

AMENDED IN ASSEMBLY JULY 8, 2015

SENATE BILL

No. 350

**Introduced by Senators De León and Leno
(Coauthors: Senators Hancock and Monning)**

February 24, 2015

An act to amend Section 43013 ~~of~~ *of*, and to add Section 44258.5 to, the Health and Safety Code, to amend Sections 25000.5 and 25943 of the Public Resources Code, and to amend Sections 399.11, 399.12, 399.13, 399.15, 399.16, 399.18, 399.21, ~~and 399.30~~ 399.30, 701.1, and 740.8 of, to add ~~Section 454.51~~ *Sections 237.5, 454.51, and 740.12* to, and to add Article 17 (commencing with Section 400) to Chapter 2.3 of Part 1 of Division 1 of, the Public Utilities Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

SB 350, as amended, De León. Clean Energy and Pollution Reduction Act of 2015.

(1) Under existing law, the Public Utilities Commission (PUC) 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 boards. *Under existing law, a violation of the Public Utilities Act is a crime.*

Existing law establishes the California Renewables Portfolio Standard (RPS) ~~program~~, *Program*, which is codified in the Public Utilities Act and expresses the intent of the Legislature that the amount of electricity generated per year from eligible renewable energy resources be increased to an amount that equals at least 33% of the total electricity sold to retail customers in California per year by December 31, 2020. Existing law requires the PUC, by January 1, 2012, to establish the quantity of electricity products from eligible renewable energy resources

to be procured by each retail seller for specified compliance periods, sufficient to ensure that the procurement of electricity products from eligible renewable energy resources achieves 25% of retail sales by December 31, 2016, and 33% of retail sales by December 31, 2020, and that retail sellers procure not less than 33% of retail sales in all subsequent years. Existing law includes as an eligible renewable energy ~~resources~~ *resource* a specified facility engaged in the combustion of municipal solid waste.

Existing law makes the requirements of the RPS ~~program~~ *Program* applicable to local publicly owned electric utilities, except that the utility's governing board is responsible for implementation of those requirements, instead of the PUC, and certain enforcement authority with respect to local publicly owned electric utilities is given to the State Energy Resources Conservation and Development Commission (Energy Commission) and State Air Resources Board, instead of the PUC.

This bill would additionally express the intent of the Legislature for the purposes of the RPS ~~program~~ *Program* that the amount of electricity generated per year from eligible renewable energy resources be increased to an amount equal to at least 50% by December 31, 2030, and would require the PUC, by January 1, 2017, to establish the quantity of electricity products from eligible renewable energy resources *to* be procured by each retail seller for specified compliance periods sufficient to ensure that the procurement of electricity products from eligible renewable energy resources achieves 50% of retail sales by December 31, 2030. The bill would require the governing boards of local publicly owned electric utilities to ensure that specified quantities of electricity products from eligible renewable energy resources *to* be procured for specified compliance periods to ensure that the procurement of electricity products from eligible renewable energy resources achieve 50% of retail sales by December 31, 2030. The bill would exclude all facilities engaged in the combustion of municipal solid waste from being eligible renewable energy resources. The bill would require community choice aggregators and electric service providers to prepare and submit renewable energy procurement plans. The bill would revise other aspects of the RPS ~~program~~, *Program*, including, among other things, the enforcement provisions and would require penalties collected *from retail sellers* for noncompliance to be deposited in the Electric Program Investment Charge Fund. The bill would require the PUC to direct electrical corporations to include in their proposed procurement

plans a strategy for procuring a diverse portfolio of resources that provide a reliable electricity supply. The bill would require the PUC and the Energy Commission to take certain actions in furtherance of meeting the state’s clean energy and pollution reduction objectives.

This bill would authorize the PUC to authorize a procurement entity, and would authorize a local publicly owned utility, to procure an unspecified percentage of retail sales of onsite generation meeting certain requirements within the area served by the procurement entity to serve local electricity needs.

Existing law requires the PUC, in cooperation with specified entities, to evaluate and implement policies to promote development of equipment and infrastructure needed to facilitate the use of electricity and natural gas to fuel low-emission vehicles. Existing law requires those policies to prohibit utilities from passing the costs and expenses related to programs for the development of that equipment or infrastructure through to ratepayers unless the PUC finds and determines that those programs are in the interest of ratepayers. Existing law defines “interests” of the ratepayers for this purpose.

This bill would revise the definition of “interests” of the ratepayers. The bill would require the PUC, in consultation with specified entities, to direct electric corporations to propose multiyear programs and investments to accelerate widespread transportation electrification as a means to achieve certain goals. The bill would require the commission to review data concerning current and future electric transportation adoption rates and charging infrastructure utilization rates no less than every 3 years.

~~(2) Under existing law, a violation of the RPS program is a crime.~~

~~Because the above provisions of this bill would expand the RPS program, are codified in the Public Utilities Act, a violation of these provisions would impose a state-mandated local program by expanding the definition of a crime or establishing a new crime.~~

~~(3) By~~

~~By placing additional requirements upon local publicly owned electric utilities, this bill would impose a state-mandated local program.~~

~~(4)~~

~~(2) Existing law requires the State Air Resources Board to adopt and implement various standards related to emissions from motor vehicles.~~

~~This bill would require those standards to be in furtherance of achieving a reduction in petroleum use in motor vehicles by 50% by January 1, 2030. The bill would require the state board, by January 1,~~

2017, to prepare a strategy and implementation plan to achieve this reduction.

Existing law requires the State Air Resources Board to adopt greenhouse gas emission limits and emissions reduction measures, by regulations, to achieve the maximum technologically feasible and cost-effective reductions in greenhouse gas emissions in furtherance of achieving the statewide greenhouse gas emissions limit. Existing law requires the state board, in adoption regulations, to, among other things, design the regulations to include distribution of emissions allowance, where appropriate, to minimize the costs and maximize total benefits to California.

The Charge Ahead California Initiative states goals of, among other things, placing in service at least 1,000,000 zero-emission and near-zero-emission vehicles by January 1, 2023, and increasing access for disadvantaged, low-income, and moderate-income communities and consumers to zero-emission and near-zero-emission vehicles.

This bill would require the state board to identify and adopt appropriate policies to remove regulatory disincentives facing retail sellers from facilitating the achievement of greenhouse gas emissions reduction in other sectors through increased investments in transportation and building electrification that includes allocation of greenhouse gas emissions allowances to retail sellers to account for increased greenhouse gas emissions in the electric sector from transportation electrification.

(5)

(3) Existing law states the policy of the state to exploit all practicable and cost-effective conservation and improvements in the efficiency of energy use and distribution, and to achieve energy security, diversity of supply sources, and competitiveness of transportation energy markets based on the least environmental and economic costs.

This bill would additionally state the policy of the state to exploit those conservation and improvements in furtherance of reducing petroleum use in the transportation sector by 50% by January 1, 2030. *The bill would state the policy of the state to encourage transportation electrification natural gas vehicles as a short-term measure, fuel cell vehicles, and transportation innovations as means to achieve certain goals.*

(6)

(4) Existing law requires the Energy Commission to establish a regulatory proceeding to develop and implement a comprehensive

program to achieve greater energy savings in California’s existing residential and nonresidential building stock and to periodically update criteria for the program.

This bill would require the Energy Commission, by January 1, 2017, and at least once every 3 years thereafter, to adopt an update to the program in furtherance of achieving a doubling of energy efficiency in buildings by January 1, 2030. *The bill would require the Energy Commission to adopt, implement, and enforce certain policy regarding ratepayer-funded energy efficiency programs.*

(7)

(5) 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 reasons.

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. This act shall be known and may be cited as the
2 Clean Energy and Pollution Reduction Act of 2015.

3 SEC. 2. (a) The Legislature finds and declares that the
4 Governor has called for a new set of objectives in clean energy,
5 clean air, and pollution reduction for 2030 and beyond. Those
6 objectives consist of the following:

7 (1) To increase from 33 percent to 50 percent, the procurement
8 of our electricity from renewable sources.

9 (2) To reduce today’s petroleum use in cars and trucks by up
10 to 50 percent.

11 (3) To double the efficiency of existing buildings.

12 (b) It is the intent of the Legislature in enacting this act to codify
13 the targets described under subdivision (a) to ensure they are
14 permanent, enforceable, and quantifiable.

15 SEC. 3. Section 43013 of the Health and Safety Code is
16 amended to read:

17 43013. (a) The state board shall adopt and implement motor
18 vehicle emission standards, in-use performance standards, and
19 motor vehicle fuel specifications for the control of air contaminants
20 and sources of air pollution which the state board has found to be

1 necessary, cost effective, and technologically feasible, to carry out
2 the purposes of this division and in furtherance of achieving a
3 reduction in petroleum use in motor vehicles by 50 percent by
4 January 1, 2030, unless preempted by federal law.

5 (b) The state board shall, consistent with subdivision (a), adopt
6 standards and regulations for light-duty and heavy-duty motor
7 vehicles, medium-duty motor vehicles, as determined and specified
8 by the state board, portable fuel containers and spouts, and off-road
9 or nonvehicle engine categories, including, but not limited to,
10 off-highway motorcycles, off-highway vehicles, construction
11 equipment, farm equipment, utility engines, locomotives, and, to
12 the extent permitted by federal law, marine vessels.

13 (c) Prior to adopting standards and regulations for farm
14 equipment, the state board shall hold a public hearing and find and
15 determine that the standards and regulations are necessary, cost
16 effective, and technologically feasible. The state board shall also
17 consider the technological effects of emission control standards
18 on the cost, fuel consumption, and performance characteristics of
19 mobile farm equipment.

20 (d) Notwithstanding subdivision (b), the state board shall not
21 adopt any standard or regulation affecting locomotives until the
22 final study required under Section 5 of Chapter 1326 of the Statutes
23 of 1987 has been completed and submitted to the Governor and
24 Legislature.

25 (e) Prior to adopting or amending any standard or regulation
26 relating to motor vehicle fuel specifications pursuant to this section,
27 the state board shall, after consultation with public or private
28 entities that would be significantly impacted as described in
29 paragraph (2) of subdivision (f), do both of the following:

30 (1) Determine the cost-effectiveness of the adoption or
31 amendment of the standard or regulation. The cost-effectiveness
32 shall be compared on an incremental basis with other mobile source
33 control methods and options.

34 (2) Based on a preponderance of scientific and engineering data
35 in the record, determine the technological feasibility of the adoption
36 or amendment of the standard or regulation. That determination
37 shall include, but is not limited to, the availability, effectiveness,
38 reliability, and safety expected of the proposed technology in an
39 application that is representative of the proposed use.

