

Date of Hearing: June 20, 2018

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY

Chris Holden, Chair

SB 1374 (Hueso) – As Amended June 12, 2018

SENATE VOTE: 38-0

SUBJECT: State Energy Resources Conservation and Development Commission: Alternative and Renewable Fuel and Vehicle Technology Program: assessments and forecasts: integrated energy policy report

SUMMARY: This bill would authorize the California Energy Commission (CEC) to delegate any power, duty, purpose, function, or jurisdiction to the executive director by affirmative vote recorded in the minutes of the CEC, unless otherwise specified or prohibited by law. Additionally, this bill would revise the content and format of the Integrated Energy Policy Report (IEPR). Specifically, **this bill:**

- 1) Authorizes the CEC to delegate any power, duty, purpose, function, or jurisdiction to the executive director by affirmative vote recorded in the minutes of the CEC, unless otherwise specified or prohibited by law.
- 2) Deletes the following for the CEC's IEPR:
 - a) Requirements to consult with the California Consumer Power and Conservation Financing Authority;
 - b) Requirements to group subsidiary volumes of the IEPR into specific energy market categories;
 - c) Requirements to report on large baseload powerplant hazard assessments;
 - d) A one-time reporting requirement regarding nuclear waste storage;
 - e) Requirements to report on the CEC's energy Export Program;
 - f) Requirements regarding the governor's obligation to separately report on the IEPR; and
 - g) A requirement to convene a technical advisory group to develop an inventory of opportunities to manage load.
- 3) Sunsets a requirement to include recommendations every four years for maximizing the benefits from natural gas in 2025.
- 4) Eliminates the authority of the executive director of the CEC under the Alternative Renewable Fuel and Vehicle Technology Program to approve a project that receives \$75,000 or less, or amendments to a contract, grant, loan or other agreement or award if

the amendments do not increase the amount recieved, change the scope of the project or modify the purpose of the agreement.

EXISTING LAW:

- 1) Requires the CEC to appoint an executive director with administration and fiscal experience, who shall serve at its pleasure and whose duties and salary shall be prescribed by the CEC. (Public Resources Code § 25217)
- 2) Requires the CEC to conduct assessments and forecasts of all aspects of energy industry supply, production, transportation, delivery and distribution, demand, and prices and use these assessments and forecasts to develop and evaluate energy policies and programs that conserve resources, protect the environment, ensure energy reliability, enhance the state's economy, and protect public health and safety. (Public Resources Code § 25301)
- 3) Requires the CEC to adopt the IEPR every two years, which must contain an overview of major energy trends and issues facing the state, including, but not limited to, supply, demand, pricing, reliability, efficiency, and impacts on public health and safety, the economy, resources, and the environment. (Public Resources Code § 25302)
- 4) Establishes various contents that must be included in the IEPR and requires the CEC to make the IEPR publicly accessible. (Public Resources Code § 25302)
- 5) Requires the CEC to conduct eletricity and natural gas forecasting and assessment activities as part of the intergrated energy policy report. (Public Resources Code § 25303)
- 6) The Natural Gas Act requires the CEC to identify strategies to mazimize the benefits obtained from natural gas, including biomethane as an energy source, every four years with the integrated energy policy report. (Public Resources Code § 25303.5)
- 7) Requires the CEC to conduct transportation forecasting and assessment activities as part of the integrated energy policy report. (Public Resources Code § 25304)
- 8) Requires the CEC to include a description of the international energy market prospects and an evaluation of its export promotion activities as well as an assessment of the states energy technology and energy conservation industry's efforts to enter foreign markets in the integrated energy policy report. (Public Resources Code § 25305.5)
- 9) Requires the Governor to review the IERP and report to the Legislature. (Public Resources Code § 25307)
- 10) Establishes the Alternative Renewable Fuel and Vehicle Technology Program to be adminstered by the commission.(Health and Safety Code § 44272)

FISCAL EFFECT: Under Senate Rule 28.8 the bill is found to cause no significant reduction in revenues or additional state costs are not significant and do not require the appropriation of additional state funds.

BACKGROUND:

Integrated Energy Policy Report (IEPR) – Existing law requires the CEC to develop the IEPR and establishes requirements for certain reports that must be included in the IEPR. The IEPR is a comprehensive energy policy report covering many aspects of California’s energy market, including energy supply and demand forecasts. In compliance with existing law, the CEC develops a full IEPR report every two years, with an update in the years between those full reports. The CEC develops the IEPR through public workshops, which include stakeholders relevant to the topics covered by the report. A draft version of the report is publicly available for comment and the IEPR is adopted at a CEC business meeting, which is also open to the public. The final IEPR is submitted to the governor, Legislature and other stakeholders in addition to being posted on the CEC’s webpage. Between 2016 and 2018, the CEC held over 40 workshops to obtain stakeholder feedback, develop, and adopt the 2017 IEPR.

