

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 07/03/2024
POSITION: Oppose

BILL NUMBER: SB 1221
AUTHOR: Min, Dave

BILL SUMMARY: Gas corporations: priority neighborhood decarbonization zones: pilot projects.

This bill requires the California Public Utilities Commission (CPUC) to establish a voluntary program to facilitate the cost-effective decarbonization of priority neighborhood decarbonization zones, as defined.

FISCAL SUMMARY

The CPUC indicates the costs associated with this bill are \$1,686,000 Public Utilities Commission Utilities Reimbursement Account (PUCURA) to complete a series of tasks related to planning and building decarbonization pilot projects. The bill also requires the CPUC to evaluate the costs and benefits of thermal energy networks and identify potential implementation barriers in a new or existing proceeding.

PUCURA revenue is generated from a surcharge on utility bills. This bill may result in increased costs to ratepayers to generate adequate revenue to cover administrative costs.

Under existing law, a violation of the Public Utilities Act or an order, decision, rule, direction, demand, or requirement of the commission is a crime. Finance does not anticipate that this bill would create a state-reimbursable mandate because it does not require a new program or higher level of service. Rather, this bill defines a new crime, changes the existing definition of a crime by the state, and/or changes the penalty for conviction of a crime, none of which are reimbursable.

COMMENTS

The Department of Finance is opposed this bill as it results in costs that were not included in the 2024 Budget and might result in additional fees on consumers.

This bill requires every gas company to submit a map to the CPUC by July 1, 2025, and annually thereafter. The map must include details like the locations of planned gas line replacements from their integrity management plan and other expected pipeline changes.

By January 1, 2026, the CPUC must select priority neighborhoods for reducing carbon emissions, considering factors such as the concentration of planned gas line replacements from these maps.

The bill requires the CPUC to establish a voluntary pilot program by January 1, 2026, to cost-effectively reduce carbon emissions in these priority neighborhoods. This pilot program will include up to 30 trial projects statewide, affecting no more than 1 percent of each gas company's customers in its service area, unless specified otherwise.

Analyst/Principal (751) Wells, Steve	Date	Program Budget Manager Calvert, Teresa	Date
Department Deputy Director		Date	
Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____

BILL ANALYSIS--(CONTINUED)**Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

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COMMENTS (continued)

After January 1, 2030, the CPUC cannot initiate new trial projects. The CPUC must define processes, criteria, and rules for managing these projects, including evaluating the cost-effectiveness of emission-free options and determining fair returns and repayment periods for gas companies investing in these alternatives. The bill gives priority to projects located in designated priority neighborhoods.

Additionally, the CPUC must provide regular reports to the Legislature's on these trial projects. The bill's provisions will end on January 1, 2031, unless extended.

Until January 1, 2030, the bill permits a gas company to discontinue service in areas where trial projects are implemented, provided the CPUC confirms there are adequate alternative energy services available for affected customers.

Code/Department Agency or Revenue Type	SO LA CO RV	(Fiscal Impact by Fiscal Year)					Fund Code		
		PROP 98	FC	2024-2025 FC	2025-2026 FC	2026-2027 FC			
8660/PUC	SO	No	C	1,686	C	1,570	C	1,570	0462
Fund Code 0462	Title	Publ Utilities Comm Utilities Reimb Acct							