1 (f) Prior to adopting or amending any motor vehicle fuel
2 specification pursuant to this section, the state board shall do both
3 of the following:

4 (1) To the extent feasible, quantitatively document the
5 significant impacts of the proposed standard or specification on
6 affected segments of the state's economy. The economic analysis
7 shall include, but is not limited to, the significant impacts of any
8 change on motor vehicle fuel efficiency, the existing motor vehicle
9 fuel distribution system, the competitive position of the affected
10 segment relative to border states, and the cost to consumers.

11 (2) Consult with public or private entities that would be
12 significantly impacted to identify those investigative or preventive
13 actions that may be necessary to ensure consumer acceptance,
14 product availability, acceptable performance, and equipment
15 reliability. The significantly impacted parties shall include, but are
16 not limited to, fuel manufacturers, fuel distributors, independent
17 marketers, vehicle manufacturers, and fuel users.

18 (g) (1) *No later than January 1, 2017, the state board, after*
19 *one or more public workshops, shall prepare a strategy and*
20 *implementation plan to achieve a reduction in petroleum use in*
21 *motor vehicles by 50 percent by January 1, 2030, and provide a*
22 *copy of the strategy and plan to the appropriate policy committees*
23 *of the Legislature.*

24 (2) *Beginning January 1, 2020, and every three years thereafter,*
25 *the state board shall provide an update to the strategy and plan*
26 *that reflects any changes made to the strategy and plan.*

27 ~~(g)~~

28 (h) To the extent that there is any conflict between the
29 information required to be prepared by the state board pursuant to
30 subdivision (f) and information required to be prepared by the state
31 board pursuant to Chapter 3.5 (commencing with Section 11340)
32 of Part 1 of Division 3 of Title 2 of the Government Code, the
33 requirements established under subdivision (f) shall prevail.

34 ~~(h)~~

35 (i) It is the intent of the Legislature that the state board act as
36 expeditiously as is feasible to reduce nitrogen oxide emissions
37 from diesel vehicles, marine vessels, and other categories of
38 vehicular and mobile sources which significantly contribute to air
39 pollution problems.

1 SEC. 4. Section 44258.5 is added to the Health and Safety
2 Code, to read:

3 44258.5. (a) For the purposes of this section, the following
4 terms mean the following:

5 (1) “Retail seller” has the same meaning as set forth in Section
6 399.12 of the Public Utilities Code.

7 (2) “Transportation electrification” has the same meaning as
8 set forth in Section 237.5 of the Public Utilities Code.

9 (b) The state board shall identify and adopt appropriate policies
10 to remove regulatory disincentives facing retail sellers from
11 facilitating the achievement of greenhouse gas emission reductions
12 in other sectors through increased investments in transportation
13 electrification. Those policies shall include, but are not limited to,
14 an allocation of greenhouse gas emissions allowances to retail
15 sellers to account for increased greenhouse gas emissions in the
16 electric sector from transportation electrification.

17 ~~SEC. 4.~~

18 SEC. 5. Section 25000.5 of the Public Resources Code is
19 amended to read:

20 25000.5. (a) The Legislature finds and declares that
21 overdependence on the production, marketing, and consumption
22 of petroleum based fuels as an energy resource in the transportation
23 sector is a threat to the energy security of the state due to
24 continuing market and supply uncertainties. In addition, petroleum
25 use as an energy resource contributes substantially to the following
26 public health and environmental problems: air pollution, acid rain,
27 global warming, and the degradation of California’s marine
28 environment and fisheries.

29 (b) Therefore, it is the policy of this state to fully evaluate the
30 economic and environmental costs of petroleum use, and the
31 economic and environmental costs of other transportation fuels
32 and options, including the costs and values of environmental
33 impacts, and to establish a state transportation energy policy that
34 results in the least environmental and economic cost to the state.
35 In pursuing the “least environmental and economic cost” strategy,
36 it is the policy of the state to exploit all practicable and
37 cost-effective conservation and improvements in the efficiency of
38 energy use and distribution, and to achieve energy security,
39 diversity of supply sources, and competitiveness of transportation
40 energy markets based on the least environmental and economic

1 cost, and in furtherance of reducing petroleum use in the
2 transportation sector by 50 percent by January 1, 2030.

3 (c) It is also the policy of this state to minimize the economic
4 and environmental costs due to the use of petroleum-based and
5 other transportation fuels by state agencies. In implementing a
6 least-cost economic and environmental strategy for state fleets, it
7 is the policy of the state to implement practicable and cost-effective
8 measures, including, but not necessarily limited to, the purchase
9 of the cleanest and most efficient automobiles and replacement
10 tires, the use of alternative fuels in its fleets, and other conservation
11 measures.

12 (d) For the purposes of this section, “petroleum based fuels”
13 means fuels derived from liquid unrefined crude oil, including
14 natural gas liquids, liquefied petroleum gas, or the energy fraction
15 of methyl tertiary-butyl ether (MTBE) or other ethers that is not
16 attributed to natural gas.

17 ~~SEC. 5.~~

18 *SEC. 6.* Section 25943 of the Public Resources Code is
19 amended to read:

20 25943. (a) (1) By March 1, 2010, the commission shall
21 establish a regulatory proceeding to develop and implement a
22 comprehensive program to achieve greater energy savings in
23 California’s existing residential and nonresidential building stock.
24 This program shall comprise a complementary portfolio of
25 techniques, applications, and practices that will achieve greater
26 energy efficiency in existing residential and nonresidential
27 structures that fall significantly below the current standards in Title
28 24 of the California Code of Regulations, as determined by the
29 commission.

30 (2) The comprehensive program may include, but need not be
31 limited to, a broad range of energy assessments, building
32 benchmarking, energy rating, cost-effective energy efficiency
33 improvements, public and private sector energy efficiency
34 financing options, public outreach and education efforts, and green
35 workforce training.

36 (3) *The commission shall adopt, implement, and enforce a*
37 *responsible contractor policy for use across all ratepayer-funded*
38 *energy efficiency programs that involve installation or*
39 *maintenance, or both installation and maintenance, by building*
40 *contractors to ensure that retrofits meet high-quality performance*

1 *standards and reduce energy savings lost or foregone due to*
2 *poor-quality workmanship.*

3 (b) To develop and implement the program specified in
4 subdivision (a), the commission shall do both of the following:

5 (1) Coordinate with the Public Utilities Commission and consult
6 with representatives from the Bureau of Real Estate, the
7 Department of Housing and Community Development,
8 investor-owned and publicly owned utilities, local governments,
9 real estate licensees, commercial and homebuilders, commercial
10 property owners, small businesses, mortgage lenders, financial
11 institutions, home appraisers, inspectors, energy rating
12 organizations, consumer groups, environmental and environmental
13 justice groups, and other entities the commission deems
14 appropriate.

15 (2) Hold at least three public hearings in geographically diverse
16 locations throughout the state.

17 (c) In developing the requirements for the program specified in
18 subdivision (a), the commission shall consider all of the following:

19 (1) The amount of annual and peak energy savings, greenhouse
20 gas emission reductions, and projected customer utility bill savings
21 that will accrue from the program.

22 (2) The most cost-effective means and reasonable timeframes
23 to achieve the goals of the program.

24 (3) The various climatic zones within the state.

25 (4) An appropriate method to inform and educate the public
26 about the need for, benefits of, and environmental impacts of, the
27 comprehensive energy efficiency program.

28 (5) The most effective way to report the energy assessment
29 results and the corresponding energy efficiency improvements to
30 the owner of the residential or nonresidential building, including,
31 among other things, the following:

32 (A) Prioritizing the identified energy efficiency improvements.

33 (B) The payback period or cost-effectiveness of each
34 improvement identified.

35 (C) The various incentives, loans, grants, and rebates offered
36 to finance the improvements.

37 (D) Available financing options including all of the following:

38 (i) Mortgages or sales agreement components.

39 (ii) On-bill financing.

40 (iii) Contractual property tax assessments.

1 (iv) Home warranties.

2 (6) Existing statutory and regulatory requirements to achieve
3 energy efficiency savings and greenhouse gas emission reductions.

4 (7) A broad range of implementation approaches, including both
5 utility and nonutility administration of energy efficiency programs.

6 (8) Any other considerations deemed appropriate by the
7 commission.

8 (d) The program developed pursuant to this section shall do all
9 of the following:

10 (1) Minimize the overall costs of establishing and implementing
11 the comprehensive energy efficiency program requirements.

12 (2) Ensure, for residential buildings, that the energy efficiency
13 assessments, ratings, or improvements do not unreasonably or
14 unnecessarily affect the home purchasing process or the ability of
15 individuals to rent housing. A transfer of property subject to the
16 program implemented pursuant to this section shall not be
17 invalidated solely because of the failure of a person to comply
18 with a provision of the program.

19 (3) Ensure, for nonresidential buildings, that the energy
20 improvements do not have an undue economic impact on California
21 businesses.

22 (4) Determine, for residential buildings, the appropriateness of
23 the Home Energy Rating System (HERS) program to support the
24 goals of this section and whether there are a sufficient number of
25 HERS-certified raters available to meet the program requirements.

26 (5) Determine, for nonresidential structures, the availability of
27 an appropriate cost-effective energy efficiency assessment system
28 and whether there are a sufficient number of certified raters or
29 auditors available to meet the program requirements.

30 (6) Coordinate with the California Workforce Investment Board,
31 the Employment Training Panel, the California Community
32 Colleges, and other entities to ensure a qualified, well-trained
33 workforce is available to implement the program requirements.

34 (7) Coordinate with, and avoid duplication of, existing
35 proceedings of the Public Utilities Commission and programs
36 administered by utilities.

37 (e) A home energy rating or energy assessment service does not
38 meet the requirements of this section unless the service has been
39 certified by the commission to be in compliance with the program

1 criteria developed pursuant to this section and is in conformity
2 with other applicable elements of the program.

3 (f) (1) The commission shall periodically update the criteria
4 and adopt any revision that, in its judgment, is necessary to improve
5 or refine program requirements after receiving public input.

6 (2) On or before January 1, 2017, and at least once every three
7 years thereafter, the commission shall adopt an update to the
8 program in furtherance of achieving ~~a~~ *an overall* doubling of the
9 energy efficiency of buildings by January 1, 2030.

