

Date of Hearing: April 30, 2013

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT AND THE ECONOMY

Jose Medina, Chair

AB 628 (Gorell and Hall) – As Amended: April 24, 2013

SUBJECT: Energy management plans for harbor and port districts.

SUMMARY: Authorizes a harbor or port district to prepare one or more energy management plans in order to reduce air emissions and promote economic development. Further, this bill authorizes the financing for harbor and port district improvements through the issuance of conduit revenue bonds by the state. Specifically, the bill:

- 1) Makes findings and declarations, including, but not limited to, the need for the state to promote the efficient use of low-cost, low-emission energy sources in the operations of the ports and harbors, the need to develop new businesses and retain existing businesses within harbor and port boundaries, the value of greater stability and certainty in the cost of energy services to these businesses, and the optimal position that investor-owned and publically owned utilities have in facilitating these objectives.
- 2) Specifies that if a harbor or port district chooses to prepare an energy management plan it is required to include the following elements:
 - a) An electric or natural gas load forecast, as specified;
 - b) An assessment of the role that distributed generation, combined with accurately priced utility services, could play in providing greater rate stability and energy cost certainty, as specified;
 - c) A list of recommendations for the enhanced use of cost-effective energy efficiency and demand-side management in existing buildings and the inclusion of energy efficiency measures as part of the development of new buildings;
 - d) A plan to reduce air emissions for vehicle use within the district boundaries, as specified;
 - e) Consideration of projects that provide greater certainty of energy costs over a period of up to 15 years for businesses developing in the district.
 - f) Other proposed actions and associated utility services that may be implemented in connection with an energy management plan; and
 - g) Proposed methods of funding the activities in the energy management plan, including the California Infrastructure and Economic Development Bank (I-Bank).
- 3) Specifies that the energy management plan is to be jointly developed by the harbor or port district and one or more of the following: servicing electoral corporation, gas corporation, and a local publicly owned electric utility.
- 4) Requires expedited review of jointly developed elements of an energy management plan by the California Public Utilities Commission (PUC), as specified.

- 5) Requires the PUC and governing boards of local publically owned utilities and rural electric cooperatives to encourage electric or gas corporations to participate in developing, implementing, and administering viable energy management plans for districts.
- 6) Requires projects that promote economic development in harbor or port districts, pursuant to a specified energy management plan, to be eligible for conduit revenue bond financing through the I-Bank.

EXISTING LAW

- 1) Makes findings and declarations, including, but not limited to, the electric and natural gas utilities having a principal goal in resource planning and investment to minimize the cost to society of the reliable energy services, improve the environment, encourage conservation and energy efficiency, and to encourage the diversity of energy sources including wind, solar, and geothermal energy.
- 2) Creates the I-Bank, within the Business, Transportation and Housing Agency (BTH), to promote economic revitalization, enable future development, and encourage a healthy climate for jobs in California. The I-Bank is authorized to offer a variety of financial undertakings including, but not limited to, issuance of conduit revenue bonds for financing economic development facilities.
- 3) Defines economic development facilities to mean real and personal property, structures, buildings, equipment, and supporting components that are used to provide industrial, recreational, research, commercial, utility, or service enterprise facilities, community, educational, cultural, or social welfare facilities and any parts or combinations thereof, and all facilities or infrastructure necessary or desirable in connection therewith, including provisions for working capital, but shall not include any housing.

FISCAL EFFECT: Unknown

COMMENTS:

- 1) Framing the Policy Issues: AB 628 proposes to encourage port and harbor districts to adopt comprehensive energy management plans by offering an expedited PUC review of projects that flow from the plan. Given the significance of the international trade and goods movement network to the California economy it is important to improve energy efficiency within port and harbor districts.

The authors believe that energy management plans can provide a missing component to sustainable port operations. This analysis includes additional information on energy management plans, an analysis of how plans may provide an advantage to port and harbor districts, background on California's trade economy, and a list of related legislation. Suggested amendments are included in Comment 8.

- 2) Energy Management Plans: Energy management plans are comprehensive strategies for monitoring, controlling, and conserving energy. This is primarily accomplished through a systemic analysis of current energy consumption in order to identify areas of suboptimal energy usage. The resulting data is used to identify baseline energy usage metrics and opportunities for cost-effective energy savings measures through upgrades to high-efficiency equipment and systems, and promoting efficient behaviors by workers.

