

STATE OF CALIFORNIA

Public Utilities Commission
San Francisco

M e m o r a n d u m

Date: May 20, 2008

To: The Commission
(Meeting of May 29, 2008)

From: Pamela Loomis, Deputy Director
Office of Governmental Affairs (OGA) — Sacramento

Subject: **SB 1737 (Kehoe) Low-emission Vehicles
As Amended March 27, 2008**

**LEGISLATIVE SUBCOMMITTEE RECOMMENDATION: SUPPORT WITH
TECHNICAL AMENDMENTS**

SUMMARY OF BILL:

This bill would require the California Public Utilities Commission (Commission), by January 1, 2010, to evaluate and implement policies to promote the development of equipment and infrastructure needed to facilitate the use of electricity and natural gas to power low-emission vehicles (LEVs). The Commission would also be required to hold public hearings as part of its evaluation. The Commission would be required to report to the Legislature by January 1, 2010, and every two years thereafter, on its progress concerning policies on rates, equipment, and infrastructure implemented by the commission and other state agencies, federal and local governmental agencies, and private industry to facilitate the use of electricity and natural gas to power low-emission vehicles.

SUMMARY OF SUPPORTING ARGUMENTS FOR RECOMMENDATION:

For a variety of reasons, LEV programs are likely to assume a higher priority in coming years than they have had in the recent past. Some of these reasons include improved LEV technology and availability, and climate change initiatives spearheaded by AB 32. The Commission is likely to propose new LEV initiatives in the near future, whether SB 1737 is enacted or not.

Current law requires the Commission to evaluate and implement policies to promote the development of equipment and infrastructure needed to facilitate the use of electric

power and natural gas to fuel low-emission vehicles (LEVs), and, in each odd year, to report to the Legislature on the status of its efforts. Current Commission LEV programs include utility purchases of LEV fleet vehicles, fueling infrastructure, customer education, system impact studies, rate incentives and R&D.

While funding of these programs has continued, they are now funded as relatively minor items in utilities' GRCs. For various reasons, the Commission has not reported to the Legislature in recent years on its activities related to LEV programs.

SUMMARY OF SUGGESTED AMENDMENTS:

Assuming the bill, if enacted, would be effective January 1, 2009, the budgetary authority for the staff needed to prepare reports to the Legislature would not be in place until July 2009, at the earliest. The timetable for implementation and reporting contained in the current bill does not allow adequate time for these activities. Therefore SB 1737 should be amended as to alter the required timetable for Commission actions as follows:

SECTION 1. Section 740.3 of the Public Utilities Code is amended to read:

740.3. (a) ~~The By January~~ *By July 1, 2010*, the commission, in cooperation with the State Energy Conservation and Development Commission, the State Air Resources Board, air quality management districts and air pollution control districts, electrical corporations, gas corporations, and the motor vehicle industry, shall evaluate and implement policies to promote the development of equipment and infrastructure needed to facilitate the use of electricity and natural gas to power low-emission vehicles.

.....

(b) The commission shall hold public hearings as part of its effort to evaluate and implement the new policies considered in subdivision (a), and shall provide a progress report to the Legislature by ~~January 30 of each odd year~~ *July 1, 2010, and by January July 1 of each even year thereafter*, concerning policies on rates, equipment, and infrastructure implemented by the commission and other state agencies, federal and local governmental agencies, and private industry to facilitate the use of electricity and natural gas to power low-emission vehicles.

DIVISION ANALYSIS (Energy Division):

- The bill would not make substantive changes to the P.U. code section (740.3) dealing with research and development relating to LEVs, but sets a specific date by which the Commission must report to the Legislature on its progress concerning policies on rates,

- equipment, and infrastructure implemented by the Commission and other agencies to facilitate the use of electricity and natural gas to power low-emission vehicles.

PROGRAM BACKGROUND:

- In 1991, the Commission opened a rulemaking (I.91-10-029/R.91-10-028) into how utilities could promote the development of the LEV market¹. D. 95-11-035, issued in this rulemaking, approved utility LEV programs for a 6 year period. These programs consisted of utility purchases of LEV fleet vehicles, fueling infrastructure, customer education, system impact studies, rate incentives and R&D. These programs have been reauthorized by the Commission to the present day. The Commission is currently considering utility LEV program proposals in several open proceedings.²
- The Commission's most recent policies on utility LEV programs were expressed in D.03-10-086 and D.05-05-010. D.03-10-086 expressed continuing support for the environmental benefits of utility LEV programs, and approved continued funding of utility LEV programs through the end of 2005. D.05-05-010 states that the Commission will evaluate future requests for discretionary LEV on a multi-year basis in each of the utilities' next General Rate Cases (GRCs) or other cost of service (COS) proceedings;
- Some utility rate schedules have already been established for LEV consumers. For example, PG&E provides a residential time-of-use tariff for electric vehicle (EV) owners (E-9) with an increasing block structure, by TOU period. In addition, natural gas utilities provide special tariffs for consumption of natural gas by natural gas vehicle users.
- The 2008 Update to the Energy Action Plan (EAP) states: "...the transportation sector is the single largest contributor to California's greenhouse gas emissions. For these reasons, this area is one of increasing focus in the state. A number of initiatives are underway to help address this crucial policy area. ...The most recent activity is around the development of a Low-Carbon Fuel Standard for California. This initiative encompasses both the development of alternative fuels and alternatively fueled vehicles, including the potential for electric, natural gas, and hybrid vehicles. Governor Schwarzenegger initiated the effort for a Low Carbon Fuel Standard (LCFS) in California through Executive Order S-01-07. The California Air Resources Board is scheduled to develop regulations to implement the LCFS in 2008. "

¹ Public Utilities Code statutory authority for ratepayer funded LEV programs is found in P.U. Code sections 740.3, 740.8, and 901 (c).