10 (g) Before implementing an element of the program developed
11 pursuant to subdivision (a) that requires the expansion of statutory
12 authority of the commission or the Public Utilities Commission,
13 the commission and the Public Utilities Commission shall obtain
14 legislative approval for the expansion of their authorities.

15 (h) The commission shall report on the status of the program in
16 the integrated energy policy report pursuant to Section 25302.

17 (i) The commission shall fund activities undertaken pursuant
18 to this section from the Federal Trust Fund consistent with the
19 federal American Recovery and Reinvestment Act of 2009 (Public
20 Law 111-5) or other sources of nonstate funds available to the
21 commission for the purposes of this section.

22 (j) For purposes of this section, ~~energy~~ *the following terms*
23 *mean the following:*

24 (1) *“Energy assessment”* means a determination of an energy
25 user’s energy consumption level, relative efficiency compared to
26 other users, and opportunities to achieve greater efficiency or
27 improve energy resource utilization.

28 (2) *“Energy efficiency”* means *delivering equal or more services*
29 *with less energy input from an energy source.*

30 *SEC. 7. Section 237.5 is added to the Public Utilities Code, to*
31 *read:*

32 *237.5. “Transportation electrification” means the use of*
33 *electricity from the electric grid to power all or part of vehicles,*
34 *vessels, trains, boats, or other equipment that are mobile sources*
35 *of air pollution and greenhouse gases.*

36 ~~SEC. 6.~~

37 *SEC. 8. Section 399.11 of the Public Utilities Code is amended*
38 *to read:*

39 *399.11. The Legislature finds and declares all of the following:*

1 (a) In order to attain a target of generating 20 percent of total
2 retail sales of electricity in California from eligible renewable
3 energy resources by December 31, 2013, 33 percent by December
4 31, 2020, and 50 percent by December 31, 2030, it is the intent of
5 the Legislature that the commission and the Energy Commission
6 implement the California Renewables Portfolio Standard Program
7 described in this article.

8 (b) Achieving the renewables portfolio standard through the
9 procurement of various electricity products from eligible renewable
10 energy resources is intended to provide unique benefits to
11 California, including all of the following, each of which
12 independently justifies the program:

13 (1) Displacing fossil fuel consumption within the state.

14 (2) Adding new electrical generating facilities in the
15 transmission network within the Western Electricity Coordinating
16 Council service area.

17 (3) Reducing air pollution in the state.

18 (4) Meeting the state's climate change goals by reducing
19 emissions of greenhouse gases associated with electrical generation.

20 (5) Promoting stable retail rates for electric service.

21 (6) Meeting the state's need for a diversified and balanced
22 energy generation portfolio.

23 (7) Assistance with meeting the state's resource adequacy
24 requirements.

25 (8) Contributing to the safe and reliable operation of the
26 electrical grid, including providing predictable electrical supply,
27 voltage support, lower line losses, and congestion relief.

28 (9) Implementing the state's transmission and land use planning
29 activities related to development of eligible renewable energy
30 resources.

31 (c) The California Renewables Portfolio Standard Program is
32 intended to complement the Renewable Energy Resources Program
33 administered by the Energy Commission and established pursuant
34 to Chapter 8.6 (commencing with Section 25740) of Division 15
35 of the Public Resources Code.

36 (d) New and modified electric transmission facilities may be
37 necessary to facilitate the state achieving its renewables portfolio
38 standard targets.

39 (e) (1) Supplying electricity to California end-use customers
40 that is generated by eligible renewable energy resources is

1 necessary to improve California’s air quality and public health,
2 and the commission shall ensure rates are just and reasonable, and
3 are not significantly affected by the procurement requirements of
4 this article. This electricity may be generated anywhere in the
5 interconnected grid that includes many states, and areas of both
6 Canada and Mexico.

7 (2) This article requires generating resources located outside of
8 California that are able to supply that electricity to California
9 end-use customers to be treated identically to generating resources
10 located within the state, without discrimination.

11 (3) California electrical corporations have already executed,
12 and the commission has approved, power purchase agreements
13 with eligible renewable energy resources located outside of
14 California that will supply electricity to California end-use
15 customers. These resources will fully count toward meeting the
16 renewables portfolio standard procurement requirements.

17 ~~SEC. 7.~~

18 *SEC. 9.* Section 399.12 of the Public Utilities Code is amended
19 to read:

20 399.12. For purposes of this article, the following terms have
21 the following meanings:

22 (a) “Conduit hydroelectric facility” means a facility for the
23 generation of electricity that uses only the hydroelectric potential
24 of an existing pipe, ditch, flume, siphon, tunnel, canal, or other
25 manmade conduit that is operated to distribute water for a
26 beneficial use.

27 (b) “Balancing authority” means the responsible entity that
28 integrates resource plans ahead of time, maintains load-interchange
29 generation balance within a balancing authority area, and supports
30 interconnection frequency in real time.

31 (c) “Balancing authority area” means the collection of
32 generation, transmission, and loads within the metered boundaries
33 of the area within which the balancing authority maintains the
34 electrical load-resource balance.

35 (d) “California balancing authority” is a balancing authority
36 with control over a balancing authority area primarily located in
37 this state and operating for retail sellers and local publicly owned
38 electric utilities subject to the requirements of this article and
39 includes the Independent System Operator (ISO) and a local
40 publicly owned electric utility operating a transmission grid that

1 is not under the operational control of the ISO. A California
2 balancing authority is responsible for the operation of the
3 transmission grid within its metered boundaries which may not be
4 limited by the political boundaries of the State of California.

5 (e) “Eligible renewable energy resource” means an electrical
6 generating facility that meets the definition of a “renewable
7 electrical generation facility” in Section 25741 of the Public
8 Resources Code, subject to the following:

9 (1) (A) An existing small hydroelectric generation facility of
10 30 megawatts or less shall be eligible only if a retail seller or local
11 publicly owned electric utility procured the electricity from the
12 facility as of December 31, 2005. A new hydroelectric facility that
13 commences generation of electricity after December 31, 2005, is
14 not an eligible renewable energy resource if it will cause an adverse
15 impact on instream beneficial uses or cause a change in the volume
16 or timing of streamflow.

17 (B) Notwithstanding subparagraph (A), a conduit hydroelectric
18 facility of 30 megawatts or less that commenced operation before
19 January 1, 2006, is an eligible renewable energy resource. A
20 conduit hydroelectric facility of 30 megawatts or less that
21 commences operation after December 31, 2005, is an eligible
22 renewable energy resource so long as it does not cause an adverse
23 impact on instream beneficial uses or cause a change in the volume
24 or timing of streamflow.

25 (C) A facility approved by the governing board of a local
26 publicly owned electric utility prior to June 1, 2010, for
27 procurement to satisfy renewable energy procurement obligations
28 adopted pursuant to former Section 387, shall be certified as an
29 eligible renewable energy resource by the Energy Commission
30 pursuant to this article, if the facility is a “renewable electrical
31 generation facility” as defined in Section 25741 of the Public
32 Resources Code.

33 (D) (i) A small hydroelectric generation unit with a nameplate
34 capacity not exceeding 40 megawatts that is operated as part of a
35 water supply or conveyance system is an eligible renewable energy
36 resource only for the retail seller or local publicly owned electric
37 utility that procured the electricity from the unit as of December
38 31, 2005. No unit shall be eligible pursuant to this subparagraph
39 if an application for certification is submitted to the Energy
40 Commission after January 1, 2013. Only one retail seller or local

1 publicly owned electric utility shall be deemed to have procured
2 electricity from a given unit as of December 31, 2005.

3 (ii) Notwithstanding clause (i), a local publicly owned electric
4 utility that meets the criteria of subdivision (j) of Section 399.30
5 may sell to another local publicly owned electric utility electricity
6 from small hydroelectric generation units that qualify as eligible
7 renewable energy resources under clause (i), and that electricity
8 may be used by the local publicly owned electric utility that
9 purchased the electricity to meet its renewables portfolio standard
10 procurement requirements. The total of all those sales from the
11 utility shall be no greater than 100,000 megawatthours of
12 electricity.

13 (iii) The amendments made to this subdivision by the act adding
14 this subparagraph are intended to clarify existing law and apply
15 from December 10, 2011.

16 (2) (A) A facility engaged in the combustion of municipal solid
17 waste shall not be considered an eligible renewable energy
18 resource.

19 (B) Subparagraph (A) does not apply to contracts entered into
20 before January 1, 2016, for the procurement of renewable energy
21 resources from a facility located in Stanislaus County that was
22 operational prior to September 26, 1996.

23 (f) “Procure” means to acquire through ownership or contract.

24 (g) “Procurement entity” means any person or corporation
25 authorized by the commission to enter into contracts to procure
26 eligible renewable energy resources on behalf of customers of a
27 retail seller pursuant to subdivision (f) of Section 399.13.

28 (h) (1) “Renewable energy credit” means a certificate of proof
29 associated with the generation of electricity from an eligible
30 renewable energy resource, issued through the accounting system
31 established by the Energy Commission pursuant to Section 399.25,
32 that one unit of electricity was generated and delivered by an
33 eligible renewable energy resource.

34 (2) “Renewable energy credit” includes all renewable and
35 environmental attributes associated with the production of
36 electricity from the eligible renewable energy resource, except for
37 an emissions reduction credit issued pursuant to Section 40709 of
38 the Health and Safety Code and any credits or payments associated
39 with the reduction of solid waste and treatment benefits created
40 by the utilization of biomass or biogas fuels.

1 (3) (A) Electricity generated by an eligible renewable energy
2 resource attributable to the use of nonrenewable fuels, beyond a
3 de minimis quantity used to generate electricity in the same process
4 through which the facility converts renewable fuel to electricity,
5 shall not result in the creation of a renewable energy credit. The
6 Energy Commission shall set the de minimis quantity of
7 nonrenewable fuels for each renewable energy technology at a
8 level of no more than 2 percent of the total quantity of fuel used
9 by the technology to generate electricity. The Energy Commission
10 may adjust the de minimis quantity for an individual facility, up
11 to a maximum of 5 percent, if it finds that all of the following
12 conditions are met:

13 (i) The facility demonstrates that the higher quantity of
14 nonrenewable fuel will lead to an increase in generation from the
15 eligible renewable energy facility that is significantly greater than
16 generation from the nonrenewable fuel alone.

17 (ii) The facility demonstrates that the higher quantity of
18 nonrenewable fuels will reduce the variability of its electrical
19 output in a manner that results in net environmental benefits to the
20 state.

