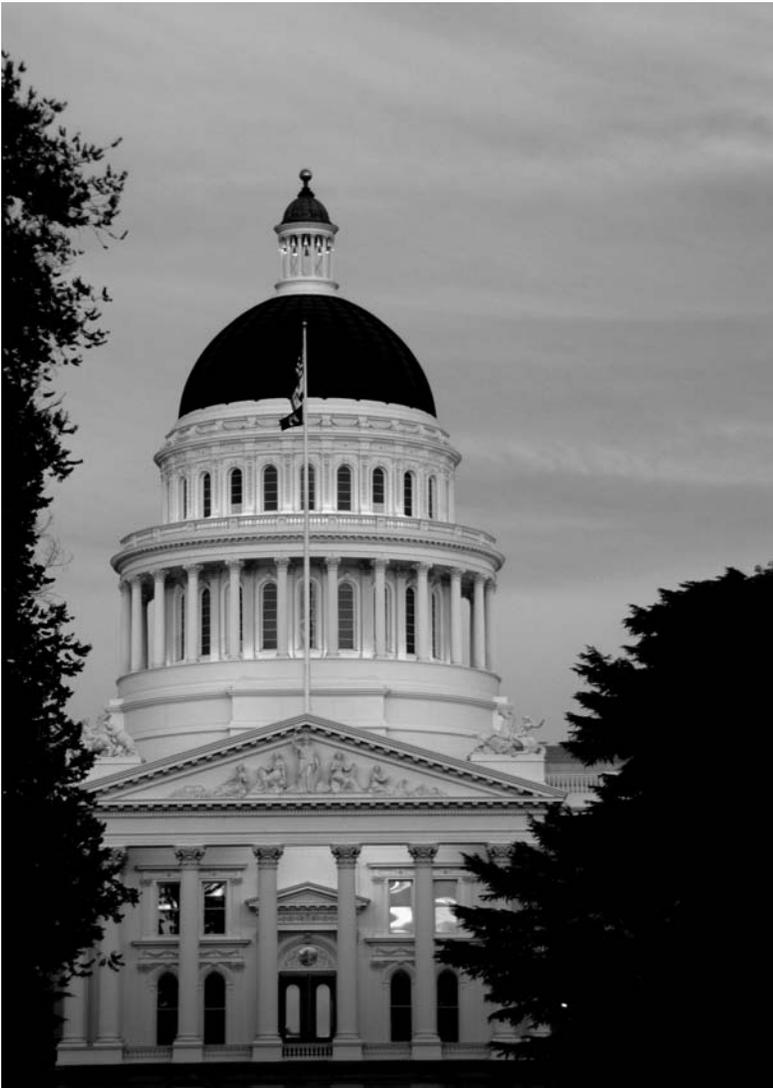


CALIFORNIA  
ENERGY  
COMMISSION

## 2007 LEGISLATIVE SUMMARY



## COMMITTEE REPORT

CEC-160-2007-001 October 2007



Arnold Schwarzenegger, *Governor*

# CALIFORNIA ENERGY COMMISSION

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**Cover Photo:**

Front of the State Capitol Building  
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California Energy Commission,  
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Office)

## 2007 Legislative Summary

### **Notice**

Summaries of 2007 chaptered and vetoed energy-related bills can be found at <http://www.leginfo.ca.gov/bilinfo.html>.

## Preface

The *2007 Legislative Summary* is intended as a tool to easily access information on 2006 energy-related bills. It provides information on bills that were chaptered or vetoed in 2007, the first year of the 2007-08 legislative session.

The report is divided into two parts: Energy Commission-related bills, which are chaptered, or vetoed bills that have a direct impact on the Energy Commission, and General Energy-related bills, which are chaptered or vetoed bills that do not directly impact Energy Commission programs, but may be of interest or concern. Each section contains a Summary Table, followed by a Bill Abstract for each listed bill that summarizes the bill and its impacts.

## **Acknowledgements**

The Office of Governmental Affairs would like to acknowledge the contributions of all those individuals who participated in the development of the 2007 bill analyses. We are especially grateful for the work of the Deputy Directors and the Legislative Coordinators in each division, who assisted our office by assuring the timely technical analyses by their divisions, coordinating the policy committee presentations and participating in the Energy Commission bill analysis process.

The 2007 Legislative Coordinators were:

- Efficiency & Demand Analysis: Mark Hutchison
- Fuels & Transportation Energy: Debbie Jones
- Office of Chief Counsel: Arlene Ichien
- Strategic Issues Integration Group: Thom Kelly
- System Assessment and Facilities Siting: Chris Tooker and Joseph Merrill
- Technology Systems: Steve Williams

In addition, there are several individuals who are designated subject matter experts and without their knowledge and expertise in commenting on certain bills, we could not provide the accurate information necessary to provide quality bill analyses. We would like to acknowledge these individuals who exceeded all expectations. Their contributions to the bill analyses are greatly appreciated.

