

# SENATE BILL

No. 2200

Introduced by Senator Nielsen

February 26, 1990

California Energy Commission

**DOCKETED**

**12-OIR-02**

TN 71877

AUG 23 2013

An act to amend Sections 3822 and 3823 of, to add Section 3809 to, and to repeal and add Section 3822.1 of, the Public Resources Code, relating to geothermal resources, and making an appropriation therefor.

## LEGISLATIVE COUNSEL'S DIGEST

SB 2200, as introduced, Nielsen. Geothermal resources: loans.

Under existing law, geothermal revenues deposited in the Geothermal Resources Development Account in the General Fund are continuously appropriated for specified purposes. The Controller is required to disburse 40% of these geothermal revenues to the county of origin, and the State Energy Resources Conservation and Development Commission is authorized to expend 30% of these geothermal revenues to provide grants or loans to local jurisdictions, as defined, for specified purposes.

This bill would also authorize the commission to make loans to private entities engaged in the exploration and development of geothermal energy, subject to specified conditions, thereby making an appropriation. The bill would extend the maximum repayment period on loans from 6 to 20 years. The bill would delete specified provisions requiring the disbursement of revenues to be made a part of the Governor's Budget and would revise procedures for approval of proposed projects by the commission.

Vote:  $\frac{2}{3}$ . Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

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

1 SECTION 1. Section 3809 is added to the Public  
2 Resources Code, to read:

3 3809. "Private entity" means any individual or  
4 organization engaged in the exploration and  
5 development of geothermal energy for profit.

6 SEC. 2. Section 3822 of the Public Resources Code is  
7 amended to read:

8 3822. (a) Thirty percent of the revenues received  
9 and deposited in the Geothermal Resources  
10 Development Account shall be available for expenditure  
11 by the State Energy Resources Conservation and  
12 Development Commission as grants or loans to local  
13 jurisdictions *or loans to private entities* without regard to  
14 fiscal years. These revenues shall be held by the State  
15 Energy Resources ~~Development and Conservation and~~  
16 *Development* Commission in ~~a~~ *the* Local Government  
17 Geothermal Resources Revolving Subaccount, which is  
18 hereby created within the Geothermal Resources  
19 Development Account. Loan repayments shall be  
20 deposited in the subaccount and shall be used for making  
21 additional grants and loans pursuant to Section 3823.

22 (b) No local jurisdiction shall be eligible to apply for a  
23 grant or loan pursuant to this section unless its governing  
24 body approves the application by resolution.

25 (c) Each recipient of a grant or loan made pursuant to  
26 this section shall establish for deposit of the revenues an  
27 account or fund separate from the other accounts and  
28 funds of the recipient, and may expend the revenues only  
29 for the purposes specified in this chapter.

30 (d) The State Energy Resources Conservation and  
31 Development Commission shall make grants and loans  
32 pursuant to this section irrespective of whether a local  
33 jurisdiction is a county of origin.

34 (e) Any of the revenues that are not disbursed as  
35 grants or loans pursuant to this section during the fiscal  
36 year received shall be retained in the subaccount and  
37 may be disbursed as grants or loans pursuant to this  
38 section in succeeding fiscal years.

1 (f) Any loan made under this section shall (1) not  
2 exceed 80 percent of the local jurisdiction's costs, (2) bear  
3 an interest rate no greater than 8 percent per year, and  
4 (3) be repayed together with interest within ~~six~~ 20 years  
5 from receipt of the loan funds.

6 (g) *Any loan made to a private entity under this*  
7 *section shall (1) be matched with at least an equal*  
8 *investment by the recipient, and (2) provide tangible*  
9 *benefits, as determined by the State Energy Resources*  
10 *Conservation and Development Commission, to a local*  
11 *jurisdiction.*

12 SEC. 3. Section 3822.1 of the Public Resources Code  
13 is repealed.

14 ~~3822.1. Notwithstanding any other provision of law,~~  
15 ~~commencing with the 1984/85 fiscal year and in each~~  
16 ~~fiscal year thereafter, any revenues not granted pursuant~~  
17 ~~to Section 3822 remaining in the Geothermal Resources~~  
18 ~~Development Account and any revenues expected to be~~  
19 ~~received and disbursed during the 1984/85 fiscal year and~~  
20 ~~in each fiscal year thereafter shall be made a part of the~~  
21 ~~Governor's Budget. The State Energy Resources~~  
22 ~~Conservation and Development Commission shall~~  
23 ~~submit to the Legislature by April 1 of each year a list of~~  
24 ~~projects, each selected and prioritized by the State~~  
25 ~~Energy Resources Conservation and Development~~  
26 ~~Commission pursuant to Section 3822.~~

27 SEC. 4. Section 3822.1 is added to the Public  
28 Resources Code, to read:

29 3822.1. Within 30 days after the State Energy  
30 Resources Conservation and Development Commission  
31 approves a proposed project for funding under this  
32 chapter, the commission shall notify and invite comments  
33 from the Joint Legislative Budget Committee, the  
34 Legislative Analyst, and the Department of Finance. No  
35 funding agreement for any project may be executed by  
36 the commission, and no work on the project may be  
37 begun by the prospective funding recipient until at least  
38 30 days after that notification has been made.

39 SEC. 5. Section 3823 of the Public Resources Code is  
40 amended to read:



1 3823. Revenues disbursed to counties of origin  
2 pursuant to Section 3821 and grants or loans made to local  
3 jurisdictions *or private entities* pursuant to Section 3822  
4 shall be expended by the ~~county or~~ recipient for the  
5 following purposes:

6 ~~(a) With respect to any local jurisdiction receiving a~~  
7 ~~grant or loan pursuant to Section 3822, in which~~  
8 ~~development of geothermal resources is contemplated,~~  
9 ~~the revenues shall be expended for any of the following~~  
10 ~~planning activities:~~

11 ~~(1) Resource assessment and exploration~~

12 ~~(a) Undertaking research and development projects~~  
13 ~~relating to geothermal resource assessment and~~  
14 ~~exploration, and direct-use and electric generation~~  
15 ~~technology.~~

16 ~~(2)~~

17 ~~(b) Local and regional planning and policy~~  
18 ~~development and implementation necessary for~~  
19 ~~compliance with programs required by local, state, or~~  
20 ~~federal laws and regulations.~~

21 ~~(3)~~

22 ~~(c) Identification of feasible measures that will~~  
23 ~~mitigate the adverse impacts of the development of~~  
24 ~~geothermal resources and the adoption of ordinances,~~  
25 ~~regulations, and guidelines to implement those measures.~~

26 ~~(4)~~

27 ~~(d) Collecting baseline data and conducting~~  
28 ~~environmental monitoring.~~

29 ~~(5)~~

30 ~~(e) Preparation or revision of geothermal resource~~  
31 ~~elements, or geothermal components of energy~~  
32 ~~elements, for inclusion in the local general plan, zoning~~  
33 ~~and other ordinances, and related planning and~~  
34 ~~environmental documents.~~

35 ~~(b) With respect to any local jurisdiction receiving a~~  
36 ~~grant or loan pursuant to Section 3822 in which~~  
37 ~~geothermal resources are being developed or are in~~  
38 ~~production, the revenues shall be expended for any of the~~  
39 ~~following activities:~~

40 ~~(1)~~



1 (f) Administrative costs incurred by the local  
2 jurisdiction that are attributable to the development or  
3 production of geothermal resources.

