

**ASSEMBLY BILL**

**No. 1257**

---

---

**Introduced by Assembly Member Bocanegra**

February 22, 2013

---

---

An act to add Chapter 3.5 (commencing with Section 25250) to Division 15 of the Public Resources Code, relating to natural gas.

LEGISLATIVE COUNSEL'S DIGEST

AB 1257, as introduced, Bocanegra. Energy: State Energy Resources Conservation and Development Commission: natural gas.

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. The act requires the commission to certify sufficient sites and related facilities that are required to provide a supply of electricity sufficient to accommodate projected demand for power statewide.

This bill would enact the Natural Gas Act and would require the Energy Commission, every 4 years, to prepare and submit to the Legislature a report containing specified information identifying strategies to maximize the benefits obtained from natural gas as an energy source, as specified. The bill would further require the Governor to review that report by a specific date and to report specific agreement or disagreement with, or modifications to, the report to the Legislature, and would declare the modified version of the report the natural gas policy of the state. This bill would also make legislative findings and declarations including, among other things, that it is the policy of the

state to reduce greenhouse gas emissions and that an efficient and effective strategy for the use of natural gas has potential for helping to meet these objectives.

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. Chapter 3.5 (commencing with Section 25250)  
2 is added to Division 15 of the Public Resources Code, to read:

3  
4 CHAPTER 3.5. NATURAL GAS ACT

5  
6 Article 1. General Provisions

7  
8 25250. The legislature finds and declares all of the following:

9 (a) It is the policy of the state to reduce greenhouse gas  
10 emissions and emissions of criteria pollutants while minimizing  
11 the potential cost of these efforts on the citizens of the state. State  
12 law specifically requires that greenhouse gas emissions targets be  
13 achieved “in a manner that minimizes costs and maximizes benefits  
14 for California’s economy.”

15 (b) A June 2011 study by the Massachusetts Institute of  
16 Technology identified natural gas as “one of the most cost-effective  
17 means by which to maintain energy supplies while reducing CO<sub>2</sub>  
18 emissions.” The MIT study found that “the current supply outlook  
19 for natural gas will contribute to greater competitiveness of U.S.  
20 manufacturing, while the use of more efficient technologies could  
21 offset increases in demand and provide cost-effective compliance  
22 with emerging environmental requirements.”

23 (c) In April 2012, the President of the United States issued an  
24 executive order stating, among other things, that natural gas as an  
25 energy source “creates jobs and provides economic benefits to the  
26 entire domestic production supply chain, as well as to chemical  
27 and other manufacturers, who benefit from lower feedstock and  
28 energy costs. By helping to power our transportation system,  
29 greater use of natural gas can also reduce our dependence on oil.”  
30 The President concluded, “For these reasons, it is vital that we  
31 take full advantage of our natural gas resources, while giving  
32 American families and communities confidence that natural and

1 cultural resources, air and water quality, and public health and  
2 safety will not be compromised.”

3 (d) An efficient and effective strategy for the use of natural gas  
4 has potential for helping to meet the objectives described in  
5 subdivision (a).

6 (e) Natural gas represents a flexible energy supply source for,  
7 among other things, heating, water heating, cooling, cooking,  
8 engine operation, and electric generation and provides a valuable  
9 complement to the development of renewable generation sources,  
10 particularly intermittent generating sources.

11 (f) Natural gas represents an affordable and flexible supply  
12 source for transportation purposes, including both commercial and  
13 residential uses as a substitute for diesel and gasoline-fueled  
14 vehicles. In developing the State Alternative Fuels Plan, as part  
15 of implementation of Assembly Bill 1007, (Ch. 371, Stats. 2005),  
16 the commission and the State Air Resources Board assessed natural  
17 gas as part of a broad portfolio of alternative fuels the state should  
18 be pursuing, finding, among other things, that natural gas as a  
19 transportation fuel represented the most cost-effective alternative  
20 transportation fuel option for reducing greenhouse gas emissions  
21 through a study period extending to 2050.

