

## Assembly Bill No. 2021

### CHAPTER 734

An act to add Section 25310 to the Public Resources Code, and to amend Section 9615 of the Public Utilities Code, relating to energy efficiency.

[Approved by Governor September 29, 2006. Filed with Secretary of State September 29, 2006.]

#### LEGISLATIVE COUNSEL'S DIGEST

AB 2021, Levine. Public utilities: energy efficiency.

(1) The Warren-Alquist State Energy Resources Conservation and Development Act establishes the State Energy Resources Conservation and Development Commission (Energy Commission) and requires it to prepare an integrated energy policy report on or before November 1, 2003, and every 2 years thereafter. Under that act, the Energy Commission also administers existing law with respect to energy conservation.

Existing law authorizes the Public Utilities Commission to regulate public utilities, including electrical and gas corporations. The Public Utilities Act requires the commission to review and adopt a procurement plan for each electrical corporation. Under existing law, the commission, in consultation with the Energy Commission, is required to identify all potentially achievable cost-effective electricity efficiency savings and to establish efficiency targets for an electrical corporation to achieve pursuant to its procurement plan. Existing law requires that an electrical corporation's procurement plan include a showing that the electrical corporation will first meet its unmet resource needs through all available energy efficiency and demand reduction resources that are cost effective, reliable, and feasible. Existing law requires the commission, in consultation with the Energy Commission, to identify all potentially achievable cost-effective natural gas efficiency savings and to establish efficiency targets for the gas corporation to achieve these targets and to require that a gas corporation first meet its unmet gas resource needs through all available natural gas efficiency and demand reduction resources that are cost effective, reliable, and feasible.

This bill would require the Energy Commission, on or before November 1, 2007, and every 3 years thereafter, in consultation with the commission and local publicly owned electric utilities, in a public process that allows input from other stakeholders, to develop a statewide estimate of all potentially achievable cost-effective electricity and natural gas efficiency savings and establish statewide annual targets for energy efficiency savings and demand reduction over 10 years. The bill would require the commission to base its estimate at least in part on the most recent targets

established by the commission and local publicly owned electric utilities. The bill would require the Energy Commission to include in the integrated energy policy report, for each electrical corporation and each gas corporation, a comparison of the public utility's annual energy efficiency targets, and the public utility's actual energy efficiency savings and demand reductions.

(2) The bill would require the Energy Commission to investigate options and develop a plan to improve the energy efficiency of, and to decrease the peak electricity demand of, air-conditioners in the state. The bill would require the Energy Commission, on or before January 1, 2008, to prepare and submit to the Legislature a report on that plan.

(3) Existing law requires each local publicly owned electric utility, in procuring energy, to first acquire all available energy efficiency and demand reduction resources that are cost effective, reliable, and feasible. Existing law requires each local publicly owned electric utility to report annually to its customers and to the Energy Commission, its investment in energy efficiency and demand reduction programs, as specified.

This bill would require a local publicly owned electric utility, on or before June 1, 2007, and every 3 years thereafter, to identify all potentially achievable cost-effective electricity efficiency savings and to establish annual targets for energy efficiency savings and demand reduction over 10 years. The bill would require a local publicly owned electric utility to report those targets to the Energy Commission within 60 days of the date of adoption. The bill would require an annual report by a local publicly owned electric utility to its customers and the Energy Commission on its investments, programs, expenditures, cost-effectiveness, and results, as prescribed. The bill would also require an annual report to the Energy Commission on investment funding, cost-effectiveness methodologies, and an independent evaluation. The bill would require the Energy Commission to include a summary of the information reported by local publicly owned electric utilities and a comparison of each utility's energy efficiency targets and actual results in the integrated energy policy report. The bill would require the Energy Commission, if it determines that improvements can be made in setting or meeting annual targets, to provide recommendations to the local publicly owned electric utility, the Legislature, and the Governor on those improvements. The bill, by establishing new requirements for local publicly owned electric utilities, would create a state-mandated local program.

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.

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

SECTION 1. (a) In order to ensure that prudent investments in energy efficiency continue to be made that produce cost-effective energy savings, reduce customer demand, reduce overall system costs, increase reliability, and increase public health and environmental benefits, it is the intent of the Legislature that all load-serving entities procure all cost-effective energy efficiency measures so that the state can meet the goal of reducing total forecasted electrical consumption by 10 percent over the next 10 years.

(b) Expanding California's energy efficiency programs will promote lower energy bills, protect public health, improve environmental quality, stimulate sustainable economic development, create new employment opportunities, and reduce reliance on imported fuels.

