

ASSEMBLY BILL

No. 2620

Introduced by Assembly Member Dababneh

February 19, 2016

An act to amend Section 701.1 of the Public Utilities Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2620, as introduced, Dababneh. Valuation of energy resources.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations and gas corporations. The Public Utilities Act prohibits any electrical corporation or gas corporation from beginning the construction of, among other things, a line, plant, or system, or of any extension thereof, without having first obtained from the commission a certificate that the present or future public convenience and necessity require or will require that construction. The act requires the commission, when calculating the cost-effectiveness of energy resources, to include a value for any costs and benefits to the environment.

This bill would make a nonsubstantive, revision to the requirement that the commission, when calculating the cost-effectiveness of energy resources, include a value for any costs and benefits to the environment.

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

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

- 1 SECTION 1. Section 701.1 of the Public Utilities Code is
- 2 amended to read:

1 701.1. (a) (1) The Legislature finds and declares that, in
2 addition to other ratepayer protection objectives, a principal goal
3 of electric and natural gas utilities' resource planning and
4 investment shall be to minimize the cost to society of the reliable
5 energy services that are provided by natural gas and electricity,
6 and to improve the environment and to encourage the diversity of
7 energy sources through improvements in energy efficiency,
8 development of renewable energy resources, such as wind, solar,
9 biomass, and geothermal energy, and widespread transportation
10 electrification.

11 (2) The amendment made to this subdivision by the Clean
12 Energy and Pollution Reduction Act of 2015 (*Chapter 547 of the*
13 *Statutes of 2015*) does not expand the authority of the commission
14 beyond that provided by other law.

15 (b) The Legislature further finds and declares that, in addition
16 to any appropriate investments in energy production, electrical
17 and natural gas utilities should seek to exploit all practicable and
18 cost-effective conservation and improvements in the efficiency of
19 energy use and distribution that offer equivalent or better system
20 reliability, and which are not being exploited by any other entity.

21 (c) In calculating the cost-effectiveness of energy resources,
22 including conservation and load management options, the
23 commission shall include, in addition to other ratepayer protection
24 objectives, a value for any costs and benefits to the environment,
25 including air quality. The commission shall ensure that any values
26 it develops pursuant to this section are consistent with values
27 developed by the State Energy Resources Conservation and
28 Development Commission pursuant to Section 25000.1 of the
29 Public Resources Code. However, if the commission determines
30 that a value developed pursuant to this subdivision is not consistent
31 with a value developed by the State Energy Resources
32 Conservation and Development Commission pursuant to
33 subdivision (c) of Section 25000.1 of the Public Resources Code,
34 the commission may nonetheless use this value if, in the
35 appropriate record of its proceedings, it states its reasons for using
36 the value it has selected.

37 (d) In determining the emission values associated with the
38 current operating capacity of existing electric powerplants pursuant
39 to subdivision (c), the commission shall adhere to the following
40 protocol in determining values for air quality costs and benefits to

1 the environment. If the commission finds that an air pollutant that
2 is subject to regulation is a component of residual emissions from
3 an electric powerplant and that the owner of that powerplant is
4 either of the following:

5 (1) Using a tradable emission allowance, right, or offset for that
6 pollutant, which (A) has been approved by the air quality district
7 regulating the powerplant, (B) is consistent with federal and state
8 law, and (C) has been obtained, authorized, or acquired in a
9 market-based system.

10 (2) Paying a tax per measured unit of that pollutant.

11 The commission shall not assign a value or cost to that residual
12 pollutant for the current operating capacity of that powerplant
13 because the alternative protocol for dealing with the pollutant
14 operates to internalize its cost for the purpose of planning for and
15 acquiring new generating resources.

16 (e) (1) The values determined pursuant to subdivision (c) to
17 represent costs and benefits to the environment shall not be used
18 by the commission, in and of themselves, to require early
19 decommissioning or retirement of an electric utility powerplant
20 that complies with applicable prevailing environmental regulations.

21 (2) Further, the environmental values determined pursuant to
22 subdivision (c) shall not be used by the commission in a manner
23 which, when those values are aggregated, will result in advancing
24 an electric utility's need for new powerplant capacity by more than
25 15 months.

26 (f) This subdivision shall apply whenever a powerplant bid
27 solicitation is required by the commission for an electric utility
28 and a portion of the amount of new powerplant capacity, which is
29 the subject of the bid solicitation, is the result of the commission's
30 use of environmental values to advance that electric utility's need
31 for new powerplant capacity in the manner authorized by paragraph
32 (2) of subdivision (e). The affected electric utility may propose to
33 the commission any combination of alternatives to that portion of
34 the new powerplant capacity that is the result of the commission's
35 use of environmental values as authorized by paragraph (2) of
36 subdivision (c). The commission shall approve an alternative in
37 place of the new powerplant capacity if it finds all of the following:

38 (1) The alternative has been approved by the relevant air quality
39 district.

40 (2) The alternative is consistent with federal and state law.

- 1 (3) The alternative will result in needed system reliability for
- 2 the electric utility at least equivalent to that which would result
- 3 from bidding for new powerplant capacity.
- 4 (4) The alternative will result in reducing system operating costs
- 5 for the electric utility over those which would result from the
- 6 process of bidding for new powerplant capacity.
- 7 (5) The alternative will result in equivalent or better
- 8 environmental improvements at a lower cost than would result
- 9 from bidding for new powerplant capacity.
- 10 (g) This section does not require an electric utility to alter the
- 11 dispatch of its powerplants for environmental purposes.
- 12 (h) This section does not preclude an electric utility from
- 13 submitting to the commission any combination of alternatives to
- 14 meet a commission-identified need for new capacity, if the
- 15 submission is otherwise authorized by the commission.
- 16 (i) This section does not change or alter any provision of
- 17 commission decision 92-04-045, dated April 22, 1992.