21 (iii) The higher quantity of nonrenewable fuel is limited to either
22 natural gas or hydrogen derived by reformation of a fossil fuel.

23 (B) Electricity generated by a small hydroelectric generation
24 facility shall not result in the creation of a renewable energy credit
25 unless the facility meets the requirements of subparagraph (A) or
26 (D) of paragraph (1) of subdivision (e).

27 (C) Electricity generated by a conduit hydroelectric generation
28 facility shall not result in the creation of a renewable energy credit
29 unless the facility meets the requirements of subparagraph (B) of
30 paragraph (1) of subdivision (e).

31 (D) Electricity generated by a facility engaged in the combustion
32 of municipal solid waste shall not result in the creation of a
33 renewable energy credit. This subparagraph does not apply to
34 renewable energy credits that were generated before January 1,
35 2016, by a facility engaged in the combustion of municipal solid
36 waste located in Stanislaus County that was operational prior to
37 September 26, 1996, and sold pursuant to contracts entered into
38 before January 1, 2016.

39 (i) “Renewables portfolio standard” means the specified
40 percentage of electricity generated by eligible renewable energy

1 resources that a retail seller or a local publicly owned electric utility
2 is required to procure pursuant to this article.

3 (j) “Retail seller” means an entity engaged in the retail sale of
4 electricity to end-use customers located within the state, including
5 any of the following:

6 (1) An electrical corporation, as defined in Section 218.

7 (2) A community choice aggregator. A community choice
8 aggregator shall participate in the renewables portfolio standard
9 program subject to the same terms and conditions applicable to an
10 electrical corporation.

11 (3) An electric service provider, as defined in Section 218.3.
12 The electric service provider shall be subject to the same terms
13 and conditions applicable to an electrical corporation pursuant to
14 this article. This paragraph does not impair a contract entered into
15 between an electric service provider and a retail customer prior to
16 the suspension of direct access by the commission pursuant to
17 Section 80110 of the Water Code.

18 (4) “Retail seller” does not include any of the following:

19 (A) A corporation or person employing cogeneration technology
20 or producing electricity consistent with subdivision (b) of Section
21 218.

22 (B) The Department of Water Resources acting in its capacity
23 pursuant to Division 27 (commencing with Section 80000) of the
24 Water Code.

25 (C) A local publicly owned electric utility.

26 (k) “WECC” means the Western Electricity Coordinating
27 Council of the North American Electric Reliability Corporation,
28 or a successor to the corporation.

29 ~~SEC. 8.~~

30 *SEC. 10.* Section 399.13 of the Public Utilities Code is amended
31 to read:

32 399.13. (a) (1) The commission shall direct each electrical
33 corporation to annually prepare a renewable energy procurement
34 plan that includes the matter in paragraph (5), to satisfy its
35 obligations under the renewables portfolio standard. To the extent
36 feasible, this procurement plan shall be proposed, reviewed, and
37 adopted by the commission as part of, and pursuant to, a general
38 procurement plan process. The commission shall require each
39 electrical corporation to review and update its renewable energy
40 procurement plan as it determines to be necessary. The commission

1 shall require all other retail sellers to prepare and submit renewable
2 energy procurement plans that address the requirements identified
3 in paragraph (5).

4 (2) Every electrical corporation that owns electrical transmission
5 facilities shall annually prepare, as part of the Federal Energy
6 Regulatory Commission Order 890 process, and submit to the
7 commission, a report identifying any electrical transmission
8 facility, upgrade, or enhancement that is reasonably necessary to
9 achieve the renewables portfolio standard procurement
10 requirements of this article. Each report shall look forward at least
11 five years and, to ensure that adequate investments are made in a
12 timely manner, shall include a preliminary schedule when an
13 application for a certificate of public convenience and necessity
14 will be made, pursuant to Chapter 5 (commencing with Section
15 1001), for any electrical transmission facility identified as being
16 reasonably necessary to achieve the renewable energy resources
17 procurement requirements of this article. Each electrical
18 corporation that owns electrical transmission facilities shall ensure
19 that project-specific interconnection studies are completed in a
20 timely manner.

21 (3) The commission shall direct each retail seller to prepare and
22 submit an annual compliance report that includes all of the
23 following:

24 (A) The current status and progress made during the prior year
25 toward procurement of eligible renewable energy resources as a
26 percentage of retail sales, including, if applicable, the status of any
27 necessary siting and permitting approvals from federal, state, and
28 local agencies for those eligible renewable energy resources
29 procured by the retail seller, and the current status of compliance
30 with the portfolio content requirements of subdivision (c) of
31 Section 399.16, including procurement of eligible renewable energy
32 resources located outside the state and within the WECC and
33 unbundled renewable energy credits.

34 (B) If the retail seller is an electrical corporation, the current
35 status and progress made during the prior year toward construction
36 of, and upgrades to, transmission and distribution facilities and
37 other electrical system components it owns to interconnect eligible
38 renewable energy resources and to supply the electricity generated
39 by those resources to load, including the status of planning, siting,

1 and permitting transmission facilities by federal, state, and local
2 agencies.

3 (C) Recommendations to remove impediments to making
4 progress toward achieving the renewable energy resources
5 procurement requirements established pursuant to this article.

6 (4) The commission shall adopt, by rulemaking, all of the
7 following:

8 (A) A process that provides criteria for the rank ordering and
9 selection of least-cost and best-fit eligible renewable energy
10 resources to comply with the California Renewables Portfolio
11 Standard Program obligations on a total cost basis. This process
12 shall take into account all of the following:

13 (i) Estimates of indirect costs associated with needed
14 transmission investments.

15 (ii) The cost impact of procuring the eligible renewable energy
16 resources on the electrical corporation's electricity portfolio.

17 (iii) The viability of the project to construct and reliably operate
18 the eligible renewable energy resource, including the developer's
19 experience, the feasibility of the technology used to generate
20 electricity, and the risk that the facility will not be built, or that
21 construction will be delayed, with the result that electricity will
22 not be supplied as required by the contract.

23 (iv) Workforce recruitment, training, and retention efforts,
24 including the employment growth associated with the construction
25 and operation of eligible renewable energy resources and goals
26 for recruitment and training of women, minorities, and disabled
27 veterans.

28 (v) (I) Estimates of electrical corporation expenses resulting
29 from integrating and operating eligible renewable energy resources,
30 including, but not limited to, any additional wholesale energy and
31 capacity costs associated with integrating each eligible renewable
32 resource.

33 (II) No later than December 31, 2015, the commission shall
34 approve a methodology for determining the integration costs
35 described in subclause (I).

36 (B) Rules permitting retail sellers to accumulate, beginning
37 January 1, 2011, excess procurement in one compliance period to
38 be applied to any subsequent compliance period. The rules shall
39 apply equally to all retail sellers. In determining the quantity of
40 excess procurement for the applicable compliance period, the

1 commission shall deduct from actual procurement quantities the
2 total amount of procurement associated with contracts of less than
3 10 years in duration and electricity products meeting the portfolio
4 content of paragraph (3) of subdivision (b) of Section 399.16.

5 (C) Standard terms and conditions to be used by all electrical
6 corporations in contracting for eligible renewable energy resources,
7 including performance requirements for renewable generators. A
8 contract for the purchase of electricity generated by an eligible
9 renewable energy resource, at a minimum, shall include the
10 renewable energy credits associated with all electricity generation
11 specified under the contract. The standard terms and conditions
12 shall include the requirement that, no later than six months after
13 the commission's approval of an electricity purchase agreement
14 entered into pursuant to this article, the following information
15 about the agreement shall be disclosed by the commission: party
16 names, resource type, project location, and project capacity.

17 (D) An appropriate minimum margin of procurement above the
18 minimum procurement level necessary to comply with the
19 renewables portfolio standard to mitigate the risk that renewable
20 projects planned or under contract are delayed or canceled. This
21 paragraph does not preclude an electrical corporation from
22 voluntarily proposing a margin of procurement above the
23 appropriate minimum margin established by the commission.

24 (5) Consistent with the goal of increasing California's reliance
25 on eligible renewable energy resources, the renewable energy
26 procurement plan shall include all of the following:

27 (A) An assessment of annual or multiyear portfolio supplies
28 and demand to determine the optimal mix of eligible renewable
29 energy resources with deliverability characteristics that may include
30 peaking, dispatchable, baseload, firm, and as-available capacity.

31 (B) Potential compliance delays related to the conditions
32 described in paragraph (5) of subdivision (b) of Section 399.15.

33 (C) A bid solicitation setting forth the need for eligible
34 renewable energy resources of each deliverability characteristic,
35 required online dates, and locational preferences, if any.

36 (D) A status update on the development schedule of all eligible
37 renewable energy resources currently under contract.

38 (E) Consideration of mechanisms for price adjustments
39 associated with the costs of key components for eligible renewable

1 energy resource projects with online dates more than 24 months
2 after the date of contract execution.

3 (F) An assessment of the risk that an eligible renewable energy
4 resource will not be built, or that construction will be delayed,
5 with the result that electricity will not be delivered as required by
6 the contract.

7 (6) In soliciting and procuring eligible renewable energy
8 resources, each electrical corporation shall offer contracts of no
9 less than 10 years duration, unless the commission approves of a
10 contract of shorter duration.

11 (7) In soliciting and procuring eligible renewable energy
12 resources for California-based projects, each electrical corporation
13 shall give preference to renewable energy projects that provide
14 environmental and economic benefits to communities afflicted
15 with poverty or high unemployment, or that suffer from high
16 emission levels of toxic air contaminants, criteria air pollutants,
17 and greenhouse gases.

18 (b) A retail seller may enter into a combination of long- and
19 short-term contracts for electricity and associated renewable energy
20 credits. The commission may authorize a retail seller to enter into
21 a contract of less than 10 years' duration with an eligible renewable
22 energy resource, if the commission has established, for each retail
23 seller, minimum quantities of eligible renewable energy resources
24 to be procured through contracts of at least 10 years' duration.

25 (c) The commission shall review and accept, modify, or reject
26 each electrical corporation's renewable energy resource
27 procurement plan prior to the commencement of renewable energy
28 procurement pursuant to this article by an electrical corporation.

29 (d) Unless previously preapproved by the commission, an
30 electrical corporation shall submit a contract for the generation of
31 an eligible renewable energy resource to the commission for review
32 and approval consistent with an approved renewable energy
33 resource procurement plan. If the commission determines that the
34 bid prices are elevated due to a lack of effective competition among
35 the bidders, the commission shall direct the electrical corporation
36 to renegotiate the contracts or conduct a new solicitation.

