

AMENDED IN ASSEMBLY MAY 6, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

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 Section 25328~~ to the Public Resources Code, relating to natural gas.

LEGISLATIVE COUNSEL'S DIGEST

AB 1257, as amended, 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)~~, known as the *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, *on or before January 1, 2015, and every 4 years thereafter*, to prepare and submit to the ~~Legislature~~ Governor 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, and would require the Energy Commission to incorporate the report into the subsequent biennial integrated energy policy report. 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. Section 25328 is added to the Public Resources
 2 Code, to read:
 3 25328. (a) On or before January 1, 2015, and every four years
 4 thereafter, notwithstanding Section 10231.5 of the Government
 5 Code, the commission shall prepare and submit to the Legislature
 6 a report that identifies strategies to maximize the benefits obtained
 7 from natural gas, including biomethane for purposes of this section,
 8 as an energy source, helping the state realize the environmental
 9 and cost benefits afforded by natural gas. As part of this report,
 10 the commission, at a minimum, shall identify strategies and options
 11 for each of the following:
 12 (1) Making the best use of natural gas as a transportation fuel,
 13 including for movement of freight, vessels, mass transit, and other
 14 commercial and passenger vehicle use and identifying methods to
 15 increase the development of natural gas refueling infrastructure.
 16 (2) Identifying the role of natural gas-fired generation as part
 17 of a resource portfolio, including, but not limited to, combined
 18 heat and power, and the impact of that role on meeting greenhouse
 19 gas targets.
 20 (3) Assessing the potential of natural gas as a low-emission
 21 resource, including potential zero and near-zero greenhouse gas
 22 emissions, natural gas, and biogas options, taking into account
 23 impact on electric system operations and transportation systems.
 24 (4) Optimizing natural gas as a flexible and convenient end use
 25 energy source, including efficient use for heating, water heating,
 26 cooling, cooking, engine operation, and other end uses, and the
 27 optimization of appliances for these uses.

1 (5) Analyzing effective methods and strategies by which the
2 electric and natural gas industries can facilitate implementation
3 of any of the strategies identified in the study.

4 (6) Determining the extent to which a long-term policy is needed
5 to ensure adequate infrastructure and storage that addresses both
6 demand and climate change, and developing strategies for pursuing
7 additional infrastructure development and programs to maintain
8 or enhance pipeline and system integrity and reliability, including
9 increased natural gas storage. In developing those strategies, the
10 commission shall consider needed policies to protect against system
11 capacity constraints, minimize system leakage and related
12 emissions, mitigate investment risk associated with the long term
13 investment in infrastructure in an evolving energy market, and
14 identify factors that could limit the ability to receive maximum
15 benefits from natural gas as an energy resource.

16 (7) Determining the role that natural gas can play in the
17 development of zero net energy buildings, meeting statewide
18 renewable energy, energy efficiency, and demand reduction goals.

19 (8) Optimizing the methods by which the pursuit of these
20 strategies can facilitate job development in the private sector,
21 particularly in distressed economic areas and disadvantaged
22 communities.

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

25 (10) Evaluating the incremental beneficial and adverse
26 economic cost and environmental impacts of proposed strategies,
27 including lifecycle greenhouse gas emissions from production,
28 transportation, and use of natural gas based on authoritative,
29 peer-reviewed, and science-based analysis, or as determined by
30 the State Air Resources Board.

31 (b) In developing the report described in subdivision (a), the
32 commission shall include the findings of the current integrated
33 energy policy report required pursuant to Section 25302 and
34 provide an opportunity for public comment consistent with the
35 commission's procedures. The commission shall receive and
36 address information from the public, including entities within the
37 natural gas production and delivery chain, end use customers,
38 environmental experts, and federal policymakers. Where the
39 commission does not accept relevant recommendations of such

1 interested parties, it shall provide an explanation and any
2 supporting factual basis.

3 (c) In developing the report described in subdivision (a), the
4 commission shall consult with the Public Utilities Commission,
5 the California Independent System Operator, the State Air
6 Resources Board, the Department of Oil, Gas, and Geothermal
7 Resources, and the Department of Conservation to obtain relevant
8 input. The report is intended to assist in establishing state policy
9 and does not independently change any statute, regulation, or
10 regulatory decision.

11 (d) Upon adoption of the report described in subdivision (a) by
12 the commission, the commission shall transmit the report to the
13 Governor who shall review the report and shall, on or before 180
14 days after receipt of the report, report further to the Legislature
15 the Governor’s agreement or disagreement with, and recommended
16 deletions, additions, and modifications to, any policy
17 recommendations contained in that report. The report, as modified
18 by the Governor, shall thereafter comprise the natural gas policy
19 of the State of California, and shall be incorporated into the
20 subsequent biennial integrated energy policy report required
21 pursuant to Section 25302.

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

25 SECTION 1. ~~Chapter 3.5 (commencing with Section 25250)~~
26 ~~is added to Division 15 of the Public Resources Code, to read:~~

27
28 CHAPTER 3.5. NATURAL GAS ACT

29
30 Article 1. General Provisions

31
32 25250. ~~The legislature finds and declares all of the following:~~

33 (a) ~~It is the policy of the state to reduce greenhouse gas~~
34 ~~emissions and emissions of criteria pollutants while minimizing~~
35 ~~the potential cost of these efforts on the citizens of the state. State~~
36 ~~law specifically requires that greenhouse gas emissions targets be~~
37 ~~achieved “in a manner that minimizes costs and maximizes benefits~~
38 ~~for California’s economy.”~~

39 (b) ~~A June 2011 study by the Massachusetts Institute of~~
40 ~~Technology identified natural gas as “one of the most cost-effective~~

1 means by which to maintain energy supplies while reducing CO₂
2 emissions.” The MIT study found that “the current supply outlook
3 for natural gas will contribute to greater competitiveness of U.S.
4 manufacturing, while the use of more efficient technologies could
5 offset increases in demand and provide cost-effective compliance
6 with emerging environmental requirements.”

