

AMENDED IN ASSEMBLY SEPTEMBER 4, 2015

AMENDED IN ASSEMBLY JULY 16, 2015

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, and to add ~~Section 44258.5~~ Sections 39628, 43013.5, and 44258.5 to, the Health and Safety Code, to amend Section 1720 of the Labor Code, to amend Sections ~~25000.5~~ 25000.5, 25310, and 25943 ~~of of~~, and to add Sections 25302.2 and 25327 to, the Public Resources Code, and to amend Sections 359, 399.4, 399.11, 399.12, 399.13, 399.15, 399.16, 399.18, 399.21, 399.30, 454.55, 454.56, 701.1, ~~and 740.8~~ 740.8, 9505, and 9620 of, to add Article 5.5 (commencing with Section 359.5) of Chapter 2.3 of Part 1 of Division 1 of, to add Sections 237.5, 365.2, 366.3, 454.51, ~~and 740.12~~ 454.52, 636, 740.12, 9621, and 9622 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 jurisdiction over public utilities, including electrical corporations, community choice aggregators, and electric service providers, while local publicly owned electric utilities are under the direction of their governing boards. Existing law imposes various

regulations on public utilities and local publicly owned electric utilities. Existing law establishes the California Renewables Portfolio Standards (RPS) Program, which is codified in the Public Utilities Act, with the target to increase the amount of electricity generated per year from eligible renewable energy resources to an amount that equals at least 33% of the total electricity sold to retail customers per year by December 31, 2020. Under existing law, a violation of the Public Utilities Act is a crime.

This bill would require that the amount of electricity generated and sold to retail customer per year from eligible renewable energy resources be increased to 50% by December 31, 2030, as provided. The bill would make other revisions to the RPS Program and to certain other requirements on public utilities and publicly owned electric utilities.

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

(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 to take certain actions, as provided, to further this goal.

(3) Existing law requires the PUC to identify cost-effective electricity efficiency savings and establish efficiency targets for an electrical corporation to achieve, and to identify cost-effective natural gas efficiency savings and establish efficiency targets for a gas corporation to achieve. Existing law requires a local publicly owned electric utility to identify all potential achievable cost-effective electricity efficiency savings and to establish annual targets for energy efficiency savings and demand reduction for the next 10-year period.

This bill would require the State Energy Resources Conservation and Development Commission to establish annual targets for statewide energy efficiency savings and demand reduction that will achieve a cumulative doubling of statewide energy efficiency savings in electricity and natural gas final end uses of retail customers by January 1, 2030. The bill would require the PUC to establish efficiency targets for electrical and gas corporations consistent with this goal. The bill would require local publicly owned electric utilities to establish annual targets

for energy efficiency savings and demand reduction consistent with this goal.

(4) The existing restructuring of the electrical industry within the Public Utilities Act provides for the establishment of the Independent System Operator (ISO) and requires the ISO to ensure efficient and reliable operation of the electrical transmission grid. Existing law prohibits the ISO from entering into a multistate entity or regional organization unless the ISO receives approval from the Electricity Oversight Board. Existing law states the intent of the Legislature to provide for the evolution of the ISO into a regional organization to promote the development of regional electricity transmission markets in the western states.

This bill would state the intent of the Legislature to enact legislation to provide for the evolution of the ISO into a regional organization.

(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 reason.

~~(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, which is codified in the Public Utilities Act, with the target to increase the amount of electricity generated per year from eligible renewable energy resources 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. For these purposes, a retail seller is defined to include electrical corporations, electric service providers, and community choice aggregators. The RPS Program requires an~~

electrical corporation to submit to the PUC, for its approval, a renewable energy procurement plan. Existing law includes as an eligible renewable energy resource a specified facility engaged in the combustion of municipal solid waste.

Existing law makes the requirements of the RPS Program applicable to a local publicly owned electric utility, as defined, 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 require 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 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, 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.~~

~~Because the above provisions 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.~~

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

~~(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 and local publicly owned electric utilities 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 and local publicly owned electric utilities to account for increased greenhouse gas emissions in the electric sector from transportation electrification.~~

~~(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 to achieve ambient air quality standards and the state's climate goals.~~

~~(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.~~

(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 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.~~ *energy savings*
12 *in electricity and natural gas final end uses of retail customers*
13 *through energy efficiency and conservation.*

14 (b) *The Legislature further finds and declares that in order for*
15 *California to achieve its statewide greenhouse gas emissions limits*
16 *and reduce petroleum use in motor vehicles by 50 percent by*
17 *January 1, 2030, it will be necessary to improve and expand access*
18 *to all of the following:*

19 (1) *Advanced clean vehicle technologies.*

20 (2) *Clean, low-carbon fuels.*

21 (3) *Transportation choices that reduce vehicle miles traveled.*

22 ~~(b)~~

23 (c) *It is the intent of the Legislature in enacting this act to codify*
24 *the targets described under subdivision (a) to ensure they are*
25 *permanent, enforceable, and quantifiable.*

26 SEC. 3. *Section 39628 is added to the Health and Safety Code,*
27 *to read:*

28 39628. (a) *By July 1, 2016, the state board, in collaboration*
29 *with the Department of Transportation, the State Energy Resources*
30 *Conservation and Development Commission, and the Governor’s*

1 *Office of Business and Economic Development, in a public process*
2 *that allows input from other stakeholders, shall develop an*
3 *integrated action plan that establishes targets to improve freight*
4 *efficiency, transition to zero-emission technologies, and increase*
5 *the competitiveness of California's freight system.*

6 *(b) The action plan shall identify state policies, programs, and*
7 *investments to achieve the targets described in subdivision (a) and*
8 *shall be informed by existing state strategies, including the*
9 *California Freight Mobility Plan, the Sustainable Freight:*
10 *Pathways to Zero and Near-Zero Emissions plan, and the*
11 *integrated energy policy report prepared pursuant to Section 25302*
12 *of the Public Resources Code.*

13 ~~SEC. 3.~~

14 *SEC. 4.* Section 43013 of the Health and Safety Code is
15 amended to read:

16 43013. (a) The state board shall adopt and implement motor
17 vehicle emission standards, in-use performance standards, and
18 motor vehicle fuel specifications for the control of air contaminants
19 and sources of air pollution which the state board has found to be
20 necessary, cost effective, and technologically feasible, to carry out
21 the purposes of this division and in furtherance of achieving a
22 reduction in petroleum use in motor vehicles by 50 percent by
23 January 1, 2030, unless preempted by federal law.

24 (b) The state board shall, consistent with subdivision (a), adopt
25 standards and regulations for light-duty and heavy-duty motor
26 vehicles, medium-duty motor vehicles, as determined and specified
27 by the state board, portable fuel containers and spouts, and off-road
28 or nonvehicle engine categories, including, but not limited to,
29 off-highway motorcycles, off-highway vehicles, construction
30 equipment, farm equipment, utility engines, locomotives, and, to
31 the extent permitted by federal law, marine vessels.

32 (c) Prior to adopting standards and regulations for farm
33 equipment, the state board shall hold a public hearing and find and
34 determine that the standards and regulations are necessary, cost
35 effective, and technologically feasible. The state board shall also
36 consider the technological effects of emission control standards
37 on the cost, fuel consumption, and performance characteristics of
38 mobile farm equipment.

39 (d) Notwithstanding subdivision (b), the state board shall not
40 adopt any standard or regulation affecting locomotives until the

1 final study required under Section 5 of Chapter 1326 of the Statutes
2 of 1987 has been completed and submitted to the Governor and
3 Legislature.

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

9 (1) Determine the cost-effectiveness of the adoption or
10 amendment of the standard or regulation. The cost-effectiveness
11 shall be compared on an incremental basis with other mobile source
12 control methods and options.

13 (2) Based on a preponderance of scientific and engineering data
14 in the record, determine the technological feasibility of the adoption
15 or amendment of the standard or regulation. That determination
16 shall include, but is not limited to, the availability, effectiveness,
17 reliability, and safety expected of the proposed technology in an
18 application that is representative of the proposed use.

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

22 (1) To the extent feasible, quantitatively document the
23 significant impacts of the proposed standard or specification on
24 affected segments of the state's economy. The economic analysis
25 shall include, but is not limited to, the significant impacts of any
26 change on motor vehicle fuel efficiency, the existing motor vehicle
27 fuel distribution system, the competitive position of the affected
28 segment relative to border states, and the cost to consumers.

29 (2) Consult with public or private entities that would be
30 significantly impacted to identify those investigative or preventive
31 actions that may be necessary to ensure consumer acceptance,
32 product availability, acceptable performance, and equipment
33 reliability. The significantly impacted parties shall include, but are
34 not limited to, fuel manufacturers, fuel distributors, independent
35 marketers, vehicle manufacturers, and fuel users.

36 ~~(g) (1) No later than January 1, 2017, the state board, after one~~
37 ~~or more public workshops, shall prepare a strategy and~~
38 ~~implementation plan to achieve a reduction in petroleum use in~~
39 ~~motor vehicles by 50 percent by January 1, 2030, and provide a~~

1 copy of the strategy and plan to the appropriate policy committees
2 of the Legislature.

3 (2)

4 ~~Beginning January 1, 2020, and every three years thereafter,~~
5 ~~the state board shall provide an update to the strategy and plan that~~
6 ~~reflects any changes made to the strategy and plan.~~

7 (h)

8 (g) To the extent that there is any conflict between the
9 information required to be prepared by the state board pursuant to
10 subdivision (f) and information required to be prepared by the state
11 board pursuant to Chapter 3.5 (commencing with Section 11340)
12 of Part 1 of Division 3 of Title 2 of the Government Code, the
13 requirements established under subdivision (f) shall prevail.

14 (i)

15 (h) It is the intent of the Legislature that the state board act as
16 expeditiously as is feasible to reduce nitrogen oxide emissions
17 from diesel vehicles, marine vessels, and other categories of
18 vehicular and mobile sources which significantly contribute to air
19 pollution problems.

20 *SEC. 5. Section 43013.5 is added to the Health and Safety*
21 *Code, to read:*

22 *43013.5. The state board shall ensure any updates to the*
23 *regional greenhouse gas emission reduction targets pursuant to*
24 *clause (iv) of subparagraph (A) of paragraph (2) of subdivision*
25 *(b) of Section 65080 of the Government Code are consistent with*
26 *achieving a 50-percent reduction in petroleum use in motor*
27 *vehicles by January 1, 2030.*

28 ~~SEC. 4.~~

29 *SEC. 6. Section 44258.5 is added to the Health and Safety*
30 *Code, to read:*

31 44258.5. (a) For the purposes of this section, the following
32 terms mean the following:

33 (1) “Local publicly owned electric utility” has the same meaning
34 as defined in Section 224.3 of the Public Utilities Code.

35 (2) “Retail seller” has the same meaning as set forth in Section
36 399.12 of the Public Utilities Code.

37 (3) “Transportation electrification” has the same meaning as
38 set forth in Section 237.5 of the Public Utilities Code.

39 (b) The state board shall identify and adopt appropriate ~~policies~~
40 *policies, rules, or regulations* to remove regulatory disincentives

1 ~~faci~~*ng preventing* retail sellers and local publicly owned electric
2 utilities from facilitating the achievement of greenhouse gas
3 emission reductions in other sectors through increased investments
4 in transportation electrification. ~~Those policies~~ *Policies to be*
5 *considered* shall include, but are not limited to, an allocation of
6 greenhouse gas emissions allowances to retail sellers and local
7 publicly owned electric ~~utilities~~ *utilities, or other regulatory*
8 *mechanisms*, to account for increased greenhouse gas emissions
9 in the electric sector from transportation electrification.

10 *SEC. 7. Section 1720 of the Labor Code is amended to read:*

11 1720. (a) As used in this chapter, “public works” means:

12 (1) Construction, alteration, demolition, installation, or repair
13 work done under contract and paid for in whole or in part out of
14 public funds, except work done directly by any public utility
15 company pursuant to order of the Public Utilities Commission or
16 other public authority. For purposes of this paragraph,
17 “construction” includes work performed during the design and
18 preconstruction phases of construction, including, but not limited
19 to, inspection and land surveying work, and work performed during
20 the postconstruction phases of construction, including, but not
21 limited to, all cleanup work at the jobsite. For purposes of this
22 paragraph, “installation” includes, but is not limited to, the
23 assembly and disassembly of freestanding and affixed modular
24 office systems.

25 (2) Work done for irrigation, utility, reclamation, and
26 improvement districts, and other districts of this type. “Public
27 work” does not include the operation of the irrigation or drainage
28 system of any irrigation or reclamation district, except as used in
29 Section 1778 relating to retaining wages.

30 (3) Street, sewer, or other improvement work done under the
31 direction and supervision or by the authority of any officer or
32 public body of the state, or of any political subdivision or district
33 thereof, whether the political subdivision or district operates under
34 a freeholder’s charter or not.

35 (4) The laying of carpet done under a building lease-maintenance
36 contract and paid for out of public funds.

37 (5) The laying of carpet in a public building done under contract
38 and paid for in whole or in part out of public funds.

39 (6) Public transportation demonstration projects authorized
40 pursuant to Section 143 of the Streets and Highways Code.

1 (7) (A) Infrastructure project grants from the California
2 Advanced Services Fund pursuant to Section 281 of the Public
3 Utilities Code.

4 (B) For purposes of this paragraph, the Public Utilities
5 Commission is not the awarding body or the body awarding the
6 contract, as defined in Section 1722.

7 (b) For purposes of this section, “paid for in whole or in part
8 out of public funds” means all of the following:

9 (1) The payment of money or the equivalent of money by the
10 state or political subdivision directly to or on behalf of the public
11 works contractor, subcontractor, or developer.

12 (2) Performance of construction work by the state or political
13 subdivision in execution of the project.

14 (3) Transfer by the state or political subdivision of an asset of
15 value for less than fair market price.

16 (4) Fees, costs, rents, insurance or bond premiums, loans, interest
17 rates, or other obligations that would normally be required in the
18 execution of the contract, that are paid, reduced, charged at less
19 than fair market value, waived, or forgiven by the state or political
20 subdivision.

21 (5) Money loaned by the state or political subdivision that is to
22 be repaid on a contingent basis.

