

AMENDED IN ASSEMBLY APRIL 4, 2001

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

**ASSEMBLY BILL**

**No. 578**

**Introduced by Assembly Member La Suer**

February 21, 2001

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An act to ~~add Section 6501.4~~ amend Section 14671.6 of the Government Code, and to add Section 25612 to the Public Resources Code, relating to energy facilities, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 578, as amended, La Suer. State lands: leases: electric generation facilities.

(1) Existing law authorizes the ~~State Lands Commission~~ Department of General Services to lease ~~state lands, subject to specified conditions~~, for up to 35 years, any real or personal state property for energy conservation purposes, or to permit the construction and operation of energy distribution systems, cogeneration facilities, and alternative energy supply source facilities.

This bill would *expand that authorization by authorizing the department to lease that state property for the construction or operation of electrical generation facilities. The bill would also require the ~~commission~~ department, at the earliest possible time, to establish a process for the lease of state lands to be used for the siting and operation of electric generation facilities. The bill would require that any lease so entered into by the ~~commission~~ department provide for a ~~50-year~~ 35-year no cost lease of state lands used for an electric generation facility at a nominal cost, as determined by the department, and include*

provisions requiring that a lessee meet specified conditions pertaining to the use and generation of electric power generated at the site. The bill would require that, at the time a lease entered into pursuant to those provisions expires, the lessee shall have the option of renewing or extending the term of the lease, for another period mutually agreed upon by the ~~commission~~ department and the lessee, if the original terms and conditions of the lease are met. The bill would require the ~~Department of General Services~~ department, not later than 90 days after the effective date of the bill, to ~~provide the commission with~~ make available to the public a list of all state lands that would constitute a suitable site for an electric generation facility.

(2) The bill would declare that it is to take effect immediately as an urgency statute.

Vote: <sup>2</sup>/<sub>3</sub>. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

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

1 SECTION 1. *Section 14671.6 of the Government Code is*  
 2 *amended to read:*

3 14671.6. (a) Notwithstanding Section 14670, the Director of  
 4 General Services, with the consent of the state agency concerned,  
 5 or the Trustees of the California State University with Department  
 6 of Finance and Department of General Services approval, may let  
 7 for up to 35 years any real or personal state property for energy  
 8 conservation purposes or to permit the construction and operation  
 9 of energy distribution systems, cogeneration facilities, *electric*  
 10 *generation facilities*, and alternative energy supply source  
 11 facilities.

12 ~~Any~~

13 (b) Any lease, agreement, or contract relating to the  
 14 construction or operation of ~~such~~ a facility *described in*  
 15 *subdivision (a)* may provide for the sale of energy, performance of  
 16 energy-related work, exchange of energy, ~~and~~ *generation of*  
 17 *energy, or* state assistance in development and operation of the  
 18 project. The lease ~~shall~~ *may* contain ~~such~~ any other provisions ~~as~~  
 19 the director deems appropriate.

20 ~~Any~~

21 (c) Any lease of state property entered into pursuant to this  
 22 section may be at less than market value ~~when~~ *if* the director



1 determines it will serve a statewide public purpose by  
 2 implementing the policy set forth in Section 25008 of the Public  
 3 Resources Code. The director or the Trustees of the California  
 4 State University may lease back the property and any facilities  
 5 constructed thereon if ~~such leasing~~ *that lease* is deemed to be in  
 6 the best interest of the state.

7 ~~The~~

8 (d) *The* director, or any other state agency with the approval of  
 9 the director, or the Trustees of the California State University with  
 10 the approval of the Department of Finance, may enter into  
 11 contracts regarding the operation of ~~such~~ *a facility described in*  
 12 *subdivision (a)*, or the providing, selling, exchanging, buying, and  
 13 use of energy in connection with ~~a~~ *the* facility. Any costs or  
 14 expenses incurred by the Department of General Services or any  
 15 other state agency or the trustees in connection with the entering  
 16 into and management of any lease, agreement, or contract entered  
 17 into pursuant to this section may be reimbursed from the rentals or  
 18 other revenues from the leases, agreements, or contracts. No lease,  
 19 agreement, or contract shall be entered into pursuant to this section  
 20 unless the Chairperson of the Joint Legislative Budget Committee,  
 21 or his or her designee, is notified of the intention to execute the  
 22 lease, agreement, or contract at least 20 days prior to its execution.

