

AMENDED IN SENATE AUGUST 7, 2000

AMENDED IN SENATE JULY 5, 2000

AMENDED IN ASSEMBLY MAY 18, 2000

AMENDED IN ASSEMBLY MAY 10, 2000

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.

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 to examine the feasibility of operating a strategic fuel reserve and to examine

and recommend an appropriate level of reserves. If the commission finds that it would be feasible to operate such a reserve, the bill would require the commission to report this finding to the Legislature and request specific statutory authority and funding for establishment of a reserve. The bill would also require the commission to develop and adopt recommendations on a California Strategy to Reduce Petroleum Dependence.

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. (a) By ~~July 1, 2001~~ *January 31, 2002*, the commission shall examine the feasibility, including possible costs and benefits to consumers and impacts on fuel prices for the general public, of operating a strategic fuel 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 fuel reserve, the commission shall consult with other state agencies, including, but not limited to, the State Air Resources Board.

(b) The commission shall examine and recommend an appropriate level of reserves of fuel, but in no event may the reserve be less than the amount of refined fuel that the commission estimates could be produced by the largest California refiner over a two week period. In making this examination and recommendation, the commission shall take into account all of the following:

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

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

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

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

6 (c) The commission shall evaluate a mechanism to
7 release fuel from the reserve that permits any customer
8 to contract at any time for the delivery of fuel from the
9 reserve in exchange for an equal amount of fuel that
10 meets California specifications and is produced from a
11 source outside of California that the customer agrees to
12 deliver back to the reserve within a time period to be
13 established by the commission, but not longer than six
14 weeks.

15 (d) The commission shall evaluate reserve storage
16 space from existing facilities.

17 (e) The commission shall evaluate a reserve operated
18 by an independent operator that specializes in
19 purchasing and storing fuel, and is selected through
20 competitive bidding.

21 (f) (1) Not later than ~~July 1, 2001~~ *January 31, 2002*, the
22 commission and the State Air Resources Board, in
23 consultation with the other state and local agencies the
24 commission deems necessary, shall develop and adopt
25 recommendations for the Governor and Legislature on a
26 California Strategy to Reduce Petroleum Dependence.

27 (2) The strategy shall include a base case forecast by
28 the commission of gasoline, diesel, and petroleum
29 consumption in years 2010 and 2020 based on current best
30 estimates of economic and population growth, petroleum
31 base fuel supply and availability, vehicle efficiency, and
32 utilization of alternative fuels and advanced
33 transportation technologies.

34 (3) The strategy shall include recommended
35 statewide goals for reductions in the rate of growth of
36 gasoline and diesel fuel consumption and increased
37 transportation energy efficiency and utilization of
38 nonpetroleum based fuels and advanced transportation
39 technologies, including alternative fueled vehicles,
40 hybrid vehicles, and high fuel efficiency vehicles.

1 (g) The studies required by this section shall be
2 conducted in conjunction with any other studies required
3 by acts enacted during the 2000 portion of the 1999–2000
4 Regular Session dealing with gasoline prices.

5 25721. The commission shall report its findings and
6 recommendations to the Governor, the Legislature, and
7 the Attorney General by ~~July 1, 2001~~ *January 31, 2002*. If
8 the commission finds that it would be feasible to operate
9 a strategic gas reserve to insulate California consumers
10 and businesses from substantial, short-term price
11 increases arising from refinery outages or other similar
12 supply interruptions, the commission shall request
13 specific statutory authority and funding for establishment
14 of a reserve.