23 (6) Credits that are applied by the state or political subdivision
24 against repayment obligations to the state or political subdivision.

25 (c) Notwithstanding subdivision (b):

26 (1) Private residential projects built on private property are not
27 subject to the requirements of this chapter unless the projects are
28 built pursuant to an agreement with a state agency, redevelopment
29 agency, or local public housing authority.

30 (2) If the state or a political subdivision requires a private
31 developer to perform construction, alteration, demolition,
32 installation, or repair work on a public work of improvement as a
33 condition of regulatory approval of an otherwise private
34 development project, and the state or political subdivision
35 contributes no more money, or the equivalent of money, to the
36 overall project than is required to perform this public improvement
37 work, and the state or political subdivision maintains no proprietary
38 interest in the overall project, then only the public improvement
39 work shall thereby become subject to this chapter.

1 (3) If the state or a political subdivision reimburses a private
2 developer for costs that would normally be borne by the public,
3 or provides directly or indirectly a public subsidy to a private
4 development project that is de minimis in the context of the project,
5 an otherwise private development project shall not thereby become
6 subject to the requirements of this chapter.

7 (4) The construction or rehabilitation of affordable housing units
8 for low- or moderate-income persons pursuant to paragraph (5) or
9 (7) of subdivision (e) of Section 33334.2 of the Health and Safety
10 Code that are paid for solely with moneys from the Low and
11 Moderate Income Housing Fund established pursuant to Section
12 33334.3 of the Health and Safety Code or that are paid for by a
13 combination of private funds and funds available pursuant to
14 Section 33334.2 or 33334.3 of the Health and Safety Code do not
15 constitute a project that is paid for in whole or in part out of public
16 funds.

17 (5) Unless otherwise required by a public funding program, the
18 construction or rehabilitation of privately owned residential projects
19 is not subject to the requirements of this chapter if one or more of
20 the following conditions are met:

21 (A) The project is a self-help housing project in which no fewer
22 than 500 hours of construction work associated with the homes
23 are to be performed by the home buyers.

24 (B) The project consists of rehabilitation or expansion work
25 associated with a facility operated on a not-for-profit basis as
26 temporary or transitional housing for homeless persons with a total
27 project cost of less than twenty-five thousand dollars (\$25,000).

28 (C) Assistance is provided to a household as either mortgage
29 assistance, downpayment assistance, or for the rehabilitation of a
30 single-family home.

31 (D) The project consists of new construction, expansion, or
32 rehabilitation work associated with a facility developed by a
33 nonprofit organization to be operated on a not-for-profit basis to
34 provide emergency or transitional shelter and ancillary services
35 and assistance to homeless adults and children. The nonprofit
36 organization operating the project shall provide, at no profit, not
37 less than 50 percent of the total project cost from nonpublic
38 sources, excluding real property that is transferred or leased. Total
39 project cost includes the value of donated labor, materials,
40 architectural, and engineering services.

1 (E) The public participation in the project that would otherwise
2 meet the criteria of subdivision (b) is public funding in the form
3 of below-market interest rate loans for a project in which
4 occupancy of at least 40 percent of the units is restricted for at
5 least 20 years, by deed or regulatory agreement, to individuals or
6 families earning no more than 80 percent of the area median
7 income.

8 (d) Notwithstanding any provision of this section to the contrary,
9 the following projects shall not, solely by reason of this section,
10 be subject to the requirements of this chapter:

11 (1) Qualified residential rental projects, as defined by Section
12 142(d) of the Internal Revenue Code, financed in whole or in part
13 through the issuance of bonds that receive allocation of a portion
14 of the state ceiling pursuant to Chapter 11.8 (commencing with
15 Section 8869.80) of Division 1 of Title 2 of the Government Code
16 on or before December 31, 2003.

17 (2) Single-family residential projects financed in whole or in
18 part through the issuance of qualified mortgage revenue bonds or
19 qualified veterans' mortgage bonds, as defined by Section 143 of
20 the Internal Revenue Code, or with mortgage credit certificates
21 under a Qualified Mortgage Credit Certificate Program, as defined
22 by Section 25 of the Internal Revenue Code, that receive allocation
23 of a portion of the state ceiling pursuant to Chapter 11.8
24 (commencing with Section 8869.80) of Division 1 of Title 2 of
25 the Government Code on or before December 31, 2003.

26 (3) Low-income housing projects that are allocated federal or
27 state low-income housing tax credits pursuant to Section 42 of the
28 Internal Revenue Code, Chapter 3.6 (commencing with Section
29 50199.4) of Part 1 of Division 31 of the Health and Safety Code,
30 or Section 12206, 17058, or 23610.5 of the Revenue and Taxation
31 Code, on or before December 31, 2003.

32 *(e) Notwithstanding paragraph (1) of subdivision (a),*
33 *construction, alteration, demolition, installation, or repair work*
34 *on the electric transmission system located in California constitutes*
35 *a public works project for the purposes of this chapter.*

36 ~~(e)~~

37 (f) If a statute, other than this section, or a regulation, other than
38 a regulation adopted pursuant to this section, or an ordinance or a
39 contract applies this chapter to a project, the exclusions set forth
40 in subdivision (d) do not apply to that project.

1 ~~(f)~~
2 (g) For purposes of this section, references to the Internal
3 Revenue Code mean the Internal Revenue Code of 1986, as
4 amended, and include the corresponding predecessor sections of
5 the Internal Revenue Code of 1954, as amended.

6 ~~(g)~~
7 (h) The amendments made to this section by either Chapter 938
8 of the Statutes of 2001 or the act adding this subdivision shall not
9 be construed to preempt local ordinances requiring the payment
10 of prevailing wages on housing projects.

11 ~~SEC. 5.~~

12 SEC. 8. Section 25000.5 of the Public Resources Code is
13 amended to read:

14 25000.5. (a) The Legislature finds and declares that
15 overdependence on the production, marketing, and consumption
16 of petroleum based fuels as an energy resource in the transportation
17 sector is a threat to the energy security of the state due to
18 continuing market and supply uncertainties. In addition, petroleum
19 use as an energy resource contributes substantially to the following
20 public health and environmental problems: air pollution, acid rain,
21 global warming, and the degradation of California’s marine
22 environment and fisheries.

23 (b) Therefore, it is the policy of this state to fully evaluate the
24 economic and environmental costs of petroleum use, and the
25 economic and environmental costs of other transportation fuels
26 and options, including the costs and values of environmental
27 impacts, and to establish a state transportation energy policy that
28 results in the least environmental and economic cost to the state.
29 In pursuing the “least environmental and economic cost” strategy,
30 it is the policy of the state to exploit all practicable and
31 cost-effective *energy conservation measures* and improvements
32 in the efficiency of energy use and distribution, and to achieve
33 energy security, diversity of supply sources, and competitiveness
34 of transportation energy markets based on the least environmental
35 and economic cost, and in furtherance of reducing petroleum use
36 in the transportation sector by 50 percent by January 1, 2030.

37 (c) It is also the policy of this state to minimize the economic
38 and environmental costs due to the use of petroleum-based and
39 other transportation fuels by state agencies. In implementing a
40 least-cost economic and environmental strategy for state fleets, it

1 is the policy of the state to implement practicable and cost-effective
2 measures, including, but not necessarily limited to, the purchase
3 of the cleanest and most efficient automobiles and replacement
4 tires, the use of alternative fuels in its fleets, and other conservation
5 measures.

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

11 *SEC. 9. Section 25302.2 is added to the Public Resources Code,*
12 *to read:*

13 *25302.2. As part of the 2019 edition of the integrated energy*
14 *policy report, the commission shall evaluate the actual energy*
15 *efficiency savings, as defined in Section 25310, from negative*
16 *therm interactive effects generated as a result of electricity*
17 *efficiency improvements.*

18 *SEC. 10. Section 25310 of the Public Resources Code is*
19 *amended to read:*

20 *25310. On (a) For purposes of this section, the following terms*
21 *have the following meanings:*

22 *(1) “End use” means the purpose for which energy is used,*
23 *including, but not limited to, heating, cooling, or lighting, or class*
24 *of energy uses upon which an energy efficiency program is focused,*
25 *typically categorized by equipment purpose, equipment energy use*
26 *intensity, or building type.*

27 *(2) “Energy efficiency savings” means reduced electricity or*
28 *natural gas usage produced either by the installation of an energy*
29 *efficiency measure or the adoption of an energy efficiency practice*
30 *that maintains at least the same level of end-use service or by*
31 *conservation actions that reduce energy use by reducing the*
32 *quantity or quality of baseline energy services demanded.*

33 *(b) On or before November 1, 2007, and by November 1 of*
34 *every third year thereafter, the commission in consultation with*
35 *the Public Utilities Commission and local publicly owned electric*
36 *utilities, in a public process that allows input from other*
37 *stakeholders, shall develop a statewide estimate of all potentially*
38 *achievable cost-effective electricity and natural gas efficiency*
39 *savings and establish targets for statewide annual energy efficiency*
40 *savings and demand reduction for the next 10-year period. The*

1 commission shall base its estimate at least in part on information
2 developed pursuant to Sections 454.55, 454.56, 715, 9505, 9615,
3 and 9615.5 of the Public Utilities Code. The commission shall,
4 for each electrical corporation and each gas corporation, include
5 in the integrated energy policy report, a comparison of the public
6 utility's annual targets established pursuant to Sections 454.55 and
7 454.56, and the public utility's actual energy efficiency savings
8 and demand reductions.

9 *(c) (1) On or before November 1, 2017, the commission, in*
10 *collaboration with the Public Utilities Commission and local*
11 *publicly owned electric utilities, in a public process that allows*
12 *input from other stakeholders, shall establish annual targets for*
13 *statewide energy efficiency savings and demand reduction that*
14 *will achieve a cumulative doubling of statewide energy efficiency*
15 *savings in electricity and natural gas final end uses of retail*
16 *customers by January 1, 2030. The commission shall base the*
17 *targets on a doubling of the midcase estimate of additional*
18 *achievable energy efficiency savings, as contained in the California*
19 *Energy Demand Updated Forecast, 2015-2025, adopted by the*
20 *commission, extended to 2030 using an average annual growth*
21 *rate, and the targets adopted by local publicly owned electric*
22 *utilities pursuant to Section 9505 of the Public Utilities Code,*
23 *extended to 2030 using an average annual growth rate, to the*
24 *extent doing so is cost effective, feasible, and will not adversely*
25 *impact public health and safety.*

26 *(2) The commission may establish targets for the purposes of*
27 *paragraph (1) that aggregate energy efficiency savings from both*
28 *electricity and natural gas final end uses. Before establishing*
29 *aggregate targets, the commission shall, in a public process that*
30 *allows input from other stakeholders, adopt a methodology for*
31 *aggregating electricity and natural gas final end-use energy*
32 *efficiency savings in a consistent manner based on source of energy*
33 *reduction and other relevant factors.*

34 *(3) In establishing the targets pursuant to paragraph (1), the*
35 *commission shall assess the hourly and seasonal impact on*
36 *statewide and local electricity demand.*

37 *(4) In assessing the feasibility and cost-effectiveness of energy*
38 *efficiency savings for the purposes of paragraph (1), the*
39 *commission and the Public Utilities Commission shall consider*

1 *the results of energy efficiency potential studies that are not*
2 *restricted by previous levels of utility energy efficiency savings.*

3 *(5) The energy efficiency savings and demand reduction reported*
4 *for the purposes of achieving the targets established pursuant to*
5 *paragraph (1) shall be measured taking into consideration the*
6 *overall reduction in normalized metered electricity and natural*
7 *gas consumption where these measurement techniques are feasible*
8 *and cost effective.*

9 *(d) The targets established in subdivision (c) may be achieved*
10 *through energy efficiency savings and demand reduction resulting*
11 *from a variety of programs that include, but are not limited to, the*
12 *following:*

13 *(1) Appliance and building energy efficiency standards*
14 *developed and adopted pursuant to Section 25402.*

15 *(2) A comprehensive program to achieve greater energy*
16 *efficiency savings in California's existing residential and*
17 *nonresidential building stock pursuant to Section 25943.*

18 *(3) Programs funded and authorized pursuant to the California*
19 *Clean Energy Job Creation Act (Division 16.3 (commencing with*
20 *Section 26200)).*

21 *(4) Programs funded by the Greenhouse Gas Reduction Fund*
22 *established pursuant to Section 16428.8 of the Government Code.*

23 *(5) Programs funded and authorized pursuant to this division.*

24 *(6) Programs of electrical or gas corporations that provide*
25 *financial incentives, rebates, technical assistance, and support to*
26 *their customers to increase energy efficiency, authorized by the*
27 *Public Utilities Commission.*

28 *(7) Programs of local publicly owned electric utilities that*
29 *provide financial incentives, rebates, technical assistance, and*
30 *support to their customers to increase energy efficiency pursuant*
31 *to Section 385 of the Public Utilities Code.*

32 *(8) Programs of electrical or gas corporations, or local publicly*
33 *owned electric utilities that achieve energy efficiency savings*
34 *through operational, behavioral, and retrocommissioning activities.*

35 *(9) Programs that save energy in final end uses by reducing*
36 *distribution feeder service voltage, known as conservation voltage*
37 *reduction.*

38 *(10) Programs that save energy in final end uses by using*
39 *cleaner fuels to reduce greenhouse gas emissions as measured on*
40 *a lifecycle basis from the provision of energy services.*

1 (11) *Property Assessed Clean Energy (PACE) programs.*
2 (e) *Beginning with the 2019 edition of the integrated energy*
3 *policy report and every two years thereafter, the commission shall*
4 *provide recommendations and an update on progress toward*
5 *achieving a doubling of energy efficiency savings in electricity*
6 *and natural gas final end uses of retail customers by January 1,*
7 *2030, pursuant to paragraph (1) of subdivision (c). The commission*
8 *shall also include with the recommendations and update both of*
9 *the following:*

10 (1) *An assessment of the effect of energy efficiency savings on*
11 *electricity demand statewide, in local service territories, and on*
12 *an hourly and seasonal basis.*

13 (2) *Specific strategies for, and an update on, progress toward*
14 *maximizing the contribution of energy efficiency savings in*
15 *disadvantaged communities identified pursuant to Section 39711*
16 *of the Health and Safety Code.*

17 SEC. 11. *Section 25327 is added to the Public Resources Code,*
18 *to read:*

19 25327. (a) *The Legislature finds and declares all of the*
20 *following:*

21 (1) *There is insufficient information available to fully realize*
22 *the potential of solar photovoltaic energy generation in*
23 *disadvantaged communities.*

24 (2) *There is insufficient understanding of the barriers to access*
25 *for low-income customers to all forms of renewable energy being*
26 *generated in the state.*

27 (3) *There is insufficient understanding of the barriers to access*
28 *for low-income customers to energy efficiency investments.*

29 (4) *There is insufficient understanding of the barriers to access*
30 *for low-income customers to zero-emission and near-zero-emission*
31 *transportation options.*

32 (b) *On or before January 1, 2017, the commission, with input*
33 *from relevant state agencies and the public, shall conduct and*
34 *complete a study on both of the following:*

35 (1) *Barriers to, and opportunities for, solar photovoltaic energy*
36 *generation as well as barriers to, and opportunities for, access to*
37 *other renewable energy by low-income customers.*

38 (2) *Barriers to contracting opportunities for local small*
39 *businesses in disadvantaged communities.*

1 (c) On or before January 1, 2017, the commission, with input
2 from relevant state agencies and the public, shall develop and
3 publish a study on barriers for low-income customers to energy
4 efficiency and weatherization investments, particularly in
5 disadvantaged communities, as well as recommendations on how
6 to increase access to energy efficiency and weatherization
7 investments to low-income customers.

