

AMENDED IN ASSEMBLY SEPTEMBER 11, 2015

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

(Principal coauthors: Assembly Members Eduardo Garcia and Williams)

(Coauthors: Senators Hancock Allen, Hancock, and Monning)

(Coauthor: Assembly Member McCarty)

February 24, 2015

An act to amend Section 43013 of, and to add Sections 39628, 43013.5, and Section 44258.5 to, the Health and Safety Code, to amend Section 1720 of the Labor Code, to amend Sections 25000.5, 25310, 25310 and 25943 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, 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 amend and repeal Sections 337 and 352 of, to add Sections 237.5, 365.2, 366.3, 454.51, 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, to add and repeal Article 5.5 (commencing with Section 359.5) of Chapter 2.3 of Part 1 of Division 1 of, and to repeal Article 5 (commencing with Section 359) of 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~~ *customers* 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)~~

(2) 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)

(3) 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~~ *transformation* of the ISO into a regional ~~organization.~~ *organization, with the approval of the Legislature, pursuant to a specified process.*

(5)

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

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

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: yes.

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

- 1 SECTION 1. This act shall be known and may be cited as the
- 2 Clean Energy and Pollution Reduction Act of 2015.

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

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

7 ~~(2) To reduce today's petroleum use in cars and trucks by up
 8 to 50 percent.~~

9 ~~(3) To double the energy savings in electricity and natural gas
 10 final end uses of retail customers through energy efficiency and
 11 conservation.~~

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

17 ~~(1) Advanced clean vehicle technologies.~~

18 ~~(2) Clean, low-carbon fuels.~~

19 ~~(3) Transportation choices that reduce vehicle miles traveled.~~

20 ~~(2) To double the energy efficiency savings in electricity and
 21 natural gas final end uses of retail customers through energy
 22 efficiency and conservation.~~

23 ~~(e)~~

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

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

29 ~~39628. (a) By July 1, 2016, the state board, in collaboration
 30 with the Department of Transportation, the State Energy Resources
 31 Conservation and Development Commission, and the Governor's
 32 Office of Business and Economic Development, in a public process
 33 that allows input from other stakeholders, shall develop an
 34 integrated action plan that establishes targets to improve freight
 35 efficiency, transition to zero-emission technologies, and increase
 36 the competitiveness of California's freight system.~~

37 ~~(b) The action plan shall identify state policies, programs, and
 38 investments to achieve the targets described in subdivision (a) and
 39 shall be informed by existing state strategies, including the
 40 California Freight Mobility Plan, the Sustainable Freight Pathways~~

1 to Zero and Near-Zero Emissions plan, and the integrated energy
2 policy report prepared pursuant to Section 25302 of the Public
3 Resources Code.

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

6 43013. (a) The state board shall adopt and implement motor
7 vehicle emission standards, in-use performance standards, and
8 motor vehicle fuel specifications for the control of air contaminants
9 and sources of air pollution which the state board has found to be
10 necessary, cost effective, and technologically feasible, to carry out
11 the purposes of this division and in furtherance of achieving a
12 reduction in petroleum use in motor vehicles by 50 percent by
13 January 1, 2030, unless preempted by federal law.

14 (b) The state board shall, consistent with subdivision (a), adopt
15 standards and regulations for light-duty and heavy-duty motor
16 vehicles, medium-duty motor vehicles, as determined and specified
17 by the state board, portable fuel containers and spouts, and off-road
18 or nonvehicle engine categories, including, but not limited to,
19 off-highway motoreycles, off-highway vehicles, construction
20 equipment, farm equipment, utility engines, locomotives, and, to
21 the extent permitted by federal law, marine vessels.

22 (c) Prior to adopting standards and regulations for farm
23 equipment, the state board shall hold a public hearing and find and
24 determine that the standards and regulations are necessary, cost
25 effective, and technologically feasible. The state board shall also
26 consider the technological effects of emission control standards
27 on the cost, fuel consumption, and performance characteristics of
28 mobile farm equipment.