# 2007 LEGISLATIVE SUMMARY

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**ENERGY COMMISSION-RELATED BILLS  
2007 Chaptered Legislation**

| <b>Bill Number</b>                                   | <b>Subject</b>   |
|--|--|
| AB 118 (Núñez<br>Chapter 750, Statutes of 2007)      | Alternative Fuels and Vehicle Technologies: Funding Programs |
| AB 236 (Lieu<br>Chapter 593, Statutes of 2007)       | Public Resources: State and Local Motor Vehicle Fleets       |
| AB 532 (Wolk<br>Chapter 598, Statutes of 2007)       | State Property: Solar Energy                                 |
| AB 662 (Ruskin<br>Chapter 531, Statutes of 2007)     | Water Conservation   |
| AB 809 (Blakeslee<br>Chapter 684, Statutes of 2007)  | Energy: Renewable Energy Resources                           |
| AB 868 (Davis<br>Chapter 398, Statutes of 2007)      | Gasoline Dispensing: Weights and Measures                    |
| AB 1103 (Saldaña<br>Chapter 533, Statutes of 2007)   | Energy: Commercial Buildings: Consumption                    |
| AB 1109 (Huffman<br>Chapter 534, Statutes of 2007)   | Energy Resources: Lighting Efficiency: Hazardous Waste       |
| AB 1470 (Huffman<br>Chapter 536, Statutes of 2007)   | Solar Energy: Solar Water Heating and Efficiency Act of 2007 |
| AB 1560 (Huffman<br>Chapter 532, Statutes of 2007)   | Public Resources: Building Standards                         |
| AB 1613 (Blakeslee<br>Chapter 713, Statutes of 2007) | Energy: Waste Heat and Carbon Emissions Reduction Act        |
| SB 1036 (Perata<br>Chapter 685, Statutes of 2007)    | Energy: Renewable Energy Resources                           |

## 2007 Chaptered Legislation

|   |
|---|
| <b>AB 118 (Núñez, Chapter 750, Statutes of 2007) – Alternative Fuels and Vehicle Technologies: Funding Programs</b> |
|---|

**Summary:** Creates three programs and provides funding for the programs through transfers of existing funds, increases in smog check fees, registration fees, and license fees:

- The **Alternative and Renewable Fuel and Vehicle Technology Program**, administered by the Energy Commission (CEC) to fund alternative and renewable fuels and vehicle technologies. The program provides grants, revolving loans, loan guarantees, or loans to public agencies, public-private partnerships, vehicle and technology consortia, businesses and projects, workforce training partnerships, fleet owners, consumers, recreational boaters, and academic institutions to develop technologies to attain the state's climate change policies to fund projects.
- The **Air Quality Improvement Program**, administered by the Air Resources Board (ARB) to fund air quality improvement projects related to fuel and vehicle technologies.
- The **Enhanced Fleet Modernization Program**, also administered by the ARB, creates a voluntary retirement program for high polluting vehicles.

**Appropriation:** None

**Effective:** January 1, 2008

**Sections Affected:** Health and Safety Code - Adds Article 11 (commencing with § 44125) to Chapter 5, adds Chapter 8.9 (commencing with § 44270) to Part 5 of Division 26, and adds and repeals 44060.5. Vehicle Code - Adds and repeals § 9250.1, 9261.1, and 9853.6

**AB 236 (Lieu, Chapter 593, Statutes of 2007) – Public Resources: State and Local Motor Vehicle Fleets**

**Summary:** Requires the Department of General Service (DGS), in conjunction with the California Air Resources Board (ARB) and the Energy Commission, to revise the vehicle costing methodology and rank environmental and energy benefits and costs of passenger cars and light-duty trucks for procurement by state and local governments; requires DGS to revise procurement procedures for state vehicles. Requires DGS to collect additional information on the nature of the state fleet and report this information annually to the Legislature and Governor.

**Appropriation:** None

**Effective:** January 1, 2008

**Sections Affected:** Public Resources Code - Amends § 25722.5, 25725, and 25726, and adds § 25722.6 and 25722.8

**AB 532 (Wolk, Chapter 598, Statutes of 2007) – Energy Efficiency**

**Summary:** Extends the due dates for DGS, in consultation with the Energy Commission, to ensure that solar energy equipment is installed, where feasible, on existing state buildings and parking structures, new construction, and state-owned swimming pools. Permits non-state funds to be used to determine if the installation of solar energy equipment is feasible.

**Appropriation:** None

**Effective:** January 1, 2008

**Sections Affected:** Government Code – Amends § 14684.1

**AB 662 (Ruskin, Chapter 531, Statutes of 2007) – Water Conservation**

**Summary:** Expands the authority of the Energy Commission to set water efficiency standards for appliances.

**Appropriation:** None

**Effective:** January 1, 2008

**Sections Affected:** Public Resources Code – Amends amend § 25402

**AB 809 (Blakeslee, Chapter 684, Statutes of 2007) – Energy: Renewable Energy Resources**

**Summary:** Expands the eligibility of electricity generated from hydroelectric facilities to meet California’s renewables portfolio standard (RPS) to include new incremental increases in electricity production from hydroelectric generation, regardless of size, if the incremental increase is the result of efficiency improvements at the facility and it does not create any in-stream impacts.