² SOCALGAS 2008 COST-OF-SERVICE PROCEEDING A.06-12-010; SDG&E COST-OF-SERVICE PROCEEDING A. 06-12-009; JOINT SOCALGAS/SDG&E PROCEEDING A.07-08-031 (JOINT CLIMATE ACTION INITIATIVE); SCE 2009 TY GRC A.07-11-011.

- The 2008 EAP Update continues: “After initial analysis, one the most promising options for reduction of greenhouse gases from transportation involves the increasing penetration of plug-in hybrid electric vehicles and all-electric vehicles. If such technologies become commercially viable, they would reduce emissions from the burning of gasoline but offset those emissions with those from the production of electricity. Key to minimizing the impact of this cross-sector approach is ensuring that the electricity for the powering of plug-in hybrid electric vehicles is from clean or renewable energy. Most appealing is the option to charge vehicles at night using the output of off-peak wind energy. These and many other technology and fuel options for the transportation deserve increasing attention to help reduce our emissions overall by 2016.

LEGISLATIVE HISTORY:

No similar bill has been introduced.

FISCAL IMPACT:

This bill would require Energy Division staff to prepare a report to the Legislature by January 1, 2010, on its progress concerning policies on rates, equipment, and infrastructure implemented by the commission and other state agencies, federal and local governmental agencies, and private industry to facilitate the use of electricity and natural gas to power low-emission vehicles. The bill would require potentially one full-time staff analyst position to gather the necessary information and prepare a report to the Legislature.

STATUS:

The bill is awaiting hearing in the Assembly Utilities and Commerce Committee.

SUPPORT/OPPOSITION:

None on file.

STAFF CONTACTS:

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Date: May 20, 2008

BILL LANGUAGE:

BILL NUMBER: SB 1737 AMENDED
BILL TEXT

AMENDED IN SENATE MARCH 27, 2008

INTRODUCED BY Senator Kehoe

FEBRUARY 22, 2008

An act to amend Section 740.3 of the Public Utilities Code,
relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1737, as amended, Kehoe. Electric and gas low-emission
vehicles.

Under existing law, the Public Utilities Commission has regulatory
authority over public utilities, including electrical corporations
and gas corporations, as defined. Existing law requires the
commission, in cooperation with the State Energy Resources
Conservation and Development Commission, the State Air Resources
Board, air quality management districts and air pollution control
districts, electrical and gas corporations, and the motor vehicle
industry, to evaluate and implement policies to promote the
development of equipment and infrastructure needed to facilitate the
use of electric power and natural gas to fuel low-emission vehicles.
The commission is required to ensure that the costs and expenses of
any authorized programs are not passed through to electric or gas
ratepayers unless the commission finds and determines that those
programs are in the ratepayers' interest. *Existing law requires
the commission to provide a progress report to the Legislature on its
efforts to evaluate and implement the policies for the
above-described purposes by January 30, 1993, and every 2 years
thereafter.*

This bill would make technical and nonsubstantive revisions to the
requirements placed upon the commission to evaluate and implement
policies to promote the development of equipment and infrastructure
needed to facilitate the use of electricity and natural gas to power
low-emission vehicles. *The bill would require the commission to
provide a progress report to the Legislature on its efforts to
evaluate and implement the policies by January 1, 2010, and by
January 1 of each even year thereafter.*

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 740.3 of the Public Utilities Code is amended
to read:

740.3. (a) ~~The~~ *By January 1, 2010, the*
commission, in cooperation with the State Energy Conservation
and Development Commission, the State Air Resources Board, air

quality management districts and air pollution control districts, electrical corporations, gas corporations, and the motor vehicle industry, shall evaluate and implement policies to promote the development of equipment and infrastructure needed to facilitate the use of electricity and natural gas to power low-emission vehicles. Policies to be considered shall include both of the following:

(1) The sale-for-resale and the rate-basing of low-emission vehicles and supporting equipment, such as batteries for electric vehicles and compressor stations for natural gas fueled vehicles.

(2) The development of statewide standards for electric vehicle charger connections and compressed natural gas vehicle fueling connections, including installation procedures and technical assistance to installers.

(b) The commission shall hold public hearings as part of its effort to evaluate and implement the new policies considered in subdivision (a), and shall provide a progress report to the Legislature by January ~~30 of each odd year~~ 1, 2010, and by January 1 of each even year thereafter, concerning policies on rates, equipment, and infrastructure implemented by the commission and other state agencies, federal and local governmental agencies, and private industry to facilitate the use of electricity and natural gas to power low-emission vehicles.

(c) The commission's policies authorizing electrical corporations and gas corporations to develop equipment or infrastructure needed for electric-powered and natural gas-fueled low-emission vehicles shall ensure that the costs and expenses of those programs are not passed through to electric or gas ratepayers unless the commission finds and determines that those programs are in the ratepayers' interest. The commission's policies shall also ensure that utilities do not unfairly compete with nonutility enterprises.