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

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

39 (1) Determine the cost-effectiveness of the adoption or
40 amendment of the standard or regulation. The cost-effectiveness

1 shall be compared on an incremental basis with other mobile source
2 control methods and options.

3 ~~(2) Based on a preponderance of scientific and engineering data~~
4 ~~in the record, determine the technological feasibility of the adoption~~
5 ~~or amendment of the standard or regulation. That determination~~
6 ~~shall include, but is not limited to, the availability, effectiveness,~~
7 ~~reliability, and safety expected of the proposed technology in an~~
8 ~~application that is representative of the proposed use.~~

9 ~~(f) Prior to adopting or amending any motor vehicle fuel~~
10 ~~specification pursuant to this section, the state board shall do both~~
11 ~~of the following:~~

12 ~~(1) To the extent feasible, quantitatively document the~~
13 ~~significant impacts of the proposed standard or specification on~~
14 ~~affected segments of the state's economy. The economic analysis~~
15 ~~shall include, but is not limited to, the significant impacts of any~~
16 ~~change on motor vehicle fuel efficiency, the existing motor vehicle~~
17 ~~fuel distribution system, the competitive position of the affected~~
18 ~~segment relative to border states, and the cost to consumers.~~

19 ~~(2) Consult with public or private entities that would be~~
20 ~~significantly impacted to identify those investigative or preventive~~
21 ~~actions that may be necessary to ensure consumer acceptance,~~
22 ~~product availability, acceptable performance, and equipment~~
23 ~~reliability. The significantly impacted parties shall include, but are~~
24 ~~not limited to, fuel manufacturers, fuel distributors, independent~~
25 ~~marketers, vehicle manufacturers, and fuel users.~~

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

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

37 ~~SEC. 5. Section 43013.5 is added to the Health and Safety~~
38 ~~Code, to read:~~

39 ~~43013.5. The state board shall ensure any updates to the~~
40 ~~regional greenhouse gas emission reduction targets pursuant to~~

1 ~~clause (iv) of subparagraph (A) of paragraph (2) of subdivision~~
2 ~~(b) of Section 65080 of the Government Code are consistent with~~
3 ~~achieving a 50-percent reduction in petroleum use in motor vehicles~~
4 ~~by January 1, 2030.~~

5 ~~SEC. 6.~~

6 *SEC. 3.* Section 44258.5 is added to the Health and Safety
7 Code, to read:

8 44258.5. (a) For the purposes of this section, the following
9 terms mean the following:

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

12 (2) “Retail seller” has the same meaning as set forth in Section
13 399.12 of the Public Utilities Code.

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

16 (b) The state board shall identify and adopt appropriate policies,
17 rules, or regulations to remove regulatory disincentives preventing
18 retail sellers and local publicly owned electric utilities from
19 facilitating the achievement of greenhouse gas emission reductions
20 in other sectors through increased investments in transportation
21 electrification. Policies to be considered shall include, but are not
22 limited to, an allocation of greenhouse gas emissions allowances
23 to retail sellers and local publicly owned electric utilities, or other
24 regulatory mechanisms, to account for increased greenhouse gas
25 emissions in the electric sector from transportation electrification.

26 ~~SEC. 7.~~

27 *SEC. 4.* Section 1720 of the Labor Code is amended to read:

28 1720. (a) As used in this chapter, “public works” means:

29 (1) Construction, alteration, demolition, installation, or repair
30 work done under contract and paid for in whole or in part out of
31 public funds, except work done directly by any public utility
32 company pursuant to order of the Public Utilities Commission or
33 other public authority. For purposes of this paragraph,
34 “construction” includes work performed during the design and
35 preconstruction phases of construction, including, but not limited
36 to, inspection and land surveying work, and work performed during
37 the postconstruction phases of construction, including, but not
38 limited to, all cleanup work at the jobsite. For purposes of this
39 paragraph, “installation” includes, but is not limited to, the

1 assembly and disassembly of freestanding and affixed modular
2 office systems.

