

AMENDED IN ASSEMBLY APRIL 25, 2001

AMENDED IN ASSEMBLY APRIL 19, 2001

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

ASSEMBLY BILL

No. 1350

**Introduced by Assembly Member Canciamilla
(Coauthor: Assembly Member Pescetti)**

February 23, 2001

An act to ~~amend Sections 785, 785.1, and 785.5, of the Public Utilities Code~~, relating to energy, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 1350, as amended, Canciamilla. Natural gas: producers: ~~hookup: gas corporation.~~

(1) The California Gas Policy Act requires the Public Utilities Commission, among other things, to encourage as a first priority the increased production of gas in this state, as specified. The act also makes it the policy of the state that natural gas produced in this state is not placed at an unfair economic disadvantage relative to gas from sources outside of the state as the result of any transportation tariffs or conditions of service.

This bill would ~~make technical nonsubstantive changes in those provisions. The bill would state~~ Legislative *legislative* findings and declarations regarding the need for increased natural gas production in California.

(2) This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

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

1 SECTION 1. The Legislature finds and declares all of the
2 following:

3 (a) California is one of the largest producers of oil and natural
4 gas in the nation.

5 (b) Natural gas is a critical commodity necessary to electrical
6 production, residential heating, commodity production, and
7 industrial manufacturing.

8 (c) California has historically produced up to 25 percent of its
9 total natural gas needs.

10 (d) It is in the long-term economic interest of the state to
11 encourage and increase the amount of natural gas produced in
12 California.

13 (e) A process should be established governing the timely
14 connection in California of new standard wells, including those
15 proposed for connection through an existing meter, and
16 nonstandard wells to increase in-state natural gas production.

17 (f) Standard wells should be defined as wells that produce gas
18 supplies that meet the minimum pipeline quality standards
19 established by a gas corporation.

20 (g) Nonstandard wells should be defined as wells that produce
21 gas that does not meet the minimum pipeline quality standards
22 established by a gas corporation.

23 (h) An expedited arbitration process to oversee and resolve any
24 disputes resulting from the implementation of the process
25 governing timely connection of natural gas wells should be
26 established.

27 ~~SEC. 2. Section 785 of the Public Utilities Code is amended~~
28 ~~to read:~~

29 ~~785. (a) To the extent consistent with federal law and~~
30 ~~regulation and contractual obligations regarding other available~~
31 ~~gas, the commission shall, in consultation with the Division of Oil~~
32 ~~and Gas of the Department of Conservation and with the State~~
33 ~~Energy Resources Conservation and Development Commission,~~
34 ~~encourage, as a first priority, the increased production of gas in this~~
35 ~~state, including gas produced from that area of the Pacific Ocean~~

1 ~~along the coast of California commonly known as the outer~~
2 ~~continental shelf, and shall require, after a hearing, every gas~~
3 ~~corporation to purchase gas that is compatible with the~~
4 ~~corporation's gas plant and that is produced in this state having an~~
5 ~~actual delivered cost, measured in equivalent heat units, equal to~~
6 ~~or less than other available gas, unless this requirement will result~~
7 ~~in higher overall costs of gas or other consequences adverse to the~~
8 ~~interests of gas customers.~~

9 (b) ~~The commission shall annually report to the Legislature on~~
10 ~~its implementation of this section.~~

11 SEC. 3. ~~Section 785.1 of the Public Utilities Code is amended~~
12 ~~to read:~~

13 ~~785.1. (a) The commission shall require, after a hearing,~~
14 ~~every gas corporation to revise its transportation tariffs and~~
15 ~~conditions of service to eliminate all components that assess~~
16 ~~shippers of gas produced in California for the costs of interstate~~
17 ~~transmission of gas produced outside of this state. These revisions~~
18 ~~shall eliminate direct or indirect charges for the interstate~~
19 ~~transportation of gas produced outside of this state, commonly~~
20 ~~referred to as "double demand" charges.~~

21 ~~(b) The commission shall consider and approve tariffs~~
22 ~~consistent with subdivision (a) on or before October 1, 1994.~~

23 (c) ~~Nothing in this section shall be construed to prohibit the~~
24 ~~commission from approving intrastate transmission tariffs that~~
25 ~~include interstate transition cost surcharges, as described in~~
26 ~~commission decisions 91-11-025 and 92-07-025, in an appropriate~~
27 ~~manner.~~

28 SEC. 4. ~~Section 785.5 of the Public Utilities Code is amended~~
29 ~~to read:~~

30 ~~785.5. (a) The commission shall require every gas~~
31 ~~corporation to adopt and pursue purchasing and procurement~~
32 ~~practices that assure its customers the lowest rates consistent with~~
33 ~~security of supply and with Section 785.~~

34 ~~(b) Pursuant to subdivision (a), the commission may establish~~
35 ~~and periodically revise the guidelines for each gas corporation for~~
36 ~~priorities among suppliers and sources of supply of gas to gas~~
37 ~~corporations, taking into consideration the requirements of~~
38 ~~Section 785. The establishment of these guidelines does not~~
39 ~~relieve a gas corporation of any requirement to make reasonable~~
40 ~~and prudent purchases of gas or diminish the authority of the~~

1 ~~commission to review the reasonableness of any purchase or~~
2 ~~procurement decision of the corporation.~~

3 ~~SEC. 5.—~~

4 *SEC. 2.* This act is an urgency statute necessary for the
5 immediate preservation of the public peace, health, or safety
6 within the meaning of Article IV of the Constitution and shall go
7 into immediate effect. The facts constituting the necessity are:

8 In order to ensure, at the earliest possible time, the sufficient
9 availability of affordable natural gas necessary for electrical
10 production, residential heating, commodity production, and
11 industrial manufacturing, it is necessary for this act to take effect
12 immediately.