37 (e) If an electrical corporation fails to comply with a commission
38 order adopting a renewable energy resource procurement plan, the
39 commission shall exercise its authority to require compliance.

1 (f) (1) The commission may authorize a procurement entity to
2 enter into contracts on behalf of customers of a retail seller for
3 electricity products from eligible renewable energy resources to
4 satisfy the retail seller’s renewables portfolio standard procurement
5 requirements. The commission shall not require any person or
6 corporation to act as a procurement entity or require any party to
7 purchase eligible renewable energy resources from a procurement
8 entity.

9 (2) Subject to review and approval by the commission, the
10 procurement entity shall be permitted to recover reasonable
11 administrative and procurement costs through the retail rates of
12 end-use customers that are served by the procurement entity and
13 are directly benefiting from the procurement of eligible renewable
14 energy resources.

15 (3) *The commission may authorize a procurement entity to*
16 *procure ____ percent of retail sales of onsite generation within*
17 *the area served by the procurement entity to serve local electricity*
18 *needs. Onsite renewable generation shall be eligible renewable*
19 *energy resources certified by the Energy Commission pursuant to*
20 *Section 399.25 with a tracking system described in subdivision (c)*
21 *of Section 399.25. Estimation of energy production from onsite*
22 *generation shall not be used to demonstrate compliance with this*
23 *article.*

24 (g) Procurement and administrative costs associated with
25 contracts entered into by an electrical corporation for eligible
26 renewable energy resources pursuant to this article and approved
27 by the commission are reasonable and prudent and shall be
28 recoverable in rates.

29 (h) Construction, alteration, demolition, installation, and repair
30 work on an eligible renewable energy resource that receives
31 production incentives pursuant to Section 25742 of the Public
32 Resources Code, including work performed to qualify, receive, or
33 maintain production incentives, are “public works” for the purposes
34 of Chapter 1 (commencing with Section 1720) of Part 7 of Division
35 2 of the Labor Code.

36 ~~SEC. 9.~~

37 *SEC. 11.* Section 399.15 of the Public Utilities Code is amended
38 to read:

39 399.15. (a) In order to fulfill unmet long-term resource needs,
40 the commission shall establish a renewables portfolio standard

1 requiring all retail sellers to procure a minimum quantity of
2 electricity products from eligible renewable energy resources as
3 a specified percentage of total kilowatthours sold to their retail
4 end-use customers each compliance period to achieve the targets
5 established under this article. For any retail seller procuring at least
6 14 percent of retail sales from eligible renewable energy resources
7 in 2010, the deficits associated with any previous renewables
8 portfolio standard shall not be added to any procurement
9 requirement pursuant to this article.

10 (b) The commission shall implement renewables portfolio
11 standard procurement requirements only as follows:

12 (1) Each retail seller shall procure a minimum quantity of
13 eligible renewable energy resources for each of the following
14 compliance periods:

15 (A) January 1, 2011, to December 31, 2013, inclusive.

16 (B) January 1, 2014, to December 31, 2016, inclusive.

17 (C) January 1, 2017, to December 31, 2020, inclusive.

18 (D) January 1, 2021, to December 31, 2024, inclusive.

19 (E) January 1, 2025, to December 31, 2027, inclusive.

20 ~~(D)~~

21 (F) January 1, 2028, to December 31, 2030, inclusive.

22 (2) (A) No later than January 1, 2017, the commission shall
23 establish the quantity of electricity products from eligible
24 renewable energy resources to be procured by the retail seller for
25 each compliance period. These quantities shall be established in
26 the same manner for all retail sellers and result in the same
27 percentages used to establish compliance period quantities for all
28 retail sellers.

29 (B) In establishing quantities for the compliance period from
30 January 1, 2011, to December 31, 2013, inclusive, the commission
31 shall require procurement for each retail seller equal to an average
32 of 20 percent of retail sales. For the following compliance periods,
33 the quantities shall reflect reasonable progress in each of the
34 intervening years sufficient to ensure that the procurement of
35 electricity products from eligible renewable energy resources
36 achieves 25 percent of retail sales by December 31, 2016, 33
37 percent by December 31, 2020, 40 percent by December 31, 2024,
38 45 percent by December 31, 2027, and 50 percent by December
39 31, 2030. The commission shall establish appropriate multiyear
40 compliance periods for all subsequent years that require retail

1 sellers to procure not less than 50 percent of retail sales of
2 electricity products from eligible renewable energy resources.

3 (C) Retail sellers shall be obligated to procure no less than the
4 quantities associated with all intervening years by the end of each
5 compliance period. Retail sellers shall not be required to
6 demonstrate a specific quantity of procurement for any individual
7 intervening year.

8 (3) The commission may require the procurement of eligible
9 renewable energy resources in excess of the quantities specified
10 in paragraph (2).

11 (4) Only for purposes of establishing the renewables portfolio
12 standard procurement requirements of paragraph (1) and
13 determining the quantities pursuant to paragraph (2), the
14 commission shall include all electricity sold to retail customers by
15 the Department of Water Resources pursuant to Division 27
16 (commencing with Section 80000) of the Water Code in the
17 calculation of retail sales by an electrical corporation.

18 (5) The commission shall waive enforcement of this section if
19 it finds that the retail seller has demonstrated any of the following
20 conditions are beyond the control of the retail seller and will
21 prevent compliance:

22 (A) There is inadequate transmission capacity to allow for
23 sufficient electricity to be delivered from proposed eligible
24 renewable energy resource projects using the current operational
25 protocols of the Independent System Operator. In making its
26 findings relative to the existence of this condition with respect to
27 a retail seller that owns transmission lines, the commission shall
28 consider both of the following:

29 (i) Whether the retail seller has undertaken, in a timely fashion,
30 reasonable measures under its control and consistent with its
31 obligations under local, state, and federal laws and regulations, to
32 develop and construct new transmission lines or upgrades to
33 existing lines intended to transmit electricity generated by eligible
34 renewable energy resources. In determining the reasonableness of
35 a retail seller's actions, the commission shall consider the retail
36 seller's expectations for full-cost recovery for these transmission
37 lines and upgrades.

38 (ii) Whether the retail seller has taken all reasonable operational
39 measures to maximize cost-effective deliveries of electricity from

1 eligible renewable energy resources in advance of transmission
2 availability.

3 (B) Permitting, interconnection, or other circumstances that
4 delay procured eligible renewable energy resource projects, or
5 there is an insufficient supply of eligible renewable energy
6 resources available to the retail seller. In making a finding that this
7 condition prevents timely compliance, the commission shall
8 consider whether the retail seller has done all of the following:

9 (i) Prudently managed portfolio risks, including relying on a
10 sufficient number of viable projects.

11 (ii) Sought to develop one of the following: its own eligible
12 renewable energy resources, transmission to interconnect to eligible
13 renewable energy resources, or energy storage used to integrate
14 eligible renewable energy resources. This clause shall not require
15 an electrical corporation to pursue development of eligible
16 renewable energy resources pursuant to Section 399.14.

17 (iii) Procured an appropriate minimum margin of procurement
18 above the minimum procurement level necessary to comply with
19 the renewables portfolio standard to compensate for foreseeable
20 delays or insufficient supply.

21 (iv) Taken reasonable measures, under the control of the retail
22 seller, to procure cost-effective distributed generation and allowable
23 unbundled renewable energy credits.

24 (C) Unanticipated curtailment of eligible renewable energy
25 resources necessary to address the needs of a balancing authority.
26 *if the waiver would not result in an increase in greenhouse gas*
27 *emissions.*

28 (D) *Unanticipated increase in retail sales due to transportation*
29 *electrification. In making a finding that this condition prevents*
30 *timely compliance, the commission shall consider all of the*
31 *following:*

32 (i) *Whether transportation electrification significantly exceeded*
33 *forecasts in that retail seller's service territory based on the best*
34 *and most recently available information filed with the State Air*
35 *Resources Board, the Energy Commission, or other state agency.*

36 (ii) *Whether the retail seller has taken reasonable measures to*
37 *procure sufficient resources to account for unanticipated increases*
38 *in retail sales due to transportation electrification.*

39 (6) If the commission waives the compliance requirements of
40 this section, the commission shall establish additional reporting

1 requirements on the retail seller to demonstrate that all reasonable
2 actions under the control of the retail seller are taken in each of
3 the intervening years sufficient to satisfy future procurement
4 requirements.

5 (7) The commission shall not waive enforcement pursuant to
6 this section, unless the retail seller demonstrates that it has taken
7 all reasonable actions under its control, as set forth in paragraph
8 (5), to achieve full compliance.

9 (8) If a retail seller fails to procure sufficient eligible renewable
10 energy resources to comply with a procurement requirement
11 pursuant to paragraphs (1) and (2) and fails to obtain an order from
12 the commission waiving enforcement pursuant to paragraph (5),
13 the commission shall assess penalties for noncompliance. A
14 schedule of penalties shall be adopted by the commission that shall
15 be comparable for electrical corporations and other retail sellers.
16 For electrical corporations, the cost of any penalties shall not be
17 collected in rates. Any penalties collected under this article shall
18 be deposited into the Electric Program Investment Charge Fund
19 and used for the purposes described in Chapter 8.1 (commencing
20 with Section 25710) of Division 15 of the Public Resources Code.

21 (9) Deficits associated with the compliance period shall not be
22 added to a future compliance period.

23 (c) The commission shall establish a limitation for each electrical
24 corporation on the procurement expenditures for all eligible
25 renewable energy resources used to comply with the renewables
26 portfolio standard. This limitation shall be set at a level that
27 prevents disproportionate rate impacts.

28 (d) If the cost limitation for an electrical corporation is
29 insufficient to support the projected costs of meeting the
30 renewables portfolio standard procurement requirements, the
31 electrical corporation may refrain from entering into new contracts
32 or constructing facilities beyond the quantity that can be procured
33 within the limitation, unless eligible renewable energy resources
34 can be procured without exceeding a de minimis increase in rates,
35 consistent with the long-term procurement plan established for the
36 electrical corporation pursuant to Section 454.5.

37 (e) (1) The commission shall monitor the status of the cost
38 limitation for each electrical corporation in order to ensure
39 compliance with this article.

1 (2) If the commission determines that an electrical corporation
2 may exceed its cost limitation prior to achieving the renewables
3 portfolio standard procurement requirements, the commission shall
4 do both of the following within 60 days of making that
5 determination:

6 (A) Investigate and identify the reasons why the electrical
7 corporation may exceed its annual cost limitation.