4 ~~(2)~~

5 (g) Monitoring and inspecting geothermal facilities  
6 and related activities to assure compliance with  
7 applicable laws, regulations, and ordinances.

8 ~~(3)~~

9 (h) Identifying, researching, and implementing  
10 feasible measures that will mitigate the adverse impacts  
11 of that development or production.

12 ~~(4)~~

13 (i) Planning, constructing, providing, operating, and  
14 maintaining those public services and facilities that are  
15 necessitated by and result from the development or  
16 production.

17 ~~(5)~~

18 (j) Undertaking projects demonstrating the technical  
19 and economic feasibility of geothermal direct heat and  
20 electrical generation applications.

21 ~~(6)~~

22 (k) Undertaking projects for the enhancement,  
23 restoration, or preservation of natural resources,  
24 including, but not limited to, water development, water  
25 quality improvement, fisheries enhancement, and park  
26 and recreation facilities and areas.

AMENDED IN SENATE MAY 8, 1990

**SENATE BILL**

**No. 2200**

**Introduced by Senator Nielsen**

**(Coauthor: Senator Bergeson)**

*(Principal coauthor: Assembly Member Woodruff)*

*(Coauthors: Assembly Members Clute, Costa, Filante,  
Harvey, and Statham)*

February 26, 1990

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An act to amend Sections 3822, 3822.1, and 3823 of, and to add Section 3809 to, ~~and to repeal and add Section 3822.1 of~~ the Public Resources Code, relating to geothermal resources, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 2200, as amended, Nielsen. Geothermal resources: loans.

(1) Under existing law, geothermal revenues deposited in the Geothermal Resources Development Account in the General Fund are continuously appropriated for specified purposes. The Controller is required to disburse 40% of these geothermal revenues to the county of origin, and the State Energy Resources Conservation and Development Commission is authorized to expend 30% of these geothermal revenues to provide grants or loans to local jurisdictions, as defined, for specified purposes.

This bill would also authorize the commission to make loans to private entities engaged in the exploration and development of geothermal energy, subject to specified conditions, thereby making an appropriation. The bill would extend the maximum repayment period on loans from 6 to 20 years. ~~The bill would delete specified provisions requiring the disbursement of revenues to be made a part of the Governor's Budget and would revise procedures for approval~~

~~of proposed projects by the commission.~~

(2) Under existing law, the State Energy Resources Conservation and Development Commission is required to submit to the Legislature by April 1 of each year a list of projects relating to geothermal resources selected and prioritized by the commission.

This bill would require the commission to provide notification, as specified, for any unforeseen or urgent projects which the commission wishes to approve but which are not included in the April 1 budget list and would prohibit the commission from executing any funding agreement for any project until at least 30 days after that notification has been made.

Vote:  $\frac{2}{3}$ . Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

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

1 SECTION 1. Section 3809 is added to the Public  
2 Resources Code, to read:

3 3809. "Private entity" means any individual or  
4 organization engaged in the exploration and  
5 development of geothermal energy for profit.

6 SEC. 2. Section 3822 of the Public Resources Code is  
7 amended to read:

8 3822. (a) Thirty percent of the revenues received  
9 and deposited in the Geothermal Resources  
10 Development Account shall be available for expenditure  
11 by the State Energy Resources Conservation and  
12 Development Commission as grants or loans to local  
13 jurisdictions or loans to private entities without regard to  
14 fiscal years. These revenues shall be held by the State  
15 Energy Resources Conservation and Development  
16 Commission in the Local Government Geothermal  
17 Resources Revolving Subaccount, which is hereby  
18 created within the Geothermal Resources Development  
19 Account. Loan repayments shall be deposited in the  
20 subaccount and shall be used for making additional grants  
21 and loans pursuant to Section 3823.

22 (b) No local jurisdiction shall be eligible to apply for a



1 grant or loan pursuant to this section unless its governing  
2 body approves the application by resolution.

3 (c) Each recipient of a grant or loan made pursuant to  
4 this section shall establish for deposit of the revenues an  
5 account or fund separate from the other accounts and  
6 funds of the recipient; and may expend the revenues  
7 only for the purposes specified in this chapter.

8 (d) The State Energy Resources Conservation and  
9 Development Commission shall make grants and loans  
10 pursuant to this section irrespective of whether a local  
11 jurisdiction is a county of origin.

12 (e) Any of the revenues that are not disbursed as  
13 grants or loans pursuant to this section during the fiscal  
14 year received shall be retained in the subaccount and  
15 may be disbursed as grants or loans pursuant to this  
16 section in succeeding fiscal years.

17 (f) Any loan made under this section shall (1) not  
18 exceed 80 percent of the local jurisdiction's costs, (2) bear  
19 an interest rate no greater than 8 percent per year, and  
20 (3) be repayed together with interest within 20 years  
21 from receipt of the loan funds.

22 (g) Any loan made to a private entity under this  
23 section shall (1) be matched with at least an equal  
24 investment by the recipient, and (2) provide tangible  
25 benefits, as determined by the State Energy Resources  
26 Conservation and Development Commission, to a local  
27 jurisdiction, and (3) *be approved by the city, county, or*  
28 *Indian reservation within which the project is to be*  
29 *located.*

30 **SEC. 3.** Section 3822.1 of the Public Resources Code  
31 is repealed.

32 **SEC. 4.** Section 3822.1 is added to the Public  
33 Resources Code, to read:

34 **3822.1.** Within 30 days after the State Energy  
35 Resources Conservation and Development Commission  
36 approves a proposed project for funding under this  
37 chapter, the commission shall notify and invite comments  
38 from the Joint Legislative Budget Committee, the  
39 Legislative Analyst, and the Department of Finance. No  
40 funding agreement for any project may be executed by

1 the commission, and no work on the project may be  
2 begun by the prospective funding recipient until at least  
3 30 days after that notification has been made.

4 *SEC. 5. is amended to read:*

5 3822.1. (a) Notwithstanding any other provision of  
6 law, commencing with the 1984-85 fiscal year and in each  
7 fiscal year thereafter, any revenues not granted pursuant  
8 to Section 3822 remaining in the Geothermal Resources  
9 Development Account and any revenues expected to be  
10 received and disbursed during the 1984-85 fiscal year and  
11 in each fiscal year thereafter shall be made a part of the  
12 Governor's Budget. The State Energy Resources  
13 Conservation and Development Commission shall  
14 submit to the Legislature by April 1 of each year a list of  
15 projects, each selected and prioritized by the State  
16 Energy Resources Conservation and Development  
17 Commission pursuant to Section 3822.