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

8 (3) Street, sewer, or other improvement work done under the
9 direction and supervision or by the authority of any officer or
10 public body of the state, or of any political subdivision or district
11 thereof, whether the political subdivision or district operates under
12 a freeholder’s charter or not.

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

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

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

19 (7) (A) Infrastructure project grants from the California
20 Advanced Services Fund pursuant to Section 281 of the Public
21 Utilities Code.

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

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

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

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

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

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

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

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

3 (c) Notwithstanding subdivision (b):

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

8 (2) If the state or a political subdivision requires a private
9 developer to perform construction, alteration, demolition,
10 installation, or repair work on a public work of improvement as a
11 condition of regulatory approval of an otherwise private
12 development project, and the state or political subdivision
13 contributes no more money, or the equivalent of money, to the
14 overall project than is required to perform this public improvement
15 work, and the state or political subdivision maintains no proprietary
16 interest in the overall project, then only the public improvement
17 work shall thereby become subject to this chapter.

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

24 (4) The construction or rehabilitation of affordable housing units
25 for low- or moderate-income persons pursuant to paragraph (5) or
26 (7) of subdivision (e) of Section 33334.2 of the Health and Safety
27 Code that are paid for solely with moneys from the Low and
28 Moderate Income Housing Fund established pursuant to Section
29 33334.3 of the Health and Safety Code or that are paid for by a
30 combination of private funds and funds available pursuant to
31 Section 33334.2 or 33334.3 of the Health and Safety Code do not
32 constitute a project that is paid for in whole or in part out of public
33 funds.

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

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

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

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

8 (D) The project consists of new construction, expansion, or
9 rehabilitation work associated with a facility developed by a
10 nonprofit organization to be operated on a not-for-profit basis to
11 provide emergency or transitional shelter and ancillary services
12 and assistance to homeless adults and children. The nonprofit
13 organization operating the project shall provide, at no profit, not
14 less than 50 percent of the total project cost from nonpublic
15 sources, excluding real property that is transferred or leased. Total
16 project cost includes the value of donated labor, materials,
17 architectural, and engineering services.

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

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

28 (1) Qualified residential rental projects, as defined by Section
29 142(d) of the Internal Revenue Code, financed in whole or in part
30 through the issuance of bonds that receive allocation of a portion
31 of the state ceiling pursuant to Chapter 11.8 (commencing with
32 Section 8869.80) of Division 1 of Title 2 of the Government Code
33 on or before December 31, 2003.

34 (2) Single-family residential projects financed in whole or in
35 part through the issuance of qualified mortgage revenue bonds or
36 qualified veterans' mortgage bonds, as defined by Section 143 of
37 the Internal Revenue Code, or with mortgage credit certificates
38 under a Qualified Mortgage Credit Certificate Program, as defined
39 by Section 25 of the Internal Revenue Code, that receive allocation
40 of a portion of the state ceiling pursuant to Chapter 11.8

1 (commencing with Section 8869.80) of Division 1 of Title 2 of
2 the Government Code on or before December 31, 2003.

3 (3) Low-income housing projects that are allocated federal or
4 state low-income housing tax credits pursuant to Section 42 of the
5 Internal Revenue Code, Chapter 3.6 (commencing with Section
6 50199.4) of Part 1 of Division 31 of the Health and Safety Code,
7 or Section 12206, 17058, or 23610.5 of the Revenue and Taxation
8 Code, on or before December 31, 2003.

9 (e) Notwithstanding paragraph (1) of subdivision (a),
10 construction, alteration, demolition, installation, or repair work on
11 the electric transmission system located in California constitutes
12 a public works project for the purposes of this chapter.