**Appropriation:** None

**Effective:** January 1, 2008

**Sections Affected:** Health and Safety Code - Amends § 43869. Public Utilities Code - Amends § 399.12, 399.12.5, 399.13, and 399.16

**AB 868 (Davis, Chapter 398, Statutes of 2007) – Gasoline Dispensing: Weights and Measures**

**Summary:** Requires the California Department of Food and Agriculture (CDFA) and ARB to complete their ongoing statewide survey on the effects of temperatures on fuel deliveries by March 31, 2008. Requires the Energy Commission to conduct a cost-benefit analysis on the effect of air temperature on fuel dispensing systems and a comparison of various options related to the survey currently underway by CDFA and ARB; evaluate how different reference temperatures or temperature correction devices apply to alternative fuels and low-carbon fuel standards; convene an advisory group no later than January 25, 2008, including, but not limited to, equipment manufacturers, consumer groups, fuel industry representatives, agricultural commissioners, appropriate government agencies, and other interested parties to provide guidance on the study; conduct public hearings on the findings of the study, and report to the Legislature regarding recommended legislation and regulation based on the results of the study no later than December 31, 2008.

**Appropriation:** None.

**Effective:** January 1, 2008

**Sections Affected:** Business and Professions Code – Adds Article 19 (commencing with § 13630) to Chapter 14 of Division 5

**AB 1103 (Saldaña, Chapter 533, Statutes of 2007) – Energy: Commercial Buildings: Consumption**

**Summary:** Requires electric and gas utilities to maintain energy consumption data for nonresidential buildings in a format compatible with the United States Environmental Protection Agency's Energy Star Portfolio Manager for at least the most recent twelve months in a manner that preserves the customer's confidentiality. Requires a nonresidential building owner or operator to disclose the Portfolio Manager benchmarking data to a prospective buyer, lessee, or lender.

**Appropriation:** None

**Effective:** January 1, 2008

**Sections Affected:** Public Resources Code - Adds § 25402.10

**AB 1109 (Huffman, Chapter 534, Statutes of 2007) – Energy Resources: Lighting Efficiency: Hazardous Waste**

**Summary:** Requires the Energy Commission to adopt minimum efficiency standards for general purpose lights, develop a statewide strategy and schedule to reduce energy consumption for lighting by 2018. Prohibits as of January 1, 2010, with some exceptions, the sale of general purpose lights that contain levels of hazardous substances prohibited by the European Union RoHS Directive, and requires manufacturers to provide documentation that general purpose lights meet the requirements and place recycling information on light bulb packaging. Prohibits DGS from purchasing general purpose lights that do not meet the standards within four years of the adoption of the standards.

**Appropriation:** None

**Effective:** Effective January 1, 2008.

**Sections Affected:** Health and Safety Code - Adds Article 10.02 (commencing with § 25210.9) to Chapter 6.5 of Division 20. Repeals § 25210.11. Public Resources Code - Adds § 25402.5.4

**AB 1470 (Perata, Chapter 536, Statutes of 2007) – Solar Energy: Solar Water Heating and Efficiency Act of 2007**

**Summary:** Provides incentives to attain the goal of installing 200,000 solar water heating systems in the state by 2017. Requires the CPUC to create a surcharge on natural gas customers to fund the program; consult with the Energy Commission to establish eligibility criteria for program participation; and submit a report to the Legislature in 2010 on program effectiveness and any recommendations for changes to the program.

**Appropriation:** None

**Effective:** January 1, 2008

**Sections Affected:** Public Utilities Code – Adds the heading of Article 1 (commencing with § 2851). Adds and repeals Article 2 (commencing with § 2860) of, Chapter 9 of Part 2 of Division 1

**AB 1560 (Huffman, Chapter 532, Statutes of 2007) – Public Resources: Building Standards**

**Summary:** Expands the authority of the Energy Commission to set water efficiency standards for residential and nonresidential buildings. Allows the Department of Housing and Community Development (HCD) to include voluntary best practice and mandatory requirements related to water using devices and measures in their building standards while maintaining the authority of the Energy Commission to adopt standards. Requires the Energy Commission to issue a joint finding with the HCD as to whether a proposed water efficiency or water conservation design standard for residential buildings is equivalent or superior in performance, safety, and public health requirements of the Building Code and does not unreasonably or unnecessarily impact housing affordability.

**Appropriation:** None

**Effective:** January 1, 2008

**Sections Affected:** Health and Safety Code – Adds § 17921.10. Public Resources Code – Amends § 25402.

**AB 1613 (Blakeslee, Chapter 713, Statutes of 2007) – Energy: Waste Heat and Carbon Emissions Reduction Act**

**Summary:** Authorizes the CPUC to require investor-owned utilities (IOU) to purchase electricity generated from combined heat and power (CHP) facilities with a generating capacity of not more than 20 megawatts; require IOUs to file standard tariffs to purchase the electricity; requires municipal utilities to provide a market for excess electricity generated by CHP systems; and requires the Energy Commission to adopt guidelines for the design of these CHP systems.

**Appropriation:** None

**Effective:** January 1, 2008

**Sections Affected:** Public Utilities Code – Adds Chapter 8 (commencing with § 2840) to Part 2 of Division 1

**SB 1036 (Perata, Chapter 685, Statutes of 2007) – Energy: Renewable Energy Resources**

**Summary:** Eliminates the New Renewable Resources Account of the Energy Commission's Renewable Resources Trust Fund (RRTF), including the provisions providing supplemental energy payments (SEP), and provides that the unused funds be allocated in a manner that benefits customers that fund the account; adjusts allocations to the remaining accounts within the Renewable Energy Program; requires the CPUC to establish new cost requirements for IOUs to procure new renewable energy resources at above-market prices to meet the RPS; and eliminates duplicate text.

