 (4) Evaluation of potential impacts of electricity and natural gas
34 supply, demand, and infrastructure and resource additions on the
35 electricity and natural gas systems, public health and safety, the
36 economy, resources, and the environment.

37 (A) *On and after January 1, 2013, the commission shall, as a*
38 *part of the report adopted pursuant to Section 25302, include a*
39 *compilation and discussion of data on worldwide liquefied natural*
40 *gas market prices and flows as well as imports and exports to*

1 *onshore or offshore liquefied natural gas terminals located on the*
2 *west coast of the United States, Mexico, and Canada.*

3 *(B) For the purposes of subparagraph (A), the following terms*
4 *have the following meanings:*

5 *(i) “Liquefied natural gas” or “LNG” means natural gas cooled*
6 *to minus 259 degrees Fahrenheit so that it forms a liquid at*
7 *approximately atmospheric pressure.*

8 *(ii) “Onshore or offshore liquefied natural gas terminals located*
9 *on the west coast of the United States, Mexico, and Canada” means*
10 *facilities designed to receive or export liquefied natural gas from*
11 *or by oceangoing vessels, including those facilities required for*
12 *storage and regasification of the liquefied natural gas, the marine*
13 *vessels associated with these facilities, and any new pipelines,*
14 *including, but not limited to, all new pipelines from these offshore*
15 *or onshore terminals to shore and facilities necessary for the*
16 *transmission of the regasified natural gas from those facilities, to*
17 *the point of interconnection with any existing natural gas*
18 *transportation or distribution system, and located along the*
19 *contiguous western coast of North America from the southern*
20 *border of Mexico to the western tip of Alaska, but not including*
21 *the Aleutian Islands.*

22 *(iii) “Onshore or offshore liquefied natural gas terminals*
23 *located on the west coast of the United States, Mexico, and*
24 *Canada” does not include an LNG storage tank located or filled*
25 *at a California port, or a portable pressurized container approved*
26 *by the United States Department of Transportation for the storage,*
27 *transportation, or delivery of LNG, that is used for vessel or vehicle*
28 *fuel.*

29 (5) Evaluation of the potential impacts of electricity and natural
30 gas load management efforts, including end-user response to
31 market price signals, as a means to ensure reliable operation of
32 electricity and natural gas systems.

33 (6) Evaluation of whether electricity and natural gas markets
34 are adequately meeting public interest objectives including the
35 provision of all of the following: economic benefits; competitive,
36 low-cost reliable services; customer information and protection;
37 and environmentally sensitive electricity and natural gas supplies.
38 This evaluation may consider the extent to which California is an
39 element within western energy markets, the existence of appropriate
40 incentives for market participants to provide supplies and for

1 consumers to respond to energy prices, appropriate identification
2 of responsibilities of various market participants, and an assessment
3 of long-term versus short-term market performance. To the extent
4 this evaluation identifies market shortcomings, the commission
5 shall propose market structure changes to improve performance.

6 (7) Identification of impending or potential problems or
7 uncertainties in the electricity and natural gas markets, potential
8 options and solutions, and recommendations.

9 (8) (A) Compilation and assessment of existing scientific studies
10 that have been performed by persons or entities with expertise and
11 qualifications in the subject of the studies to determine the potential
12 vulnerability to a major disruption due to aging or a major seismic
13 event of large baseload generation facilities, of 1,700 megawatts
14 or greater.

15 (B) The assessment specified in subparagraph (A) shall include
16 an analysis of the impact of a major disruption on system reliability,
17 public safety, and the economy.

18 (C) The commission may work with other public entities and
19 public agencies, including, but not limited to, the California
20 Independent System Operator, the Public Utilities Commission,
21 the Department of Conservation, and the Seismic Safety
22 Commission as necessary, to gather and analyze the information
23 required by this paragraph.

24 (D) Upon completion and publication of the initial review of
25 the information required pursuant to this paragraph, the commission
26 shall perform subsequent updates as new data or new understanding
27 of potential seismic hazards emerge.

28 (b) Commencing November 1, 2003, and every two years
29 thereafter, to be included in the integrated energy policy report
30 prepared pursuant to Section 25302, the commission shall assess
31 the current status of the following:

32 (1) The environmental performance of the electric generation
33 facilities of the state, to include all of the following:

34 (A) Generation facility efficiency.

35 (B) Air emission control technologies in use in operating plants.