18 (b) *In the case of unforeseen or urgent projects which*  
19 *the State Energy Resources Conservation and*  
20 *Development Commission wishes to approve but which*  
21 *are not included in the April 1 budget list required by*  
22 *subdivision (a), the commission may approve those*  
23 *projects after notifying and inviting comments from the*  
24 *Joint Legislative Budget Committee. Notification shall*  
25 *include a written description of the following:*

26 (1) *The necessity of the project and the reason for the*  
27 *urgency.*

28 (2) *The reason the project was not included in the list*  
29 *required by subdivision (a) or the reason the project*  
30 *cannot wait until the next list required by subdivision (a).*

31 (3) *The fiscal advantages of the project.*

32 (4) *The economic impact of waiting until the next*  
33 *submission of the list required by subdivision (a).*

34 *No funding agreement for any project may be*  
35 *executed by the State Energy Resources Conservation*  
36 *and Development Commission, and no work on the*  
37 *project may be started by the prospective funding*  
38 *recipient until at least 30 days after that notification has*  
39 *been made and the terms of this subdivision have been*  
40 *met.*

1     *SEC. 4.* Section 3823 of the Public Resources Code is  
2 amended to read:

3     3823. Revenues disbursed to counties of origin  
4 pursuant to Section 3821 and grants or loans made to local  
5 jurisdictions or *loans to* private entities pursuant to  
6 Section 3822 shall be expended by the recipient for the  
7 following purposes:

8     (a) Undertaking research and development projects  
9 relating to geothermal resource assessment and  
10 exploration, and direct-use and electric generation  
11 technology.

12     (b) Local and regional planning and policy  
13 development and implementation necessary for  
14 compliance with programs required by local, state, or  
15 federal laws and regulations.

16     (c) Identification of feasible measures that will  
17 mitigate the adverse impacts of the development of  
18 geothermal resources and the adoption of ordinances,  
19 regulations, and guidelines to implement those measures.

20     (d) Collecting baseline data and conducting  
21 environmental monitoring.

22     (e) Preparation or revision of geothermal resource  
23 elements, or geothermal components of energy  
24 elements, for inclusion in the local general plan, zoning  
25 and other ordinances, and related planning and  
26 environmental documents.

27     (f) Administrative costs incurred by the local  
28 jurisdiction that are attributable to the development or  
29 production of geothermal resources.

30     (g) Monitoring and inspecting geothermal facilities  
31 and related activities to assure compliance with  
32 applicable laws, regulations, and ordinances.

33     (h) Identifying, researching, and implementing  
34 feasible measures that will mitigate the adverse impacts  
35 of that development or production.

36     (i) Planning, constructing, providing, operating, and  
37 maintaining those public services and facilities that are  
38 necessitated by and result from the development or  
39 production.

40     (j) Undertaking projects demonstrating the technical



1 and economic feasibility of geothermal direct heat and  
2 electrical generation applications.

3 (k) Undertaking projects for the enhancement,  
4 restoration, or preservation of natural resources,  
5 including, but not limited to, water development, water  
6 quality improvement, fisheries enhancement, and park  
7 and recreation facilities and areas.

O

AMENDED IN ASSEMBLY AUGUST 13, 1990

AMENDED IN SENATE MAY 8, 1990

**SENATE BILL**

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**Introduced by Senator Nielsen**

**(Coauthor: Senator Bergeson)**

(Principal coauthor: Assembly Member Woodruff)

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This bill would also authorize the commission to make loans to private entities engaged in the exploration and development of geothermal energy, subject to specified conditions, thereby making an appropriation. The bill would extend the maximum repayment period on loans from 6 to 20 years.

(2) Under existing law, the State Energy Resources

Conservation and Development Commission is required to submit to the Legislature by April 1 of each year a list of projects relating to geothermal resources selected and prioritized by the commission.

This bill would require the commission to provide notification, as specified, for any unforeseen or urgent projects which the commission wishes to approve but which are not included in the April 1 budget list and would prohibit the commission from executing any funding agreement for any project until at least 30 days after that notification has been made.

*(3) The bill would authorize the commission to expend up to \$200,000 during the 1990-91 fiscal year from geothermal revenues to investigate the cause of steam decline at the Geysers and for direct technical assistance to local jurisdictions.*

Vote:  $\frac{2}{3}$ . Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

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

1 SECTION 1. Section 3809 is added to the Public  
2 Resources Code, to read:

3 3809. "Private entity" means any individual or  
4 organization engaged in the exploration and  
5 development of geothermal energy for profit.

6 SEC. 2. Section 3822 of the Public Resources Code is  
7 amended to read:

8 3822. (a) Thirty percent of the revenues received  
9 and deposited in the Geothermal Resources  
10 Development Account shall be available for expenditure  
11 by the State Energy Resources Conservation and  
12 Development Commission as grants or loans to local  
13 jurisdictions or loans to private entities without regard to  
14 fiscal years. These revenues shall be held by the State  
15 Energy Resources Conservation and Development  
16 Commission in the Local Government Geothermal  
17 Resources Revolving Subaccount, which is hereby  
18 created within the Geothermal Resources Development  
19 Account. Loan repayments shall be deposited in the



1 subaccount and shall be used for making additional grants  
2 and loans pursuant to Section 3823.

3 (b) No local jurisdiction shall be eligible to apply for a  
4 grant or loan pursuant to this section unless its governing  
5 body approves the application by resolution.

6 (c) Each recipient of a grant or loan made pursuant to  
7 this section shall establish for deposit of the revenues an  
8 account or fund separate from the other accounts and  
9 funds of the recipient and may expend the revenues only  
10 for the purposes specified in this chapter.

11 (d) The State Energy Resources Conservation and  
12 Development Commission shall make grants and loans  
13 pursuant to this section irrespective of whether a local  
14 jurisdiction is a county of origin.

15 (e) Any of the revenues that are not disbursed as  
16 grants or loans pursuant to this section during the fiscal  
17 year received shall be retained in the subaccount and  
18 may be disbursed as grants or loans pursuant to this  
19 section in succeeding fiscal years.

20 (f) Any loan made under this section shall (1) not  
21 exceed 80 percent of the local jurisdiction's costs, (2) bear  
22 an interest rate no greater than 8 percent per year, and  
23 (3) be repayed together with interest within 20 years  
24 from receipt of the loan funds.

25 (g) Any loan made to a private entity under this  
26 section shall (1) be matched with at least an equal  
27 investment by the recipient, (2) provide tangible  
28 benefits, as determined by the State Energy Resources  
29 Conservation and Development Commission, to a local  
30 jurisdiction, and (3) be approved by the city, county, or  
31 Indian reservation within which the project is to be  
32 located.

33 SEC. 3. Section 3822.1 of the Public Resources Code  
34 is amended to read:

35 3822.1. (a) Notwithstanding any other provision of  
36 law, commencing with the 1984-85 fiscal year and in each  
37 fiscal year thereafter, any revenues not granted pursuant  
38 to Section 3822 remaining in the Geothermal Resources  
39 Development Account and any revenues expected to be  
40 received and disbursed during the 1984-85 fiscal year and

1 in each fiscal year thereafter shall be made a part of the  
2 Governor's Budget. The State Energy Resources  
3 Conservation and Development Commission shall  
4 submit to the Legislature by April 1 of each year a list of  
5 projects, each selected and prioritized by the State  
6 Energy Resources Conservation and Development  
7 Commission pursuant to Section 3822.

8 (b) In the case of unforeseen or urgent projects which  
9 the State Energy Resources Conservation and  
10 Development Commission wishes to approve but which  
11 are not included in the April 1 budget list required by  
12 subdivision (a), the commission may approve those  
13 projects after notifying and inviting comments from the  
14 Joint Legislative Budget Committee. Notification shall  
15 include a written description of the following:

16 (1) The necessity of the project and the reason for the  
17 urgency.

