



STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE BILL ANALYSIS

Date Introduced:	02/24/06	Bill No:	SB 1816
Tax:	Natural Gas Surcharge	Author:	Alarcon
Related Bills:			

This analysis will only address the bill's provisions that impact the Board.

BILL SUMMARY

This bill would require the Public Utilities Commission (PUC) to include within its rate setting formula for the natural gas surcharge rate a component to fund a new furnace replacement program to improve energy efficiency and public safety, as provided.

ANALYSIS

Current Law

NATURAL GAS SURCHARGE

Under existing law, Article 10 (commencing with Section 890) to Chapter 4 of Part 1 of Division 1 of the Public Utilities Code imposes a surcharge on all natural gas consumed in this state. The PUC is required to annually determine the amount of money required for the following year to administer the program and fund the natural gas related low-income programs for the service territory of each public utility gas corporation.¹ Based upon those costs, the PUC is required to establish surcharge rates for each class of customer (core customers and non-core customers) for the service territory of each public utility gas corporation. A customer of an interstate gas pipeline would pay the same surcharge rate as the customer would pay if the customer received service from the public utility gas provider in whose service territory the customer resides.

The surcharge applies to all consumption, except natural gas used to generate power for sale, resold to end users, used for enhanced oil recovery, utilized in cogeneration technology, or produced in California and transported on a proprietary pipeline.

The surcharge is collected by the Board of Equalization (Board) and transmitted to the Treasurer for deposit in the Gas Consumption Surcharge Fund and used for the funding of low-income assistance programs, cost-effective energy efficiency and conservation activities, and public interest research and development.

PUBLIC GOODS CHARGE

Under existing law, Public Utilities Code Section 381 imposes a public goods charge on electricity purchases to support public purpose programs for energy efficiency, low-income services, renewable energy and energy-related research and development. Authority for administration of public goods charge programs is split between the California Energy Commission and the PUC.

¹ Natural gas surcharge rates can be found at <http://www.boe.ca.gov/pdf/boe500ng.pdf>

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the Board's formal position.

Energy Commission administers:

- Public Interest Energy Research Program (PIER) that supports energy research, development and demonstration projects that will help bring environmentally safe, affordable and reliable energy services and products to the marketplace.
- Renewable Energy Program (REP) that provides market-based incentives for new and existing utility-scale facilities powered by renewable energy and helps educate the public regarding renewable energy.

PUC administers:

- Energy Efficiency Public Purpose Program that focuses on developing a sustainable, competitive market for energy efficient products and services, as well as saving energy and peak demand.
- Low Income Energy Efficiency Program (LIEE) that provides weatherization and appliance replacement services for qualifying low-income customers

Proposed Law

Among other things, this bill would amend Public Utilities Code Section 890 to add a new furnace replacement program to the natural gas surcharge rate setting formula in order to improve energy efficiency and public safety pursuant to Public Utilities Code Section 2789.5.

Section 2789.5 would be added to require the PUC to establish a program to annually replace 50,000 old gas furnaces in residential dwelling units occupied by customers eligible for the California Alternate Rates for Energy (CARE) program. The PUC would establish the program in consultation with the Low Income Oversight Board and those gas corporations and electrical corporations that participate in the CARE program. The furnace replacement program would be in addition to all other programs of assistance for low-income customers established by the PUC and administered by an electrical corporation, gas corporation or third-party administrator, as specified. The furnace replacement program would commence on July 1, 2007, and would continue until December 31, 2013.

This bill would become effective January 1, 2007.

Background

In 2000, Assembly Bill 1002 (Ch. 932, Wright) imposed, on and after January 1, 2001, a surcharge on all natural gas consumed in this state to fund low-income assistance programs, cost-effective energy efficiency and conservation activities, and public interest research and development.

COMMENTS

1. **Sponsor and purpose.** This bill is sponsored by the author and is intended to establish a program to replace old and inefficient gas furnaces that lack safety features with new and safe energy efficient furnaces for certain CARE program customers.
2. **The provisions of the bill would not be problematic to administer.** This bill could result in an increase in natural gas surcharge rates, which would be collected by the Board. However, any change in the surcharge rates as a result of this bill would not be problematic since the Board currently administers the annual rate change subject to the PUC's annual rate determination.
3. **Who collects the public goods charge?** This measure would create a gas furnace replacement program for low income customers, which would be funded through the natural gas surcharge and the public goods charge. The Board administers and collects the natural gas surcharge while electrical corporations collect the public goods charge.

COST ESTIMATE

Enactment of this bill would not materially impact the Board's administrative costs.

REVENUE ESTIMATE

This bill would require the PUC to annually adjust the surcharge on natural gas consumption in this state sufficient to recoup the costs of the furnace replacement program, in addition to other public policy programs. However, since the bill does not specify the surcharge rate, a revenue estimate could not be prepared.

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