

AMENDED IN ASSEMBLY MAY 1, 2001

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

ASSEMBLY BILL

No. 1031

Introduced by Assembly Member Canciamilla

February 23, 2001

An act *to add Section 776 to the Public Utilities Code*, relating to public utilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 1031, as amended, Canciamilla. Natural gas supplies.

Existing law establishes the Public Utilities Commission and authorizes the commission to supervise and regulate every public utility in the state, including every gas corporation, that provides a service or a commodity to the public.

This bill would require the commission to report to the Legislature by January 1, 2004, and every 2 years thereafter, the 10-year forecast of the demand for natural gas in the state. The bill would require that forecast to analyze long-term trends in natural gas demand in the state and to evaluate a wide variety of natural gas demand scenarios, including, but not limited to, average conditions, and best- and worst-case scenarios.

~~Existing uncodified law urges the Public Utilities Commission to: (a) expeditiously unbundle public utility gas storage service, (b) encourage the development of independent gas storage by establishing interconnection rules and modifying cost allocations, (c) allow market-based storage rates, (d) give expedited consideration of applications for certificates of public convenience and necessity filed by independent storage providers, and (e) ensure that storage costs~~

~~borne by core customers are commensurate with benefits. That law requests the commission to report to the Legislature on or before July 1, 1993, explaining the steps taken to foster the development of a competitive natural gas storage market. Under its existing ratemaking authority, the commission has issued several decisions to increase competition in the gas industry that remove the subsidization of utility-provided noncore natural gas storage services with revenue from sources other than noncore customers, adopt market-based rates for noncore storage, and permit other nonutility companies to develop storage facilities in competition with existing public utilities.~~

~~This bill would make legislative findings and declarations with respect to natural gas price increases and the intent of the Legislature to address the long term risks of high natural gas prices by reducing California's dependence in winter months on out-of-state gas supplies and passing comprehensive legislation to increase in-state natural gas pipeline capacity, increase in-state natural gas storage, and increase the amount of natural gas produced within the state.~~

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

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

- 1 SECTION 1. (a) The Legislature finds and declares all of the
- 2 following:
- 3 ~~(a) The price of natural gas for residential customers in this~~
- 4 *(1) Past predictions by the Public Utilities Commission*
- 5 *regarding demand levels for natural gas in the state have*
- 6 *underestimated the actual demand.*
- 7 *(2) The incorrect estimates of the actual demand for natural*
- 8 *gas may have led to a failure to adequately plan for peak demands*
- 9 *in the state, by assuring that the existing natural gas infrastructure*
- 10 *in the state could meet those peak demands.*
- 11 *(3) The incorrect estimates may lead to higher natural gas*
- 12 *prices, as infrastructure limitations may lead to an imbalance*
- 13 *between the demand and supply of natural gas.*
- 14 (b) *It is the intent of the Legislature in enacting this act to do*
- 15 *both of the following:*
- 16 *(1) Promote more reliable projections of the demand for*
- 17 *natural gas in the state.*

1 (2) *Encourage any agency in the state that forecasts natural*
2 *gas demand in the future to make those projections based on a wide*
3 *variety of potential scenarios and conditions in the state.*

4 SEC. 2. *Section 776 is added to the Public Utilities Code, to*
5 *read:*

6 776. *By January 1, 2004, and every two years thereafter, the*
7 *commission shall report to the Legislature the 10-year forecast of*
8 *the demand for natural gas in the state. The forecast shall do both*
9 *of the following:*

10 (a) *Analyze long-term trends in natural gas demand in the*
11 *state.*

12 (b) *Evaluate a wide variety of natural gas demand scenarios,*
13 *including, but not limited to, average conditions, and best- and*
14 *worst-case scenarios.*

15 ~~state has fluctuated by as much as 200 percent since October 2000.~~

16 ~~(b) This fluctuation is the result of exorbitant wholesale prices~~
17 ~~for natural gas at the California border, which have been as much~~
18 ~~as 800 times higher than the price paid for the same gas at~~
19 ~~marketing hubs.~~

20 ~~(c) These high prices for natural gas pose a major threat to the~~
21 ~~economy and the quality of life in this state, as major industrial~~
22 ~~users of natural gas will be forced to scale back production due to~~
23 ~~high natural gas bills and lay off employees, other producers will~~
24 ~~be forced to raise retail prices, and low-income residential natural~~
25 ~~gas customers will be forced to turn off their heat, or will be unable~~
26 ~~to pay their bills.~~

27 ~~(d) It is the intent of the Legislature to address the long-term~~
28 ~~risks of high natural gas prices by reducing California's~~
29 ~~dependence in winter months on out-of-state gas supplies and~~
30 ~~passing comprehensive legislation that will increase in-state~~
31 ~~natural gas pipeline capacity, increase in-state natural gas storage,~~
32 ~~and increase the amount of natural gas produced within the state.~~

33