18 (2) The reason the project was not included in the list  
19 required by subdivision (a) or the reason the project  
20 cannot wait until the next list required by subdivision (a).

21 (3) The fiscal advantages of the project.

22 (4) The economic impact of waiting until the next  
23 submission of the list required by subdivision (a).

24 No funding agreement for any project may be  
25 executed by the State Energy Resources Conservation  
26 and Development Commission, and no work on the  
27 project may be started by the prospective funding  
28 recipient until at least 30 days after that notification has  
29 been made and the terms of this subdivision have been  
30 met.

31 SEC. 4. Section 3823 of the Public Resources Code is  
32 amended to read:

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34 pursuant to Section 3821 and grants or loans made to local  
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37 following purposes:

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39 relating to geothermal resource assessment and  
40 exploration, and direct-use and electric generation

1 technology.

2 (b) Local and regional planning and policy  
3 development and implementation necessary for  
4 compliance with programs required by local, state, or  
5 federal laws and regulations.

6 (c) Identification of feasible measures that will  
7 mitigate the adverse impacts of the development of  
8 geothermal resources and the adoption of ordinances,  
9 regulations, and guidelines to implement those measures.

10 (d) Collecting baseline data and conducting  
11 environmental monitoring.

12 (e) Preparation or revision of geothermal resource  
13 elements, or geothermal components of energy  
14 elements, for inclusion in the local general plan, zoning  
15 and other ordinances, and related planning and  
16 environmental documents.

17 (f) Administrative costs incurred by the local  
18 jurisdiction that are attributable to the development or  
19 production of geothermal resources.

20 (g) Monitoring and inspecting geothermal facilities  
21 and related activities to assure compliance with  
22 applicable laws, regulations, and ordinances.

23 (h) Identifying, researching, and implementing  
24 feasible measures that will mitigate the adverse impacts  
25 of that development or production.

26 (i) Planning, constructing, providing, operating, and  
27 maintaining those public services and facilities that are  
28 necessitated by and result from the development or  
29 production.

30 (j) Undertaking projects demonstrating the technical  
31 and economic feasibility of geothermal direct heat and  
32 electrical generation applications.

33 (k) Undertaking projects for the enhancement,  
34 restoration, or preservation of natural resources,  
35 including, but not limited to, water development, water  
36 quality improvement, fisheries enhancement, and park  
37 and recreation facilities and areas.

38 *SEC. 6. Notwithstanding any other provision of law,*  
39 *an amount not to exceed two hundred thousand dollars*  
40 *(\$200,000) may be expended during the 1990-91 fiscal*



1 *year by the State Energy Resources Conservation and*  
2 *Development Commission from the revenues available*  
3 *to the commission pursuant to Section 3822 of the Public*  
4 *Resources Code for the purpose of investigating the cause*  
5 *of steam decline at the Geysers and for direct technical*  
6 *assistance to local jurisdictions eligible to receive funding*  
7 *from the Geothermal Resources Development Account.*

Senate Bill No. 2200

\_\_\_\_\_

Passed the Senate August 21, 1990

\_\_\_\_\_  
*Secretary of the Senate*

\_\_\_\_\_

Passed the Assembly August 16, 1990

\_\_\_\_\_  
*Chief Clerk of the Assembly*

\_\_\_\_\_

This bill was received by the Governor this \_\_\_\_\_  
day of \_\_\_\_\_, 1990, at \_\_\_\_\_ o'clock \_\_\_\_M.

\_\_\_\_\_  
*Private Secretary of the Governor*

## CHAPTER \_\_\_\_\_

An act to amend Sections 3822, 3822.1, and 3823 of, and to add Section 3809 to, the Public Resources Code, relating to geothermal resources, and making an appropriation therefor.

## LEGISLATIVE COUNSEL'S DIGEST

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(3) The bill would authorize the commission to expend up to \$200,000 during the 1990-91 fiscal year from geothermal revenues to investigate the cause of steam

decline at the Geysers and for direct technical assistance to local jurisdictions.

Appropriation: yes.

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

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3809. "Private entity" means any individual or organization engaged in the exploration and development of geothermal energy for profit.

SEC. 2. Section 3822 of the Public Resources Code is amended to read:

3822. (a) Thirty percent of the revenues received and deposited in the Geothermal Resources Development Account shall be available for expenditure by the State Energy Resources Conservation and Development Commission as grants or loans to local jurisdictions or loans to private entities without regard to fiscal years. These revenues shall be held by the State Energy Resources Conservation and Development Commission in the Local Government Geothermal Resources Revolving Subaccount, which is hereby created within the Geothermal Resources Development Account. Loan repayments shall be deposited in the subaccount and shall be used for making additional grants and loans pursuant to Section 3823.

(b) No local jurisdiction shall be eligible to apply for a grant or loan pursuant to this section unless its governing body approves the application by resolution.

(c) Each recipient of a grant or loan made pursuant to this section shall establish for deposit of the revenues an account or fund separate from the other accounts and funds of the recipient and may expend the revenues only for the purposes specified in this chapter.

(d) The State Energy Resources Conservation and Development Commission shall make grants and loans pursuant to this section irrespective of whether a local jurisdiction is a county of origin.

(e) Any of the revenues that are not disbursed as grants or loans pursuant to this section during the fiscal



year received shall be retained in the subaccount and may be disbursed as grants or loans pursuant to this section in succeeding fiscal years.

(f) Any loan made under this section shall (1) not exceed 80 percent of the local jurisdiction's costs, (2) bear an interest rate no greater than 8 percent per year, and (3) be repayed together with interest within 20 years from receipt of the loan funds.

(g) Any loan made to a private entity under this section shall (1) be matched with at least an equal investment by the recipient, (2) provide tangible benefits, as determined by the State Energy Resources Conservation and Development Commission, to a local jurisdiction, and (3) be approved by the city, county, or Indian reservation within which the project is to be located.

SEC. 3. Section 3822.1 of the Public Resources Code is amended to read:

3822.1. (a) Notwithstanding any other provision of law, commencing with the 1984-85 fiscal year and in each fiscal year thereafter, any revenues not granted pursuant to Section 3822 remaining in the Geothermal Resources Development Account and any revenues expected to be received and disbursed during the 1984-85 fiscal year and in each fiscal year thereafter shall be made a part of the Governor's Budget. The State Energy Resources Conservation and Development Commission shall submit to the Legislature by April 1 of each year a list of projects, each selected and prioritized by the State Energy Resources Conservation and Development Commission pursuant to Section 3822.

(b) In the case of unforeseen or urgent projects which the State Energy Resources Conservation and Development Commission wishes to approve but which are not included in the April 1 budget list required by subdivision (a), the commission may approve those projects after notifying and inviting comments from the Joint Legislative Budget Committee. Notification shall include a written description of the following:

(1) The necessity of the project and the reason for the urgency.

(2) The reason the project was not included in the list required by subdivision (a) or the reason the project cannot wait until the next list required by subdivision (a).

(3) The fiscal advantages of the project.

(4) The economic impact of waiting until the next submission of the list required by subdivision (a).