36 (C) The extent to which recent resource additions have, and
37 expected resource additions are likely to, displace or reduce the
38 operation of existing facilities, including the environmental
39 consequences of these changes.

1 (2) The geographic distribution of statewide environmental,
 2 efficiency, and socioeconomic benefits and drawbacks of existing
 3 generation facilities, including, but not limited to, the impacts on
 4 natural resources including wildlife habitat, air quality, and water
 5 resources, and the relationship to demographic factors. The
 6 assessment shall describe the socioeconomic and demographic
 7 factors that existed when the facilities were constructed and the
 8 current status of these factors. In addition, the report shall include
 9 how expected or recent resource additions could change the
 10 assessment through displaced or reduced operation of existing
 11 facilities.

12 (c) In the absence of a long-term nuclear waste storage facility,
 13 the commission shall assess the potential state and local costs and
 14 impacts associated with accumulating waste at California’s nuclear
 15 powerplants. The commission shall further assess other key policy
 16 and planning issues that will affect the future role of nuclear
 17 powerplants in the state. The commission’s assessment shall be
 18 adopted on or before November 1, 2008, and included in the 2008
 19 energy policy review adopted pursuant to subdivision (d) of Section
 20 25302.

21 ~~SEC. 3.~~

22 *SEC. 4.* Chapter 3.5 (commencing with Section 25250) is added
 23 to Division 15 of the Public Resources Code, to read:

24

25 CHAPTER 3.5. LIQUEFIED NATURAL GAS MARKET ASSESSMENT
 26 ACT

27

28 25250. This chapter shall be known and may be cited as the
 29 Liquefied Natural Gas Market Assessment Act.

30 ~~25250.5. For purposes of this chapter, the following definitions~~
 31 ~~apply:~~

32 (a) ~~“Liquefied natural gas” or “LNG” means natural gas cooled~~
 33 ~~to minus 259 degrees Fahrenheit so that it forms a liquid at~~
 34 ~~approximately atmospheric pressure.~~

35 (b) ~~(1) Onshore or offshore liquefied natural gas terminal in~~
 36 ~~California” means facilities located onshore or offshore in~~
 37 ~~California, designed to receive liquefied natural gas from~~
 38 ~~oceangoing vessels, including those facilities required for storage~~
 39 ~~and regasification of the liquefied natural gas, the marine vessels~~
 40 ~~associated with these facilities, and any new pipelines, including,~~

1 but not limited to, all new pipelines from these offshore or onshore
2 terminals to shore and facilities necessary for the transmission of
3 the regasified natural gas from those facilities, to the point of
4 interconnection with any existing natural gas transportation or
5 distribution system.

6 (2) ~~“Onshore or offshore liquefied natural gas terminal in
7 California” does not include an LNG storage tank located or filled
8 at a California port, or a portable pressurized container approved
9 by the United States Department of Transportation for the storage,
10 transportation, or delivery of LNG, that is used for vessel or vehicle
11 fuel.~~

12 ~~25251. (a) As a component of the integrated energy policy
13 report, the commission shall conduct a study of the effect of
14 liquefied natural gas imports and exports on the state’s energy
15 demand.~~

16 (b) ~~The study shall assess all of the following:~~

17 (1) ~~The future demand for natural gas in California, including,
18 but not limited to, natural gas as an alternative transportation fuel.~~

19 (2) ~~The future supply of natural gas in California available from
20 domestic production and imported into California through interstate
21 pipelines, the supply available from domestic production within
22 California, and the supply available from foreign production and
23 imported into California through international pipelines from
24 Mexico and Canada, including any liquefied natural gas terminal
25 proposed to be built outside the state and the nation that would
26 import or export, or both import and export, natural gas into or
27 from the state.~~

28 (3) ~~All supplemental sources of natural gas and natural gas
29 alternatives that can be reasonably expected to be available to meet
30 projected energy demand, including, but not limited to,
31 conservation, energy efficiency programs, and renewable energy
32 resources.~~

33 (4) ~~Projections of the price for natural gas under reasonable
34 supply and demand circumstances.~~

35 (e) ~~The report shall consider the impact of reducing electricity
36 derived from coal pursuant to Chapter 3 (commencing with Section
37 8340) of Division 4.1 of the Public Utilities Code, and the potential
38 of demand reduction opportunities, including, but not limited to,
39 the upgrading and retrofitting of energy infrastructure, the role of
40 renewable energy, and greater efficiency in building codes.~~