Efficiency improvements can be found in many different areas. Upgrades to existing infrastructure can be substantially cost-effective because advances to HVAC systems, lighting, refrigeration systems, motors, and transformers have been significant enough in recent years that the cost of replacement of decades-old equipment can be cost-neutral in little time. Modern design techniques allow for new construction and renovations to be designed to be highly energy efficient. Strategic purchasing of energy, avoiding peak hours and choosing an appropriate rate plan can also yield significant energy savings. Finally, education and institutional culture are of the utmost importance, as a successful energy management plan takes the full commitment of the entire organization.

- 3) California's Trade Economy: California's \$1.9 trillion economy naturally functions as an independent nation and is highly dependent on industry sectors that participate within the larger global economy. In fact, compared to other nations, California has one of the 10 largest economies in the world, due to it being a top-tier trade partner, a best-in-class investment location, a high quality producer of goods and services, and the home and key access point for a massive consumer-base. In 2012, California exported \$161 billion in products to over 220 foreign countries. While California has been significantly impacted by the recession, exports continued to increase in almost every quarter from 2010 through 2012.

California businesses rely on fast, flexible, and reliable manufacturing, transportation, and shipping to link national and global supply chains to California producers, as well as bring new products to California's retail markets. It is estimated that one in five manufacturing jobs in California is related to trade. Employment, business profit, and state and local tax revenue are highly dependent on the manufacturing, trade, and goods movement industries.

Changes in U.S. and global trade patterns since the enactment of the North American Free Trade Agreement and the continuing development of foreign markets place challenges on California's goods movement logistic network. These challenges are only expected to become greater as the rate of innovation within manufacturing, transportation, and communication technologies get faster and the ability of multiple geographic locations to successfully use these technologies expands. California's historic and singular dominance is diminishing as the state's infrastructure, particularly at our ports of entry, fail to keep pace.

- 4) California Ports: Nationally, the Port of Los Angeles continued to hold the top rank in terms of two-way trade in 2010 (valued at \$237 billion). It is followed by JFK International Airport (\$162 billion) and the port of Chicago (\$135 billion). Data on California's other major ports are as follows: Long Beach (\$89 billion, ranked 9th); LAX (\$77 billion, ranked 12th); San Francisco International Airport (\$50 billion, ranked 18th); Port of Oakland (\$40 billion, ranked 25th); Otay Mesa Station (\$31 billion); and Calexico-East (\$10 billion).
- 5) Energy Management Plans for Ports: Port authorities can benefit significantly from energy management plans, primarily because of their organizational structure. Energy consumption is a significant overhead cost for port operators, and is often treated as a fixed cost over which port operators have little control. Many variables can influence the cost of electricity such as time of day of use, delivery charges, fuel fees, and which rate plan is selected. Often times management and maintenance staff have little understanding of how their utility costs are structured, resulting in additional costs and fees.

One primary factor of a successful energy management plan is the ability of it to integrate with all levels of the organization. The port authority typically has jurisdictional control over the operation, construction, and maintenance of the infrastructure of the port, and can therefore exert the necessary control needed to implement a comprehensive energy plan.

Other port authorities around the U.S. have successfully implemented efficiency initiatives. For example, the Port Authority of New York and New Jersey have aggregated all of their electricity accounts and performed online reverse auctions for energy, allowing them to sell their accounts to the lowest bidders, resulting in a reduction of over \$2.2 million in annual utility expenses. They have also increased their efficiency through the use of advanced utility meters and a demand response program that reduces their usage during times of peak demand.

- 6) Doubling Exports in Five Years: In January 2010, the President announced a national goal of doubling U.S. exports within five years, setting a 2015 target for U.S. exports of \$3.14 trillion. In accomplishing this goal, the federal government will be proposing new programs, targeting existing trade related activities, and increasing funding and technical assistance within its current programs.

