

AMENDED IN SENATE APRIL 21, 2014

AMENDED IN SENATE APRIL 2, 2014

SENATE BILL

No. 1139

Introduced by Senator Hueso

(Principal coauthor: Assembly Member V. Manuel Pérez)

February 20, 2014

An act to add Section 399.35 to the Public Utilities Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1139, as amended, Hueso. California Renewables Portfolio Standard Program.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations, as defined, while local publicly owned electric utilities, as defined, are under the direction of their governing ~~board~~: *boards*. The Public Utilities Act imposes various duties and responsibilities on the commission with respect to the purchase of electricity and requires the commission to review and adopt a renewable energy procurement plan for each electrical corporation pursuant to the California Renewables Portfolio Standard Program. The California Renewables Portfolio Standard Program requires a retail seller, as defined, and local publicly owned electric utilities to purchase specified minimum quantities of electricity products from eligible renewable energy resources, as defined, for specified compliance periods. Existing law requires the State Energy Resources Conservation and Development Commission (Energy Commission) to certify eligible renewable energy resources that it determines meet specified statutory criteria. A violation of the Public Utilities Act is a crime.

This bill would require, no later than December 24, 2024, each retail seller of *electricity* and local publicly owned electric utility to procure a proportionate share, as determined by the Energy Commission, of a statewide total of 500 megawatts of electricity generated by specified baseload geothermal powerplants. *The bill would exempt a local publicly owned electric utility serving fewer than 75,000 customers from the procurement requirement.* The bill would require, no later than January 1, 2016, each retail seller to file with the Public Utilities Commission, and each local publicly owned electric utility to file with the Energy Commission, a plan for complying with—~~this~~ *the* procurement requirement. The bill would provide that the electricity procured by retail sellers and local publicly owned electric utilities from these baseload geothermal powerplants does not count towards meeting their ~~requirements~~ *obligations* under the California Renewables Portfolio Standard Program to purchase specified minimum quantities of electricity products from eligible renewable energy resources. Because a violation of these provisions would be a crime under the Public Utilities Act, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

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

- 1 SECTION 1. *The Legislature finds and declares all of the*
- 2 *following:*
- 3 (a) *The California Global Warming Solutions Act of 2006 (AB*
- 4 *32) established a policy to reduce emissions of greenhouse gases*
- 5 *to 1990 levels by 2020 and to continue reductions of emissions of*
- 6 *greenhouse gases beyond 2020.*
- 7 (b) *Executive Order S-3-05 set a policy to reduce emissions of*
- 8 *greenhouse gases by 80 percent from 1990 levels by 2050.*
- 9 *Decarbonizing the electrical generation sector is a key part of*
- 10 *achieving California's policy goals for reducing emissions of*
- 11 *greenhouse gases.*

1 (c) California’s electrical supply portfolio must move from
2 merely increasing the proportion of generation from eligible
3 renewable energy resources to a portfolio of resources that supply
4 all types of needed generation, including baseload generation,
5 ramping generation, and peak load generation.

6 (d) Recent shortages in the supply of natural gas and the historic
7 price volatility of natural gas provide additional confirmation of
8 the need to reduce reliance on natural gas for electrical generation.

9 (e) California and the western United States have unique,
10 high-quality solar and geothermal resources. California utilities
11 are dramatically increasing their utilization of solar resources to
12 generate electricity, but not effectively increasing utilization of
13 geothermal resources. California’s long-term electrical supply
14 portfolio should include much greater reliance on geothermal
15 resources.

16 (f) Only a fraction of the geothermal resources that could be
17 supplying California consumers are currently being utilized, and
18 there has been very little increase in geothermal generation
19 capacity during the past decade.

20 (g) The current process used to procure new energy resources
21 eligible under the California Renewables Portfolio Standard
22 Program does not adequately value the diverse types of renewable
23 resources needed to supply California with mostly carbon-free
24 electricity after 2020 while maintaining reliability. Almost no new
25 baseload eligible renewable energy resources have been procured
26 during the past decade.

27 (h) To maintain electrical system reliability relying on
28 generation that, for the most part, emits no greenhouse gases, that
29 generation must be deliverable to retail customers in real time.