No funding agreement for any project may be executed by the State Energy Resources Conservation and Development Commission, and no work on the project may be started by the prospective funding recipient until at least 30 days after that notification has been made and the terms of this subdivision have been met.

SEC. 4. Section 3823 of the Public Resources Code is amended to read:

3823. Revenues disbursed to counties of origin pursuant to Section 3821 and grants or loans made to local jurisdictions or loans to private entities pursuant to Section 3822 shall be expended by the recipient for the following purposes:

(a) Undertaking research and development projects relating to geothermal resource assessment and exploration, and direct-use and electric generation technology.

(b) Local and regional planning and policy development and implementation necessary for compliance with programs required by local, state, or federal laws and regulations.

(c) Identification of feasible measures that will mitigate the adverse impacts of the development of geothermal resources and the adoption of ordinances, regulations, and guidelines to implement those measures.

(d) Collecting baseline data and conducting environmental monitoring.

(e) Preparation or revision of geothermal resource elements, or geothermal components of energy elements, for inclusion in the local general plan, zoning and other ordinances, and related planning and environmental documents.

(f) Administrative costs incurred by the local jurisdiction that are attributable to the development or

production of geothermal resources.

(g) Monitoring and inspecting geothermal facilities and related activities to assure compliance with applicable laws, regulations, and ordinances.

(h) Identifying, researching, and implementing feasible measures that will mitigate the adverse impacts of that development or production.

(i) Planning, constructing, providing, operating, and maintaining those public services and facilities that are necessitated by and result from the development or production.

(j) Undertaking projects demonstrating the technical and economic feasibility of geothermal direct heat and electrical generation applications.

(k) Undertaking projects for the enhancement, restoration, or preservation of natural resources, including, but not limited to, water development, water quality improvement, fisheries enhancement, and park and recreation facilities and areas.

SEC. 6. Notwithstanding any other provision of law, an amount not to exceed two hundred thousand dollars (\$200,000) may be expended during the 1990-91 fiscal year by the State Energy Resources Conservation and Development Commission from the revenues available to the commission pursuant to Section 3822 of the Public Resources Code for the purpose of investigating the cause of steam decline at the Geysers and for direct technical assistance to local jurisdictions eligible to receive funding from the Geothermal Resources Development Account.

Approved \_\_\_\_\_, 1990

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*Governor*



## Senate Bill No. 2200

### CHAPTER 644

An act to amend Sections 3822, 3822.1, and 3823 of, and to add Section 3809 to, the Public Resources Code, relating to geothermal resources, and making an appropriation therefor.

[Approved by Governor September 8, 1990. Filed with  
Secretary of State September 11, 1990.]

#### LEGISLATIVE COUNSEL'S DIGEST

SB 2200, Nielsen. Geothermal resources: loans.

(1) Under existing law, geothermal revenues deposited in the Geothermal Resources Development Account in the General Fund are continuously appropriated for specified purposes. The Controller is required to disburse 40% of these geothermal revenues to the county of origin, and the State Energy Resources Conservation and Development Commission is authorized to expend 30% of these geothermal revenues to provide grants or loans to local jurisdictions, as defined, for specified purposes.

This bill would also authorize the commission to make loans to private entities engaged in the exploration and development of geothermal energy, subject to specified conditions, thereby making an appropriation. The bill would extend the maximum repayment period on loans from 6 to 20 years.

(2) Under existing law, the State Energy Resources Conservation and Development Commission is required to submit to the Legislature by April 1 of each year a list of projects relating to geothermal resources selected and prioritized by the commission.

This bill would require the commission to provide notification, as specified, for any unforeseen or urgent projects which the commission wishes to approve but which are not included in the April 1 budget list and would prohibit the commission from executing any funding agreement for any project until at least 30 days after that notification has been made.

(3) The bill would authorize the commission to expend up to \$200,000 during the 1990-91 fiscal year from geothermal revenues to investigate the cause of steam decline at the Geysers and for direct technical assistance to local jurisdictions.

Appropriation: yes.

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

SECTION 1. Section 3809 is added to the Public Resources Code, to read:

3809. "Private entity" means any individual or organization engaged in the exploration and development of geothermal energy

for profit.

SEC. 2. Section 3822 of the Public Resources Code is amended to read:

3822. (a) Thirty percent of the revenues received and deposited in the Geothermal Resources Development Account shall be available for expenditure by the State Energy Resources Conservation and Development Commission as grants or loans to local jurisdictions or loans to private entities without regard to fiscal years. These revenues shall be held by the State Energy Resources Conservation and Development Commission in the Local Government Geothermal Resources Revolving Subaccount, which is hereby created within the Geothermal Resources Development Account. Loan repayments shall be deposited in the subaccount and shall be used for making additional grants and loans pursuant to Section 3823.

(b) No local jurisdiction shall be eligible to apply for a grant or loan pursuant to this section unless its governing body approves the application by resolution.

(c) Each recipient of a grant or loan made pursuant to this section shall establish for deposit of the revenues an account or fund separate from the other accounts and funds of the recipient and may expend the revenues only for the purposes specified in this chapter.

(d) The State Energy Resources Conservation and Development Commission shall make grants and loans pursuant to this section irrespective of whether a local jurisdiction is a county of origin.

(e) Any of the revenues that are not disbursed as grants or loans pursuant to this section during the fiscal year received shall be retained in the subaccount and may be disbursed as grants or loans pursuant to this section in succeeding fiscal years.

(f) Any loan made under this section shall (1) not exceed 80 percent of the local jurisdiction's costs, (2) bear an interest rate no greater than 8 percent per year, and (3) be repayed together with interest within 20 years from receipt of the loan funds.

(g) Any loan made to a private entity under this section shall (1) be matched with at least an equal investment by the recipient, (2) provide tangible benefits, as determined by the State Energy Resources Conservation and Development Commission, to a local jurisdiction, and (3) be approved by the city, county, or Indian reservation within which the project is to be located.

SEC. 3. Section 3822.1 of the Public Resources Code is amended to read:

3822.1. (a) Notwithstanding any other provision of law, commencing with the 1984-85 fiscal year and in each fiscal year thereafter, any revenues not granted pursuant to Section 3822 remaining in the Geothermal Resources Development Account and any revenues expected to be received and disbursed during the 1984-85 fiscal year and in each fiscal year thereafter shall be made a part of the Governor's Budget. The State Energy Resources

Conservation and Development Commission shall submit to the Legislature by April 1 of each year a list of projects, each selected and prioritized by the State Energy Resources Conservation and Development Commission pursuant to Section 3822.

(b) In the case of unforeseen or urgent projects which the State Energy Resources Conservation and Development Commission wishes to approve but which are not included in the April 1 budget list required by subdivision (a), the commission may approve those projects after notifying and inviting comments from the Joint Legislative Budget Committee. Notification shall include a written description of the following:

- (1) The necessity of the project and the reason for the urgency.
- (2) The reason the project was not included in the list required by subdivision (a) or the reason the project cannot wait until the next list required by subdivision (a).
- (3) The fiscal advantages of the project.
- (4) The economic impact of waiting until the next submission of the list required by subdivision (a).

No funding agreement for any project may be executed by the State Energy Resources Conservation and Development Commission, and no work on the project may be started by the prospective funding recipient until at least 30 days after that notification has been made and the terms of this subdivision have been met.