Since the statutory creation of the IEPR in 2002, legislation has increased the reports required in the IEPR; however, many outdated code sections and one-time reporting requirements have not been repealed. Additionally, some of the reporting requirements are duplicative and do not reflect current energy market trends. For example, existing law still requires the CEC to consult with the California Consumer Power and Conservation Financing Authority when developing the IEPR; however, the Authority ceased operation in 2007. Existing law also requires the CEC to include a report on large baseload powerplant hazard assessments. However, this reporting requirement largely applies to nuclear power plants that are scheduled for closure. Existing law requires the IEPR to include a report on the CEC’s energy Export Program; however, the CEC no longer operates this program. Fuel and energy supply analyses are included in the report as part of the larger forecasting requirements. This bill also includes a sunset for an existing report to be completed every four years on recommendations for maximizing the benefits of natural gas. This sunset is consistent with efforts to ensure that long-term reporting requirements are not duplicative. Several other statutes require reporting on natural gas, including renewable natural gas.

Executive Director & Commissioners – The CEC is made up of five Commissioners appointed by the Governor and confirmed by the Senate. Commissioners serve staggered five-year terms. The Commissioners represent specific areas of expertise: law, environment, economics, science/engineering, and the public at large. The executive director is appointed by the five commissioners and they prescribe the duties of the executive director. The CEC has a long list of responsibilities. The CEC is the state’s primary energy policy and planning agency. Since 1975, the CEC has been responsible for reducing the state’s electricity and natural gas demand primarily by adopting new Building and Appliance Energy Efficiency Standards that have contributed to keeping California’s per capita electricity consumption relatively low. Additionally, the CEC conducts energy research, development and demonstration (RD&D) programs by investing millions of dollars in technologies to improve California’s energy systems and resources. Another large responsibility of the CEC is the certification and compliance of thermal power plants 50 megawatts (MW) and larger, including all project-related facilities in California.

COMMENTS:

- 1) Author’s Statement. According to the author, “This bill is needed to clean up existing requirements for the CEC’s IEPR and ensure that the CEC has the necessary authority to

streamline approvals of certain contracts and amendments to contracts. These changes will ensure that energy policy reporting requirements reflect existing trends in the energy market and will support efficient business operations at the CEC.”

- 2) Broad Power of the Executive Director. The California Senate Office of Research investigated ways to optimize the public benefits of state-funded research. One of the difficulties they cited was delegation authority. The report, “Optimizing Public Benefits from State-Funded Research” stated:

...delegation authority for administering contracts and grants is a significant factor facilitating research program administration. Some agencies have been given delegation authority, enabling contractual changes without the need for additional approval. Others, however, are not given delegation authority, often resulting in delays and challenges with funding extensions and noncontroversial changes.

The recommendation to delegate approval authority to the executive director in order to prevent future delays is related to streamlining contract and grant adjustments. Yet as the bill is currently drafted it grants the executive director any power by an affirmative vote not just power over changes to the grants and contracts process. The CEC oversees many projects not related to contract and grant approvals, like Title 20 (Appliance Efficiency Program), Title 24 (Building Energy Efficiency) and the Renewable Portfolio Standard (RPS). As currently written the commission could delegate approval of a power plant to the executive director. This gives broad power to the executive director and takes power away from the other Commissioners. Therefore the committee suggests amending the bill to grant the executive director delegation authority only in the funding approval process of grants and projects.

- 3) Prior Legislation.

SB 1383 (Lara, Chapter 395, Statutes of 2016) required the IEPR to include recommendations for the development and use of renewable gas, including biomethane and biogas.

AB 1257 (Bocanegra, Chapter 749, Statutes of 2013) required the CEC to include recommendations in the IEPR every four years for maximizing the benefits obtained by natural gas.

AB 1900 (Gatto, Chapter 602, Statues of 2012) required the CEC to hold public hearings to identify impediments that limit procurement of biomethane in California, including, but not limited to, impediments to interconnection. The bill requires the CEC to include recommendations to address those barriers in the IEPR.

SB 1389 (Bowen and Sher, Chapter 568, Statutes of 2002) required the CEC to develop and adopt the IEPR and submit the IEPR to the Governor and Legislature every two years.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

None on file.

Analysis Prepared by: Elle Hoxworth / U. & E. /