8 (d) On or before January 1, 2017, the State Air Resources
9 Board, in consultation with the commission and with input from
10 relevant state agencies and the public, shall develop and publish
11 a study on barriers for low-income customers to zero-emission
12 and near-zero-emission transportation options, particularly in
13 disadvantaged communities, as well as recommendations on how
14 to increase access to zero-emission and near-zero-emission
15 transportation options to low-income customers in disadvantaged
16 communities.

17 ~~SEC. 6.~~

18 SEC. 12. 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 (4) *The commission, in consultation with the Public Utilities*
4 *Commission, shall establish consumer protection guidelines for*
5 *energy efficiency products and services.*

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

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

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

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

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

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

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

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

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

35 (A) Prioritizing the identified energy efficiency improvements.

36 (B) The payback period or cost-effectiveness of each
37 improvement identified.

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

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

- 1 (i) Mortgages or sales agreement components.
- 2 (ii) On-bill financing.
- 3 (iii) Contractual property tax assessments.
- 4 (iv) Home warranties.
- 5 (6) Existing statutory and regulatory requirements to achieve
- 6 energy efficiency savings and greenhouse gas emission reductions.
- 7 (7) A broad range of implementation approaches, including both
- 8 utility and nonutility administration of energy efficiency ~~programs~~
- 9 *programs, especially the use of not-for-profit and community-based*
- 10 *organizations that assist with deployment in disadvantaged*
- 11 *communities identified pursuant to Section 39711 of the Health*
- 12 *and Safety Code.*
- 13 (8) *Workforce development and job training for residents in*
- 14 *disadvantaged communities, including veterans, at-risk youth, and*
- 15 *members of the state and local community conservation corps.*
- 16 ~~(8)~~
- 17 (9) Any other considerations deemed appropriate by the
- 18 commission.
- 19 (d) The program developed pursuant to this section shall do all
- 20 of the following:
- 21 (1) Minimize the overall costs of establishing and implementing
- 22 the comprehensive energy efficiency program requirements.
- 23 (2) Ensure, for residential buildings, that the energy efficiency
- 24 assessments, ratings, or improvements do not unreasonably or
- 25 unnecessarily affect the home purchasing process or the ability of
- 26 individuals to rent housing. A transfer of property subject to the
- 27 program implemented pursuant to this section shall not be
- 28 invalidated solely because of the failure of a person to comply
- 29 with a provision of the program.
- 30 (3) Ensure, for nonresidential buildings, that the energy
- 31 improvements do not have an undue economic impact on California
- 32 businesses.
- 33 (4) Determine, for residential buildings, the appropriateness of
- 34 the Home Energy Rating System (HERS) program to support the
- 35 goals of this section and whether there are a sufficient number of
- 36 HERS-certified raters available to meet the program requirements.
- 37 (5) Determine, for nonresidential structures, the availability of
- 38 an appropriate cost-effective energy efficiency assessment system
- 39 and whether there are a sufficient number of certified raters or
- 40 auditors available to meet the program requirements.

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

5 (7) *Promote greater project penetration in disadvantaged*
6 *communities identified pursuant to Section 39711 of the Health*
7 *and Safety Code, including the deployment of energy efficiency*
8 *surveys and audits, energy efficiency retrofits and upgrades,*
9 *weatherization, and followup project inspections by state-certified*
10 *community conservation corps and other community-based*
11 *workforce development organizations that serve residents of*
12 *disadvantaged communities, including veterans and disadvantaged*
13 *youth.*

14 (7)

15 (8) Coordinate with, and avoid duplication of, existing
16 proceedings of the Public Utilities Commission and programs
17 administered by utilities.

18 (e) A home energy rating or energy assessment service does not
19 meet the requirements of this section unless the service has been
20 certified by the commission to be in compliance with the program
21 criteria developed pursuant to this section and is in conformity
22 with other applicable elements of the program.

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

26 (2) On or before January 1, 2017, and at least once every three
27 years thereafter, the commission shall adopt an update to the
28 program in furtherance of achieving ~~an overall doubling of the~~
29 ~~energy efficiency of buildings~~ *a cumulative doubling of statewide*
30 *energy efficiency savings in electricity and natural gas final end*
31 *uses of retail customers* by January 1, 2030.

32 (g) Before implementing an element of the program developed
33 pursuant to subdivision (a) that requires the expansion of statutory
34 authority of the commission or the Public Utilities Commission,
35 the commission and the Public Utilities Commission shall obtain
36 legislative approval for the expansion of their authorities.

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

39 (i) The commission shall fund activities undertaken pursuant
40 to this section from the Federal Trust Fund consistent with the

1 federal American Recovery and Reinvestment Act of 2009 (Public
2 Law 111-5) or other sources of nonstate funds available to the
3 commission for the purposes of this section.

4 (j) For purposes of this section, the following terms mean the
5 following:

6 (1) “Energy assessment” means a determination of an energy
7 user’s energy consumption level, relative efficiency compared to
8 other users, and opportunities to achieve greater efficiency or
9 improve energy resource utilization.

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

12 ~~SEC. 7.~~

13 *SEC. 13.* Section 237.5 is added to the Public Utilities Code,
14 to read:

15 237.5. “Transportation electrification” means the use of
16 electricity from ~~the electrical grid to power~~ *external sources of*
17 *electrical power, including the electrical grid, for all or part of*
18 *vehicles, vessels, trains, boats, or other equipment that are mobile*
19 *sources of air pollution and greenhouse gases. gases and the related*
20 *programs and charging and propulsion infrastructure investments*
21 *to enable and encourage this use of electricity.*

22 *SEC. 14.* Article 5.5 (commencing with Section 359.5) is added
23 to Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code,
24 to read:

25

26 *Article 5.5. Regional Organization*

27

28 359.5. *It is the intent of the Legislature to enact legislation to*
29 *provide for the evolution of the Independent System Operator into*
30 *a regional organization, to promote the development of regional*
31 *electricity transmission markets in the western states, and to*
32 *improve the access of consumers served by the Independent System*
33 *Operator to those markets, and that the evolution should occur*
34 *where it is in the best interests of California ratepayers.*

35 *SEC. 15.* Section 365.2 is added to the Public Utilities Code,
36 to read:

37 365.2. *The commission shall ensure that bundled retail*
38 *customers of an electrical corporation do not experience any cost*
39 *increases as a result of retail customers of an electrical corporation*
40 *customers electing to receive service from other providers. The*

1 *commission shall also ensure that departing load does not*
2 *experience any cost increases as a result of an allocation of costs*
3 *that were not incurred on behalf of, or that do not benefit, the*
4 *departing load.*

5 *SEC. 16. Section 366.3 is added to the Public Utilities Code,*
6 *to read:*

7 *366.3. Bundled retail customers of an electrical corporation*
8 *shall not experience any cost increase as a result of the*
9 *implementation of a community choice aggregator program. The*
10 *commission shall also ensure that departing load does not*
11 *experience any cost increases as a result of an allocation of costs*
12 *that were not incurred on behalf of, or do not benefit, the departing*
13 *load.*

14 *SEC. 17. Section 399.4 of the Public Utilities Code is amended*
15 *to read:*

16 399.4. (a) (1) In order to ensure that prudent investments in
17 energy efficiency continue to be made that produce cost-effective
18 energy savings, reduce customer demand, and contribute to the
19 safe and reliable operation of the electric distribution grid, it is the
20 policy of this state and the intent of the Legislature that the
21 commission shall continue to administer cost-effective energy
22 efficiency programs authorized pursuant to existing statutory
23 authority.

24 (2) As used in this section, the term “energy efficiency” includes,
25 but is not limited to, cost-effective activities to achieve peak load
26 reduction that improve end-use efficiency, lower customers’ bills,
27 and reduce system needs.

28 (b) (1) Any rebates or incentives offered by a public utility for
29 an energy efficiency improvement or installation of energy efficient
30 components, equipment, or appliances in buildings shall be
31 provided only if the recipient of the rebate or incentive certifies
32 that the improvement or installation has complied with any
33 applicable permitting requirements and, if a contractor performed
34 the installation or improvement, that the contractor holds the
35 appropriate license for the work performed.

36 (2) This subdivision does not imply or create authority or
37 responsibility, or expand existing authority or responsibility, of a
38 public utility for the enforcement of the building energy and water
39 efficiency standards adopted pursuant to subdivision (a) or (b) of
40 Section 25402 of the Public Resources Code, or appliance

1 efficiency standards and certification requirements adopted
2 pursuant to subdivision (c) of Section 25402 of the Public
3 Resources Code.

4 (c) The commission, in evaluating energy efficiency investments
5 under its existing statutory authority, shall also ensure that local
6 and regional interests, multifamily dwellings, and energy service
7 industry capabilities are incorporated into program portfolio design
8 and that local governments, community-based organizations, and
9 energy efficiency service providers are encouraged to participate
10 in program implementation where appropriate.

11 (d) *The commission, in a new or existing proceeding, shall*
12 *review and update its policies governing energy efficiency*
13 *programs funded by utility customers to facilitate achieving the*
14 *targets established pursuant to subdivision (c) of Section 25310*
15 *of the Public Resources Code. In updating its policies, the*
16 *commission shall, at a minimum, do all of the following:*

17 (1) *Ensure that customers may use incentives and rebates*
18 *provided by gas and electrical corporations to help bring buildings*
19 *from existing conditions to, or above, code or other applicable*
20 *standards.*

21 (2) *Evaluate program benefits as the net present value of*
22 *avoided costs of the supply-side resources avoided or deferred in*
23 *assessing the cost-effectiveness of energy efficiency savings for*
24 *purposes of achieving the targets established pursuant to*
25 *subdivision (c) of Section 25310 of the Public Resources Code.*

26 (3) *Authorize market transformation programs with appropriate*
27 *levels of funding to achieve deeper energy efficiency savings.*

28 (4) *Authorize pay for performance programs that link incentives*
29 *directly to measured energy savings. As part of pay for*
30 *performance programs authorized by the commission, customers*
31 *should be reasonably compensated for developing and*
32 *implementing an energy efficiency plan, with a portion of their*
33 *incentive reserved pending post project measurement results.*

34 (5) *Authorize programs to achieve deeper savings through*
35 *operational, behavioral, and retrocommissioning activities.*

36 (6) *Ensure that customers have certainty in the values and*
37 *methodology used to determine energy efficiency incentives by*
38 *basing the amount of any incentives provided by gas and electrical*
39 *corporations on the values and methodology contained in the*

1 *executed customer agreement. Incentive payments shall be based*
2 *on measured results.*

3 ~~SEC. 8.~~

4 *SEC. 18.* Section 399.11 of the Public Utilities Code is amended
5 to read:

6 399.11. The Legislature finds and declares all of the following:

7 (a) In order to attain a target of generating 20 percent of total
8 retail sales of electricity in California from eligible renewable
9 energy resources by December 31, 2013, 33 percent by December
10 31, 2020, and 50 percent by December 31, 2030, it is the intent of
11 the Legislature that the commission and the Energy Commission
12 implement the California Renewables Portfolio Standard Program
13 described in this article.

14 (b) Achieving the renewables portfolio standard through the
15 procurement of various electricity products from eligible renewable
16 energy resources is intended to provide unique benefits to
17 California, including all of the following, each of which
18 independently justifies the program:

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

20 (2) Adding new electrical generating facilities in the
21 transmission network within the Western Electricity Coordinating
22 Council service area.

23 (3) Reducing air pollution in the state.

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

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

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

29 (7) Assistance with meeting the state's resource adequacy
30 requirements.

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

34 (9) Implementing the state's transmission and land use planning
35 activities related to development of eligible renewable energy
36 resources.

37 (c) The California Renewables Portfolio Standard Program is
38 intended to complement the Renewable Energy Resources Program
39 administered by the Energy Commission and established pursuant

1 to Chapter 8.6 (commencing with Section 25740) of Division 15
2 of the Public Resources Code.

3 (d) New and modified electric transmission facilities may be
4 necessary to facilitate the state achieving its renewables portfolio
5 standard targets.

6 (e) (1) Supplying electricity to California end-use customers
7 that is generated by eligible renewable energy resources is
8 necessary to improve California's air quality and public health,
9 and the commission shall ensure rates are just and reasonable, and
10 are not significantly affected by the procurement requirements of
11 this article. This electricity may be generated anywhere in the
12 interconnected grid that includes many states, and areas of both
13 Canada and Mexico.

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

18 (3) California electrical corporations have already executed,
19 and the commission has approved, power purchase agreements
20 with eligible renewable energy resources located outside of
21 California that will supply electricity to California end-use
22 customers. These resources will fully count toward meeting the
23 renewables portfolio standard procurement requirements.