**Appropriation:** None to the Energy Commission.

**Effective:** January 1, 2008

**Sections Affected:** Public Resources Code – Amends § 25742, 25744, 25748, and 25751. Amends and repeals § 25740.5. Repeals and adds § 25743.  
Public Utilities Code – Amends § 399.8, 399.13, 399.14, 399.15, 399.16, and 454.5

## ENERGY COMMISSION-RELATED BILLS

### 2007 Vetoed Legislation

| <b>Bill Number</b>        | <b>Subject</b>  |
|---------------------------|---|
| <b>AB 35 (Ruskin)</b>     | <b>Environment: State Buildings: Sustainable Building Standards</b>                                   |
| <b>AB 527 (Torrico)</b>   | <b>Energy Efficiency</b>  |
| <b>AB 785 (Hancock)</b>   | <b>Energy Efficiency Measures</b>   |
| <b>AB 888 (Lieu)</b>      | <b>Green Building Standards</b>   |
| <b>AB 1058 (Laird)</b>    | <b>Green Building Construction: Best Practices</b>  |
| <b>AB 1393 (Leno)</b>     | <b>Public Records</b>   |
| <b>AB 1606 (Arambula)</b> | <b>The CA Economic Strategic Panel: State Economic Development Panel</b>                              |
| <b>SB 210 (Kehoe)</b>     | <b>Greenhouse Gas Emissions: Fuel Standard</b>  |
| <b>SB 660 (Perata)</b>    | <b>Strategic Clean Technology and Climate Change Research, Development, and Demonstration Program</b> |

## 2007 Vetoed Legislation

### AB 35 (Ruskin) - Environment: State Buildings: Sustainable Building Standards

**Summary:** Would have enacted the Sustainable Building Act of 2007 to establish sustainable building standards for the construction and renovation of State buildings. Would have required a state agency, on or after July 1, 2010, that constructs or renovates a state building to meet at a minimum the United States Green Building Council's Leadership in Energy and Environmental Design (LEED) gold rating. Would have required a state agency to consider existing guidelines such as the Green Building Initiative's "Green Globes" rating system, U.S. EPA's "Federal Green Construction Guide for Specifiers," DOE's "Greening Federal Facilities," the state's "Building Better Buildings: An Update on State Sustainable Building Initiatives," and the Governor's Executive Order S-20-04 in determining whether a state building meets at least the LEED gold standard. Would have required a state agency to provide credits for projects utilizing wood products with a credible third-party sustainable forest certification as determined by CalEPA.

### Governor's Veto Message Follows

To the Members of the California State Assembly:

I am returning Assembly Bill 35 without my signature.

I support the development of green building standards and share the goals of this bill. However, if implemented provisions in this bill would create a bias for certain building materials over others without a clear benefit. For instance, the use of California wood building construction materials is highly discouraged in favor of foreign grown bamboo and wheatgrass.

Additionally, building standards should not be statutory. The Building Standards Commission was created to ensure an open public adoption process allowing experts to develop standards and periodic updates to the building codes.

Allowing private entities, such as proposed in this bill, to dictate California's building standards usurps the state's authority to develop and adopt those standards and could compromise the health and safety of Californians. I encourage state agencies to review all nationally recognized programs and glean from those programs, standards that promote greener construction, energy and water conservation, and reduce Green House Emissions.

It is imperative to expedite the greening of California's building standards. As such, I am directing the California Building Standards Commission to work with specified state agencies on the adoption of green building standards for residential, commercial, and public building construction for the 2010 code adoption process.

Sincerely,

Arnold Schwarzenegger

## **AB 527 (Torrico) – Energy Efficiency**

**Summary:** Would have required the Department of General Services (DGS), in partnership with the Energy Commission, to develop and implement a plan to include new emerging energy efficient technologies in state public buildings and report to the Legislature on the progress of implementation and effectiveness of the plan. The bill would have created a fund to procure and implement the new emerging energy efficient technologies identified in the plan.

### **Governor's Veto Message Follows**

To the Members of the California State Assembly:

I am returning Assembly Bill 527 without my signature.

Increasing investments in energy efficient technologies for state buildings is an important and laudable goal. Indeed, in 2004, I signed Executive Order S-20-04 which committed the state to reduce state building electricity usage by encouraging the implementation of cost-effective measures for facilities owned, funded or leased by the state.

This measure attempts to provide funding for state investment in emerging energy efficient technologies in state buildings by creating a new fund in which all state agencies would be required to deposit three percent of their annual utility budget, as determined by the Department of Finance.

Statutory auto-pilot budgeting removes our ability to make responsible fiscal decisions as we work together to craft the state budget each year. Just like all programs across state government, we must decide where General Fund dollars should be spent based on the state's fiscal outlook for each budget year.

Although for a worthwhile cause, this bill would automatically redirect a cumulative average of \$23 million each year away from state agencies. I cannot support such a circumvention of the deliberative budget process.