SEC. 4. Section 3823 of the Public Resources Code is amended to read:

3823. Revenues disbursed to counties of origin pursuant to Section 3821 and grants or loans made to local jurisdictions or loans to private entities pursuant to Section 3822 shall be expended by the recipient for the following purposes:

- (a) Undertaking research and development projects relating to geothermal resource assessment and exploration, and direct-use and electric generation technology.
- (b) Local and regional planning and policy development and implementation necessary for compliance with programs required by local, state, or federal laws and regulations.
- (c) Identification of feasible measures that will mitigate the adverse impacts of the development of geothermal resources and the adoption of ordinances, regulations, and guidelines to implement those measures.
- (d) Collecting baseline data and conducting environmental monitoring.
- (e) Preparation or revision of geothermal resource elements, or geothermal components of energy elements, for inclusion in the local general plan, zoning and other ordinances, and related planning and environmental documents.
- (f) Administrative costs incurred by the local jurisdiction that are attributable to the development or production of geothermal

resources.

(g) Monitoring and inspecting geothermal facilities and related activities to assure compliance with applicable laws, regulations, and ordinances.

(h) Identifying, researching, and implementing feasible measures that will mitigate the adverse impacts of that development or production.

(i) Planning, constructing, providing, operating, and maintaining those public services and facilities that are necessitated by and result from the development or production.

(j) Undertaking projects demonstrating the technical and economic feasibility of geothermal direct heat and electrical generation applications.

(k) Undertaking projects for the enhancement, restoration, or preservation of natural resources, including, but not limited to, water development, water quality improvement, fisheries enhancement, and park and recreation facilities and areas.

SEC. 6. Notwithstanding any other provision of law, an amount not to exceed two hundred thousand dollars (\$200,000) may be expended during the 1990-91 fiscal year by the State Energy Resources Conservation and Development Commission from the revenues available to the commission pursuant to Section 3822 of the Public Resources Code for the purpose of investigating the cause of steam decline at the Geysers and for direct technical assistance to local jurisdictions eligible to receive funding from the Geothermal Resources Development Account.



Approved \_\_\_\_\_, 1990

\_\_\_\_\_  
*Governor*

AUTHOR'S COPY

THIRD READING

AUTHOR'S COPY

**SENATE RULES COMMITTEE**

Office of  
Senate Floor Analyses  
1100 J Street, Suite 120  
445-6614

Bill No. SB 2200  
Author: Nielsen (R), et al  
Amended: 5/8/90  
Vote Required: 2/3

Committee Votes:

Senate Floor Vote:

COMMITTEE: ENERGY/PUB. UTIL.		
BILL NO.:	SB 2200	
DATE OF HEARING:	4-19-90	
SENATORS:	AYE	NO
Alquist	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Garamendi	<input checked="" type="checkbox"/>	<input type="checkbox"/>
L. Greene	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Hart	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Mello	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Morgan	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Russell (VC)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Rosenthal (Ch)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
TOTAL:	15	0

PLACED  
ON FILE  
PURSUANT  
TO SENATE  
RULE 28.8

Assembly Floor Vote:

**SUBJECT:** Geothermal resources: loans

**SOURCE:** California Energy Commission

**DIGEST:** This bill revises the California Energy Commission's (CEC) local government Geothermal Grant and Loan Program.

**ANALYSIS:** Under the Warren-Alquist Act, the CEC is responsible for promoting the development of new technologies, including geothermal energy.

Geothermal energy is natural heat from the earth's interior, which flows to the earth's surface, resulting in "hot spots", such as hot springs, geysers and volcanoes. California has the largest geothermal resource potential of any U.S. state, part of which is used to generate electric power.

Under federal law, 50 percent of the monies received from federal geothermal leases are paid to the state where the leases are located. In California, these funds are deposited in the state's Geothermal Resources Development Account (GRDA). The California Legislature (Bosco/Keene-1980) provided for the distribution of federal GRDA funds as follows: 40 percent to the county of origin; 30 percent to the California Parkland and Renewable Resources Investment Fund; and 30 percent to the California Energy Commission.

The 1980 legislation also directed the CEC to create a geothermal grant program that would provide funding to local jurisdictions to develop geothermal resources. Since

CONTINUED

1980, the CEC has awarded \$17.1 million in GRDA funds to 126 local government projects.

Current law requires the CEC to submit to the Legislature by April 1 of each year a prioritized list of GRDA-funded geothermal projects to be included in the budget.

Current law authorizes the CEC to expand the geothermal program to include loans as well as grants, which must be paid back to the CEC within six years. Loan repayments are placed in the GRDA account and reloaned to new projects.

This bill modifies three provisions of the Geothermal Grant and Loan Program:

1. Extend the maximum loan term from six to twenty years;
2. Expand the eligibility criteria to allow grants and loans to private entities. Any such loan must (1) be matched with at least an equal investment by the recipient, (2) provide tangible benefits, as determined by CEC, to a local jurisdiction, and (3) be approved by the city, county, or Indian reservation within which the project is to be located;
3. Require the commission to provide notification, as specified, for any unforeseen or urgent projects which the commission wishes to approve but which are not included in the April 1 budget list and would prohibit the commission from executing any funding agreement for any project until at least 30 days after that notification has been made.

Comment (According to the Senate Energy and Public Utilities Committee analysis)

The author introduced this bill on behalf of the CEC. The author believes that modifying the funding, review and repayment process of the Geothermal Grant and Loan Program would give the CEC greater flexibility in administering the program, and thereby increase the effectiveness of the programs.

The CEC has stated that the current six-year loan repayment period is unreasonably short in light of the types of geothermal projects it funds. According to the CEC, even when a loan agreement requires that all savings or revenues accrued during the six-year repayment period go toward repaying the loan, local governments are often unable to recover the entire cost of larger geothermal projects within a six-year period. The CEC believes that expanding the loan repayment period to 20 years would increase the likelihood of loans being repaid, while also ensuring that loan recipients begin reaping the benefits of their projects as early as possible.

The CEC has stated that the effectiveness of the grant and loan program could also be increased if the eligibility criteria allowed private entities to receive GRDA funds. The CEC has found that local jurisdictions often lack the expertise, initiative, staff or funds to carry out geothermal resource exploration activities or development projects. This bill would allow the CEC to fund private geothermal projects when there is a tangible benefit to a local jurisdiction, and when they have been approved by the city, county, or Indian reservation within which the project is to be located.

FISCAL EFFECT: Appropriation: Yes Fiscal Committee: Yes Local: No



SENATE COMMITTEE ON ENERGY AND PUBLIC UTILITIES

SB 2200 - NIELSEN

Hearing date: 4-19-90

Public Resources Code

Appropriations: Yes

S  
B  
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SENATE BILL 2200:

would revise the California Energy Commission's (CEC) local government Geothermal Grant and Loan Program.

BACKGROUND

Under the Warren-Alquist Act, the CEC is responsible for promoting the development of new technologies, including geothermal energy.

Geothermal energy is natural heat from the earth's interior, which flows to the earth's surface, resulting in "hot spots", such as hot springs, geysers and volcanoes. California has the largest geothermal resource potential of any U.S. state, part of which is used to generate electric power.