24 ~~SEC. 9.~~

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

27 399.12. For purposes of this article, the following terms have
28 the following meanings:

29 (a) "Conduit hydroelectric facility" means a facility for the
30 generation of electricity that uses only the hydroelectric potential
31 of an existing pipe, ditch, flume, siphon, tunnel, canal, or other
32 manmade conduit that is operated to distribute water for a
33 beneficial use.

34 (b) "Balancing authority" means the responsible entity that
35 integrates resource plans ahead of time, maintains load-interchange
36 generation balance within a balancing authority area, and supports
37 interconnection frequency in real time.

38 (c) "Balancing authority area" means the collection of
39 generation, transmission, and loads within the metered boundaries

1 of the area within which the balancing authority maintains the
2 electrical load-resource balance.

3 (d) “California balancing authority” is a balancing authority
4 with control over a balancing authority area primarily located in
5 this state and operating for retail sellers and local publicly owned
6 electric utilities subject to the requirements of this article and
7 includes the Independent System Operator (ISO) and a local
8 publicly owned electric utility operating a transmission grid that
9 is not under the operational control of the ISO. A California
10 balancing authority is responsible for the operation of the
11 transmission grid within its metered boundaries which ~~may not be~~
12 *is not* limited by the political boundaries of the State of California.

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

17 (1) (A) An existing small hydroelectric generation facility of
18 30 megawatts or less shall be eligible only if a retail seller or local
19 publicly owned electric utility procured the electricity from the
20 facility as of December 31, 2005. A new hydroelectric facility that
21 commences generation of electricity after December 31, 2005, is
22 not an eligible renewable energy resource if it will cause an adverse
23 impact on instream beneficial uses or cause a change in the volume
24 or timing of streamflow.

25 (B) Notwithstanding subparagraph (A), a conduit hydroelectric
26 facility of 30 megawatts or less that commenced operation before
27 January 1, 2006, is an eligible renewable energy resource. A
28 conduit hydroelectric facility of 30 megawatts or less that
29 commences operation after December 31, 2005, is an eligible
30 renewable energy resource so long as it does not cause an adverse
31 impact on instream beneficial uses or cause a change in the volume
32 or timing of streamflow.

33 (C) A facility approved by the governing board of a local
34 publicly owned electric utility prior to June 1, 2010, for
35 procurement to satisfy renewable energy procurement obligations
36 adopted pursuant to former Section 387, shall be certified as an
37 eligible renewable energy resource by the Energy Commission
38 pursuant to this article, if the facility is a “renewable electrical
39 generation facility” as defined in Section 25741 of the Public
40 Resources Code.

1 (D) (i) A small hydroelectric generation unit with a nameplate
2 capacity not exceeding 40 megawatts that is operated as part of a
3 water supply or conveyance system is an eligible renewable energy
4 resource only for the retail seller or local publicly owned electric
5 utility that procured the electricity from the unit as of December
6 31, 2005. No unit shall be eligible pursuant to this subparagraph
7 if an application for certification is submitted to the Energy
8 Commission after January 1, 2013. Only one retail seller or local
9 publicly owned electric utility shall be deemed to have procured
10 electricity from a given unit as of December 31, 2005.

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

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

24 (2) (A) A facility engaged in the combustion of municipal solid
25 waste shall not be considered an eligible renewable energy
26 resource.

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

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

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

36 (h) (1) “Renewable energy credit” means a certificate of proof
37 associated with the generation of electricity from an eligible
38 renewable energy resource, issued through the accounting system
39 established by the Energy Commission pursuant to Section 399.25,

1 that one unit of electricity was generated and delivered by an
2 eligible renewable energy resource.

3 (2) “Renewable energy credit” includes all renewable and
4 environmental attributes associated with the production of
5 electricity from the eligible renewable energy resource, except for
6 an emissions reduction credit issued pursuant to Section 40709 of
7 the Health and Safety Code and any credits or payments associated
8 with the reduction of solid waste and treatment benefits created
9 by the utilization of biomass or biogas fuels.

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

22 (i) The facility demonstrates that the higher quantity of
23 nonrenewable fuel will lead to an increase in generation from the
24 eligible renewable energy facility that is significantly greater than
25 generation from the nonrenewable fuel alone.

26 (ii) The facility demonstrates that the higher quantity of
27 nonrenewable fuels will reduce the variability of its electrical
28 output in a manner that results in net environmental benefits to the
29 state.

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

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

36 (C) Electricity generated by a conduit hydroelectric generation
37 facility shall not result in the creation of a renewable energy credit
38 unless the facility meets the requirements of subparagraph (B) of
39 paragraph (1) of subdivision (e).

1 (D) Electricity generated by a facility engaged in the combustion
2 of municipal solid waste shall not result in the creation of a
3 renewable energy credit. This subparagraph does not apply to
4 renewable energy credits that were generated before January 1,
5 2016, by a facility engaged in the combustion of municipal solid
6 waste located in Stanislaus County that was operational prior to
7 September 26, 1996, and sold pursuant to contacts entered into
8 before January 1, 2016.

9 (i) “Renewables portfolio standard” means the specified
10 percentage of electricity generated by eligible renewable energy
11 resources that a retail seller or a local publicly owned electric utility
12 is required to procure pursuant to this article.

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

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

17 (2) A community choice aggregator. A community choice
18 aggregator shall participate in the renewables portfolio standard
19 program subject to the same terms and conditions applicable to an
20 electrical corporation.

21 (3) An electric service provider, as defined in Section 218.3.
22 The electric service provider shall be subject to the same terms
23 and conditions applicable to an electrical corporation pursuant to
24 this article. This paragraph does not impair a contract entered into
25 between an electric service provider and a retail customer prior to
26 the suspension of direct access by the commission pursuant to
27 Section 80110 of the Water Code.

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

29 (A) A corporation or person employing cogeneration technology
30 or producing electricity consistent with subdivision (b) of Section
31 218.

32 (B) The Department of Water Resources acting in its capacity
33 pursuant to Division 27 (commencing with Section 80000) of the
34 Water Code.

35 (C) A local publicly owned electric utility.

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

1 ~~SEC. 10.~~

2 *SEC. 20.* Section 399.13 of the Public Utilities Code is amended
3 to read:

4 399.13. (a) (1) The commission shall direct each electrical
5 corporation to annually prepare a renewable energy procurement
6 plan that includes the matter in paragraph (5), to satisfy its
7 obligations under the renewables portfolio standard. To the extent
8 feasible, this procurement plan shall be proposed, reviewed, and
9 adopted by the commission as part of, and pursuant to, a general
10 procurement plan process. The commission shall require each
11 electrical corporation to review and update its renewable energy
12 procurement plan as it determines to be necessary. The commission
13 shall require all other retail sellers to prepare and submit renewable
14 energy procurement plans that address the requirements identified
15 in paragraph (5).

16 (2) Every electrical corporation that owns electrical transmission
17 facilities shall annually prepare, as part of the Federal Energy
18 Regulatory Commission Order 890 process, and submit to the
19 commission, a report identifying any electrical transmission
20 facility, upgrade, or enhancement that is reasonably necessary to
21 achieve the renewables portfolio standard procurement
22 requirements of this article. Each report shall look forward at least
23 five years and, to ensure that adequate investments are made in a
24 timely manner, shall include a preliminary schedule when an
25 application for a certificate of public convenience and necessity
26 will be made, pursuant to Chapter 5 (commencing with Section
27 1001), for any electrical transmission facility identified as being
28 reasonably necessary to achieve the renewable energy resources
29 procurement requirements of this article. Each electrical
30 corporation that owns electrical transmission facilities shall ensure
31 that project-specific interconnection studies are completed in a
32 timely manner.

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

36 (A) The current status and progress made during the prior year
37 toward procurement of eligible renewable energy resources as a
38 percentage of retail sales, including, if applicable, the status of any
39 necessary siting and permitting approvals from federal, state, and
40 local agencies for those eligible renewable energy resources

1 procured by the retail seller, and the current status of compliance
2 with the portfolio content requirements of subdivision (c) of
3 Section 399.16, including procurement of eligible renewable energy
4 resources located outside the state and within the WECC and
5 unbundled renewable energy credits.

6 (B) If the retail seller is an electrical corporation, the current
7 status and progress made during the prior year toward construction
8 of, and upgrades to, transmission and distribution facilities and
9 other electrical system components it owns to interconnect eligible
10 renewable energy resources and to supply the electricity generated
11 by those resources to load, including the status of planning, siting,
12 and permitting transmission facilities by federal, state, and local
13 agencies.

14 (C) Recommendations to remove impediments to making
15 progress toward achieving the renewable energy resources
16 procurement requirements established pursuant to this article.

17 (4) The commission shall adopt, by rulemaking, all of the
18 following:

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

24 (i) Estimates of indirect costs associated with needed
25 transmission investments.

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

28 (iii) The viability of the project to construct and reliably operate
29 the eligible renewable energy resource, including the developer's
30 experience, the feasibility of the technology used to generate
31 electricity, and the risk that the facility will not be built, or that
32 construction will be delayed, with the result that electricity will
33 not be supplied as required by the contract.

34 (iv) Workforce recruitment, training, and retention efforts,
35 including the employment growth associated with the construction
36 and operation of eligible renewable energy resources and goals
37 for recruitment and training of women, minorities, and disabled
38 veterans.

39 (v) (I) Estimates of electrical corporation expenses resulting
40 from integrating and operating eligible renewable energy resources,

1 including, but not limited to, any additional wholesale energy and
2 capacity costs associated with integrating each eligible renewable
3 resource.

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

7 (vi) *Consideration of any statewide greenhouse gas emissions*
8 *limit established pursuant to the California Global Warming*
9 *Solutions Act of 2006 (Division 25.5 (commencing with Section*
10 *38500) of the Health and Safety Code).*

11 (vii) *Consideration of capacity and system reliability of the*
12 *eligible renewable energy resource to ensure grid reliability.*

13 (B) Rules permitting retail sellers to accumulate, beginning
14 January 1, 2011, excess procurement in one compliance period to
15 be applied to any subsequent compliance period. The rules shall
16 apply equally to all retail sellers. In determining the quantity of
17 excess procurement for the applicable compliance period, the
18 commission shall ~~deduct from actual procurement quantities the~~
19 ~~total amount of procurement associated with contracts of less than~~
20 ~~10 years in duration and electricity products meeting the portfolio~~
21 ~~content of paragraph (3) of subdivision (b) of Section 399.16.~~
22 *retain the rules adopted by the commission and in effect as of*
23 *January 1, 2015, for the compliance period specified in*
24 *subparagraphs (A) to (C), inclusive, of paragraph (1) of*
25 *subdivision (b) of Section 399.15. For any subsequent compliance*
26 *period, the rules shall allow the following:*

27 (i) *For electricity products meeting the portfolio content*
28 *requirements of paragraph (1) of subdivision (b) of Section 399.16,*
29 *contracts of any duration may count as excess procurement.*

30 (ii) *Electricity products meeting the portfolio content*
31 *requirements of paragraph (2) or (3) of subdivision (b) of Section*
32 *399.16 shall not be counted as excess procurement. Contracts of*
33 *any duration for electricity products meeting the portfolio content*
34 *requirements of paragraph (2) or (3) of subdivision (b) of Section*
35 *399.16 that are credited towards a compliance period shall not*
36 *be deducted from a retail seller's procurement for purposes of*
37 *calculating excess procurement.*

38 (iii) *If a retail seller notifies the commission that it will comply*
39 *with the provisions of subdivision (b) of Section 399.13 for the*
40 *compliance period beginning January 1, 2017, the provisions of*

1 *clauses (i) and (ii) shall take effect for that retail seller for that*
2 *compliance period.*

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

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

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

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

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

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

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

36 (E) Consideration of mechanisms for price adjustments
37 associated with the costs of key components for eligible renewable
38 energy resource projects with online dates more than 24 months
39 after the date of contract execution.

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

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

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

16 (8) *In soliciting and procuring eligible renewable energy*
17 *resources, each retail seller shall consider the best-fit attributes*
18 *of resource types that ensure a balanced resource mix to maintain*
19 *the reliability of the electrical grid.*

20 (b) A retail seller may enter into a combination of long- and
21 short-term contracts for electricity and associated renewable energy
22 credits. ~~The commission may authorize a retail seller to enter into~~
23 ~~a contract of less than 10 years' duration with an eligible renewable~~
24 ~~energy resource, if the commission has established, for each retail~~
25 ~~seller, minimum quantities of eligible renewable energy resources~~
26 ~~to be procured through contracts of at least 10 years' duration.~~
27 *Beginning January 1, 2021, at least 65 percent of the procurement*
28 *a retail seller counts toward the renewables portfolio standard*
29 *requirement of each compliance period shall be from its contracts*
30 *of 10 years or more in duration.*

31 (c) The commission shall review and accept, modify, or reject
32 ~~each electrical corporation's retail seller's~~ renewable energy
33 resource procurement plan prior to the commencement of
34 renewable energy procurement pursuant to this article by ~~an~~
35 ~~electrical corporation:~~ *a retail seller. The commission shall assess*
36 *adherence to the approved renewable energy resource procurement*
37 *plans in determining compliance with the obligations of this article.*

38 (d) Unless previously preapproved by the commission, an
39 electrical corporation shall submit a contract for the generation of
40 an eligible renewable energy resource to the commission for review

1 and approval consistent with an approved renewable energy
2 resource procurement plan. If the commission determines that the
3 bid prices are elevated due to a lack of effective competition among
4 the bidders, the commission shall direct the electrical corporation
5 to renegotiate the contracts or conduct a new solicitation.

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

9 (f) (1) The commission may authorize a procurement entity to
10 enter into contracts on behalf of customers of a retail seller for
11 electricity products from eligible renewable energy resources to
12 satisfy the retail seller's renewables portfolio standard procurement
13 requirements. The commission shall not require any person or
14 corporation to act as a procurement entity or require any party to
15 purchase eligible renewable energy resources from a procurement
16 entity.

