

AMENDED IN ASSEMBLY JUNE 19, 2013

AMENDED IN SENATE MAY 8, 2013

AMENDED IN SENATE APRIL 8, 2013

SENATE BILL

No. 48

Introduced by Senator Hill

December 19, 2012

An act to add Section 740.5 to the Public Utilities Code, relating to public utilities.

LEGISLATIVE COUNSEL'S DIGEST

SB 48, as amended, Hill. Public utilities: research and development projects.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations, gas corporations, heat corporations, and telephone corporations, as defined. Existing law authorizes the commission to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable. Existing law authorizes electrical corporations, gas corporations, heat corporations, and telephone corporations to voluntarily adopt certain research and development programs and authorizes the commission to allow inclusion of expenses for research and development in rates. Existing law requires the commission to consider specified guidelines in evaluating the research, development, and demonstration programs proposed by electrical corporations and gas corporations.

This bill would require ~~that when the commission reviews a request from a public utility for authorization to incur expenses for a research and development project, as defined, where the project expenses are to~~

~~be recovered from ratepayers and are in excess of \$1,500,000 per year, the commission is to administer a peer review, as defined, with certain exceptions. The bill the commission, by July 1, 2015, and every 3 years thereafter, to require electrical corporations with more than 100,000 customer accounts, to file a 3-year research plan, which includes, among other things, proposals for specific research and development projects and the estimated costs of the projects to the ratepayers. The bill would require the Legislative Analyst's Office to select members of a peer review to evaluate the 3-year research plan of each electrical corporation and would require that the peer review consider specified matters. The bill would require the commission, by December 31, 2014, and by December 31 of each 3rd year thereafter, to prepare and submit a report to the relevant policy and fiscal committees of the Legislature listing all research and development projects where the expenses of the project were or are recovered from ratepayers during the previous 3 years, including for each project the citations of all published papers, all oral and poster presentations given at public meetings, and all patents awarded for the funded research.~~

Vote: majority. 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 740.5 is added to the Public Utilities
2 Code, to read:
3 740.5. (a) For purposes of this section, the following terms
4 have the following meanings:
5 (1) "Peer review" means a thorough, consistent, and objective
6 examination based on preestablished criteria by persons who are
7 independent of persons submitting an application, or conducting
8 the research and development, and who are knowledgeable in the
9 field of endeavor to which the application or research and
10 development pertains. Peer reviewers shall be free of any financial
11 or other interest which could significantly impair the individual's
12 objectivity or create ~~and~~ an unfair competitive advantage for any
13 person or organization.
14 (2) "Research and development project" includes a research,
15 development, and demonstration project or program.
16 ~~(b) When reviewing any request from a public utility for~~
17 ~~authorization to incur expenses for a research and development~~

1 ~~project where the project expenses are to be recovered from~~
2 ~~ratepayers and are in excess of one million five hundred thousand~~
3 ~~dollars (\$1,500,000) per year, the commission shall administer a~~
4 ~~peer review of the proposed project before authorizing recovery~~
5 ~~of the project's expenses from ratepayers. The peer review shall~~
6 ~~consider all of the following:~~

7 *(b) The commission shall, no later than July 1, 2015, and*
8 *triennially thereafter, require electrical corporations with more*
9 *than 100,000 customer accounts to file a three-year research plan.*

10 *The plan shall include:*

11 *(1) The research areas in which the utilities intend to engage.*

12 *(2) Proposals for specific research and development projects,*
13 *and the estimated costs of the projects to the ratepayers.*

14 *(3) A proposed amount allocated for unspecified research.*

15 *(c) The Legislative Analyst's Office shall select members of a*
16 *peer review to evaluate the three-year research plan of each*
17 *electrical corporation. The peer review shall consider the electrical*
18 *corporation's research and development activities from the*
19 *preceding three years in evaluating the electrical corporation's*
20 *proposed research and development projects and in providing*
21 *guidance to the electrical corporation for improving the projects.*
22 *Members of the peer review may add supplemental reviewers on*
23 *an ad hoc basis to ensure the reviewers have sufficient technical*
24 *expertise to evaluate the projects. In their evaluation, the peer*
25 *review shall consider the technical aspects of the electrical*
26 *corporation's project including, but not limited to:*

27 *(1) The overall scientific or technical merits of the proposed*
28 *research and development project.*

29 *(2) The extent to which the same or similar research,*
30 *development, and demonstration work could be performed by*
31 *entities that the public utility does not select.*

32 *(3) The appropriateness of the level of requested funding in*
33 *comparison comparison to other projects by similarly experience*
34 *experienced individuals using similar facilities performing in*
35 *similar timeframes and circumstances.*

36 *(4) The likelihood that the proposed work can be accomplished*
37 *within the proposed time and budget by the investigators or the*
38 *technical staff, given their experience and expertise and available*
39 *resources.*

40 *(e)*

1 (d) The commission may waive the peer review requirements
2 in subdivision ~~(b)~~ (c) for a research and development project that
3 was selected through an open solicitation of proposals or if the
4 project is contingent upon a peer review by a public state or federal
5 entity.

6 ~~(e)~~

7 (e) (1) The commission shall prepare and submit a report to
8 the relevant policy and fiscal committees of the Legislature listing
9 all research and development projects where the expenses of the
10 project were or are recovered from ratepayers during the previous
11 three years, including for each project the citations of all published
12 papers, all oral and poster presentations given at public meetings,
13 and all patents awarded for the funded research. The first report
14 shall be submitted by December 31, 2014, and subsequent reports
15 shall be submitted by December 31 of every third year thereafter,
16 notwithstanding Section 10231.5 of the Government Code.

17 (2) A report to be submitted pursuant to paragraph (1) shall be
18 submitted in compliance with Section 9795 of the Government
19 Code.