Under federal law, 50% of the monies received from federal geothermal leases are paid to the state where the leases are located. In California, these funds are deposited in the state's Geothermal Resources Development Account (GRDA). The California Legislature (Bosco/Keene-1980) provided for the distribution of federal GRDA funds as follows: 40% to the county of origin; 30% to the California Parkland and Renewable Resources Investment Fund; and 30% to the California Energy Commission.

The 1980 legislation also directed the CEC to create a geothermal grant program that would provide funding to local jurisdictions to develop geothermal resources. Since 1980, the CEC has awarded \$17.1 million in GRDA funds to 126 local government projects.

AB 1780 (Hauser), Chapter 837 of 1983, required the CEC to submit to the Legislature by April 1 of each year a prioritized list of GRDA-funded geothermal projects to be included in the budget.

SB 2102 (Dills), Chapter 1066 of 1984, authorized the CEC to expand the geothermal program to include loans as well as grants, which must be paid back to the CEC within six years. Loan repayments are placed in the GRDA account and reloaned to new projects.



### DESCRIPTION

SB 2200 would modify three provisions of the Geothermal Grant and Loan Program:

1. Extend the maximum loan term from six to twenty years;
2. Expand the eligibility criteria to allow grants and loans to private entities;
3. Remove the grant and loan program from the legislative budget process and instead set up an ongoing project evaluation process. CEC-approved proposals would be reported to the Department of Finance, Legislative Analyst, and the Joint Legislative Budget Committee, with 30 days to comment. After 30 days, the funding agreements would be executed and the projects begun.

### COMMENTS

1. The author introduced this bill on behalf of the CEC. The author believes that modifying the funding, review and repayment process of the Geothermal Grant and Loan Program would give the CEC greater flexibility in administering the program, and thereby increase the effectiveness of the program.

Several local governments are opposed to the provision in SB 2200 which would allow the CEC to award GRDA funds to private entities because it would reduce the amount of funds available to local jurisdictions. They indicate that their opposition could be removed if the bill were amended to require that applications from private entities be approved by the local jurisdiction. The author has agreed to amend the bill to require that any grant or loan to a private entity shall be approved by the city, county or Indian reservation within which the project is located. The amendments will also make other technical changes.

2. The CEC has stated that the current six-year loan repayment period is unreasonably short in light of the types of geothermal projects it funds. According to the CEC, even when a loan agreement requires that all savings or revenues accrued during the six-year repayment period go toward repaying the loan, local governments are often unable to recover the entire cost of larger geothermal projects within a six-year period. The CEC believes that expanding the loan repayment period to 20 years would increase the likelihood of loans being repaid, while also ensuring that loan recipients begin reaping the benefits of their projects as early as possible.

3. The CEC has proposed a 30-day legislative review period to replace the annual budget review procedure. By removing the geothermal grant and loan program from the annual legislative budget process, the CEC believes it can provide more timely funding for multi-phase geothermal projects, or projects that incur unexpected costs and need immediate assistance.

4. The CEC has stated that the effectiveness of the grant and loan program could also be increased if the eligibility criteria allowed private entities to receive GRDA funds. The CEC has found that local jurisdictions often lack the expertise, initiative, staff or funds to carry out geothermal resource exploration activities or development projects. SB 2200 would allow the CEC to fund private geothermal projects when there is a tangible benefit to a local jurisdiction.

#### POSITIONS

##### Support:

California Energy Commission

##### Oppose:

County of Mono  
County of Lake  
Lake County Office of Education

KA  
SB 2200 analysis  
Hearing date: 4-19-90

SA

Honorable Jim Nielsen /  
Member of the Senate  
State Capitol, Room 3063  
Sacramento, CA 95814

DEPARTMENT      AUTHOR      BILL NUMBER  
Finance          Nielsen et al.      SB 2200

SPONSORED BY      RELATED BILLS      AMENDMENT DATE  
Ca. Energy                              May 8, 1990  
Commission (CEC)

BILL SUMMARY

This bill would authorize the CEC to extend its loan program from the Local Government Geothermal Resources Revolving Subaccount to private entities for specified purposes. It would authorize the additional use of funds for direct-use and electric generation technology. It would also extend the loan repayment period from 6 years to a maximum of 20 years. The CEC would also be authorized to fund unforeseen or urgent projects, after 30 days notification to the Joint Legislative Budget Committee.

SUMMARY OF COMMENTS

The Department of Finance (DOF) is neutral, fiscally, and defers to the Resources Agency regarding the appropriateness of extending the loan program to private entities.

FISCAL SUMMARY--STATE LEVEL

Code/Department Agency or Revenue Type	SO LA CO RV	PROP 98	(Fiscal Impact by Fiscal Year) (Dollars in Thousands)			Code Fund
			FC 1989-90	FC 1990-91	FC 1991-92	
3360/CEC			-----No Fiscal Impact-----			

Impact on State Appropriations Limit--No

POSITION:                              Department Director      Date

Neutral, fiscally;  
defer to the Resources  
Agency for policy

*Linda C. Ferch* 5/16/90

ac. Principal Analyst      Date  
(964) Don A. Rascon

Program Budget Manager      Date  
Diane M. Cummins

Governor's Office  
Position noted  
Position approved  
Position disapproved  
by:      date:

*Don A. Rascon* 5/15/90

*Diane M. Cummins* 5/15/90

*5/16/90*

## BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)

Form DF-43

AUTHOR

AMENDMENT DATE

BILL NUMBER

Nielsen et al.

May 8, 1990

SB 2200

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ANALYSIS

## A. Specific Findings

The CEC indicates that providing loans to private entities is necessary because local governments rarely have the staff or funds to carry out resource exploration activities or development projects or the in-house expertise to design, develop, and operate a geothermal energy system. Since local governments have the capability of contracting out for services for which they have no expertise, and to the extent that they have to approve the loans made to private entities, the need to change the law to make direct loans to private entities for the purposes indicated by the CEC is not apparent to the DOF.

## B. Fiscal Analysis

The CEC indicates that it would not incur additional costs as the result of this bill's provisions.



DP 11-0  
All Reps Agre

SB 2200

Date of Hearing: June 25, 1990

Fiscal: Yes

Urgency: No

ASSEMBLY COMMITTEE ON NATURAL RESOURCES

Byron D. Sher, Chair

SB 2200 (Nielsen) - As Amended: May 8, 1990

Senate Energy & Public Utilities	(5-0)	(4/19/90)
Senate Appropriations	Rule 28.8	(5/17/90)
Senate Floor	(33-0)	(5/25/90) Consent

SUBJECT: **GEO THERMAL RESOURCES:**

SHOULD PRIVATE ENTITIES BE ELIGIBLE FOR ENERGY COMMISSION LOANS  
FOR EXPLORATION AND DEVELOPMENT OF GEO THERMAL ENERGY?

DIGEST

Appropriations. 2/3 vote required.

Existing law:

- 1) Allocates 50% of revenues from federal geothermal leases to the state in which the leases are located.
- 2) Allocates state share of federal geothermal lease revenues as follows:
  - a) 40% to the county in which the federal lease is located.
  - b) 30% to the Renewable Resources Investment Fund for use in statutorily specified environmental programs.
  - c) 30% to the California Energy Commission (CEC), for grants and loans to local jurisdictions for development of geothermal resources.
- 3) Requires the CEC to submit to the Legislature, by April 1 of each year, a list of projects to be funded using federal geothermal revenues.