Sincerely,

Arnold Schwarzenegger

## **AB 785 (Hancock) – Energy Efficiency Measures**

**Summary:** Would have directed the Energy Commission to collaborate with the Contractors State License Board (CSLB) to identify and investigate failure of licensees and unlicensed contractors to comply with standards. Would have directed the CSLB to annually report to the Legislature on fines assessed for failure to comply with energy efficiency standards. Would have directed the Air Resources Board (ARB) and the Energy Commission to develop a plan to include urban heat island mitigation measures in air quality compliance standards; encourage the CEC, ARB, and Lawrence Berkeley National Laboratory (LNBL) to continue to study the development and benefits of highly reflective vehicle paints; and directs the Department of General Services (DGS) to procure vehicles with highly reflective paints.

### **Governor's Veto Message Follows**

To the Members of the California State Assembly:

I am returning Assembly Bill 785 without my signature.

The urban heat island technical evaluation and reflective coating development provisions of this bill are duplicative of regulatory efforts already in progress at the Air Resources Board and the California Energy Commission under the authority provided by the Global Warming Solutions Act of 2006.

The provision of the bill regarding disciplinary action for the failure of licensed contractors to comply with building energy efficiency standards has merit. I urge the Legislature to reconsider legislation on adding these new penalties next year.

Sincerely,

Arnold Schwarzenegger

## **AB 888 (Lieu) – Green Building Standards**

**Summary:** Would have required new commercial buildings for which a public agency deems the application for a development project complete on or after July 1, 2013, and that are 50,000 feet or greater be designed, constructed, and operated to meet the applicable standards described in the United States Green Building Council's Leadership in Energy and Environmental Design gold rating or its equivalent, unless the state adopts specified minimum green building standards, in which case those commercial buildings are required to meet the adopted standards.

### **Governor's Veto Message Follows**

To the Members of the California State Assembly:

I am returning Assembly Bill 888 without my signature.

I support the development of green building standards and share the goals of this bill. However, if implemented provisions in this bill would create a bias for certain building materials over others without a clear benefit. For instance, the use of California wood building construction materials is highly discouraged in favor of foreign grown bamboo and wheatgrass.

Additionally, building standards should not be statutory. The Building Standards Commission was created to ensure an open public adoption process allowing experts to develop standards and periodic updates to the building codes.

Allowing private entities, such as proposed in this bill, to dictate California's building standards usurps the state's authority to develop and adopt those standards and could compromise the health and safety of Californians. I encourage state agencies to review all nationally recognized programs and glean from those programs, standards that promote greener construction, energy and water conservation, and reduce Green House Emissions.

It is imperative to expedite the greening of California's building standards. As such, I am directing the California Building Standards Commission to work with specified state agencies on the adoption of green building standards for residential, commercial, and public building construction for the 2010 code adoption process.

Sincerely,

Arnold Schwarzenegger

## **AB 1058 (Laird) – Green Building Construction: Best Practices**

**Summary:** Would have required the Department of Housing and Community Development (HCD), based on the recommendations of particular state agencies specified in the bill for their areas of expertise and authority, to develop an integrated set of best practices related to green building construction for residential occupancies for inclusion in California's building standards, and for the California Building Standards Commission (CBSC) to adopt and publish those green building standards in the California Building Standards Code (Title 24) and associated documents.

### **Governor's Veto Message Follows**

To the Members of the California State Assembly:

I am returning Assembly Bill 1058 without my signature.

I support the development of green building standards and share the goals of this bill. However, if implemented provisions in this bill would put the health and safety of Californians at risk by being in conflict with current safety standards. The national standards in this bill could require that wood support studs be placed twenty-four inches apart instead of the California seismic safety standard of sixteen inches, thus endangering the safety of the home. Additionally, the guidelines for planting vegetation for shade would violate California fire standards for the most dangerous areas by placing vegetation next to the house, not the 100 foot firebreak required by California law.

Additionally, building standards should not be statutory. The Building Standards Commission was created to ensure an open public adoption process allowing experts to develop standards and periodic updates to the building codes.

Allowing private entities, such as proposed in this bill, to dictate California's building standards usurps the state's authority to develop and adopt those standards and could compromise the health and safety of Californians. I encourage state agencies to review all nationally recognized programs and glean from those programs, standards that promote greener construction, energy and water conservation, and reduce Green House Emissions.

It is imperative to expedite the greening of California's building standards. As such, I am directing the California Building Standards Commission to work with specified state agencies on the adoption of green building standards for residential, commercial, and public building construction for the 2010 code adoption process.

Sincerely,

Arnold Schwarzenegger

## **AB 1393 (Leno) – Public Records**

**Summary:** Would have required that any state agency with publicly available records operating an internet website make a link or section with the title “Public Records Center” clearly visible, with certain specifications, and have required the Department of Justice to compose an advisory task force to develop statutory recommendations for the requesting and reporting of public records via the internet.

### **Governor’s Veto Message Follows**

To the Members of the California State Assembly:

I am returning Assembly Bill 1393 without my signature.