(c) Expanding California's energy efficiency programs will ameliorate air quality problems throughout the state and will also reduce harmful greenhouse gas emissions.

(d) The energy savings achieved through the enactment of this act are an essential component of the state's plan to meet the Governor's greenhouse gas reduction targets established in Executive Order S-3-05.

SEC. 2. Section 25310 is added to the Public Resources Code, to read:

25310. On or before November 1, 2007, and by November 1 of every third year thereafter, the commission in consultation with the Public Utilities Commission and local publicly owned electric utilities, in a public process that allows input from other stakeholders, shall, develop a statewide estimate of all potentially achievable cost-effective electricity and natural gas efficiency savings and establish targets for statewide annual energy efficiency savings and demand reduction for the next 10-year period. The commission shall base its estimate at least in part on information developed pursuant to Sections 454.55, 454.56, and 9615 of the Public Utilities Code. The commission shall, for each electrical corporation and each gas corporation, include in the integrated energy policy report, a comparison of the public utility's annual targets established pursuant to Sections 454.55 and 454.56, and the public utility's actual energy efficiency savings and demand reductions.

SEC. 3. Section 9615 of the Public Utilities Code is amended to read:

9615. (a) Each local publicly owned electric utility, in procuring energy to serve the load of its retail end-use customers, shall first acquire all available energy efficiency and demand reduction resources that are cost effective, reliable, and feasible.

(b) On or before June 1, 2007, and by June 1 of every third year thereafter, each local publicly owned electric utility shall identify all potentially achievable cost-effective electricity efficiency savings and shall establish annual targets for energy efficiency savings and demand reduction for the next 10-year period. A local publicly owned electric utility's determination of potentially achievable cost-effective electricity efficiency savings shall be made without regard to previous minimum investments undertaken pursuant to Section 385. A local publicly owned

electric utility shall treat investments made to achieve energy efficiency savings and demand reduction targets as procurement investments.

(c) Within 60 days of adopting annual targets pursuant to subdivision (b), each local publicly owned electric utility shall report those targets to the State Energy Resources Conservation and Development Commission, and the basis for establishing those targets.

(d) Each local publicly owned electric utility shall report annually to its customers and to the State Energy Resources Conservation and Development Commission. The report shall contain, but is not limited to, both of the following:

(1) Its investments in energy efficiency and demand reduction programs.

(2) A description of programs, expenditures, cost-effectiveness, and expected and actual energy efficiency savings and demand reduction results.

(e) Each local publicly owned electric utility shall also annually develop and submit to the State Energy Resources Conservation and Development Commission a report containing all of the following:

(1) The sources of funding for its investments in energy efficiency and demand reduction program investments.

(2) The methodologies and input assumptions used to determine cost-effectiveness.

(3) The results of an independent evaluation that measures and verifies the energy efficiency savings and reduction in energy demand achieved by its energy efficiency and demand reduction programs.

(f) The State Energy Resources Conservation and Development Commission shall include a summary of the information reported pursuant to subdivision (e) in the integrated energy policy report prepared pursuant to Chapter 4 (commencing with Section 25300) of Division 15 of the Public Resources Code. The State Energy Resources Conservation and Development Commission shall also include, for each local publicly owned electric utility, a comparison of the local publicly owned electric utility's annual targets established in accordance with this section, and the local publicly owned electric utility's actual energy efficiency savings and demand reductions. If the State Energy Resources Conservation and Development Commission determines that improvements can be made in either the level of a local publicly owned electric utility's annual targets to achieve all cost-effective, reliable, and feasible energy savings and demand reductions and to enable the local publicly owned electric utilities, in the aggregate, to achieve statewide targets established pursuant to Section 25310, or in meeting each local publicly owned electric utility's annual targets, the State Energy Resources Conservation and Development Commission shall provide recommendations to the local publicly owned electric utility, the Legislature, and the Governor on those improvements.

SEC. 4. (a) The Legislature finds and declares that the use of air-conditioners in a hot, dry climate drives peak electricity demand in much of this state.

(b) The State Energy Resources Conservation and Development Commission shall do both of the following:

(1) Investigate options and develop a plan to improve the energy efficiency of, and to decrease the peak electricity demand of, air-conditioners.

(2) On or before January 1, 2008, prepare and submit to the Legislature a report on the plan developed pursuant to subdivision (a), including, but not limited to, any changes in law the State Energy Resources Conservation and Development Commission recommends to implement the plan.

SEC. 5. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because a local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the program or level of service mandated by this act, within the meaning of Section 17556 of the Government Code.