7 (e) In April 2012, the President of the United States issued an
8 executive order stating, among other things, that natural gas as an
9 energy source “creates jobs and provides economic benefits to the
10 entire domestic production supply chain, as well as to chemical
11 and other manufacturers, who benefit from lower feedstock and
12 energy costs. By helping to power our transportation system,
13 greater use of natural gas can also reduce our dependence on oil.”
14 The President concluded, “For these reasons, it is vital that we
15 take full advantage of our natural gas resources, while giving
16 American families and communities confidence that natural and
17 cultural resources, air and water quality, and public health and
18 safety will not be compromised.”

19 (d) An efficient and effective strategy for the use of natural gas
20 has potential for helping to meet the objectives described in
21 subdivision (a):

22 (e) Natural gas represents a flexible energy supply source for,
23 among other things, heating, water heating, cooling, cooking,
24 engine operation, and electric generation and provides a valuable
25 complement to the development of renewable generation sources,
26 particularly intermittent generating sources.

27 (f) Natural gas represents an affordable and flexible supply
28 source for transportation purposes, including both commercial and
29 residential uses as a substitute for diesel and gasoline-fueled
30 vehicles. In developing the State Alternative Fuels Plan, as part
31 of implementation of Assembly Bill 1007, (Ch. 371, Stats. 2005),
32 the commission and the State Air Resources Board assessed natural
33 gas as part of a broad portfolio of alternative fuels the state should
34 be pursuing, finding, among other things, that natural gas as a
35 transportation fuel represented the most cost-effective alternative
36 transportation fuel option for reducing greenhouse gas emissions
37 through a study period extending to 2050.

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

1 ~~25251. (a) By January 1, 2015, and every four years thereafter,~~
2 ~~notwithstanding section 10231.5, of the Government Code, the~~
3 ~~commission shall prepare and submit to the Legislature a report~~
4 ~~that identifies strategies to maximize the benefits obtained from~~
5 ~~natural gas as an energy source, helping the state realize the~~
6 ~~environmental and cost benefits afforded by natural gas. As part~~
7 ~~of this report, the commission, at minimum, shall identify strategies~~
8 ~~and options for each of the following:~~

9 ~~(1) Making the best use of natural gas as a transportation fuel,~~
10 ~~including for movement of freight, vessels, mass transit, and other~~
11 ~~commercial and passenger vehicle use and identifying methods to~~
12 ~~increase the development of natural gas refueling infrastructure.~~

13 ~~(2) Determining the optimal role of natural gas-fired generation~~
14 ~~as part of a resource portfolio, including, but not limited to,~~
15 ~~combined heat and power, and the impact of that role on meeting~~
16 ~~greenhouse gas targets.~~

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

21 ~~(4) Optimizing the advantage of natural gas as a flexible and~~
22 ~~convenient end use energy source, including the efficient use of~~
23 ~~natural gas for heating, water heating, cooling, cooking, engine~~
24 ~~operation, and other end uses, and the optimization of appliances~~
25 ~~for these uses.~~

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

28 ~~(6) Determining the extent to which a long-term policy is needed~~
29 ~~to ensure adequate infrastructure and storage, and developing~~
30 ~~strategies for pursuing additional infrastructure development to~~
31 ~~maintain or enhance pipeline and system reliability, including~~
32 ~~increased natural gas storage. In developing those strategies, the~~
33 ~~commission shall consider needed policies to protect against system~~
34 ~~capacity constraints, mitigate investment risk associated with the~~
35 ~~long term investment in infrastructure in an evolving energy~~
36 ~~market, and identify factors that could limit the ability to receive~~
37 ~~maximum benefits from natural gas as an energy resource.~~

38 ~~(7) Determining the role that natural gas can play in the~~
39 ~~development of zero net energy buildings.~~

1 ~~(8) Optimizing the methods by which the pursuit of these~~
2 ~~strategies can facilitate jobs development in the private sector,~~
3 ~~particularly in distressed areas.~~

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

6 ~~(b) In developing the report described in subdivision (a), the~~
7 ~~commission shall provide an opportunity for interested parties to~~
8 ~~offer relevant input. The commission shall receive and address~~
9 ~~information from relevant individuals and groups, including entities~~
10 ~~within the natural gas production and delivery chain, end use~~
11 ~~customers, environmental experts, and federal policymakers. Where~~
12 ~~the commission does not accept relevant recommendations of such~~
13 ~~interested parties, it shall provide an explanation and any~~
14 ~~supporting factual basis.~~

15 ~~(c) In developing the report described in subdivision (a), the~~
16 ~~commission shall consult with the Public Utilities Commission,~~
17 ~~the State Water Resources Control Board, the State Air Resources~~
18 ~~Board, the Department of Oil, Gas, and Geothermal Resources,~~
19 ~~and the Department of Conservation to obtain relevant input.~~

20 ~~(d) The Governor shall review the report described in~~
21 ~~subdivision (a) and shall, on or before 180 days after receipt of~~
22 ~~the report, report further to the Legislature the Governor's~~
23 ~~agreement or disagreement with, and recommended deletions,~~
24 ~~additions, and modifications to, the policy recommendations~~
25 ~~contained in that report. The report, as modified by the Governor,~~
26 ~~shall thereafter comprise the natural gas policy of the State of~~
27 ~~California.~~

28 ~~(e) The report to be submitted pursuant to subdivisions (a) and~~
29 ~~(d) shall be submitted in compliance with Section 9795 of the~~
30 ~~Government Code.~~