Ensuring access to public information is one of my Administration's top priorities. That is why last year I issued Executive Order S-03-06 (Order), requiring all state agencies to review their guidelines governing access to public information. In addition, the Order required that every agency identify and train staff to be responsible for ensuring compliance with the California Public Records Act.

As I noted in my veto of similar legislation last year, I believe the steps that were taken as a result of the Order, combined with the ongoing efforts of agencies to comply with the law, are working to ensure the needs of the public are met. This bill imposes an unnecessary one-size-fits-all mandate on state agencies. In addition, this bill would require the formation of a task force to consider even more statutory standards to govern the disclosure of public records. Such a task force and such additional statutory changes are also unnecessary. My Administration's commitment to the Public Records Act is unwavering and I am confident future Administrations will share this attitude.

Sincerely,

Arnold Schwarzenegger

**AB 1606 (Arambula)– The California Economic Strategy Panel: State Economic Development Strategy**

**Summary:** Would have required the Secretary of Business, Transportation and Housing and the Secretary of Food and Agriculture, in consultation with other state entities and groups, including the Energy Commission, to prepare the California Economic Development Strategic Plan and would require the Secretary of Business, Transportation and Housing, working with the California Economic Strategy Panel, to develop a strategy for attracting private investment to the state pursuant to the Plan.

**Governor’s Veto Message Follows**

To the Members of the California State Assembly:

I am returning Assembly Bill 1606 without my signature.

As I have said since the first days of my Administration, I am committed to fostering a healthy business environment in California. While this bill attempts to aid in that crucial effort, California needs a new overall strategy for its role in promoting economic development, not a piecemeal approach.

I am instructing members of my Administration to build on their work and prepare new recommendations on how, and in what manner, state government can assist economic development in California. I look forward to working with the Legislature on this vital issue.

Sincerely,

Arnold Schwarzenegger

## **SB 210 (Kehoe) – Greenhouse Gas Emissions: Fuel Standard**

**Summary:** Would have required the California State Air Resources Board (ARB) to adopt, implement, and enforce a low-carbon fuel standard (LCFS) that achieves the maximum technologically feasible and cost-effective greenhouse gas (GHG) emissions reductions to at least a 10 percent reduction by 2020. The bill also would have required the Energy Commission to reissue the state plan required under AB 1007 to increase the use of alternative transportation fuels in California and to report on the impacts of the LCFS with a focus on environmental impacts. SB 210 would have directed the Energy Commission to issue a report on the impacts of the LCFS standard by June 30, 2013 and update the LCFS impacts report every three years. These periodic reports would have taken into account new information, scientific findings, or quantification methods.

### **Governor's Veto Message Follows**

To the Members of the California State Senate:

I am returning Senate Bill 210 without my signature.

Last year, I signed into law The Global Warming Solutions Act of 2006 (AB 32, Nunez/Pavley), which requires the California Air Resources Board (CARB) to adopt regulations for establishing a program of greenhouse gas emission limits and reduction measures. In furtherance of the goals prescribed in AB 32, on January 18, 2007, I signed Executive Order S-1-07, which called for the establishment of a Low Carbon Fuel Standard (LCFS) for transportation fuels sold in California.

Subsequently, CARB adopted the LCFS as a Discrete Early Action Measure within the scope of its implementation of AB 32. By doing so, it formally undertook the task of putting into full effect this important effort to reduce the carbon intensity of passenger vehicle fuels.

This bill attempts to codify the LCFS and adds some potentially meritorious provisions but does so in a manner that could seriously hinder the development, distribution and adoption of low-carbon fuels. Specifically, the failure to incorporate all of the provisions outlined in the Executive Order and in particular the authority for CARB to utilize market-based mechanisms in its implementation of the LCFS creates uncertainty about whether California is committed to a market-driven LCFS. That uncertainty could curtail the interest of entrepreneurs in bringing low-carbon fuels to market, reduce the availability of capital required to produce and distribute low-carbon fuels in a consumer convenient fashion, and raise low-carbon fuel prices.

When combined with regulatory performance standards and in the context of a properly structured regulatory framework, market-based mechanisms are essential to the cost effective production and development of low-carbon fuels and the infrastructures for widespread distribution of those fuels. Market mechanisms are indispensable to the implementation of the LCFS and accordingly the failure to include them in this bill is unacceptable.

Sincerely,

Arnold Schwarzenegger

**SB 660 (Perata) – Strategic Clean Technology and Climate Change Research, Development, and Demonstration Program**

**Summary:** Would have created the Strategic Research Investment Council (Council), comprised of the Secretary of the EPA, the Secretary of the Resources Agency, the Chairs of the CARB the CEC, the President of the CPUC, a member of the Senate, and a member of the Assembly, to annually prepare and adopt a strategic research, development, and demonstration (RD&D) plan that establishes priorities and expenditure categories for funds to be expended by state agencies that will assist the state in achieving climate change goals.

**Governor’s Veto Message Follows**

To the Members of the California State Senate:

I am returning Senate Bill 660 without my signature.

I support efforts to increase the effectiveness of research, development and demonstration (RD&D) projects that will further the goals of the state in the area of climate change and green house gas emission reductions. However, I strongly believe that creating yet another substantial layer of administration, as this bill does, will hinder, rather than support, the current coordination that occurs within the Administration on climate change RD&D, as well as remove the necessary flexibility we need to continue to react to topical issues and rapidly changing technologies.