8 (B) Notify the appropriate policy and fiscal committees of the
9 Legislature that the electrical corporation may exceed its cost
10 limitation, and include the reasons why the electrical corporation
11 may exceed its cost limitation.

12 (f) The establishment of a renewables portfolio standard shall
13 not constitute implementation by the commission of the federal
14 Public Utility Regulatory Policies Act of 1978 (Public Law
15 95-617).

16 ~~SEC. 10.~~

17 *SEC. 12.* Section 399.16 of the Public Utilities Code is amended
18 to read:

19 399.16. (a) Various electricity products from eligible renewable
20 energy resources located within the WECC transmission network
21 service area shall be eligible to comply with the renewables
22 portfolio standard procurement requirements in Section 399.15.
23 These electricity products may be differentiated by their impacts
24 on the operation of the grid in supplying electricity, as well as, as
25 meeting the requirements of this article.

26 (b) Consistent with the goals of procuring the least-cost and
27 best-fit electricity products from eligible renewable energy
28 resources that meet project viability principles adopted by the
29 commission pursuant to paragraph (4) of subdivision (a) of Section
30 399.13 and that provide the benefits set forth in Section 399.11, a
31 balanced portfolio of eligible renewable energy resources shall be
32 procured consisting of the following portfolio content categories:

33 (1) Eligible renewable energy resource electricity products that
34 meet either of the following criteria:

35 (A) Have a first point of interconnection with a California
36 balancing authority, have a first point of interconnection with
37 distribution facilities used to serve end users within a California
38 balancing authority area, or are scheduled from the eligible
39 renewable energy resource into a California balancing authority
40 without substituting electricity from another source. The use of

1 another source to provide real-time ancillary services required to
2 maintain an hourly or subhourly import schedule into a California
3 balancing authority shall be permitted, but only the fraction of the
4 schedule actually generated by the eligible renewable energy
5 resource shall count toward this portfolio content category.

6 (B) Have an agreement to dynamically transfer electricity to a
7 California balancing authority.

8 (2) Firm and shaped eligible renewable energy resource
9 electricity products providing incremental electricity and scheduled
10 into a California balancing authority.

11 (3) Eligible renewable energy resource electricity products, or
12 any fraction of the electricity generated, including unbundled
13 renewable energy credits, that do not qualify under the criteria of
14 paragraph (1) or (2).

15 (c) In order to achieve a balanced portfolio, all retail sellers
16 shall meet the following requirements for all procurement credited
17 toward each compliance period:

18 (1) Not less than 50 percent for the compliance period ending
19 December 31, 2013, 65 percent for the compliance period ending
20 December 31, 2016, and 75 percent for the compliance period
21 ending December 31, 2020, of the eligible renewable energy
22 resource electricity products associated with contracts executed
23 after June 1, 2010, shall meet the product content requirements of
24 paragraph (1) of subdivision (b). Each retail seller shall continue
25 to satisfy the product content requirements applicable to
26 procurement quantities associated with the compliance period
27 ending December 31, 2020, and ensure that, for compliance periods
28 ending after December 31, 2020, not less than 75 percent of the
29 incremental renewable procurement requirements in each
30 compliance period shall be satisfied with eligible renewable energy
31 resource electricity products meeting the requirements of paragraph
32 (1) of subdivision (b).

33 (2) Not more than 25 percent for the compliance period ending
34 December 31, 2013, 15 percent for the compliance period ending
35 December 31, 2016, and 10 percent for *the* compliance period
36 ending December 31, 2020, of the eligible renewable energy
37 resource electricity products associated with contracts executed
38 after June 1, 2010, shall meet the product content requirements of
39 paragraph (3) of subdivision (b). For the compliance periods ending
40 after December 31, 2020, not more than 10 percent of the

1 incremental renewable procurement requirements in each
2 compliance period shall be satisfied with eligible renewable energy
3 resource electricity products meeting the requirements of paragraph
4 (3) of subdivision (b).

5 (3) Any renewable energy resources contracts executed on or
6 after June 1, 2010, not subject to the limitations of paragraph (1)
7 or (2), shall meet the product content requirements of paragraph
8 (2) of subdivision (b).

9 (4) For purposes of electric service providers only, the
10 restrictions in this subdivision on crediting eligible renewable
11 energy resource electricity products to each compliance period
12 shall apply to contracts executed after January 13, 2011.

13 (d) Any contract or ownership agreement originally executed
14 prior to June 1, 2010, shall count in full toward the procurement
15 requirements established pursuant to this article, if all of the
16 following conditions are met:

17 (1) The renewable energy resource was eligible under the rules
18 in place as of the date when the contract was executed.

19 (2) For an electrical corporation, the contract has been approved
20 by the commission, even if that approval occurs after June 1, 2010.

21 (3) Any contract amendments or modifications occurring after
22 June 1, 2010, do not increase the nameplate capacity or expected
23 quantities of annual generation, or substitute a different renewable
24 energy resource. The duration of the contract may be extended if
25 the original contract specified a procurement commitment of 15
26 or more years.

27 (e) A retail seller may apply to the commission for a reduction
28 of a procurement content requirement of subdivision (c). The
29 commission may reduce a procurement content requirement of
30 subdivision (c) to the extent the retail seller demonstrates that it
31 cannot comply with that subdivision because of conditions beyond
32 the control of the retail seller as provided in paragraph (5) of
33 subdivision (b) of Section 399.15. The commission shall not, under
34 any circumstance, reduce the obligation specified in paragraph (1)
35 of subdivision (c) below 65 percent for any compliance period
36 obligation after December 31, 2016.

37 ~~SEC. 11.~~

38 *SEC. 13.* Section 399.18 of the Public Utilities Code is amended
39 to read:

1 399.18. (a) This section applies to an electrical corporation
2 that as of January 1, 2010, met either of the following conditions:

3 (1) Served 30,000 or fewer customer accounts in California and
4 had issued at least four solicitations for eligible renewable energy
5 resources prior to June 1, 2010.

6 (2) Had 1,000 or fewer customer accounts in California and was
7 not connected to any transmission system or to the Independent
8 System Operator.

9 (b) For an electrical corporation or its successor, electricity
10 products from eligible renewable energy resources may be used
11 for compliance with this article, notwithstanding any procurement
12 content limitation in Section 399.16, provided that all of the
13 following conditions are met:

14 (1) The electrical corporation or its successor participates in,
15 and complies with, the accounting system administered by the
16 Energy Commission pursuant to subdivision (b) of Section 399.25.

17 (2) The Energy Commission verifies that the electricity
18 generated by the facility is eligible to meet the requirements of
19 Section 399.15.

20 (3) The electrical corporation continues to satisfy either of the
21 conditions described in subdivision (a).

22 ~~SEC. 12.~~

23 *SEC. 14.* Section 399.21 of the Public Utilities Code is amended
24 to read:

25 399.21. (a) The commission, by rule, shall authorize the use
26 of renewable energy credits to satisfy the renewables portfolio
27 standard procurement requirements established pursuant to this
28 article, subject to the following conditions:

29 (1) The commission and the Energy Commission shall ensure
30 that the tracking system established pursuant to subdivision (c) of
31 Section 399.25, is operational, is capable of independently
32 verifying that electricity earning the credit is generated by an
33 eligible renewable energy resource, and can ensure that renewable
34 energy credits shall not be double counted by any seller of
35 electricity within the service territory of the WECC.

36 (2) Each renewable energy credit shall be counted only once
37 for compliance with the renewables portfolio standard of this state
38 or any other state, or for verifying retail product claims in this state
39 or any other state.

1 (3) All revenues received by an electrical corporation for the
2 sale of a renewable energy credit shall be credited to the benefit
3 of ratepayers.

4 (4) Renewable energy credits shall not be created for electricity
5 generated pursuant to any electricity purchase contract with a retail
6 seller or a local publicly owned electric utility executed before
7 January 1, 2005, unless the contract contains explicit terms and
8 conditions specifying the ownership or disposition of those credits.
9 Procurement under those contracts shall be tracked through the
10 accounting system described in subdivision (b) of Section 399.25
11 and included in the quantity of eligible renewable energy resources
12 of the purchasing retail seller pursuant to Section 399.15.

13 (5) Renewable energy credits shall not be created for electricity
14 generated under any electricity purchase contract executed after
15 January 1, 2005, pursuant to the federal Public Utility Regulatory
16 Policies Act of 1978 (16 U.S.C. Sec. 2601 et seq.). Procurement
17 under the electricity purchase contracts shall be tracked through
18 the accounting system implemented by the Energy Commission
19 pursuant to subdivision (b) of Section 399.25 and count toward
20 the renewables portfolio standard procurement requirements of
21 the purchasing retail seller.

22 (6) A renewable energy credit shall not be eligible for
23 compliance with a renewables portfolio standard procurement
24 requirement unless it is retired in the tracking system established
25 pursuant to subdivision (c) of Section 399.25 by the retail seller
26 or local publicly owned electric utility within 36 months from the
27 initial date of generation of the associated electricity.

28 (b) The commission shall allow an electrical corporation to
29 recover the reasonable costs of purchasing, selling, and
30 administering renewable energy credit contracts in rates.

31 ~~SEC. 13.~~

32 *SEC. 15.* Section 399.30 of the Public Utilities Code is amended
33 to read:

34 399.30. (a) To fulfill unmet long-term generation resource
35 needs, each local publicly owned electric utility shall adopt and
36 implement a renewable energy resources procurement plan that
37 requires the utility to procure a minimum quantity of electricity
38 products from eligible renewable energy resources, including
39 renewable energy credits, as a specified percentage of total

1 kilowatthours sold to the utility’s retail end-use customers, each
2 compliance period, to achieve the targets of subdivision (c).

3 (b) The governing board shall implement procurement targets
4 for a local publicly owned electric utility that require the utility to
5 procure a minimum quantity of eligible renewable energy resources
6 for each of the following compliance periods:

7 (1) January 1, 2011, to December 31, 2013, inclusive.

8 (2) January 1, 2014, to December 31, 2016, inclusive.

9 (3) January 1, 2017, to December 31, 2020, inclusive.

10 ~~(4)~~

11 (4) January 1, 2021, to December 31, 2024, inclusive.

12 ~~(5)~~

13 (5) January 1, 2025, to December 31, 2027, inclusive.

14 ~~(6)~~

15 (6) January 1, 2028, to December 31, 2030, inclusive.

