

AMENDED IN ASSEMBLY MAY 8, 2000  
AMENDED IN ASSEMBLY APRIL 13, 2000

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2076**

**Introduced by Assembly Member Shelley  
(Principal coauthor: Assembly Member Honda)**

February 22, 2000

An act to add Chapter 8.2 (commencing with Section 25720) to Division 15 of the Public Resources Code, relating to fuel resources: fuel supply.

LEGISLATIVE COUNSEL'S DIGEST

AB 2076, as amended, Shelley. State Energy Resources Conservation and Development Commission: fuel supply.

Existing law requires the State Energy Resources and Conservation and Development Commission to develop contingency plans to deal with possible shortages of electrical energy or fuel supplies to protect public health, safety, and welfare.

This bill would require the commission, ~~after determining certain facts concerning~~ *to examine the feasibility of operating a strategic gasoline reserve and to examine and recommend an appropriate level of reserves*; *Upon a finding by the commission that it would be feasible to operate such a reserve, the bill would authorize the commission to establish and administer a strategic fuel reserve.*

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

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

SECTION 1. Chapter 8.2 (commencing with Section 25720) is added to Division 15 of the Public Resources Code, to read:

CHAPTER 8.2. STRATEGIC FUEL RESERVE

~~25720. In order to insulate California consumers and businesses from dramatic price increases arising from supply interruptions, it is the intent of the Legislature to establish a strategic fuel reserve to be administered by the commission.~~

~~25721. (a) Not later than July 1, 2002, the commission shall establish the California Strategic Fuel Reserve.~~

25720. (a) By July 1, 2001, the commission shall examine the feasibility, including possible costs and benefits to consumers and impacts on gasoline prices for the general public, of operating a strategic gasoline reserve to insulate California consumers and businesses from substantial short-term price increases arising from refinery outages and other similar supply interruptions. In evaluating the potential operation of a strategic gasoline reserve, the commission shall consult with other state agencies, including, but not limited to, the State Air Resources Board.

(b) The commission shall ~~determine~~ examine and recommend an appropriate level of reserves of gasoline to ~~insulate California consumers and businesses from substantial, short term price increases arising from refinery outages or other similar supply interruptions,~~ but in no event may the reserve be less than the amount of refined gasoline that the commission estimates could be produced by the largest California refiner over a two week period. In making this ~~determination~~ examination and recommendation, the commission shall take into account all of the following:

1 (1) Inventories of California-quality fuels or fuel  
2 components reasonably available to the California  
3 market.

4 (2) Current and historic levels of inventory of fuels.

5 (3) The availability and cost of storage of fuels.

6 (4) The potential for future supply interruptions, price  
7 spikes, and the costs thereof to California consumers and  
8 businesses.

9 (c) The commission shall ~~establish, by regulation,~~  
10 *evaluate* a mechanism ~~allowing to release gasoline from~~  
11 *the reserve that permits* any customer to contract at any  
12 time for the delivery of gasoline from the reserve in  
13 exchange for an equal amount of gasoline ~~that the~~  
14 ~~customer delivers~~ *meets California specifications and is*  
15 *produced from a source outside of California that the*  
16 *customer agrees to deliver* back to the reserve ~~that meets~~  
17 ~~California specifications from a refinery outside of~~  
18 ~~California. The gasoline shall be delivered back to the~~  
19 ~~reserve~~ within a time period to be established by the  
20 commission, but not longer than six weeks. ~~Preference~~  
21 ~~may be given to customers that will use the gasoline to~~  
22 ~~reduce prices to California consumers. weeks.~~

23 (d) The commission shall ~~develop~~ *evaluate* reserve  
24 storage space from existing facilities ~~to the extent feasible.~~

25 (e) ~~The commission may adopt additional regulations~~  
26 ~~necessary for the administration and implementation of~~  
27 ~~this article.~~

28 (f) ~~The commission shall report to the Legislature on~~  
29 ~~the progress and proposed operation of the reserve no~~  
30 ~~later than July 1, 2001..~~

31 (e) *The commission shall evaluate a reserve operated*  
32 *by an independent operator that specializes in*  
33 *purchasing and storing gasoline, and is selected through*  
34 *competitive bidding.*

35 25721. *Upon a finding by the commission that it would*  
36 *be feasible to operate a strategic gas reserve, the*  
37 *commission may establish a California Strategic Fuel*  
38 *Reserve to insulate California consumers and businesses*

- 1 *from substantial, short-term price increases arising from*
- 2 *refinery outages or other similar supply interruptions.*

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