17 (2) Subject to review and approval by the commission, the
18 procurement entity shall be permitted to recover reasonable
19 administrative and procurement costs through the retail rates of
20 end-use customers that are served by the procurement entity and
21 are directly benefiting from the procurement of eligible renewable
22 energy resources.

23 ~~(3) The commission may authorize a procurement entity to~~
24 ~~procure _____ percent of retail sales of onsite generation within the~~
25 ~~area served by the procurement entity to serve local electricity~~
26 ~~needs. Onsite renewable generation shall be eligible renewable~~
27 ~~energy resources certified by the Energy Commission pursuant to~~
28 ~~Section 399.25 with a tracking system described in subdivision~~
29 ~~(e) of Section 399.25. Estimation of energy production from onsite~~
30 ~~generation shall not be used to demonstrate compliance with this~~
31 ~~article.~~

32 (g) Procurement and administrative costs associated with
33 contracts entered into by an electrical corporation for eligible
34 renewable energy resources pursuant to this article and approved
35 by the commission are reasonable and prudent and shall be
36 recoverable in rates.

37 (h) Construction, alteration, demolition, installation, and repair
38 work on an eligible renewable energy resource that receives
39 production incentives pursuant to Section 25742 of the Public
40 Resources Code, including work performed to qualify, receive, or

1 maintain production incentives, are “public works” for the purposes
2 of Chapter 1 (commencing with Section 1720) of Part 7 of Division
3 2 of the Labor Code.

4 ~~SEC. 11.~~

5 *SEC. 21.* Section 399.15 of the Public Utilities Code is amended
6 to read:

7 399.15. (a) In order to fulfill unmet long-term resource needs,
8 the commission shall establish a renewables portfolio standard
9 requiring all retail sellers to procure a minimum quantity of
10 electricity products from eligible renewable energy resources as
11 a specified percentage of total kilowatthours sold to their retail
12 end-use customers each compliance period to achieve the targets
13 established under this article. For any retail seller procuring at least
14 14 percent of retail sales from eligible renewable energy resources
15 in 2010, the deficits associated with any previous renewables
16 portfolio standard shall not be added to any procurement
17 requirement pursuant to this article.

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

20 (1) Each retail seller shall procure a minimum quantity of
21 eligible renewable energy resources for each of the following
22 compliance periods:

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

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

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

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

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

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

29 (2) (A) No later than January 1, 2017, the commission shall
30 establish the quantity of electricity products from eligible
31 renewable energy resources to be procured by the retail seller for
32 each compliance period. These quantities shall be established in
33 the same manner for all retail sellers and result in the same
34 percentages used to establish compliance period quantities for all
35 retail sellers. *For purposes of calculating renewables portfolio
36 standard procurement requirements, electricity production used
37 to serve onsite load from a resource located behind a customer’s
38 meter shall reduce the retail sales of the retail seller serving that
39 customer.*

1 (B) In establishing quantities for the compliance period from
2 January 1, 2011, to December 31, 2013, inclusive, the commission
3 shall require procurement for each retail seller equal to an average
4 of 20 percent of retail sales. For the following compliance periods,
5 the quantities shall reflect reasonable progress in each of the
6 intervening years sufficient to ensure that the procurement of
7 electricity products from eligible renewable energy resources
8 achieves 25 percent of retail sales by December 31, 2016, 33
9 percent by December 31, 2020, 40 percent by December 31, 2024,
10 45 percent by December 31, 2027, and 50 percent by December
11 31, 2030. The commission shall establish appropriate multiyear
12 compliance periods for all subsequent years that require retail
13 sellers to procure not less than 50 percent of retail sales of
14 electricity products from eligible renewable energy resources.

15 (C) Retail sellers shall be obligated to procure no less than the
16 quantities associated with all intervening years by the end of each
17 compliance period. Retail sellers shall not be required to
18 demonstrate a specific quantity of procurement for any individual
19 intervening year.

20 (3) The commission may require the procurement of eligible
21 renewable energy resources in excess of the quantities specified
22 in paragraph (2).

23 (4) Only for purposes of establishing the renewables portfolio
24 standard procurement requirements of paragraph (1) and
25 determining the quantities pursuant to paragraph (2), the
26 commission shall include all electricity sold to retail customers by
27 the Department of Water Resources pursuant to Division 27
28 (commencing with Section 80000) of the Water Code in the
29 calculation of retail sales by an electrical corporation.

30 (5) The commission shall waive enforcement of this section if
31 it finds that the retail seller has demonstrated any of the following
32 conditions are beyond the control of the retail seller and will
33 prevent compliance:

34 (A) There is inadequate transmission capacity to allow for
35 sufficient electricity to be delivered from proposed eligible
36 renewable energy resource projects using the current operational
37 protocols of the Independent System Operator. In making its
38 findings relative to the existence of this condition with respect to
39 a retail seller that owns transmission lines, the commission shall
40 consider both of the following:

1 (i) Whether the retail seller has undertaken, in a timely fashion,
2 reasonable measures under its control and consistent with its
3 obligations under local, state, and federal laws and regulations, to
4 develop and construct new transmission lines or upgrades to
5 existing lines intended to transmit electricity generated by eligible
6 renewable energy resources. In determining the reasonableness of
7 a retail seller's actions, the commission shall consider the retail
8 seller's expectations for full-cost recovery for these transmission
9 lines and upgrades.

10 (ii) Whether the retail seller has taken all reasonable operational
11 measures to maximize cost-effective deliveries of electricity from
12 eligible renewable energy resources in advance of transmission
13 availability.

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

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

22 (ii) Sought to develop one of the following: its own eligible
23 renewable energy resources, transmission to interconnect to eligible
24 renewable energy resources, or energy storage used to integrate
25 eligible renewable energy resources. This clause shall not require
26 an electrical corporation to pursue development of eligible
27 renewable energy resources pursuant to Section 399.14.

28 (iii) Procured an appropriate minimum margin of procurement
29 above the minimum procurement level necessary to comply with
30 the renewables portfolio standard to compensate for foreseeable
31 delays or insufficient supply.

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

35 (C) Unanticipated curtailment of eligible renewable energy
36 resources if the waiver would not result in an increase in
37 greenhouse gas emissions.

38 (D) Unanticipated increase in retail sales due to transportation
39 electrification. In making a finding that this condition prevents

1 timely compliance, the commission shall consider all of the
2 following:

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

7 (ii) Whether the retail seller has taken reasonable measures to
8 procure sufficient resources to account for unanticipated increases
9 in retail sales due to transportation electrification.

10 (6) If the commission waives the compliance requirements of
11 this section, the commission shall establish additional reporting
12 requirements on the retail seller to demonstrate that all reasonable
13 actions under the control of the retail seller are taken in each of
14 the intervening years sufficient to satisfy future procurement
15 requirements.

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

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

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

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

39 (d) If the cost limitation for an electrical corporation is
40 insufficient to support the projected costs of meeting the

1 renewables portfolio standard procurement requirements, the
2 electrical corporation may refrain from entering into new contracts
3 or constructing facilities beyond the quantity that can be procured
4 within the limitation, unless eligible renewable energy resources
5 can be procured without exceeding a de minimis increase in rates,
6 consistent with the long-term procurement plan established for the
7 electrical corporation pursuant to Section 454.5.

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

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

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

18 (B) Notify the appropriate policy and fiscal committees of the
19 Legislature that the electrical corporation may exceed its cost
20 limitation, and include the reasons why the electrical corporation
21 may exceed its cost limitation.

22 (f) The establishment of a renewables portfolio standard shall
23 not constitute implementation by the commission of the federal
24 Public Utility Regulatory Policies Act of 1978 (Public Law
25 95-617).

26 ~~SEC. 12.~~

27 *SEC. 22.* Section 399.16 of the Public Utilities Code is amended
28 to read:

29 399.16. (a) Various electricity products from eligible renewable
30 energy resources located within the WECC transmission network
31 service area shall be eligible to comply with the renewables
32 portfolio standard procurement requirements in Section 399.15.
33 These electricity products may be differentiated by their impacts
34 on the operation of the grid in supplying electricity, as well as
35 meeting the requirements of this article.

36 (b) Consistent with the goals of procuring the least-cost and
37 best-fit electricity products from eligible renewable energy
38 resources that meet project viability principles adopted by the
39 commission pursuant to paragraph (4) of subdivision (a) of Section
40 399.13 and that provide the benefits set forth in Section 399.11, a

1 balanced portfolio of eligible renewable energy resources shall be
2 procured consisting of the following portfolio content categories:

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

5 (A) Have a first point of interconnection with a California
6 balancing authority, have a first point of interconnection with
7 distribution facilities used to serve end users within a California
8 balancing authority area, or are scheduled from the eligible
9 renewable energy resource into a California balancing authority
10 without substituting electricity from another source. The use of
11 another source to provide real-time ancillary services required to
12 maintain an hourly or subhourly import schedule into a California
13 balancing authority shall be permitted, but only the fraction of the
14 schedule actually generated by the eligible renewable energy
15 resource shall count toward this portfolio content category.

16 (B) Have an agreement to dynamically transfer electricity to a
17 California balancing authority.

18 (2) Firmed and shaped eligible renewable energy resource
19 electricity products providing incremental electricity and scheduled
20 into a California balancing authority.

21 (3) Eligible renewable energy resource electricity products, or
22 any fraction of the electricity generated, including unbundled
23 renewable energy credits, that do not qualify under the criteria of
24 paragraph (1) or (2).

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

28 (1) Not less than 50 percent for the compliance period ending
29 December 31, 2013, 65 percent for the compliance period ending
30 December 31, 2016, and 75 percent for ~~the compliance period~~
31 ~~ending December 31, 2020~~; *each compliance period thereafter*;
32 of the eligible renewable energy resource electricity products
33 associated with contracts executed after June 1, 2010, shall meet
34 the product content requirements of paragraph (1) of subdivision
35 (b). ~~Each retail seller shall continue to satisfy the product content~~
36 ~~requirements applicable to procurement quantities associated with~~
37 ~~the compliance period ending December 31, 2020, and ensure that,~~
38 ~~for compliance periods ending after December 31, 2020, not less~~
39 ~~than 75 percent of the incremental renewable procurement~~
40 ~~requirements in each compliance period shall be satisfied with~~

1 ~~eligible renewable energy resource electricity products meeting~~
2 ~~the requirements of paragraph (1) of subdivision (b).~~

3 (2) Not more than 25 percent for the compliance period ending
4 December 31, 2013, 15 percent for the compliance period ending
5 December 31, 2016, and 10 percent for ~~the compliance period~~
6 ~~ending December 31, 2020, each compliance period thereafter,~~
7 of the eligible renewable energy resource electricity products
8 associated with contracts executed after June 1, 2010, shall meet
9 the product content requirements of paragraph (3) of subdivision
10 (b). ~~For the compliance periods ending after December 31, 2020,~~
11 ~~not more than 10 percent of the incremental renewable procurement~~
12 ~~requirements in each compliance period shall be satisfied with~~
13 ~~eligible renewable energy resource electricity products meeting~~
14 ~~the requirements of paragraph (3) of subdivision (b).~~

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

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

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

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

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

31 (3) Any contract amendments or modifications occurring after
32 June 1, 2010, do not increase the nameplate capacity or expected
33 quantities of annual generation, or substitute a different renewable
34 energy resource. The duration of the contract may be extended if
35 the original contract specified a procurement commitment of 15
36 or more years.

37 (e) A retail seller may apply to the commission for a reduction
38 of a procurement content requirement of subdivision (c). The
39 commission may reduce a procurement content requirement of
40 subdivision (c) to the extent the retail seller demonstrates that it

1 cannot comply with that subdivision because of conditions beyond
2 the control of the retail seller as provided in paragraph (5) of
3 subdivision (b) of Section 399.15. The commission shall not, under
4 any circumstance, reduce the obligation specified in paragraph (1)
5 of subdivision (c) below 65 percent for any compliance period
6 obligation after December 31, 2016.

7 ~~SEC. 13.~~

8 *SEC. 23.* Section 399.18 of the Public Utilities Code is amended
9 to read:

10 399.18. (a) This section applies to an electrical corporation
11 that as of January 1, 2010, met either of the following conditions:

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

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

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

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

26 (2) The Energy Commission verifies that the electricity
27 generated by the facility is eligible to meet the requirements of
28 Section 399.15.

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

31 ~~SEC. 14.~~

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

34 399.21. (a) The commission, by rule, shall authorize the use
35 of renewable energy credits to satisfy the renewables portfolio
36 standard procurement requirements established pursuant to this
37 article, subject to the following conditions:

38 (1) The commission and the Energy Commission shall ensure
39 that the tracking system established pursuant to subdivision (c) of
40 Section 399.25, is operational, is capable of independently

1 verifying that electricity earning the credit is generated by an
2 eligible renewable energy resource, and can ensure that renewable
3 energy credits shall not be double counted by any seller of
4 electricity within the service territory of the WECC.

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

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

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

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

30 (6) *Beginning January 1, 2021, renewable energy credits shall*
31 *not be created for any electricity generated by an eligible*
32 *renewable energy resource located behind a customer's meter that*
33 *operates in parallel with the electrical grid and is used to offset*
34 *onsite loads.*

35 ~~(6)~~

36 (7) A renewable energy credit shall not be eligible for
37 compliance with a renewables portfolio standard procurement
38 requirement unless it is retired in the tracking system established
39 pursuant to subdivision (c) of Section 399.25 by the retail seller

1 or local publicly owned electric utility within 36 months from the
2 initial date of generation of the associated electricity.

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

6 ~~SEC. 15.~~

7 *SEC. 25.* Section 399.30 of the Public Utilities Code is amended
8 to read:

9 399.30. (a) (1) To fulfill unmet long-term generation resource
10 needs, each local publicly owned electric utility shall adopt and
11 implement a renewable energy resources procurement plan that
12 requires the utility to procure a minimum quantity of electricity
13 products from eligible renewable energy resources, including
14 renewable energy credits, as a specified percentage of total
15 kilowatthours sold to the utility's retail end-use customers, each
16 compliance period, to achieve the targets of subdivision (c).