30 (i) California’s electrical corporations should add at least 500
31 megawatts of electricity from new baseload geothermal generation
32 by the end of 2024.

33 (j) Many geothermal resources have the additional benefit of
34 supplying lithium and other strategic minerals. Currently, the
35 United States is dependent on foreign supplies for these minerals.
36 Lithium is needed for electric vehicle batteries. The State Air
37 Resources Board has identified increasing electric vehicles as a
38 California and national priority as part of implementing AB 32
39 and reaching goals for reducing emissions of greenhouse gases.
40 Thus, increasing production of lithium and other strategic minerals

1 *as a co-benefit of increased production of baseload geothermal*
2 *power is in the national interest of the United States.*

3 *(k) To provide for just and reasonable rates, contracts to*
4 *procure electricity generated from baseload geothermal power*
5 *pursuant to Section 399.35 of the Public Utilities Code should be*
6 *based on the cost of generating the electricity, including*
7 *environmental mitigation costs, a reasonable rate of return on*
8 *investment, and the costs of financing the powerplant.*

9 **SECTION 1.**

10 **SEC. 2.** Section 399.35 is added to the Public Utilities Code,
11 to read:

12 399.35. (a) No later than December 31, 2024, each retail seller
13 and local publicly owned electric utility shall procure a
14 proportionate share of a statewide total of 500 megawatts of
15 electricity generated by baseload geothermal powerplants that
16 began being constructed after January 1, 2015, and that meet the
17 requirements of paragraph (1) of subdivision (b) of Section 399.16.
18 *A local publicly owned electric utility serving fewer than 75,000*
19 *customers shall not be required to procure a proportionate share.*

20 (b) No later than June 30, 2015, the Energy Commission shall
21 determine the proportionate share of the 500 megawatts of
22 electricity that each retail seller and local publicly owned electric
23 utility is required to procure pursuant to subdivision (a). For
24 purposes of this section, “proportionate share” shall be based on
25 the forecast retail sales for the year 2018.

26 (c) No later than January 1, 2016, each retail seller shall file
27 with the commission, and each local publicly owned electric utility
28 shall file with the Energy Commission, a plan for complying with
29 subdivision (a). Those plans shall require each retail seller and
30 local publicly owned electric utility to procure at least one-half of
31 its proportionate share by December 31, 2019. *Those plans may*
32 *authorize a retail seller or local publicly owned electric utility to*
33 *aggregate its proportionate share with the proportionate share of*
34 *another retail seller or local publicly owned electric utility in order*
35 *to minimize administrative and contracting costs.* The commission
36 shall review and approve, modify, or reject plans filed by retail
37 sellers. The Energy Commission shall review and approve, modify,
38 or reject plans filed by local publicly owned electric utilities.

39 (d) The electricity procured pursuant to this section shall not
40 count towards meeting the requirements specified in subparagraph

1 (B) of paragraph (2) of subdivision (b) of Section 399.15 or
2 paragraph (2) of subdivision (c) of Section 399.30.

3 (e) The electricity procured pursuant to this section shall be
4 procured to reasonably minimize costs. *A contract entered into*
5 *pursuant to subdivision (a) by a retail seller or local publicly*
6 *owned electric utility for the electricity generated by a baseload*
7 *geothermal powerplant that meets the requirements of this section*
8 *shall take into account the costs of generating the electricity,*
9 *including environmental mitigation costs, a reasonable rate of*
10 *return on investment, and the costs of financing the powerplant,*
11 *and the costs of the contract shall be recoverable in rates.*
12 Subdivision (c) of Section 399.15 shall not apply to electricity
13 procured pursuant to this section.

14 ~~SEC. 2.~~

15 *SEC. 3.* No reimbursement is required by this act pursuant to
16 Section 6 of Article XIII B of the California Constitution because
17 the only costs that may be incurred by a local agency or school
18 district will be incurred because this act creates a new crime or
19 infraction, eliminates a crime or infraction, or changes the penalty
20 for a crime or infraction, within the meaning of Section 17556 of
21 the Government Code, or changes the definition of a crime within
22 the meaning of Section 6 of Article XIII B of the California
23 Constitution.