Since the announcement of a new national goal, exports from California were up \$41 billion over 2009. For California, the second largest exporter of products in the U.S. and the largest receiver of foreign direct investment in the nation, this federal goal could result in significant new economic opportunities. California has already received nearly \$4 million in federal funds to administer a state export assistance program for small businesses. In the President's 2013 State of the Union address he announced the development of a new trade agreement with the European Union. To the extent the national goal is even partially realized, California ports could face even greater pressure to perform. AB 628 will assist California in meeting this national goal.

- 7) California Infrastructure and Economic Development Bank: The I-Bank was established in 1994 to promote economic revitalization, enable future development, and encourage a healthy climate for jobs in California. The I-Bank administers two categories of programs: 1) The Infrastructure State Revolving Fund which provides direct low-cost financing to public agencies for a variety of public infrastructure projects; and 2) Bond financed programs which provide financing for manufacturing companies, nonprofit organizations, public agencies and other eligible entities. There is no commitment of the I-Bank or state funds for any of the category #2 conduit revenue bonds. Even in the case of default, the state is not liable.

Since its inception, the I-Bank has loaned over \$400 million to local agencies, developing a high-level of expertise in the financing of public infrastructure. The I-Bank also serves as the state's only general purpose financing authority with broad statutory powers to issue revenue bonds. Over \$30 billion in conduit revenue bonds have been issued by the I-Bank since 2000. Effective July 1, 2013 the I-Bank will be administered through the Governor's Office of Business and Economic Development (GO-Biz), pursuant to the 2012 Governor's Reorganization Plan.

AB 628 would state that projects that come from the energy management plan would be eligible for conduit bond financing through the I-Bank. Technical amendments are proposed in Comment 8 to expand the code reference to include all of the I-Bank financing programs.

- 8) Implementing Amendments: This measure calls for the development of energy management plans for the purpose of supporting the development and expansion of businesses within the district, creating

more certainty in energy costs, and improving the environment. Below is a list of technical and implementing amendments.

- a) Modify the energy management plan requirement by:
 - i) Adding an assessment of the current energy consumption within the zone by energy source and user;
 - ii) Setting short, mid and long term goals for projects and actions;
 - iii) Address how the Energy Commission can assist in developing, implementing, and/or funding the projects in the plan.
 - iv) Identify government and nongovernmental impediments to implementing projects and actions;
 - b) Clarify the meaning of prohibiting the PUC from limiting the role of utilities who jointly developed recommendations.
 - c) Make technical corrections to the I-Bank provisions and expand the program to reference all I-Bank financing options.
 - d) Require the districts to engage business and industry-related partners to identify innovations in process and technologies that may impact domestic and international logistical networks.
 - e) Require districts to engage small business technical assistance providers and business and industry-related partners in identifying energy efficiency opportunities, public education activities, and the development of funding options and packages.
 - f) Add energy management plan-related definitions to Chapter 2 of the Public Resources Code.
 - g) Clarify that ports established by municipalities are covered under the bill.
- 9) Related Legislation: The following is a list of related legislation.
- a) AB 886 (Allen) Trade Tax Credit: This bill authorizes a \$500 million tax credit program for exporters and importers who make prescribed increases in cargo tonnage or value, net increases in the number of qualified full-time employees hired in California, or capital investment in a cargo facility. Status: Pending in the Assembly Committee on Revenue and Taxation.
 - b) AB 1081 (Medina) Goods Movement-Related Infrastructure: This bill requires goods movement-related infrastructure to be included within the state five-year infrastructure plan and international trade and foreign investment strategy. Status: Scheduled to be heard in the Assembly Committee on Transportation on April 29, 2013.
 - c) SB 810 (Price) Trade Tax Credit: This bill authorizes a \$500 million tax credit program for exporters and importers who make prescribed increases in cargo tonnage or value, net increases in the number of qualified full-time employees hired in California, or capital investment in a cargo facility. Status: Pending in the Senate Committee on Transportation and Housing.
- 10) Double Referral: This measure was referred to two policy committees by the Assembly Committee on Rules. On April 22, 2013, AB 628 was heard and passed by the Assembly Committee on Utilities and Commerce on a 14-0 vote.

REGISTERED SUPPORT / OPPOSITION:

Support

California Manufacturers & Technology Association
California Pacific Chamber of Commerce
Chula Vista Chamber of Commerce
Mayor, City of National City
Three individuals

Opposition

None received

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