17 (2) *Beginning January 1, 2019, a local publicly owned electric*
18 *utility subject to Section 9621 shall incorporate the renewable*
19 *energy resources procurement plan required by this section as*
20 *part of a broader integrated resource plan developed and adopted*
21 *pursuant to Section 9621.*

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

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

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

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

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

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

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

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

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

38 (2) The quantities of eligible renewable energy resources to be
39 procured for all other compliance periods reflect reasonable
40 progress in each of the intervening years sufficient to ensure that

1 the procurement of electricity products from eligible renewable
2 energy resources achieves 25 percent of retail sales by December
3 31, 2016, 33 percent by December 31, 2020, 40 percent by
4 December 31, 2024, 45 percent by December 31, 2027, and 50
5 percent by December 31, 2030. The Energy Commission shall
6 establish appropriate multiyear compliance periods for all
7 subsequent years that require the local publicly owned electric
8 utility to procure not less than 50 percent of retail sales of
9 electricity products from eligible renewable energy resources. *For*
10 *purposes of calculating renewables portfolio standard procurement*
11 *requirements, electricity production used to serve onsite load from*
12 *a resource located behind a customer's meter shall reduce the*
13 *retail sales of the local publicly owned electric utility serving that*
14 *customer.*

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

17 ~~(4) A local publicly owned electric utility may procure _____~~
18 ~~percent of retail sales of onsite generation within the area served~~
19 ~~by that utility to serve local electricity needs. Onsite renewable~~
20 ~~generation shall be eligible renewable energy resources certified~~
21 ~~by the Energy Commission pursuant to Section 399.25 with a~~
22 ~~tracking system described in subdivision (e) of Section 399.25.~~
23 ~~Estimation of energy production from onsite generation shall not~~
24 ~~be used to demonstrate compliance with this article.~~

25 (4) *Beginning January 1, 2014, in calculating the procurement*
26 *requirements under this article, a local publicly owned electric*
27 *utility may exclude from its total retail sales the kilowatthours*
28 *generated by an eligible renewable energy resource that is credited*
29 *to a participating customer pursuant to a voluntary green pricing*
30 *or shared renewable generation program. Any exclusion shall be*
31 *limited to electricity products that do not meet the portfolio content*
32 *criteria set forth in paragraph (2) or (3) of subdivision (b) of*
33 *Section 399.16. Any renewable energy credits associated with*
34 *electricity credited to a participating customer shall not be used*
35 *for compliance with procurement requirements under this article,*
36 *shall be retired on behalf of the participating customer, and shall*
37 *not be further sold, transferred, or otherwise monetized for any*
38 *purpose. To the extent possible for generation that is excluded*
39 *from retail sales under this subdivision, a local publicly owned*
40 *electric utility shall seek to procure those eligible renewable energy*

1 resources that are located in reasonable proximity to program
2 participants.

3 (d) (1) The governing board of a local publicly owned electric
4 utility shall adopt procurement requirements consistent with
5 subparagraph (B) of paragraph (4) of subdivision (a) of, and
6 subdivision (b) of, Section 399.13.

7 ~~(d)~~

8 (2) The governing board of a local publicly owned electric utility
9 may adopt the following measures:

10 ~~(1) Rules permitting the utility to apply excess procurement in~~
11 ~~one compliance period to subsequent compliance periods in the~~
12 ~~same manner as allowed for retail sellers pursuant to Section~~
13 ~~399.13.~~

14 ~~(2)~~

15 (A) Conditions that allow for delaying timely compliance
16 consistent with subdivision (b) of Section 399.15.

17 ~~(3)~~

18 (B) Cost limitations for procurement expenditures consistent
19 with subdivision (c) of Section 399.15.

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

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

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

1 (3) Upon distribution to its governing body of information
2 related to its renewable energy resources procurement status and
3 future plans, for its consideration at a noticed public meeting, the
4 local publicly owned electric utility shall make that information
5 available to the public and shall provide the Energy Commission
6 with an electronic copy of the documents for posting on the Energy
7 Commission’s Internet Web site. This requirement is satisfied if
8 the local publicly owned electric utility provides the uniform
9 resource locator (URL) that links to the documents or information
10 regarding other manners of access to the documents.

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

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

24 (1) The electricity generated by the facility is procured by the
25 local publicly owned electric utility, is delivered to the balancing
26 authority area in which the local publicly owned electric utility is
27 located, and is not used to fulfill renewable energy procurement
28 requirements of other states.

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

32 (3) The Energy Commission verifies that the electricity
33 generated by the facility is eligible to meet the renewables portfolio
34 standard procurement requirements.

35 (i) Notwithstanding subdivision (a), for a local publicly owned
36 electric utility that is a joint powers authority of districts established
37 pursuant to state law on or before January 1, 2005, that furnish
38 electric services other than to residential customers, and is formed
39 pursuant to the Irrigation District Law (Division 11 (commencing
40 with Section 20500) of the Water Code), the percentage of total

1 kilowatthours sold to the district’s retail end-use customers, upon
2 which the renewables portfolio standard procurement requirements
3 in subdivision (b) are calculated, shall be based on the authority’s
4 average retail sales over the previous seven years. If the authority
5 has not furnished electric service for seven years, then the
6 calculation shall be based on average retail sales over the number
7 of completed years during which the authority has provided electric
8 service.

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

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

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

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

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

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

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

39 (C) Involves a contract in which an electrical corporation
40 receives the benefit of the electric generation through June of 2014,

1 at which time the benefit reverts back to the ownership and control
2 of the local publicly owned electric utility.

3 (D) Has a maximum penstock flow capacity of no more than
4 3,200 cubic feet per second and includes a regulating reservoir
5 with a small hydroelectric generation facility producing fewer than
6 20 megawatts with a maximum penstock flow capacity of no more
7 than 3,000 cubic feet per second.

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

11 (4) This subdivision does not require a local publicly owned
12 electric utility to purchase additional eligible renewable energy
13 resources in excess of the procurement requirements of subdivision
14 (c).

15 (l) (1) (A) *For purposes of this subdivision, “large*
16 *hydroelectric generation” means electricity generated from a*
17 *hydroelectric facility that is not an eligible renewable energy*
18 *resource and provides electricity to a local publicly owned electric*
19 *utility from facilities owned by the federal government as a part*
20 *of the federal Central Valley Project or a joint powers agency*
21 *formed and created pursuant to Chapter 5 (commencing with*
22 *Section 6500) of Division 7 of Title 1 of the Government Code.*

23 (B) *Large hydroelectric generation does not include any*
24 *resource that meets the definition of hydroelectric generation set*
25 *forth in subdivision (k).*

26 (2) *If, during a year within a compliance period set forth in*
27 *subdivision (b), a local publicly owned electric utility receives*
28 *greater than 50 percent of its retail sales from large hydroelectric*
29 *generation, it is not required to procure eligible renewable energy*
30 *resources that exceed the lesser of the following for that year:*

31 (A) *The portion of the local publicly owned electric utility retail*
32 *sales unsatisfied by the local publicly owned electric utility’s large*
33 *hydroelectric generation.*

34 (B) *The soft target adopted by the Energy Commission for the*
35 *intervening year of the relevant compliance period.*

36 (3) *Except for an existing agreement effective as of January 1,*
37 *2015, or extension or renewal of that agreement, any new*
38 *procurement commitment shall not be eligible to count towards*
39 *the determination that the local publicly owned electric utility*

1 receives more than 50 percent of its retail sales from large
2 hydroelectric generation in any year.

3 (4) The Energy Commission shall adjust the total quantities of
4 eligible renewable energy resources to be procured by a local
5 publicly owned electric utility for a compliance period to reflect
6 any reductions required pursuant to paragraph (2).

7 (5) This subdivision does not modify the compliance obligation
8 of a local publicly owned electric utility to satisfy the requirements
9 of subdivision (c) of Section 399.16.

10 (m) (1) (A) For purposes of this subdivision, “unavoidable
11 long-term contracts and ownership agreements” means
12 commitments for electricity from a coal-fired powerplant, located
13 outside the state, originally entered into by a local publicly owned
14 electric utility before June 1, 2010, that is not subsequently
15 modified to result in an extension of the duration of the agreement
16 or result in an increase in total quantities of energy delivered
17 during any compliance period set forth in subdivision (b).

18 (B) The governing board of a local publicly owned electric
19 utility shall demonstrate in its renewable energy resources
20 procurement plan required pursuant to subdivision (f) that any
21 cancellation or divestment of the commitment would result in
22 significant economic harm to its retail customers that cannot be
23 substantially mitigated through resale, transfer to another entity,
24 early closure of the facility, or other feasible measures.

25 (2) For the compliance period set forth in paragraph (4) of
26 subdivision (b), a local publicly owned electric utility meeting the
27 requirement of subparagraph (B) of paragraph (1) may adjust its
28 renewable energy procurement targets to ensure that the
29 procurement of additional electricity from eligible renewable
30 energy resources, in combination with the procurement of
31 electricity from unavoidable long-term contracts and ownership
32 agreements, does not exceed the total retail sales of the local
33 publicly owned electric utility during that compliance period. The
34 local publicly owned electric utility may limit its procurement of
35 eligible renewable energy resources for that compliance period
36 to no less than an average of 33 percent of its retail sales.

37 (3) The Energy Commission shall approve any reductions in
38 procurement targets proposed by a local publicly owned electric
39 utility if it determines that the requirements of this subdivision are
40 satisfied.

1 ~~(t)~~
2 (n) A local publicly owned electric utility shall retain discretion
3 over both of the following:

4 (1) The mix of eligible renewable energy resources procured
5 by the utility and those additional generation resources procured
6 by the utility for purposes of ensuring resource adequacy and
7 reliability.

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

10 ~~(m)~~
11 (o) The Energy Commission shall adopt regulations specifying
12 procedures for enforcement of this article. The regulations shall
13 include a public process under which the Energy Commission may
14 issue a notice of violation and correction against a local publicly
15 owned electric utility for failure to comply with this article, and
16 for referral of violations to the State Air Resources Board for
17 penalties pursuant to subdivision (n).

18 ~~(n)~~
19 (p) (1) Upon a determination by the Energy Commission that
20 a local publicly owned electric utility has failed to comply with
21 this article, the Energy Commission shall refer the failure to comply
22 with this article to the State Air Resources Board, which may
23 impose penalties to enforce this article consistent with Part 6
24 (commencing with Section 38580) of Division 25.5 of the Health
25 and Safety Code. Any penalties imposed shall be comparable to
26 those adopted by the commission for noncompliance by retail
27 sellers.

28 (2) Any penalties collected by the State Air Resources Board
29 pursuant to this article shall be deposited in the Air Pollution
30 Control Fund and, upon appropriation by the Legislature, shall be
31 expended for reducing emissions of air pollution or greenhouse
32 gases within the same geographic area as the local publicly owned
33 electric utility.

34 ~~SEC. 16.~~

35 SEC. 26. Article 17 (commencing with Section 400) is added
36 to Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code,
37 to read:

1 Article 17. Clean Energy and Pollution Reduction

2
3 400. The commission and the Energy Commission shall do all
4 of the following in furtherance of meeting the state's clean energy
5 and pollution reduction objectives:

6 (a) Take into account the use of distributed generation to the
7 extent that it provides economic and environmental benefits in
8 disadvantaged communities as identified pursuant to Section 39711
9 of the Health and Safety Code.

10 (b) Take into account the opportunities to decrease costs and
11 increase benefits, including pollution reduction and grid integration,
12 using technologies with *zero or lowest feasible emissions of*
13 *greenhouse gases, criteria pollutant emissions, and toxic air*
14 *contaminants* onsite ~~greenhouse gas emissions~~ in proceedings
15 associated with meeting the objectives.

16 (c) Where feasible, authorize procurement of resources to
17 provide grid reliability services that minimize reliance on system
18 power and fossil fuel resources and, where feasible, ~~cost-effective,~~
19 *cost effective*, and consistent with other state policy objectives,
20 increase the use of large- and small-scale energy storage with a
21 variety of technologies, targeted energy efficiency, demand
22 response, *including, but not limited to, automated demand*
23 *response*, eligible renewable energy resources, or other
24 technologies with *zero or lowest feasible emissions of greenhouse*
25 *gases, criteria pollutant emissions, and toxic air contaminants*
26 onsite ~~greenhouse gas emissions~~ to protect system reliability.

27 (d) Review technology incentive, research, development,
28 deployment, and market facilitation programs overseen by the
29 commission and the Energy Commission and make
30 recommendations to advance state clean energy and pollution
31 reduction objectives and provide benefits to disadvantaged
32 communities as identified pursuant to Section 39711 of the Health
33 and Safety Code.

34 (e) To the extent feasible, give first priority to the manufacture
35 and deployment of clean energy and pollution reduction
36 technologies that create employment opportunities, including high
37 wage, highly skilled employment opportunities, and increased
38 investment in the state.

39 (f) Establish a publicly available tracking system to provide
40 up-to-date information on progress toward meeting the clean energy

1 and pollution reduction goals of the Clean Energy and Pollution
2 Reduction Act of 2015.

3 (g) Establish an advisory group consisting of representatives
4 from disadvantaged communities identified in Section 39711 of
5 the Health and Safety Code. The advisory group shall review and
6 provide advice on programs proposed to achieve clean energy and
7 pollution reduction and determine whether those proposed
8 programs will be effective and useful in disadvantaged
9 communities.