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

17 (g) For purposes of this section, references to the Internal
18 Revenue Code mean the Internal Revenue Code of 1986, as
19 amended, and include the corresponding predecessor sections of
20 the Internal Revenue Code of 1954, as amended.

21 (h) The amendments made to this section by either Chapter 938
22 of the Statutes of 2001 or the act adding this subdivision shall not
23 be construed to preempt local ordinances requiring the payment
24 of prevailing wages on housing projects.

25 ~~SEC. 8. Section 25000.5 of the Public Resources Code is~~
26 ~~amended to read:~~

27 ~~25000.5. (a) The Legislature finds and declares that~~
28 ~~overdependence on the production, marketing, and consumption~~
29 ~~of petroleum based fuels as an energy resource in the transportation~~
30 ~~sector is a threat to the energy security of the state due to~~
31 ~~continuing market and supply uncertainties. In addition, petroleum~~
32 ~~use as an energy resource contributes substantially to the following~~
33 ~~public health and environmental problems: air pollution, acid rain,~~
34 ~~global warming, and the degradation of California's marine~~
35 ~~environment and fisheries.~~

36 ~~(b) Therefore, it is the policy of this state to fully evaluate the~~
37 ~~economic and environmental costs of petroleum use, and the~~
38 ~~economic and environmental costs of other transportation fuels~~
39 ~~and options, including the costs and values of environmental~~
40 ~~impacts, and to establish a state transportation energy policy that~~

1 results in the least environmental and economic cost to the state.
2 In pursuing the “least environmental and economic cost” strategy,
3 it is the policy of the state to exploit all practicable and
4 cost-effective energy conservation measures and improvements
5 in the efficiency of energy use and distribution, and to achieve
6 energy security, diversity of supply sources, and competitiveness
7 of transportation energy markets based on the least environmental
8 and economic cost, in furtherance of reducing petroleum use in
9 the transportation sector by 50 percent by January 1, 2030.

10 (e) It is also the policy of this state to minimize the economic
11 and environmental costs due to the use of petroleum-based and
12 other transportation fuels by state agencies. In implementing a
13 least-cost economic and environmental strategy for state fleets, it
14 is the policy of the state to implement practicable and cost-effective
15 measures, including, but not necessarily limited to, the purchase
16 of the cleanest and most efficient automobiles and replacement
17 tires, the use of alternative fuels in its fleets, and other conservation
18 measures.

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

24 ~~SEC. 9.~~

25 *SEC. 5.* Section 25302.2 is added to the Public Resources Code,
26 to read:

27 25302.2. As part of ~~he~~ *the* 2019 edition of the integrated energy
28 policy report, the commission shall evaluate the actual energy
29 efficiency savings, as defined in Section 25310, from negative
30 therm interactive effects generated as a result of electricity
31 efficiency improvements.

32 ~~SEC. 10.~~

33 *SEC. 6.* Section 25310 of the Public Resources Code is
34 amended to read:

35 25310. (a) For purposes of this section, the following terms
36 have the following meanings:

37 (1) “End use” means the purpose for which energy is used,
38 including, but not limited to, heating, cooling, or lighting, or class
39 of energy uses upon which an energy efficiency program is focused,

1 typically categorized by equipment purpose, equipment energy
2 use intensity, or building type.

3 (2) “Energy efficiency savings” means reduced electricity or
4 natural gas usage produced either by the installation of an energy
5 efficiency measure or the adoption of an energy efficiency practice
6 that maintains at least the same level of end-use service or by
7 conservation actions that reduce energy use by reducing the
8 quantity ~~or quality~~ of baseline energy services demanded.