22 (g) California does not currently have a long-term strategy to  
23 maximize the benefits of natural gas as part of the state’s portfolio  
24 of energy sources in a low carbon future.

25 25251. (a) By January 1, 2015, and every four years thereafter,  
26 notwithstanding section 10231.5, of the Government Code, the  
27 commission shall prepare and submit to the Legislature a report  
28 that identifies strategies to maximize the benefits obtained from  
29 natural gas as an energy source, helping the state realize the  
30 environmental and cost benefits afforded by natural gas. As part  
31 of this report, the commission, at minimum, shall identify strategies  
32 and options for each of the following:

33 (1) Making the best use of natural gas as a transportation fuel,  
34 including for movement of freight, vessels, mass transit, and other  
35 commercial and passenger vehicle use and identifying methods to  
36 increase the development of natural gas refueling infrastructure.

37 (2) Determining the optimal role of natural gas-fired generation  
38 as part of a resource portfolio, including, but not limited to,  
39 combined heat and power, and the impact of that role on meeting  
40 greenhouse gas targets.

1 (3) Taking the best advantage of natural gas as a low-emission  
2 and renewable resource, including potential zero and near-zero  
3 greenhouse gas emissions, natural gas, and biogas options, taking  
4 into account impact on electric system operations.

5 (4) Optimizing the advantage of natural gas as a flexible and  
6 convenient end use energy source, including the efficient use of  
7 natural gas for heating, water heating, cooling, cooking, engine  
8 operation, and other end uses, and the optimization of appliances  
9 for these uses.

10 (5) Identifying methods by which gas corporations can facilitate  
11 implementation of any of the strategies identified in the study.

12 (6) Determining the extent to which a long-term policy is needed  
13 to ensure adequate infrastructure and storage, and developing  
14 strategies for pursuing additional infrastructure development to  
15 maintain or enhance pipeline and system reliability, including  
16 increased natural gas storage. In developing those strategies, the  
17 commission shall consider needed policies to protect against system  
18 capacity constraints, mitigate investment risk associated with the  
19 long term investment in infrastructure in an evolving energy  
20 market, and identify factors that could limit the ability to receive  
21 maximum benefits from natural gas as an energy resource.

22 (7) Determining the role that natural gas can play in the  
23 development of zero net energy buildings.

24 (8) Optimizing the methods by which the pursuit of these  
25 strategies can facilitate jobs development in the private sector,  
26 particularly in distressed areas.

27 (9) Optimizing the methods by which state and federal fiscal  
28 policy can facilitate any of the proposed strategies.

29 (b) In developing the report described in subdivision (a), the  
30 commission shall provide an opportunity for interested parties to  
31 offer relevant input. The commission shall receive and address  
32 information from relevant individuals and groups, including entities  
33 within the natural gas production and delivery chain, end use  
34 customers, environmental experts, and federal policymakers. Where  
35 the commission does not accept relevant recommendations of such  
36 interested parties, it shall provide an explanation and any  
37 supporting factual basis.

38 (c) In developing the report described in subdivision (a), the  
39 commission shall consult with the Public Utilities Commission,  
40 the State Water Resources Control Board, the State Air Resources

1 Board, the Department of Oil, Gas, and Geothermal Resources,  
2 and the Department of Conservation to obtain relevant input.

3 (d) The Governor shall review the report described in  
4 subdivision (a) and shall, on or before 180 days after receipt of  
5 the report, report further to the Legislature the Governor's  
6 agreement or disagreement with, and recommended deletions,  
7 additions, and modifications to, the policy recommendations  
8 contained in that report. The report, as modified by the Governor,  
9 shall thereafter comprise the natural gas policy of the State of  
10 California.

11 (e) The report to be submitted pursuant to subdivisions (a) and  
12 (d) shall be submitted in compliance with Section 9795 of the  
13 Government Code.