

Governor's 2001-02 Budget Proposal For:

ENERGY

RECENT DEVELOPMENTS TO ADDRESS THE CURRENT EMERGENCY

In December 2000, the Governor called a Special Session of the Legislature to address the electricity crisis. That crisis now has reduced the credit rating of the state's investor-owned utilities to "junk bond" status, effectively preventing them from obtaining financing to purchase electricity from outside generators in order to meet the needs of their customers. The situation has resulted in rolling blackouts and has required immediate action.

On January 17, the Governor declared a State of Emergency, activating his broad emergency powers to address the electricity crisis. As a first step, the Governor authorized the Department of Water Resources (DWR) to buy and sell power to mitigate the emergency, and he requested the Legislature to establish the Department of Water Resources Electric Power Fund as a new special funding source for this purpose. In response to the Governor's request, the Legislature passed SB 7x (Burton), creating the new fund and allocating \$400 million to it from the General Fund. At the Governor's direction, DWR will use this fund to purchase power for California consumers on a short-term basis, pending the administration's completion of longer-term arrangements to stabilize the state's electric power supply.

As the Governor, his administration, the Public Utilities Commission, and the Energy Commission carry out their duties to resolve the immediate crisis, the Legislature will work closely and cooperatively with them to ensure that California will have a reliable long-term supply of electricity and that the interests of taxpayers and ratepayers are protected.

The scope of the electricity crisis and its immediacy may require significant additional revisions to the Governor's budget proposals over the next few months as events unfold.

MAJOR PROPOSAL

- ◆ **\$1 Billion Budget Set-Aside.** The most significant budget proposal related to the energy situation is a \$1 billion (General Fund) set-aside for programs that will increase energy efficiency, reduce energy consumption, and increase energy supply. The proposed budget indicates that specific proposals will be developed in consultation with the Legislature at the beginning of the current legislative session. However, in his State-of-the-State address, the Governor indicated that he was designating \$250 million of these funds for conservation programs, such as cash incentives for replacing inefficient refrigerators, washers and air conditioners with more efficient model, and for creating energy-smart homes, schools, workplace and communities.

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION

The Energy Resources Conservation and Development Commission works to ensure a reliable supply of energy to meet California's needs, while complying with environmental, safety and land use goals. The Commission processes applications for siting new power facilities, encourages measures to reduce wasteful and inefficient use of energy, and monitors alternative ways to conserve, generate and supply energy. The Governor's proposed budget includes \$210.8 million and 515.5 Personnel Years for state operations and local assistance.

MAJOR PROPOSALS

- ◆ **Transportation Energy Analysis and Development.** \$7.5 million is proposed to support the purchase and use of clean, efficient vehicles for departments within the Resources Agency and \$2 million to fund the California Fuel Cell Partnership for Phase three of a multi-year transit bus demonstration program to provide fueling facilities for new fuel cell buses. In addition, the Budget proposes \$1.1 million to conduct market development and analytical activities to identify barriers to the advancement of ethanol production from biomass resources.
- ◆ **Electricity Analysis.** \$2.8 million is proposed to conduct consumer characteristics surveys of residential, commercial, and industrial customers to gather information on energy demand and supply trends currently not available to planners for market trend analysis and predictions, nor to policy makers for decisions about new programs to encourage energy efficiency and reduction measures. In addition, the budget proposes \$430,000 to obtain consumer supply and demand information.
- ◆ **Energy Efficiency.** \$2.5 million is proposed to update, develop, and carry out energy efficiency measures, including developing and enforcing new building standards; training local government on the new standards; and updating new standards for appliances. These measures also include providing information to local government planners about urban planning methods.
- ◆ **Energy Facility Siting and Compliance Monitoring.** \$3.1 million and 6.6 Personnel Years are proposed to address the Commission's expedited review workload pursuant to AB 970 (Ducheny), Chapter 329, Statutes of 2000, which created an expedited energy facility siting application process.
- ◆ **Solar and Distributed Generation Grants.** \$1 million is proposed to continue the provisions of SB 1345 (Peace), Chapter 537, Statutes of 2000, requiring the Energy Commission to develop and administer solar energy and distributed generation system grant programs.

PUBLIC UTILITIES COMMISSION

The Public Utilities Commission (PUC) is responsible for the regulation of investor-owned utilities, including gas, electricity, telephone, water, and railroads, and certain passenger and household goods carriers to ensure the delivery of stable, safe, and economic services. The commission has

traditionally met this responsibility through enforcement of safety regulations, controlling industry rates for services, and promoting energy and resource conservation. The Governor's proposed budget includes \$100.1 million and 886.3 personnel years for state operations.

MAJOR PROPOSALS

- ◆ **California Energy Security and Reliability Act of 2000.** \$2.738 million and 24.2 Personnel Years are proposed to support the Governor's Clean Energy Green Team, expedite power plant siting procedures, remove transmission congestion, increase electricity conservation, and review generation procedures of the Independent System Operator.
- ◆ **Office of Ratepayer Advocates.** \$456,000 in consultant services is proposed to enhance investigations of utility service quality and marketing practices and outreach and consumer education programs.
- ◆ **Electric Bill Stabilization.** \$682,000 and 3.8 Personnel Years are proposed to enable the PUC to track costs and review actions as they pertain to AB 265 (Davis), Chapter 328, Statutes of 2000, enacted to establish a rate ceiling on the energy component for customers of the San Diego Gas and Electric Company.

ELECTRICITY OVERSIGHT BOARD

The Board's responsibilities include overseeing the operation and reliability of the electricity transmission system; the operation, efficiency, and competitiveness of markets for bulk energy; transmission and ancillary services; and all activities of the Independent System Operator and the California Power Exchange. The Governor's proposed budget includes \$4.4 million and 30.4 personnel years, including \$983,000 and 6.6 personnel years for enhanced market monitoring activities and \$500,000 and 3.8 personnel years to support the Governor's Clean Energy Green Team.