16 (c) The governing board of a local publicly owned electric utility
17 shall ensure all of the following:

18 (1) The quantities of eligible renewable energy resources to be
19 procured for the compliance period from January 1, 2011, to
20 December 31, 2013, inclusive, are equal to an average of 20 percent
21 of retail sales.

22 (2) The quantities of eligible renewable energy resources to be
23 procured for all other compliance periods reflect reasonable
24 progress in each of the intervening years sufficient to ensure that
25 the procurement of electricity products from eligible renewable
26 energy resources achieves 25 percent of retail sales by December
27 31, 2016, 33 percent by December 31, 2020, 40 percent by
28 December 31, 2024, 45 percent by December 31, 2027, and 50
29 percent by December 31, 2030. The Energy Commission shall
30 establish appropriate multiyear compliance periods for all
31 subsequent years that require the local publicly owned electric
32 utility to procure not less than 50 percent of retail sales of
33 electricity products from eligible renewable energy resources.

34 (3) A local publicly owned electric utility shall adopt
35 procurement requirements consistent with Section 399.16.

36 (4) *A local publicly owned electric utility may procure _____*
37 *percent of retail sales of onsite generation within the area served*
38 *by that utility to serve local electricity needs. Onsite renewable*
39 *generation shall be eligible renewable energy resources certified*
40 *by the Energy Commission pursuant to Section 399.25 with a*

1 *tracking system described in subdivision (c) of Section 399.25.*
2 *Estimation of energy production from onsite generation shall not*
3 *be used to demonstrate compliance with this article.*

4 (d) The governing board of a local publicly owned electric utility
5 may adopt the following measures:

6 (1) Rules permitting the utility to apply excess procurement in
7 one compliance period to subsequent compliance periods in the
8 same manner as allowed for retail sellers pursuant to Section
9 399.13.

10 (2) Conditions that allow for delaying timely compliance
11 consistent with subdivision (b) of Section 399.15.

12 (3) Cost limitations for procurement expenditures consistent
13 with subdivision (c) of Section 399.15.

14 (e) The governing board of the local publicly owned electric
15 utility shall adopt a program for the enforcement of this article.
16 The program shall be adopted at a publicly noticed meeting offering
17 all interested parties an opportunity to comment. Not less than 30
18 days' notice shall be given to the public of any meeting held for
19 purposes of adopting the program. Not less than 10 days' notice
20 shall be given to the public before any meeting is held to make a
21 substantive change to the program.

22 (f) (1) Each local publicly owned electric utility shall annually
23 post notice, in accordance with Chapter 9 (commencing with
24 Section 54950) of Part 1 of Division 2 of Title 5 of the Government
25 Code, whenever its governing body will deliberate in public on its
26 renewable energy resources procurement plan.

27 (2) Contemporaneous with the posting of the notice of a public
28 meeting to consider the renewable energy resources procurement
29 plan, the local publicly owned electric utility shall notify the
30 Energy Commission of the date, time, and location of the meeting
31 in order to enable the Energy Commission to post the information
32 on its Internet Web site. This requirement is satisfied if the local
33 publicly owned electric utility provides the uniform resource
34 locator (URL) that links to this information.

35 (3) Upon distribution to its governing body of information
36 related to its renewable energy resources procurement status and
37 future plans, for its consideration at a noticed public meeting, the
38 local publicly owned electric utility shall make that information
39 available to the public and shall provide the Energy Commission
40 with an electronic copy of the documents for posting on the Energy

1 Commission’s Internet Web site. This requirement is satisfied if
2 the local publicly owned electric utility provides the uniform
3 resource locator (URL) that links to the documents or information
4 regarding other manners of access to the documents.

5 (g) A public utility district that receives all of its electricity
6 pursuant to a preference right adopted and authorized by the United
7 States Congress pursuant to Section 4 of the Trinity River Division
8 Act of August 12, 1955 (Public Law 84-386) shall be in compliance
9 with the renewable energy procurement requirements of this article.

10 (h) For a local publicly owned electric utility that was in
11 existence on or before January 1, 2009, that provides retail electric
12 service to 15,000 or fewer customer accounts in California, and is
13 interconnected to a balancing authority located outside this state
14 but within the WECC, an eligible renewable energy resource
15 includes a facility that is located outside California that is
16 connected to the WECC transmission system, if all of the following
17 conditions are met:

18 (1) The electricity generated by the facility is procured by the
19 local publicly owned electric utility, is delivered to the balancing
20 authority area in which the local publicly owned electric utility is
21 located, and is not used to fulfill renewable energy procurement
22 requirements of other states.

23 (2) The local publicly owned electric utility participates in, and
24 complies with, the accounting system administered by the Energy
25 Commission pursuant to this article.

26 (3) The Energy Commission verifies that the electricity
27 generated by the facility is eligible to meet the renewables portfolio
28 standard procurement requirements.

29 (i) Notwithstanding subdivision (a), for a local publicly owned
30 electric utility that is a joint powers authority of districts established
31 pursuant to state law on or before January 1, 2005, that furnish
32 electric services other than to residential customers, and is formed
33 pursuant to the Irrigation District Law (Division 11 (commencing
34 with Section 20500) of the Water Code), the percentage of total
35 kilowatthours sold to the district’s retail end-use customers, upon
36 which the renewables portfolio standard procurement requirements
37 in subdivision (b) are calculated, shall be based on the authority’s
38 average retail sales over the previous seven years. If the authority
39 has not furnished electric service for seven years, then the
40 calculation shall be based on average retail sales over the number

1 of completed years during which the authority has provided electric
2 service.

3 (j) A local publicly owned electric utility in a city and county
4 that only receives greater than 67 percent of its electricity sources
5 from hydroelectric generation located within the state that it owns
6 and operates, and that does not meet the definition of a “renewable
7 electrical generation facility” pursuant to Section 25741 of the
8 Public Resources Code, shall be required to procure eligible
9 renewable energy resources, including renewable energy credits,
10 to meet only the electricity demands unsatisfied by its hydroelectric
11 generation in any given year, in order to satisfy its renewable
12 energy procurement requirements.

13 (k) (1) A local publicly owned electric utility that receives
14 greater than 50 percent of its annual retail sales from its own
15 hydroelectric generation that is not an eligible renewable energy
16 resource shall not be required to procure additional eligible
17 renewable energy resources in excess of either of the following:

18 (A) The portion of its retail sales not supplied by its own
19 hydroelectric generation. For these purposes, retail sales supplied
20 by an increase in hydroelectric generation resulting from an
21 increase in the amount of water stored by a dam because the dam
22 is enlarged or otherwise modified after December 31, 2012, shall
23 not count as being retail sales supplied by the utility’s own
24 hydroelectric generation.

25 (B) The cost limitation adopted pursuant to this section.

26 (2) For the purposes of this subdivision, “hydroelectric
27 generation” means electricity generated from a hydroelectric
28 facility that satisfies all of the following:

29 (A) Is owned solely and operated by the local publicly owned
30 electric utility as of 1967.

31 (B) Serves a local publicly owned electric utility with a
32 distribution system demand of less than 150 megawatts.

33 (C) Involves a contract in which an electrical corporation
34 receives the benefit of the electric generation through June of 2014,
35 at which time the benefit reverts back to the ownership and control
36 of the local publicly owned electric utility.

37 (D) Has a maximum penstock flow capacity of no more than
38 3,200 cubic feet per second and includes a regulating reservoir
39 with a small hydroelectric generation facility producing fewer than

1 20 megawatts with a maximum penstock flow capacity of no more
2 than 3,000 cubic feet per second.

3 (3) This subdivision does not reduce or eliminate any renewable
4 procurement requirement for any compliance period ending prior
5 to January 1, 2014.

6 (4) This subdivision does not require a local publicly owned
7 electric utility to purchase additional eligible renewable energy
8 resources in excess of the procurement requirements of subdivision
9 (c).

10 (l) A local publicly owned electric utility shall retain discretion
11 over both of the following:

12 (1) The mix of eligible renewable energy resources procured
13 by the utility and those additional generation resources procured
14 by the utility for purposes of ensuring resource adequacy and
15 reliability.

16 (2) The reasonable costs incurred by the utility for eligible
17 renewable energy resources owned by the utility.

18 ~~(m) The Energy Commission shall adopt regulations specifying~~
19 ~~the requirements under this article and require local governing~~
20 ~~boards to adopt timely requirements consistent with this article.~~
21 ~~The Energy Commission shall adopt regulations specifying~~
22 ~~procedures for enforcement of these requirements, including the~~
23 ~~adoption of a schedule of penalties to be imposed pursuant to~~
24 ~~subdivision (n). The regulations shall include a public process~~
25 ~~under which the Energy Commission may issue a notice of~~
26 ~~violation and correction against a local publicly owned electric~~
27 ~~utility for failure to comply with this article and assess penalties~~
28 ~~pursuant to subdivision (n).~~

29 *(m) The Energy Commission shall adopt regulations specifying*
30 *procedures for enforcement of this article. The regulations shall*
31 *include a public process under which the Energy Commission may*
32 *issue a notice of violation and correction against a local publicly*
33 *owned electric utility for failure to comply with this article, and*
34 *for referral of violations to the State Air Resources Board for*
35 *penalties pursuant to subdivision (n).*

36 (n) (1) Upon a determination by the Energy Commission that
37 a local publicly owned electric utility has failed to comply with
38 this article, the Energy Commission shall ~~impose penalties~~
39 ~~comparable to those adopted by the commission for noncompliance~~
40 ~~by retail sellers. Any penalties collected under this article shall be~~

1 deposited into the Electric Program Investment Charge Fund and
 2 used for the purposes described in Chapter 8.1 (commencing with
 3 Section 25710) of Division 15 of the Public Resources Code. *refer*
 4 *the failure to comply with this article to the State Air Resources*
 5 *Board, which may impose penalties to enforce this article*
 6 *consistent with Part 6 (commencing with Section 38580) of*
 7 *Division 25.5 of the Health and Safety Code. Any penalties imposed*
 8 *shall be comparable to those adopted by the commission for*
 9 *noncompliance by retail sellers.*

10 (2) *Any penalties collected by the State Air Resources Board*
 11 *pursuant to this article shall be deposited in the Air Pollution*
 12 *Control Fund and, upon appropriation by the Legislature, shall*
 13 *be expended for reducing emissions of air pollution or greenhouse*
 14 *gases within the same geographic area as the local publicly owned*
 15 *electric utility.*

16 ~~SEC. 14.~~

17 SEC. 16. Article 17 (commencing with Section 400) is added
 18 to Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code,
 19 to read:

20

21 Article 17. Clean Energy and Pollution Reduction

22

23 400. The commission and the Energy Commission shall do all
 24 of the following in furtherance of meeting the state's clean energy
 25 and pollution reduction objectives:

26 (a) ~~Take into account the benefits of distributed generation and~~
 27 ~~promote the use of distributed generation where to the extent that~~
 28 ~~it provides economic and environmental benefits, particularly~~
 29 ~~benefits in disadvantaged communities as identified pursuant to~~
 30 ~~Section 39711 of the Health and Safety Code.~~

31 (b) ~~Allow for consideration of costs and benefits of grid~~
 32 ~~integration~~ *Take into account the opportunities to decrease costs*
 33 *and increase benefits, including pollution reduction and grid*
 34 *integration, using technologies with zero onsite greenhouse gas*
 35 *emissions in proceedings associated with meeting the objectives.*

36 (c) ~~Where feasible, adopt rules for integrating renewable energy~~
 37 *authorize procurement of resources to provide grid reliability*
 38 *services that minimize reliance on system power and fossil fuel*
 39 *purchases resources and, where feasible feasible, cost-effective,*
 40 *and consistent with other state policy objectives, increase the use*

1 of ~~energy storage~~, *large- and small-scale energy storage with a*
2 *variety of technologies, targeted energy efficiency, demand*
3 *response, and other low-emission or zero-eligible renewable*
4 *energy resources, or other technologies with zero onsite*
5 *greenhouse gas emissions* to protect system reliability.