10 ~~SEC. 17.~~

11 *SEC. 27.* Section 454.51 is added to the Public Utilities Code,
12 to read:

13 ~~454.51. The commission shall direct each electrical corporation~~
14 ~~to include in its proposed procurement plan a strategy for procuring~~
15 ~~a diverse portfolio of resources that provide a reliable electricity~~
16 ~~supply, including renewable energy integration needs, using zero~~
17 ~~carbon-emitting resources to the maximum extent reasonable. The~~
18 ~~net capacity costs of those resources shall be allocated on a fully~~
19 ~~nonbypassable basis consistent with the treatment of costs~~
20 ~~identified in paragraph (2) of subdivision (c) of Section 365.1.~~

21 *454.51. The commission shall do all of the following:*

22 (a) *Identify a diverse and balanced portfolio of resources needed*
23 *to ensure a reliable electricity supply that provides optimal*
24 *integration of renewable energy in a cost-effective manner. The*
25 *portfolio shall rely upon zero carbon-emitting resources to the*
26 *maximum extent reasonable and be designed to achieve any*
27 *statewide greenhouse gas emissions limit established pursuant to*
28 *the California Global Warming Solutions Act of 2006 (Division*
29 *25.5 (commencing with Section 38500) of the Health and Safety*
30 *Code) or any successor legislation.*

31 (b) *Direct each electrical corporation to include, as part of its*
32 *proposed procurement plan, a strategy for procuring best-fit and*
33 *least-cost resources to satisfy the portfolio needs identified by the*
34 *commission pursuant to subdivision (a).*

35 (c) *Ensure that the net costs of any incremental renewable*
36 *energy integration resources procured by an electrical corporation*
37 *to satisfy the need identified in subdivision (a) are allocated on a*
38 *fully nonbypassable basis consistent with the treatment of costs*
39 *identified in paragraph (2) of subdivision (c) of Section 365.1.*

1 (d) Permit community choice aggregators to submit proposals
2 for satisfying their portion of the renewable integration need
3 identified in subdivision (a). If the commission finds this need is
4 best met through long-term procurement commitments for
5 resources, community choice aggregators shall also be required
6 to make long-term commitments for resources. The commission
7 shall approve those proposals if it finds all of the following:

8 (1) The resources proposed by a community choice aggregator
9 will provide equivalent integration of renewable energy.

10 (2) The resources proposed by a community choice aggregator
11 will promote the efficient achievement of state energy policy
12 objectives, including reductions in greenhouse gas emissions.

13 (3) Bundled customers of an electrical corporation will be
14 indifferent from the approval of the community choice aggregator
15 proposals.

16 (4) All costs resulting from nonperformance will be borne by
17 the electric corporation, electric service provider, or community
18 choice aggregator responsible for them.

19 SEC. 28. Section 454.52 is added to the Public Utilities Code,
20 to read:

21 454.52. (a) (1) Commencing in 2017, and to be updated
22 regularly thereafter, the commission shall adopt a process for each
23 load-serving entity, as defined in Section 380, to file an integrated
24 resource plan, and a schedule for periodic updates to the plan, to
25 ensure that load-serving entities do the following:

26 (A) Meet the greenhouse gas emissions reduction targets
27 established by the State Air Resources Board, in coordination with
28 the commission and the Energy Commission, for the electricity
29 sector and each load-serving entity that reflect the electricity
30 sector's role in achieving economywide greenhouse gas emissions
31 reductions of 40 percent from 1990 levels by 2030.

32 (B) Procure at least 50 percent eligible renewable energy
33 resources by December 31, 2030, consistent with Article 16
34 (commencing with Section 399.11) of Chapter 2.3.

35 (C) Enable each electrical corporation to fulfill its obligation
36 to serve its customers at just and reasonable rates.

37 (D) Minimize impacts on ratepayers' bills.

38 (E) Ensure system and local reliability.

1 (F) Strengthen the diversity, sustainability, and resilience of
2 the bulk transmission and distribution systems, and local
3 communities.

4 (G) Enhance distribution systems and demand-side energy
5 management.

6 (H) Minimize localized air pollutants and other greenhouse gas
7 emissions, with early priority on disadvantaged communities
8 identified pursuant to Section 39711 of the Health and Safety Code.

9 (2) (A) The commission may authorize all source procurement
10 that includes various resource types including demand-side
11 resources, supply side resources, and resources that may be either
12 demand-side resources or supply side resources to ensure that
13 each load-serving entity meets the goals set forth in paragraph
14 (1).

15 (B) The commission may approve procurement of resource types
16 that will reduce overall greenhouse gas emissions from the
17 electricity sector and meet the other goals specified in paragraph
18 (1), but due to the nature of the technology or fuel source may not
19 compete favorably in price against other resources over the time
20 period of the integrated resource plan.

21 (b) (1) Each load-serving entity shall prepare and file an
22 integrated resource plan consistent with paragraph (2) of
23 subdivision (a) on a time schedule directed by the commission and
24 subject to commission review.

25 (2) Each electrical corporation's plan shall be consistent with
26 Section 454.5.

27 (3) The plan of a community choice aggregator or an electric
28 service provider, consistent with paragraph (5) of subdivision (a)
29 of Section 366.2, shall achieve the following:

30 (A) Economic, reliability, environmental, security, and other
31 benefits and performance characteristics that are consistent with
32 the goals set forth in paragraph (1) of subdivision (a).

33 (B) A diversified procurement portfolio consisting of both
34 short-term and long-term electricity and electricity-related and
35 demand reduction products.

36 (C) The resource adequacy requirements established pursuant
37 to Section 380.

38 (c) To the extent that additional procurement is authorized for
39 the electrical corporation in the integrated resource plan or the
40 procurement process authorized pursuant to Section 454.5, the

1 commission shall ensure that the renewable integration costs are
 2 allocated in a fair and equitable manner to all customers consistent
 3 with 454.51, that there is no cost-shifting among customers of
 4 load-serving entities, and that community choice aggregators may
 5 self provide these resources consistent with Section 454.51.

6 (d) The process adopted pursuant to subdivision (a) shall
 7 incorporate, and not duplicate, any other planning processes of
 8 the commission.

9 SEC. 29. Section 454.55 of the Public Utilities Code is amended
 10 to read:

11 454.55. (a) The commission, in consultation with the ~~State~~
 12 ~~Energy Resources Conservation and Development~~ Energy
 13 Commission, shall identify all potentially achievable cost-effective
 14 electricity efficiency savings and establish efficiency targets for
 15 an electrical corporation to ~~achieve~~ achieve, pursuant to Section
 16 ~~454.5~~ 454.5, consistent with the targets established pursuant to
 17 subdivision (c) of Section 25310 of the Public Resources Code.

18 (1) By July 1, 2018, and every four years thereafter, each
 19 electrical corporation shall report on its progress toward achieving
 20 the targets established pursuant to subdivision (a).

21 (2) By July 1, 2019, and every four years thereafter, the
 22 commission shall, pursuant to Section 9795 of the Government
 23 Code, report to the Legislature on the progress toward achieving
 24 the targets established pursuant to subdivision (a). The commission
 25 shall include specific strategies for, and an update on, progress
 26 toward maximizing the contribution of electricity efficiency savings
 27 in disadvantaged communities identified pursuant to Section 39711
 28 of the Health and Safety Code.

29 (b) (1) By December 31, 2023, the commission shall, in a new
 30 or existing proceeding, undertake a comprehensive review of the
 31 feasibility, costs, barriers, and benefits of achieving a cumulative
 32 doubling of energy efficiency savings and demand reduction by
 33 2030 pursuant to subdivision (c) of Section 25310 of the Public
 34 Resources Code.

35 (2) Notwithstanding subdivision (c) of Section 25310 of the
 36 Public Resources Code, if the commission concludes the targets
 37 established for electrical corporations to achieve pursuant to
 38 subdivision (a) are not cost effective, feasible, or pose potential
 39 adverse impacts to public health and safety, the commission shall
 40 revise the targets to the level that optimizes the amount of energy

1 *efficiency savings and demand reduction and shall modify, revise,*
2 *or update its policies as needed to address barriers preventing*
3 *achievement of those targets.*

4 *SEC. 30. Section 454.56 of the Public Utilities Code is amended*
5 *to read:*

6 454.56. (a) The commission, in consultation with the ~~State~~
7 ~~Energy Resources Conservation and Development~~ *Energy*
8 *Commission, shall identify all potentially achievable cost-effective*
9 *natural gas efficiency savings and establish efficiency targets for*
10 *the gas corporation to ~~achieve~~. *achieve, consistent with the targets**
11 *established pursuant to subdivision (c) of Section 25310 of the*
12 *Public Resources Code.*

13 (b) A gas corporation shall first meet its unmet resource needs
14 through all available natural gas efficiency and demand reduction
15 resources that are cost effective, reliable, and feasible.

16 (c) *By July 1, 2018, and every four years thereafter, each natural*
17 *gas corporation shall report on its progress toward achieving the*
18 *targets established pursuant to subdivision (a).*

19 (d) *By July 1, 2019, and every four years thereafter, the*
20 *commission shall, pursuant to Section 9795 of the Government*
21 *Code, report to the Legislature on the progress toward achieving*
22 *the targets establish pursuant to subdivision (a). The commission*
23 *shall include specific strategies for, and an update on, progress*
24 *toward maximizing the contribution of energy efficiency savings*
25 *in disadvantaged communities identified pursuant to Section 39711*
26 *of the Health and Safety Code.*

27 (e) *Notwithstanding subdivision (c) of Section 25310 of the*
28 *Public Resources Code, if the commission concludes in its review*
29 *pursuant to paragraph (1) of subdivision (b) of Section 454.55*
30 *that the targets established for gas corporations to achieve*
31 *pursuant to subdivision (a) are not cost effective, feasible, or pose*
32 *potential adverse impacts to public health and safety, the*
33 *commission shall revise the targets to the level that maximizes the*
34 *amount of energy efficiency savings and demand reduction and*
35 *shall modify, revise, or update its policies as needed to address*
36 *barriers preventing achievement of those targets.*

37 *SEC. 31. Section 636 is added to the Public Utilities Code, to*
38 *read:*

39 636. *In a procurement plan adopted by an electrical*
40 *corporation or a local publicly owned electric utility, the electrical*

1 *corporation or local publicly owned electric utility shall give*
 2 *consideration to both of the following:*

3 *(a) Any statewide greenhouse gas emissions limit established*
 4 *pursuant to the California Global Warming Solutions Act of 2006*
 5 *(Division 25.5 (commencing with Section 38500) of the Health*
 6 *and Safety Code).*

7 *(b) Capacity and system reliability to ensure grid reliability.*

8 ~~SEC. 18:~~

9 *SEC. 32.* Section 701.1 of the Public Utilities Code is amended
 10 to read:

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

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

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

30 (c) In calculating the ~~cost-effectiveness~~ *cost-effectiveness* of
 31 energy resources, including conservation and load management
 32 options, the commission shall include, in addition to other ratepayer
 33 protection objectives, a value for any costs and benefits to the
 34 environment, including air quality. The commission shall ensure
 35 that any values it develops pursuant to this section are consistent
 36 with values developed by the State Energy Resources Conservation
 37 and Development Commission pursuant to Section 25000.1 of the
 38 Public Resources Code. However, if the commission determines
 39 that a value developed pursuant to this subdivision is not consistent
 40 with a value developed by the State Energy Resources

1 Conservation and Development Commission pursuant to
2 subdivision (c) of Section 25000.1 of the Public Resources Code,
3 the commission may nonetheless use this value if, in the
4 appropriate record of its proceedings, it states its reasons for using
5 the value it has selected.

6 (d) In determining the emission values associated with the
7 current operating capacity of existing electric powerplants pursuant
8 to subdivision (c), the commission shall adhere to the following
9 protocol in determining values for air quality costs and benefits to
10 the environment. If the commission finds that an air pollutant that
11 is subject to regulation is a component of residual emissions from
12 an electric powerplant and that the owner of that powerplant is
13 either of the following:

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

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

20 The commission shall not assign a value or cost to that residual
21 pollutant for the current operating capacity of that powerplant
22 because the alternative protocol for dealing with the pollutant
23 operates to internalize its cost for the purpose of planning for and
24 acquiring new generating resources.

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

30 (2) Further, the environmental values determined pursuant to
31 subdivision (c) shall not be used by the commission in a manner
32 which, when those values are aggregated, will result in advancing
33 an electric utility's need for new powerplant capacity by more than
34 15 months.

35 (f) This subdivision shall apply whenever a powerplant bid
36 solicitation is required by the commission for an electric utility
37 and a portion of the amount of new powerplant capacity, which is
38 the subject of the bid solicitation, is the result of the commission's
39 use of environmental values to advance that electric utility's need
40 for new powerplant capacity in the manner authorized by paragraph

1 (2) of subdivision (e). The affected electric utility may propose to
 2 the commission any combination of alternatives to that portion of
 3 the new powerplant capacity that is the result of the commission's
 4 use of environmental values as authorized by paragraph (2) of
 5 subdivision (c). The commission shall approve an alternative in
 6 place of the new powerplant capacity if it finds all of the following:

7 (1) The alternative has been approved by the relevant air quality
 8 district.

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

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

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

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

19 (g) This section does not require an electric utility to alter the
 20 dispatch of its powerplants for environmental purposes.

21 (h) This section does not preclude an electric utility from
 22 submitting to the commission any combination of alternatives to
 23 meet a commission-identified need for new capacity, if the
 24 submission is otherwise authorized by the commission.

25 (i) This section does not change or alter any provision of
 26 commission decision 92-04-045, dated April 22, 1992.

27 ~~SEC. 19.~~

28 *SEC. 33.* Section 740.8 of the Public Utilities Code is amended
 29 to read:

30 740.8. As used in Section ~~740.3~~, *740.3 or 740.12*, "interests"
 31 of ratepayers, short- or long-term, mean direct benefits that are
 32 specific to ~~ratepayers in the form of any of the following:~~
 33 *ratepayers, consistent with both of the following:*

34 (a) Safer, more reliable, or less costly gas or electrical service,
 35 consistent with Section ~~451~~: *451, including electrical service that*
 36 *is safer, more reliable, or less costly due to either improved use*
 37 *of the electric system or improved integration of renewable energy*
 38 *generation.*

39 ~~(b) More efficient use of the electric system.~~

40 ~~(c) Improve integration of renewable energy generation.~~

1 ~~(d) Activities that both directly benefit ratepayers and that~~
2 ~~promote at least~~

3 ~~(b) Any one of the following:~~

4 ~~(1) Energy efficiency.~~

5 ~~(1) *Improvement in energy efficiency of travel.*~~

6 ~~(2) Reduction of health and environmental impacts from air~~
7 ~~pollution.~~

8 ~~(3) Reduction of greenhouse gas emissions related to electricity~~
9 ~~and natural gas production and use.~~

10 ~~(4) Increased use of alternative fuels.~~

11 ~~(5) *Creating high-quality jobs or other economic benefits,*~~
12 ~~*including in disadvantaged communities identified pursuant to*~~
13 ~~*Section 39711 of the Health and Safety Code.*~~

14 ~~SEC. 20.~~

15 ~~SEC. 34.~~ Section 740.12 is added to the Public Utilities Code,
16 to read:

17 740.12. (a) (1) The Legislature finds and declares all of the
18 following:

19 (A) Advanced clean vehicles and fuels are needed to reduce
20 petroleum use, to meet air quality standards, to improve public
21 health, and to achieve greenhouse gas emissions reduction goals.