9 (b) On or before November 1, 2007, and by November 1 of
10 every third year thereafter, the commission in consultation with
11 the Public Utilities Commission and local publicly owned electric
12 utilities, in a public process that allows input from other
13 stakeholders, shall develop a statewide estimate of all potentially
14 achievable cost-effective electricity and natural gas efficiency
15 savings and establish targets for statewide annual energy efficiency
16 savings and demand reduction for the next 10-year period. The
17 commission shall base its estimate at least in part on information
18 developed pursuant to Sections 454.55, 454.56, 715, 9505, 9615,
19 and 9615.5 of the Public Utilities Code. The commission shall,
20 for each electrical corporation and each gas corporation, include
21 in the integrated energy policy report, a comparison of the public
22 utility’s annual targets established pursuant to Sections 454.55 and
23 454.56, and the public utility’s actual energy efficiency savings
24 and demand reductions.

25 (c) (1) On or before November 1, 2017, the commission, in
26 collaboration with the Public Utilities Commission and local
27 publicly owned electric utilities, in a public process that allows
28 input from other stakeholders, shall establish annual targets for
29 statewide energy efficiency savings and demand reduction that
30 will achieve a cumulative doubling of statewide energy efficiency
31 savings in electricity and natural gas final end uses of retail
32 customers by January 1, 2030. The commission shall base the
33 targets on a doubling of the midcase estimate of additional
34 achievable energy efficiency savings, as contained in the California
35 Energy Demand Updated Forecast, 2015-2025, adopted by the
36 commission, extended to 2030 using an average annual growth
37 rate, and the targets adopted by local publicly owned electric
38 utilities pursuant to Section 9505 of the Public Utilities Code,
39 extended to 2030 using an average annual growth rate, to the extent

1 doing so is cost effective, feasible, and will not adversely impact
2 public health and safety.

3 (2) The commission may establish targets for the purposes of
4 paragraph (1) that aggregate energy efficiency savings from both
5 electricity and natural gas final end uses. Before establishing
6 aggregate targets, the commission shall, in a public process that
7 allows input from other stakeholders, adopt a methodology for
8 aggregating electricity and natural gas final end-use energy
9 efficiency savings in a consistent manner based on source of energy
10 reduction and other relevant factors.

11 (3) In establishing the targets pursuant to paragraph (1), the
12 commission shall assess the hourly and seasonal impact on
13 statewide and local electricity demand.

14 (4) In assessing the feasibility and cost-effectiveness of energy
15 efficiency savings for the purposes of paragraph (1), the
16 commission and the Public Utilities Commission shall consider
17 the results of energy efficiency potential studies that are not
18 restricted by previous levels of utility energy efficiency savings.

19 (5) The energy efficiency savings and demand reduction reported
20 for the purposes of achieving the targets established pursuant to
21 paragraph (1) shall be measured taking into consideration the
22 overall reduction in normalized metered electricity and natural gas
23 consumption where these measurement techniques are feasible
24 and cost effective.

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

29 (1) Appliance and building energy efficiency standards
30 developed and adopted pursuant to Section 25402.

31 (2) A comprehensive program to achieve greater energy
32 efficiency savings in California's existing residential and
33 nonresidential building stock pursuant to Section 25943.

34 (3) Programs funded and authorized pursuant to the California
35 Clean Energy Job Creation Act (Division 16.3 (commencing with
36 Section 26200)).

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

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

1 (6) Programs of electrical or gas ~~corporations~~ *corporations, or*
2 *community choice aggregators*, that provide financial incentives,
3 rebates, technical assistance, and support to their customers to
4 increase energy efficiency, authorized by the Public Utilities
5 Commission.

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

10 (8) Programs of electrical or gas corporations, ~~or~~ local publicly
11 owned electric ~~utilities~~ *utilities, or community choice aggregators*,
12 that achieve energy efficiency savings through operational,
13 behavioral, and retrocommissioning activities.

14 (9) Programs that save energy in final end uses by reducing
15 distribution feeder service voltage, known as conservation voltage
16 reduction.

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

20 (11) Property Assessed Clean Energy (PACE) programs.