6 (d) Review technology—~~incentive~~ *incentive, research,*
7 *development, deployment, and market facilitation* programs
8 overseen by the commission and the Energy Commission and make
9 recommendations ~~for adjustments that more effectively and~~
10 ~~consistently align with~~ *to advance* state clean energy and pollution
11 ~~reduction objectives, and that~~ *objectives and* provide benefits to
12 disadvantaged communities as identified pursuant to Section 39711
13 of the Health and Safety Code.

14 (e) To the extent feasible, give first priority to the manufacture
15 and deployment of clean energy and pollution reduction
16 technologies that create employment opportunities, including high
17 wage, highly skilled employment opportunities, and increased
18 investment in the state.

19 (f) *Establish a publicly available tracking system to provide*
20 *up-to-date information on progress toward meeting the clean*
21 *energy and pollution reduction goals of the Clean Energy and*
22 *Pollution Reduction Act of 2015.*

23 (g) *Establish an advisory group consisting of representatives*
24 *from disadvantaged communities identified in Section 39711 of*
25 *the Health and Safety Code. The advisory group shall review and*
26 *provide advice on programs proposed to achieve clean energy and*
27 *pollution reduction and determine whether those proposed*
28 *programs will be effective and useful in disadvantaged*
29 *communities.*

30 ~~SEC. 15.~~

31 *SEC. 17.* Section 454.51 is added to the Public Utilities Code,
32 to read:

33 454.51. The commission shall direct each electrical corporation
34 to include in its proposed procurement plan a strategy for procuring
35 a diverse portfolio of resources that provide a reliable electricity
36 supply, including renewable energy integration needs, using zero
37 carbon-emitting resources to the maximum extent reasonable. The
38 net capacity costs of those resources shall be allocated on a fully
39 nonbypassable basis consistent with the treatment of costs
40 identified in paragraph (2) of subdivision (c) of Section 365.1.

1 *SEC. 18. Section 701.1 of the Public Utilities Code is amended*
2 *to read:*

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

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

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

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

38 (d) In determining the emission values associated with the
39 current operating capacity of existing electric powerplants pursuant
40 to subdivision (c), the commission shall adhere to the following

1 protocol in determining values for air quality costs and benefits to
2 the environment. If the commission finds that an air pollutant that
3 is subject to regulation is a component of residual emissions from
4 an electric powerplant and that the owner of that powerplant is
5 either of the following:

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

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

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

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

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

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

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

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

2 (3) The alternative will result in needed system reliability for
 3 the electric utility at least equivalent to that which would result
 4 from bidding for new powerplant capacity.

5 (4) The alternative will result in reducing system operating costs
 6 for the electric utility over those which would result from the
 7 process of bidding for new powerplant capacity.

8 (5) The alternative will result in equivalent or better
 9 environmental improvements at a lower cost than would result
 10 from bidding for new powerplant capacity.

11 (g) ~~No provision of this section shall be construed as requiring~~
 12 *This section does not require* an electric utility to alter the dispatch
 13 of its powerplants for environmental purposes.

14 (h) ~~No provision of this section shall preclude~~ *This section does*
 15 *not preclude* an electric utility from submitting to the commission
 16 any combination of alternatives to meet a commission-identified
 17 need for new capacity, ~~if such a~~ *the* submission is otherwise
 18 authorized by the commission.

19 (i) ~~No provision of this section shall be construed to~~ *This section*
 20 *does not* change or alter any provision of commission decision
 21 92-04-045, dated April 22, 1992.

22 *SEC. 19. Section 740.8 of the Public Utilities Code is amended*
 23 *to read:*

24 740.8. As used in Section 740.3, “interests” of ratepayers,
 25 short- or long-term, mean direct benefits that are specific to
 26 ratepayers in the form of ~~safer,~~ *any of the following:*

27 (a) *Safer,* more reliable, or less costly gas or electrical service,
 28 consistent with Section ~~451,~~ *and activities 451.*

29 (b) *More efficient use of the electric system.*

30 (c) *Improve integration of renewable energy generation.*

31 (d) *Activities that both directly* benefit ratepayers and that
 32 ~~promote energy efficiency, reduction~~ *at least one of the following:*

33 (1) *Energy efficiency.*

34 (2) *Reduction of health and environmental impacts from air*
 35 ~~pollution, and greenhouse pollution.~~

36 (3) *Reduction of greenhouse gas emissions related to electricity*
 37 *and natural gas production and use, and increased use.*

38 (4) *Increased use of alternative fuels.*

39 *SEC. 20. Section 740.12 is added to the Public Utilities Code,*
 40 *to read:*

1 740.12. (a) (1) *The Legislature finds and declares all of the*
2 *following:*

3 (A) *Transportation electrification, natural gas vehicles as a*
4 *short-term measure, fuel cell vehicles, and transportation*
5 *innovations are needed to reduce petroleum use, to meet air quality*
6 *standards, to improve public health, and to achieve greenhouse*
7 *gas emissions reduction goals.*

8 (B) *Widespread transportation electrification is needed to*
9 *achieve the goals of the Charge Ahead California Initiative*
10 *(Chapter 8.5 (commencing with Section 44258) of Part 5 of*
11 *Division 26 of the Health and Safety Code).*

12 (C) *Reducing emissions of greenhouse gases to 40 percent below*
13 *1990 levels by 2030 and to 80 percent below 1990 levels by 2050*
14 *will require widespread transportation electrification.*

15 (D) *Widespread transportation electrification requires electrical*
16 *corporations to increase access to the use of electricity as a*
17 *transportation fuel.*

18 (E) *Deploying electric vehicles should assist in integrating*
19 *generation from eligible renewable energy resources and reduce*
20 *fuel costs for vehicle drivers who charge in a manner consistent*
21 *with electric grid conditions.*

22 (F) *Deploying electric vehicle charging infrastructure should*
23 *facilitate increased sales of electric vehicles by making charging*
24 *easily accessible and should provide the opportunity to access*
25 *electricity as a fuel that is cleaner than gasoline or other fossil*
26 *fuels.*

27 (G) *Deploying natural gas and fuel cell infrastructure should*
28 *facilitate increased sales of natural gas or fuel cell vehicles by*
29 *making refueling easily accessible and should provide the*
30 *opportunity to access fuels that are cleaner than gasoline.*

31 (H) *According to the State Alternative Fuels Plan analysis by*
32 *the Energy Commission and the State Air Resources Board, light-,*
33 *medium-, and heavy-duty vehicle electrification results in*
34 *approximately 70 percent fewer greenhouse gases emitted, over*
35 *85 percent fewer ozone-forming air pollutants emitted, and 100*
36 *percent fewer petroleum used. These reductions will become larger*
37 *as renewable generation increases.*

38 (2) *It is the policy of the state and the intent of the Legislature*
39 *to encourage transportation electrification as a means to achieve*
40 *ambient air quality standards and the state's climate goals.*

1 Agencies designing and implementing regulations, guidelines,
2 plans, and funding programs to reduce greenhouse gas emissions
3 should take the finding described in subparagraph (H) of
4 paragraph (1) into account.

5 (b) The commission, in consultation with the State Air Resources
6 Board and the Energy Commission, shall direct electrical
7 corporations to propose multiyear programs and investments to
8 accelerate widespread transportation electrification to reduce
9 dependence on petroleum, meet air quality standards, achieve the
10 goals set forth in the Charge Ahead California Initiative (Chapter
11 8.5 (commencing with Section 44258) of Part 5 of Division 26 of
12 the Health and Safety Code), and reduce emissions of greenhouse
13 gases to 40 percent below 1990 levels by 2030 and to 80 percent
14 below 1990 levels by 2050. The commission shall approve
15 programs and investments that deploy charging infrastructure, as
16 distribution system costs, if they are consistent with this section
17 and Section 740.3.

18 (c) The commission shall review data concerning current and
19 future electric transportation adoption rates and charging
20 infrastructure utilization rates no less than every three years and
21 prior to any further authorization for an electrical corporation to
22 collect additional new program costs related to transportation
23 electrification in ratepayer rates. If market barriers unrelated to
24 the investment made by an electric corporation prevent electric
25 transportation from adequately utilizing available charging
26 infrastructure, the commission shall not permit additional
27 investments in transportation electrification without adequate
28 assurance that the investments would not result in stranded costs
29 recoverable from ratepayers.

30 ~~SEC. 16.~~

31 SEC. 21. No reimbursement is required by this act pursuant to
32 Section 6 of Article XIII B of the California Constitution because
33 a local agency or school district has the authority to levy service
34 charges, fees, or assessments sufficient to pay for the program or
35 level of service mandated by this act or because costs that may be
36 incurred by a local agency or school district will be incurred
37 because this act creates a new crime or infraction, eliminates a
38 crime or infraction, or changes the penalty for a crime or infraction,
39 within the meaning of Section 17556 of the Government Code, or

- 1 changes the definition of a crime within the meaning of Section 6
- 2 of Article XIII B of the California Constitution.

O