California’s state agencies, outside research agencies and other key governmental entities are leading climate change research and actively supporting greenhouse gas reduction technologies, while working closely with each other on RD&D projects at the planning and implementation stages.

I believe that maintaining interagency and stakeholder coordination, communication and technology research at all points of the RD&D process is more efficient than creating yet another layer of administration and assigning it the difficult task of overseeing the planning and execution of all research activities being conducted by all of the entities within the Administration engaged as such.

Sincerely,

Arnold Schwarzenegger

## GENERAL ENERGY-RELATED BILLS

### 2007 Chaptered Legislation

| <b>Bill Number</b>                                  | <b>Subject</b>  |
|---|---|
| AB 609(Eng)<br>Chapter 600, Statutes of 2007        | State Building Construction: Energy Conservation            |
| AB 715 (Laird)<br>Chapter 499, Statutes of 2007     | Water Conservation: Low-Flush Water Closets and Urinals     |
| AB 946 (Krekorian)<br>Chapter 112, Statutes of 2007 | Electricity: Renewable Energy Resources                     |
| SB 428 (Dutton)<br>Chapter 539, Statutes of 2007    | Electrical Corporations: Demand Reduction                   |
| SB 1017 (Perata)<br>Chapter 668, Statutes of 2007   | East Bay Municipal Utility District: Electricity Generation |

## 2007 Chaptered Legislation

|   |
|---|
| <b>AB 609 (Eng, Chapter 600, Statutes of 2007) – State Building Construction:<br/>Energy Conservation</b> |
|---|

**Summary:** This bill requires the equipment, conservation measures, or energy service contracts utilized by the State Public Works Board under the State Building Construction Act of 1955 to be anticipated to provide cost savings to the state during the useful life of the equipment or conservation measure.

**Appropriation:** None

**Effective:** January 1, 2008

**Sections Affected:** Government Code – Amends §15814.12

**AB 715 (Laird, Chapter 499, Statutes of 2007) – Water Conservation: Low-Flush Water Closets and Urinals**

**Summary:** Requires that all water closets sold or installed in this state shall use no more than an average of 1.6 gallons per flush and that all urinals sold or installed in this state use no more than an average of one gallon per flush. It requires that, on and after January 1, 2014, all water closets and all urinals, other than blow-out urinals, sold or installed in this state shall be high-efficiency water closets and urinals. These provisions will remain operative only until January 1, 2014, or until the date on which the California Building Standards Commission (CBSC) includes standards in the California Building Standards Code that conform to these requirements, whichever date is later. Each manufacturer that sells water closets or urinals in this state shall inform the Energy Commission, the Department of Housing and Community Development, and the CBSC, in writing, of the percentage of models of high-efficiency water closets plus high-efficiency urinals offered for sale in this state as compared to the total number of models of water closets plus urinals offered for sale in this state by that manufacturer for each year 2010 to 2013, inclusive, by January 30 of that year.

**Appropriation:** None

**Effective:** January 1, 2008

**Sections Affected:** Health and Safety Code – Amends and renumbers § 17921.5, adds § 17921.4 and 18944.11, repeals and adds § 17921.3

**AB 946 (Krekorian, Chapter 112, Statutes of 2007) – Electricity: Renewable Energy Resources**

**Summary:** This bill allows a public water and wastewater agency to develop renewable electric generation on property that is owned or under the control of the agency.

**Appropriation:** None.

**Effective:** January 1, 2008

**Sections Affected:** Public Utilities Code - Amends § 399.20

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| <b>SB 428 (Dutton, Chapter 539, Statutes of 2007) - Electrical Corporations: Demand Reduction</b> |
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**Summary:** Requires electrical corporations to offer optional interruptible or curtailable service programs using pricing incentives that are cost effective and that may reflect the full range of costs avoided by the reductions in demand created by these programs, as specified. The bill also deletes the provisions requiring the Public Utilities Commission to continue the availability of optional interruptible or curtailable service at least until March 31, 2002, and the provision prohibiting the alteration of the level of the pricing incentive in effect on June 10, 1996. These provisions would be repealed on January 1, 2015.

**Appropriation:** None

**Effective:** January 1, 2008

**Sections Affected:** Public Utilities Code – Amends and repeals § 743.1

**SB 1017 (Perata, Chapter 668, Statutes of 2007) – East Bay Municipal Utility District: Electricity Generation**

**Summary:** Requires every electrical corporation that owns and operates transmission and distribution facilities that deliver electricity at one or more locations to the East Bay Municipal Utility District (EBMUD), upon request by EBMUD, and without discrimination or delay, to use the same facilities to deliver electricity generated by EBMUD. The bill authorizes EBMUD to elect to designate specific hydroelectric generation facilities owned by EBMUD for the generation of electricity to be delivered to EBMUD, if certain conditions are met and requires EBMUD to pay applicable rates approved by the Public Utilities Commission (CPUC) for distribution, or distribution and transmission, or any transmission rates as required under federal law. The bill requires each electrical corporation that owns and operates transmission and distribution facilities that deliver electricity at one or more locations to the EBMUD system, to file an advice letter with the CPUC that complies with these requirements and the CPUC.