22 (B) Widespread transportation electrification is needed to
23 achieve the goals of the Charge Ahead California Initiative
24 (Chapter 8.5 (commencing with Section 44258) of Part 5 of
25 Division 26 of the Health and Safety Code).

26 (C) *Widespread transportation electrification requires increased*
27 *access for disadvantaged communities, low- and moderate-income*
28 *communities, and other consumers of zero-emission and*
29 *near-zero-emission vehicles, and increased use of those vehicles*
30 *in those communities and by other consumers to enhance air*
31 *quality, lower greenhouse gases emissions, and promote overall*
32 *benefits to those communities and other consumers.*

33 ~~(C)~~

34 (D) Reducing emissions of greenhouse gases to 40 percent below
35 1990 levels by 2030 and to 80 percent below 1990 levels by 2050
36 will require widespread transportation electrification.

37 ~~(D)~~

38 (E) Widespread transportation electrification requires electrical
39 corporations to increase access to the use of electricity as a
40 transportation fuel.

1 (F) Widespread transportation electrification should stimulate
2 innovation and competition, attract private capital investments,
3 and create high-quality jobs for Californians, where
4 technologically feasible.

5 ~~(E)~~

6 (G) Deploying electric vehicles should assist in grid
7 management, integrating generation from eligible renewable energy
8 resources and reduce resources, and reducing fuel costs for vehicle
9 drivers who charge in a manner consistent with electrical grid
10 conditions.

11 ~~(F)~~

12 (H) Deploying electric vehicle charging infrastructure should
13 facilitate increased sales of electric vehicles by making charging
14 easily accessible and should provide the opportunity to access
15 electricity as a fuel that is cleaner and less costly than gasoline or
16 other fossil fuels: fuels in public and private locations.

17 ~~(G)~~

18 (I) According to the State Alternative Fuels Plan analysis by
19 the Energy Commission and the State Air Resources Board, light-,
20 medium-, and heavy-duty vehicle electrification results in
21 approximately 70 percent fewer greenhouse gases emitted, over
22 85 percent fewer ozone-forming air pollutants emitted, and 100
23 percent fewer petroleum used. These reductions will become larger
24 as renewable generation increases.

25 (2) It is the policy of the state and the intent of the Legislature
26 to encourage transportation electrification as a means to achieve
27 ambient air quality standards and the state’s climate goals.
28 Agencies designing and implementing regulations, guidelines,
29 plans, and funding programs to reduce greenhouse gas emissions
30 should shall take the finding findings described in subparagraph
31 ~~(G)~~ of paragraph (1) into account.

32 (b) The commission, in consultation with the State Air Resources
33 Board and the Energy Commission, shall direct electrical
34 corporations to propose multiyear file applications for programs
35 and investments to accelerate widespread transportation
36 electrification to reduce dependence on petroleum, meet air quality
37 standards, achieve the goals set forth in the Charge Ahead
38 California Initiative (Chapter 8.5 (commencing with Section 44258)
39 of Part 5 of Division 26 of the Health and Safety Code), and reduce
40 emissions of greenhouse gases to 40 percent below 1990 levels by

1 2030 and to 80 percent below 1990 levels by 2050. *Programs*
2 *proposed by electrical corporations shall seek to minimize overall*
3 *costs and maximize overall benefits.* The commission shall ~~approve~~
4 *approve, or modify and approve,* programs and investments in
5 *transportation electrification, including those that deploy charging*
6 ~~infrastructure, as distribution system costs, infrastructure via a~~
7 *reasonable cost recovery mechanism,* if they are consistent with
8 ~~this section and section,~~ *do not unfairly compete with nonutility*
9 *enterprises as required under Section 740.3, include performance*
10 *accountability measures, and are in the interests of ratepayers as*
11 *defined in Section ~~740.3, 740.8.~~*

12 (c) The commission shall review data concerning current and
13 future electric transportation adoption ~~rates and charging~~
14 ~~infrastructure utilization rates no less than every three years and~~
15 ~~prior to any further authorization for~~ *authorizing* an electrical
16 corporation to collect ~~additional~~ new program costs related to
17 transportation electrification in ~~ratepayer~~ *customer* rates. If market
18 barriers unrelated to the investment made by an electric corporation
19 prevent electric transportation from adequately utilizing available
20 charging infrastructure, the commission shall not permit additional
21 investments in transportation electrification without ~~adequate~~
22 ~~assurance~~ *a reasonable showing* that the investments would not
23 result in *long-term* stranded costs recoverable from ratepayers.

24 (d) *This section applies to an application to the commission for*
25 *transportation electrification programs and investments if one of*
26 *the following conditions is met:*

27 (1) *The application is filed on or after January 1, 2016.*

28 (2) *The application is filed before January 1, 2016, but has an*
29 *evidentiary hearing scheduled on or after July 1, 2016.*

30 SEC. 36. *Section 9505 of the Public Utilities Code is amended*
31 *to read:*

32 9505. (a) By March 15, 2013, and by March 15 of each year
33 thereafter, each local publicly owned electric utility shall report
34 to the Energy Commission and to its customers all of the following:

35 (1) Its investments in energy efficiency and demand reduction
36 programs.

37 (2) A description of each energy efficiency and demand
38 reduction program, program expenditures, *the* cost-effectiveness
39 of each program, and expected and actual energy efficiency savings
40 and demand reduction results that reflect the intent of the

1 Legislature to encourage energy savings and reductions in
2 emissions of greenhouse gases resulting from providing service
3 to existing residential and nonresidential buildings, while taking
4 into consideration the effect of the program on rates, reliability,
5 and financial resources.

6 (3) The sources for funding of its energy efficiency and demand
7 reduction programs.

8 (4) The methodologies and input assumptions used to determine
9 the cost-effectiveness of its energy efficiency and demand reduction
10 programs.

11 (5) *A comparison of the local publicly owned electric utility's*
12 *annual targets established pursuant to subdivision (b) and the*
13 *local publicly owned electric utility's reported electricity efficiency*
14 *savings and demand reductions.*

15 (b) By March 15, 2013, and by March 15 of every fourth year
16 thereafter, each local publicly owned electric utility shall identify
17 all potentially achievable cost-effective electricity efficiency
18 savings and shall establish annual targets for energy efficiency
19 savings and demand reduction for the next 10-year ~~period~~ *period,*
20 *consistent with the annual targets established by the Energy*
21 *Commission pursuant to subdivision (c) of Section 25310 of the*
22 *Public Resources Code.* A local publicly owned electric utility's
23 determination of potentially achievable cost-effective electricity
24 efficiency savings shall be made without regard to previous
25 minimum investments undertaken pursuant to Section 385. A local
26 publicly owned electric utility shall treat investments made to
27 achieve energy efficiency savings and demand reduction targets
28 as procurement investments.

29 (c) Within 60 days of establishing annual targets pursuant to
30 subdivision (b), each local publicly owned electric utility shall
31 report those targets to the Energy Commission, and the basis for
32 establishing those targets.

33 (d) Each local publicly owned electric utility shall make
34 available to its customers and to the Energy Commission the results
35 of any independent evaluation that measures and verifies the energy
36 efficiency savings and the reduction in energy demand achieved
37 by its energy efficiency and demand reduction programs.

38 *SEC. 37. Section 9620 of the Public Utilities Code is amended*
39 *to read:*

1 9620. (a) Each local publicly owned electric utility serving
2 end-use customers, shall prudently plan for and procure resources
3 that are adequate to meet its planning reserve margin and peak
4 demand and operating reserves, sufficient to provide reliable
5 electric service to its customers. Customer generation located on
6 the customer's site or providing electric service through
7 arrangements authorized by Section 218, shall not be subject to
8 these requirements if the customer generation, or the load it serves,
9 meets one of the following criteria:

10 (1) It takes standby service from the local publicly owned
11 electric utility on a rate schedule that provides for adequate backup
12 planning and operating reserves for the standby customer class.

13 (2) It is not physically interconnected to the electric transmission
14 or distribution grid, so that, if the customer generation fails, backup
15 power is not supplied from the electricity grid.

16 (3) There is physical assurance that the load served by the
17 customer generation will be curtailed concurrently and
18 commensurately with an outage of the customer generation.

19 (b) Each local publicly owned electric utility serving end-use
20 customers shall, at a minimum, meet the most recent minimum
21 planning reserve and reliability criteria approved by the Board of
22 Trustees of the Western Systems Coordinating Council or the
23 Western Electricity Coordinating Council.

24 (c) Each local publicly owned electric utility shall prudently
25 plan for and procure energy storage systems that are adequate to
26 meet the requirements of Section 2836.

27 (d) A local publicly owned electric utility serving end-use
28 customers shall, upon request, provide the Energy Commission
29 with any information the Energy Commission determines is
30 necessary to evaluate the progress made by the local publicly
31 owned electric utility in meeting the requirements of this ~~section~~.
32 *section, consistent with the annual targets established pursuant*
33 *to subdivision (c) of Section 25310 of the Public Resources Code.*

34 (e) The Energy Commission shall report to the Legislature, to
35 be included in each integrated energy policy report prepared
36 pursuant to Section 25302 of the Public Resources Code, regarding
37 the progress made by each local publicly owned electric utility
38 serving end-use customers in meeting the requirements of this
39 section.

1 SEC. 38. Section 9621 is added to the Public Utilities Code,
2 to read:

3 9621. (a) This section shall apply to a local publicly owned
4 electric utility with an annual electrical demand exceeding 700
5 gigawatthours, as determined on a three-year average commencing
6 January 1, 2013.

7 (b) On or before January 1, 2019, the governing board of a
8 local publicly owned electric utility shall adopt an integrated
9 resource plan and a process for updating the plan at least once
10 every five years to ensure the utility achieves all of the following:

11 (1) Meets the greenhouse gas emissions reduction targets
12 established by the State Air Resources Board, in coordination with
13 the commission and the Energy Commission, for the electricity
14 sector and each local publicly-owned electric utility that reflect
15 the electricity sector's role in achieving economywide greenhouse
16 gas emissions reductions of 40 percent from 1990 levels by 2030.

17 (2) Ensures procurement of at least 50 percent eligible
18 renewable energy resources by 2030 consistent with Article 16
19 (commencing with Section 399.11) of Chapter 2.3.

20 (3) Meets the goals specified in subparagraphs (C) to (H),
21 inclusive, of paragraph (1) of subdivision (a) of Section 454.52.

22 (c) (1) The integrated resource plan shall address procurement
23 for the following:

24 (A) Energy efficiency and demand response resources pursuant
25 to Section 9615.

26 (B) Energy storage requirements pursuant to Chapter 7.7
27 (commencing with Section 2835) of Part 2 of Division 1.

28 (C) Transportation electrification.

29 (D) A diversified procurement portfolio consisting of both
30 short-term and long-term electricity, electricity-related, and
31 demand response products.

32 (E) The resource adequacy requirements established pursuant
33 to Section 9620.

34 (2) (A) The governing board of the local publicly owned electric
35 utility may authorize all source procurement that includes various
36 resource types, including demand-side resources, supply side
37 resources, and resources that may be either demand-side resources
38 or supply side resources, to ensure that the local publicly owned
39 electric utility procures the optimum resource mix that meets the
40 objectives of subdivision (b).

1 (B) The governing board may authorize procurement of resource
2 types that will reduce overall greenhouse gas emissions from the
3 electricity sector and meet the other goals specified in paragraph
4 (1) of subdivision (a) of Section 454.52, but due to the nature of
5 the technology or fuel source may not compete favorably in price
6 against other resources over the time period of the integrated
7 resource plan.

8 (d) A local publicly owned electric utility shall satisfy the notice
9 and public disclosure requirements of subdivision (f) of Section
10 399.30 with respect to any integrated resource plan or plan update
11 it considers.

12 SEC. 39. Section 9622 is added to the Public Utilities Code,
13 to read:

14 9622. (a) Integrated resource plans and plan updates adopted
15 pursuant to Section 9621 shall be submitted to the Energy
16 Commission.

17 (b) The Energy Commission shall review the integrated resource
18 plans and plan updates. If the Energy Commission determines an
19 integrated resource plan or plan update is inconsistent with the
20 requirements of Section 9621, the Energy Commission shall
21 provide recommendations to correct the deficiencies.

22 (c) The Energy Commission may adopt guidelines to govern the
23 submission of information and data and reports needed to support
24 the Energy Commission's review of the utility's integrated resource
25 plan pursuant to this section at a publicly noticed meeting offering
26 all interested parties an opportunity to comment. The Energy
27 Commission shall provide written public notice of not less than
28 30 days for the initial adoption of guidelines and not less than 10
29 days for the subsequent adoption of substantive changes.
30 Notwithstanding any other law, any guidelines adopted pursuant
31 to this section shall be exempt from the requirements of Chapter
32 3.5 (commencing with Section 11340) of Part 1 of Division 3 of
33 Title 2 of the Government Code.

34 ~~SEC. 21.~~

35 SEC. 40. No reimbursement is required by this act pursuant to
36 Section 6 of Article XIII B of the California Constitution because
37 a local agency or school district has the authority to levy service
38 charges, fees, or assessments sufficient to pay for the program or
39 level of service mandated by this act or because costs that may be
40 incurred by a local agency or school district will be incurred

1 because this act creates a new crime or infraction, eliminates a
2 crime or infraction, or changes the penalty for a crime or infraction,
3 within the meaning of Section 17556 of the Government Code, or
4 changes the definition of a crime within the meaning of Section 6
5 of Article XIII B of the California Constitution.

6 *SEC. 41. The provisions of this act are severable. If any*
7 *provision of this act or its application is held invalid, that invalidity*
8 *shall not affect other provisions or applications that can be given*
9 *effect without the invalid provision or application.*