21 (e) Beginning with the 2019 edition of the integrated energy
22 policy report and every two years thereafter, the commission shall
23 provide recommendations and an update on progress toward
24 achieving a doubling of energy efficiency savings in electricity
25 and natural gas final end uses of retail customers by January 1,
26 2030, pursuant to paragraph (1) of subdivision (c). The commission
27 shall also include with the recommendations and update both of
28 the following:

29 (1) An assessment of the effect of energy efficiency savings on
30 electricity demand statewide, in local service territories, and on
31 an hourly and seasonal basis.

32 (2) Specific strategies for, and an update on, progress toward
33 maximizing the contribution of energy efficiency savings in
34 disadvantaged communities identified pursuant to Section 39711
35 of the Health and Safety Code.

36 ~~SEC. 11.~~

37 *SEC. 7.* Section 25327 is added to the Public Resources Code,
38 to read:

39 25327. (a) The Legislature finds and declares all of the
40 following:

1 (1) There is insufficient information available to fully realize
 2 the potential of solar photovoltaic energy generation *to serve*
 3 *low-income customers, including those* in disadvantaged
 4 communities.

5 (2) There is insufficient understanding of the barriers to access
 6 for low-income customers to all forms of renewable energy being
 7 generated in the state.

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

10 (4) There is insufficient understanding of the barriers to access
 11 for low-income customers to zero-emission and near-zero-emission
 12 transportation options.

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

16 (1) Barriers to, and opportunities for, solar photovoltaic energy
 17 generation as well as barriers to, and opportunities for, access to
 18 other renewable energy by low-income customers.

19 (2) Barriers to contracting opportunities for local small
 20 businesses in disadvantaged communities.

21 (c) On or before January 1, 2017, the commission, with input
 22 from relevant state agencies and the public, shall develop and
 23 publish a study on barriers for low-income customers to energy
 24 efficiency and weatherization investments, ~~particularly~~ *including*
 25 *those* in disadvantaged communities, as well as recommendations
 26 on how to increase access to energy efficiency and weatherization
 27 investments to low-income customers.

28 (d) On or before January 1, 2017, the State Air Resources Board,
 29 in consultation with the commission and with input from relevant
 30 state agencies and the public, shall develop and publish a study on
 31 barriers for low-income customers to zero-emission and
 32 near-zero-emission transportation options, ~~particularly~~ *including*
 33 *those* in disadvantaged communities, as well as recommendations
 34 on how to increase access to zero-emission and near-zero-emission
 35 transportation options to low-income ~~customers~~ *customers*,
 36 *including those* in disadvantaged communities.

37 ~~SEC. 12.~~

38 *SEC. 8.* Section 25943 of the Public Resources Code is
 39 amended to read:

1 25943. (a) (1) By March 1, 2010, the commission shall
2 establish a regulatory proceeding to develop and implement a
3 comprehensive program to achieve greater energy savings in
4 California's existing residential and nonresidential building stock.
5 This program shall comprise a complementary portfolio of
6 techniques, applications, and practices that will achieve greater
7 energy efficiency in existing residential and nonresidential
8 structures that fall significantly below the current standards in Title
9 24 of the California Code of Regulations, as determined by the
10 commission.

11 (2) The comprehensive program may include, but need not be
12 limited to, a broad range of energy assessments, building
13 benchmarking, energy rating, cost-effective energy efficiency
14 improvements, public and private sector energy efficiency
15 financing options, public outreach and education efforts, and green
16 workforce training.

17 (3) The commission shall adopt, implement, and enforce a
18 responsible contractor policy for use across all ratepayer-funded
19 energy efficiency programs that involve installation or
20 maintenance, or both installation and maintenance, by building
21 contractors to ensure that retrofits meet high-quality performance
22 standards and reduce energy savings lost or foregone due to
23 poor-quality workmanship.

24 (4) The commission, in consultation with the Public Utilities
25 Commission, shall establish consumer protection guidelines for
26 energy efficiency products and services.