Appropriation: None.

**Effective:** January 1, 2008

**Sections Affected:** Public Utilities Code – Adds § 2829

## GENERAL ENERGY-RELATED BILLS

### 2007 Vetoed Legislation

| <b>Bill Number</b>  | <b>Subject</b>                                   |
|---------------------|--|
| AB 665 (DeSaulnier) | Growth Management                                |
| SB 70 (Florez)      | Biodiesel  |
| SB 451 (Kehoe)      | Energy: Renewable Electric Generation Facilities |

## 2007 Vetoed Legislation

### AB 665 (DeSaulnier), Chapter – Growth Management

**Summary:** The bill would have requested, to the extent that funding was available, that the University of California produce a report on the best practices of transportation-land use planning and growth management. The bill also would have required the Department of Housing and Community Development, in collaboration with the Office of Planning and Research and to the extent that funding was available, to produce, by January 1, 2009, and once every 5 years thereafter, a Growth Management Information Report using key indicators of growth by region as a guide, and to also provide the report to the transportation and housing committees of the Legislature.

### Governor's Veto Message Follows

To Members of the California State Assembly:

I am returning Assembly Bill 665 without my signature.

This bill would require the Department of Housing and Community Development (HCD) to produce a report regarding growth management. However, some of the criteria called for in the report would require data which would be problematic, if not impossible, to gather. Also, while the bill provides that the report is only required to the extent funding is available, the bill requires HCD to make efforts to obtain the needed funding. This provision would place unnecessary pressure on HCD's general fund programs. If HCD were successful in obtaining the necessary funds, they could be better spent on activities that would help alleviate California's affordable housing crisis.

Sincerely,

Arnold Schwarzenegger

## **SB 70 (Florez) – Biodiesel**

**Summary:** This bill: 1) defines the specification for biodiesel, biodiesel blend, renewable diesel, and renewable diesel blend fuels in California; 2) requires the California Air Resources Board (ARB) to administer the use of a biodiesel blend or higher for all diesel-powered buses in California's school bus fleet; and 3) authorizes the State of California and local agencies and districts to use a biodiesel fuel blend to operate all their diesel-powered vehicles if certain conditions are met.

### **Governor's Veto Message Follows**

To the Members of the California State Senate:

I am returning Senate Bill 70 without my signature. I support the goal to increase the use of biodiesel fuels, but this bill is a piecemeal approach to transportation fuels standards.

Pursuant to AB 1007 (Chapter 371, Statutes of 2005), the California Energy Commission, in partnership with the Air Resources Board, will shortly release the State Alternative Fuels Plan to increase the use of alternative transportation fuels in California. This effort will identify the most effective strategies for the State to use to increase the level of alternative fuel use in the California market. Until the AB 1007 report's findings are known and reviewed, I believe it is at best premature to consider this measure at this time.

Finally, this bill only encourages the use of biodiesel blend fuels in school and transit buses, excluding renewable diesel fuels which are potentially higher quality than biodiesel and which could greatly expand the supply of attractive diesel fuels. For these above reasons, I cannot sign this bill.

Sincerely,

Arnold Schwarzenegger

## **SB 451 (Kehoe) – Energy: Renewable Electric Generation Facilities**

**Summary:** Would have created a program that allows small-scale renewable generators to sell renewable power to investor-owned utilities (IOUs) at a rate set by the California Public Utilities Commission (CPUC).

### **Governor's Veto Message Follows**

To the Members of the California State Senate:

I am returning Senate Bill 451 without my signature.

Last year I signed AB 1969 (Yee, Chapter 731, Statutes of 2006), which created standard contracts for the purchase of renewable power generated by public water and wastewater agencies. Subsequent to the enactment of AB 1969 and using their existing authority, the California Public Utilities Commission (CPUC) expanded this program to include other smaller scale renewable electricity generators.

The purpose of signing AB 1969 and the CPUC actions was to create a standard program for the purchase of clean and renewable electricity which will promote additional investment and development of these projects. Although SB 451 intends to appropriately expand this concept to all renewable electricity generators, it contains provisions which have the unintended consequence of actually stifling further development in this arena.

An analysis of this bill, overlaid by existing statute and the current regulatory scheme adopted by the CPUC, suggests that the provisions of this measure, if signed, would have the effect of allocating the entirety of the Renewable Energy Credits created by a renewable electricity generator to the Investor-Owned Utility that buys their electricity. As a result, environmental attributes such as air quality and greenhouse gas reductions would accrue solely to the utility, even if a renewable generator exports only a small part of their total generation to the utility.

Because of past and present efforts to improve air quality and reduce greenhouse gas emissions, markets for toxic air contaminant and carbon emission reduction credits are currently being developed. The value and availability of these credits plays an important role in the analysis undertaken by a renewable energy developer to determine whether, and at what size, a project is financially viable.

The provisions of this bill would automatically transfer ownership of these credits once a renewable generator sells any amount of electricity to the Investor-Owned Utility. A proportional share, if correctly implemented, could be justified. But as written, this bill removes a significant financial incentive for renewable generators and would force them to downsize or abandon their projects.

Sincerely,

Arnold Schwarzenegger