This bill:

- 1) Makes a private entity eligible for loans from the CEC for exploration and development of geothermal resources if:
  - a) The private entity matches the loan with at least an equal investment.
  - b) The loan provides tangible benefits to a local jurisdiction.
  - c) The loan is approved by the local government or Indian reservation within which the project to be financed by the loan is located.

- continued -

SB 2200

Page 1

- 2) Expands the eligible uses of geothermal resource loans to include research into direct-use and electric generation technology.
- 3) Authorizes geothermal loans to be made for a period of 20 instead of 6 years.
- 4) Authorizes the CEC to fund unforeseen and urgent projects using federal geothermal revenues 30 days after notifying the Joint Legislative Budget Committee.

#### COMMENTS

Background. According to the CEC, this measure is intended to broaden the existing geothermal resource grant and loan program. Since 1980 the CEC has awarded \$17.1 million for 126 local government projects pursuant to this program. The changes proposed by the bill respond to problems and needs identified by the CEC from its experience in running the program.

CEC proposes a twenty-year loan repayment period because the present six-year repayment requirement is unrealistic in light of the revenues which geothermal projects generate.

The CEC also asserts that reliance on local governments to develop geothermal resources is unrealistic where those local governments are small and unknowledgeable. In response to local government concerns, the CEC has amended the measure to require that loans to private entities must benefit local jurisdictions and receive local government approvals.

The CEC has asked for an alternative method of legislative oversight of the loan program to enable the agency to respond quickly to desirable and urgent projects.

SOURCE: California Energy Commission

SUPPORT: Geothermal Resources Association  
Lake County  
Mono County

OPPOSITION: None on file

Consent w/Amend.

SB 2200 (Nielsen)  
8/8/90

ASSEMBLY WAYS AND MEANS COMMITTEE  
REPUBLICAN ANALYSIS

SB 2200 (Nielsen) -- GEOTHERMAL RESOURCES: LOANS

Version: 5/8/90

Vice Chairman: Bill Baker

Recommendation: Support

Vote: 2/3

Summary: Expands an Energy Commission geothermal energy development program to allow for loans to private entities. Extends the maximum repayment period on loans from 6 to 20 years. Requires the Commission to provide notification to the Legislature of any unforeseen or urgent projects which the Commission had not included in their annual project prioritization list; prohibits the Commission from executing any funding agreement until at least 30 days after notifying the Legislature. Fiscal effect: Annual revenue loss of probably less than \$250,000 beginning in 1991-92 to the Geothermal Resources Development Account from extending the loan repayment on geothermal loans from six to 20 years.

Supported by: Calif. Energy Commission (sponsor); Geothermal Resources Assn.; Lake County; Mono County. Opposed by: Unknown. Governor's position: Unknown (DOF is neutral).

Comments: Under current law, the Energy Commission receives 30% of the state's share of federal geothermal lease revenues. The Commission is allowed to use that money for grants and loans to local jurisdictions only. This bill simply allows the Commission to provide loans to private companies as well, and allows for a 20 year repayment period for loans.

The Commission argues that many local governments do not have the expertise to be running geothermal projects. The bill does not give the Commission any more money for this program; it simply gives the Commission more flexibility in how it divides the money up.

Senate Republican Floor vote -- 5/25/90

(33-0) Ayes: All Republicans present and voting

Assembly Republican Committee vote

Nat. Res. -- 6/25/90

(11-0) Ayes: All Republicans

Consultants: Bill Lewis/Shannon Hood

SB2200

SB 2200 (Nielsen)

Analyzed: ~~06/20/90~~ 8/8/90

ASSEMBLY WAYS AND MEANS COMMITTEE  
REPUBLICAN ANALYSIS

SB 2200 (Nielsen) -- GEOTHERMAL RESOURCES: LOANS

Version: 5/8/90

Vice Chairman: Bill Baker

Recommendation: Support

Vote: 2/3

Summary: Expands an Energy Commission geothermal energy development program to allow for loans to private entities. Extends the maximum repayment period on loans from 6 to 20 years. Requires the Commission to provide notification to the Legislature of any unforeseen or urgent projects which the Commission had not included in their annual project prioritization list; prohibits the Commission from executing any funding agreement until at least 30 days after notifying the Legislature. Fiscal effect: Unknown. *Insert (A)*

Supported by: Calif. Energy Commission (sponsor); Geothermal Resources Assn.; Lake County; Mono County. Opposed by: Unknown. Governor's position: Unknown. *(DOF is neutral)*

*PP* Comments: Under current law, the Energy Commission receives 30% of the state's share of federal geothermal lease revenues. The Commission is allowed to use that money for grants and loans to local jurisdictions only. This bill simply allows the Commission to provide loans to private companies as well, and allows for a 20 year repayment period for ~~these~~ loans. ~~This seems reasonable;~~ The Commission argues that many local governments do not have the expertise to be running geothermal projects. The bill does not give the Commission any more money for this program; it simply gives the Commission more flexibility in how it divides the money up.

Senate Republican Floor vote -- 5/25/90

(33-0) Ayes: All Republicans present and voting

Assembly Republican Committee vote

Nat. Res. -- 6/25/90

(11-0) Ayes: All Republicans

Consultants: Bill Lewis/SH



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Legislative Analyst  
July 9, 1990

ANALYSIS OF SENATE BILL NO. 2200 (Nielsen)  
As Amended in Senate May 8, 1990  
1989-90 Session

Fiscal Effect:

Cost: None.

*Insert A*

Revenue: Annual revenue loss of probably less than \$250,000 beginning in 1991-92 to the Geothermal Resources Development Account from extending the loan repayment on geothermal loans from six to 20 years.

Analysis:

This bill makes various changes to the Geothermal Grant and Loan Program administered by the California Energy Commission (CEC).

Under existing law, federal geothermal lease revenues [Geothermal Resources Development Account (GRDA) funds] are deposited in the GRDA in the General Fund. Thirty percent of these revenues are appropriated to the CEC to provide grants and loans to local jurisdictions to develop geothermal resources.

Specifically, this bill makes the following changes to the Geothermal Grant and Loan Program:

- Extends the loan repayment period from six to 20 years;
- Authorizes loans to the private sector if (1) they are matched by at least equal investments in private funds, (2) are determined by

the CEC to provide "tangible benefits" to the local jurisdiction and (3) are approved by the local government where the project is located;

- Authorizes the CEC to fund geothermal research and development projects;
- Allows the CEC to approve unforeseen or urgent projects that are not budgeted with 30-day notification of the Joint Legislative Budget Committee.

#### Fiscal Effect

This bill would not result in any new state costs.

Revenues. This bill would result in an annual revenue loss of probably less than \$250,000 beginning in 1991-92 to the GRDA from extending the loan repayment on geothermal loans from six to 20 years. In the near term, extending the loan repayment period would reduce loan repayments by probably less than \$250,000 annually. In the longer term, these losses would be substantially offset by future loan repayments. In addition, extending the repayment period could reduce loan defaults further increasing future loan repayments.

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