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

29 (1) Coordinate with the Public Utilities Commission and consult
30 with representatives from the Bureau of Real Estate, the
31 Department of Housing and Community Development,
32 investor-owned and publicly owned utilities, local governments,
33 real estate licensees, commercial and homebuilders, commercial
34 property owners, small businesses, mortgage lenders, financial
35 institutions, home appraisers, inspectors, energy rating
36 organizations, consumer groups, environmental and environmental
37 justice groups, and other entities the commission deems
38 appropriate.

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

- 1 (c) In developing the requirements for the program specified in
- 2 subdivision (a), the commission shall consider all of the following:
- 3 (1) The amount of annual and peak energy savings, greenhouse
- 4 gas emission reductions, and projected customer utility bill savings
- 5 that will accrue from the program.
- 6 (2) The most cost-effective means and reasonable timeframes
- 7 to achieve the goals of the program.
- 8 (3) The various climatic zones within the state.
- 9 (4) An appropriate method to inform and educate the public
- 10 about the need for, benefits of, and environmental impacts of, the
- 11 comprehensive energy efficiency program.
- 12 (5) The most effective way to report the energy assessment
- 13 results and the corresponding energy efficiency improvements to
- 14 the owner of the residential or nonresidential building, including,
- 15 among other things, the following:
- 16 (A) Prioritizing the identified energy efficiency improvements.
- 17 (B) The payback period or cost-effectiveness of each
- 18 improvement identified.
- 19 (C) The various incentives, loans, grants, and rebates offered
- 20 to finance the improvements.
- 21 (D) Available financing options including all of the following:
- 22 (i) Mortgages or sales agreement components.
- 23 (ii) On-bill financing.
- 24 (iii) Contractual property tax assessments.
- 25 (iv) Home warranties.
- 26 (6) Existing statutory and regulatory requirements to achieve
- 27 energy efficiency savings and greenhouse gas emission reductions.
- 28 (7) A broad range of implementation approaches, including both
- 29 utility and nonutility administration of energy efficiency programs,
- 30 especially the use of not-for-profit and community-based
- 31 organizations that assist with deployment in disadvantaged
- 32 communities identified pursuant to Section 39711 of the Health
- 33 and Safety Code.
- 34 (8) Workforce development and job training for residents in
- 35 disadvantaged communities, including veterans, at-risk youth, and
- 36 members of the state and local community conservation corps.
- 37 (9) Any other considerations deemed appropriate by the
- 38 commission.
- 39 (d) The program developed pursuant to this section shall do all
- 40 of the following:

- 1 (1) Minimize the overall costs of establishing and implementing
2 the comprehensive energy efficiency program requirements.
- 3 (2) Ensure, for residential buildings, that the energy efficiency
4 assessments, ratings, or improvements do not unreasonably or
5 unnecessarily affect the home purchasing process or the ability of
6 individuals to rent housing. A transfer of property subject to the
7 program implemented pursuant to this section shall not be
8 invalidated solely because of the failure of a person to comply
9 with a provision of the program.
- 10 (3) Ensure, for nonresidential buildings, that the energy
11 improvements do not have an undue economic impact on California
12 businesses.
- 13 (4) Determine, for residential buildings, the appropriateness of
14 the Home Energy Rating System (HERS) program to support the
15 goals of this section and whether there are a sufficient number of
16 HERS-certified raters available to meet the program requirements.
- 17 (5) Determine, for nonresidential structures, the availability of
18 an appropriate cost-effective energy efficiency assessment system
19 and whether there are a sufficient number of certified raters or
20 auditors available to meet the program requirements.
- 21 (6) Coordinate with the California Workforce Investment Board,
22 the Employment Training Panel, the California Community
23 Colleges, and other entities to ensure a qualified, well-trained
24 workforce is available to implement the program requirements.
- 25 (7) Promote greater project penetration in disadvantaged
26 communities identified pursuant to Section 39711 of the Health
27 and Safety Code, including the deployment of energy efficiency
28 surveys and audits, energy efficiency retrofits and upgrades,
29 weatherization, and followup project inspections by state-certified
30 community conservation corps and other community-based
31 workforce development organizations that serve residents of
32 disadvantaged communities, including veterans and disadvantaged
33 youth.
- 34 (8) Coordinate with, and avoid duplication of, existing
35 proceedings of the Public Utilities Commission and programs
36 administered by utilities.
- 37 (e) A home energy rating or energy assessment service does not
38 meet the requirements of this section unless the service has been
39 certified by the commission to be in compliance with the program