1 ~~(d) The report shall include an analysis of what impact new~~
2 ~~fossil fuel infrastructure will have on mandates on investor owned~~
3 ~~utilities under any provision of law, including, but not limited to,~~
4 ~~the California Renewables Portfolio Standard Program (Article~~
5 ~~16 (commencing with Section 399.11) of Chapter 2.3 of Part 1 of~~
6 ~~Division 1 of the Public Utilities Code).~~

7 ~~(e) The commission shall update its study of the effects of~~
8 ~~liquefied natural gas imports and exports at least 60 days prior to~~
9 ~~the hearing conducted by the State Lands Commission or the~~
10 ~~California Coastal Commission prior to issuing a lease or permit~~
11 ~~to license a liquefied natural gas facility on the California coast,~~
12 ~~if the commission has not issued an integrated energy policy report~~
13 ~~within 180 days of the hearing.~~

14 25251.5. (a) On or before July 1, 2013, the commission shall
15 create a matrix on its Internet Web site that meets, to the extent
16 that data are publicly available, all of the following requirements:

17 (1) The matrix shall be in a format that allows the public to
18 contrast and compare each onshore or offshore liquefied natural
19 gas terminal in California, either existing or proposed. The matrix
20 shall also include information from liquefied natural gas facilities
21 located in Alaska, Canada, the west coast of the continental United
22 States, and the west coast of Mexico, including Baja California,
23 that may provide natural gas to California.

24 (2) The matrix shall include a summary of environmental
25 impacts, mitigation measures, and alternatives discussed in the
26 environmental impact report (EIR) completed for the onshore or
27 offshore liquefied natural gas terminal project, along with an online
28 link to the EIR. For projects outside of the state and nation, the
29 matrix shall contain a link to an equivalent environmental review
30 document, if available.

31 (3) For each existing and proposed onshore or offshore liquefied
32 natural gas terminal project, the matrix shall include all of the
33 following information:

- 34 (A) The project's location.
- 35 (B) The project's owner.
- 36 (C) The project's Internet Web site, if any.
- 37 (D) The project's contact information.
- 38 (E) The project's description.
- 39 (F) The projected average natural gas production capacity in
40 cubic feet per day.

1 (G) The projected peak natural gas production capacity in cubic
2 feet per day.

3 (H) The liquefied natural gas and natural gas storage capacity,
4 if any.

5 (I) The potential export capacity of a terminal.

6 (J) The approximate cost of the project.

7 (K) The projected online date.

8 (L) The siting process applicable to the project.

9 (b) The commission shall update the matrix as information
10 becomes available but no less than quarterly, and shall include the
11 major project components and the potential environmental impacts
12 associated with the onshore or offshore liquefied natural gas
13 terminal project proposal that has filed an application or has
14 publicly announced plans to build an onshore or offshore terminal.

15 (c) The commission shall post a new application for approval
16 to build and operate an onshore or offshore liquefied natural gas
17 terminal in California to the matrix within 30 days after the
18 submittal of the application.

19 25252. An applicant for the construction or operation of a
20 liquefied natural gas terminal project shall provide evidence in its
21 application that it has consulted with the United States Department
22 of Defense and its impacted service components, and include within
23 the application a description of the consultation with regard to
24 potential impacts upon national security, including potential
25 impacts on the land, sea, and airspace identified by the Department
26 of Defense and its impacted service components, for conducting
27 operations or training, or for the research, development, testing,
28 and evaluation of weapons, sensors, and tactics.

29 ~~25253. The commission shall impose a fee upon a liquefied~~
30 ~~natural gas terminal project applicant proposing a liquefied natural~~
31 ~~gas terminal that is subject to being evaluated pursuant to this~~
32 ~~article. The fee shall cover the costs that may be incurred by the~~
33 ~~commission to implement this article, including the costs of any~~
34 ~~temporary personnel or consultants. The commission may expend~~
35 ~~the fees collected pursuant to this section, upon appropriation by~~
36 ~~the Legislature, to implement this article.~~

37 ~~SEC. 4.~~

38 *SEC. 5.* No reimbursement is required by this act pursuant to
39 Section 6 of Article XIII B of the California Constitution because
40 a local agency or school district has the authority to levy service

- 1 charges, fees, or assessments sufficient to pay for the program or
- 2 level of service mandated by this act, within the meaning of Section
- 3 17556 of the Government Code.

O