23 ~~Projects which may be undertaken in the 1982-83 fiscal year~~  
 24 ~~pursuant to this section include, but are not limited to,~~  
 25 ~~co-generation and energy conservation projects at the following~~  
 26 ~~facilities: Metropolitan, Atascadero, Agnews, and Camarillo State~~  
 27 ~~Hospitals; California Institution for Men at Chino, Correctional~~  
 28 ~~Training Facility at Soledad; and California State Universities at~~  
 29 ~~San Jose, Northridge, Pomona, and San Luis Obispo.~~

30 SEC. 2. Section ~~6501.4~~ 25612 is added to the Public  
 31 Resources Code, to read:

32 ~~6501.4. (a) The commission, at the earliest possible time,~~  
 33 25612. (a) *The Department of General Services, at the*  
 34 *earliest possible time*, shall establish a process for the lease of state  
 35 lands to be used for the siting and operation of electric generation  
 36 facilities. Any lease of state lands that is entered into by the  
 37 ~~commission~~ *department* pursuant to this section shall provide for  
 38 a ~~50-year no-cost~~ *35-year* lease of state lands used for an electric  
 39 generation facility, *at a nominal cost as determined by the*



1 *department*, and shall include provisions requiring that a lessee  
2 meet both of the following conditions:

3 (1) The electricity generated at the facility shall be committed  
4 for use in California.

5 (2) The electricity generated at the facility shall be sold to  
6 California consumers at a reasonable rate, as determined by the  
7 Public Utilities Commission.

8 (b) At the time a lease entered into pursuant to subdivision (a)  
9 expires, the lessee shall have the option of renewing or extending  
10 the term of the lease, for another period mutually agreed upon by  
11 the ~~commission~~ *department* and the lessee, if the original terms  
12 and conditions of the lease are met.

13 (c) The ~~Department of General Services~~ *department*, not later  
14 than 90 days after the effective date of this section, shall ~~provide~~  
15 ~~the commission with~~ *make available to the public* a list of all state  
16 lands that would constitute a suitable site for an electric generation  
17 facility.

18 ~~SEC. 2.—~~

19 *SEC. 3. The Legislature finds and declares that since the*  
20 *summer of 2000, the State of California has experienced an*  
21 *unprecedented energy shortage, which has contributed to the*  
22 *enormous increases in the prices paid for power in the state's*  
23 *wholesale power markets. These sudden and severe electricity*  
24 *shortages threaten the health and safety of all citizens in the state,*  
25 *weaken the vital nature of the high-technology economy that is*  
26 *exclusive to our state, reduce the productivity of our farming*  
27 *communities, and disrupt the education of children in the state.*  
28 *Because it is likely that serious shortages of electricity will*  
29 *continue until sufficient additional generation capacity is installed*  
30 *and operational, it is the intent of the Legislature to facilitate the*  
31 *long term well-being of the citizens of the state by providing an*  
32 *incentive for the lease of state property in order for businesses to*  
33 *expand while assisting in the production and supply of electricity*  
34 *to the consumers in the state.*

35 *SEC. 4. This act is an urgency statute necessary for the*  
36 *immediate preservation of the public peace, health, or safety*  
37 *within the meaning of Article IV of the Constitution and shall go*  
38 *into immediate effect. The facts constituting the necessity are:*



1 Due to the shortage of electric generation capacity to meet the  
2 needs of the people of this state, it is necessary that this act take  
3 effect immediately.

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