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

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

6 (2) On or before January 1, 2017, and at least once every three
7 years thereafter, the commission shall adopt an update to the
8 program in furtherance of achieving a cumulative doubling of
9 statewide energy efficiency savings in electricity and natural gas
10 final end uses of retail customers by January 1, 2030.

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

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

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

23 (j) For purposes of this section, the following terms mean the
24 following:

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

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

31 ~~SEC. 13.~~

32 *SEC. 9.* Section 237.5 is added to the Public Utilities Code, to
33 read:

34 237.5. “Transportation electrification” means the use of
35 electricity from external sources of electrical power, including the
36 electrical grid, for all or part of vehicles, vessels, trains, boats, or
37 other equipment that are mobile sources of air pollution and
38 greenhouse gases and the related programs and charging and
39 propulsion infrastructure investments to enable and encourage this
40 use of electricity.

1 *SEC. 10. Section 337 of the Public Utilities Code is amended*
2 *to read:*

3 337. (a) The Independent System Operator governing board
4 shall be composed of a five-member independent governing board
5 of directors appointed by the Governor and subject to confirmation
6 by the Senate. Any reference in this chapter or in any other
7 provision of law to the Independent System Operator governing
8 board means the independent governing board appointed under
9 this subdivision.

10 (b) A member of the independent governing board appointed
11 under subdivision (a) may not be affiliated with any actual or
12 potential participant in any market administered by the Independent
13 System Operator.

14 (c) (1) All appointments shall be for three-year terms.

15 (2) There is no limit on the number of terms that may be served
16 by any member.

17 (d) The Oversight Board shall require the articles of
18 incorporation and bylaws of the Independent System Operator to
19 be revised in accordance with this section, and shall make filings
20 with the Federal Energy Regulatory Commission as the Oversight
21 Board determines to be necessary.

22 (e) For the purposes of the initial appointments to the
23 Independent System Operator governing board, as provided in
24 subdivision (a), the Governor shall appoint one member to a
25 one-year term, two members to a two-year term, and two members
26 to a three-year term.

27 (f) *This section becomes inoperative on the date on which the*
28 *governance modifications set forth in Section 359.5 become*
29 *effective and is repealed on January 1 of the following year.*

30 *SEC. 11. Section 352 of the Public Utilities Code is amended*
31 *to read:*

32 352. (a) The Independent System Operator may not enter into
33 a multistate entity or a regional organization as authorized in
34 Section 359 unless that entry is approved by the Oversight Board.

35 (b) *This section becomes inoperative on the date on which the*
36 *governance modifications set forth in Section 359.5 become*
37 *effective and is repealed on January 1 of the following year.*

38 *SEC. 12. Section 359 of the Public Utilities Code is amended*
39 *to read:*

1 359. (a) It is the intent of the Legislature to provide for the
2 evolution of the Independent System Operator ~~and the Power~~
3 ~~Exchange~~ into *a regional-organizations organization* to promote
4 the development of regional electricity transmission markets in
5 the western states and to improve the access of consumers served
6 by the Independent System Operator ~~and the Power Exchange~~ to
7 those markets.

8 (b) The preferred means by which the voluntary evolution
9 described in subdivision (a) should occur is through the adoption
10 of a regional compact or other comparable agreement among
11 cooperating party states, the retail customers of which states would
12 reside within the geographic territories served by the Independent
13 System Operator ~~and the Power Exchange~~. *Operator.*

14 (c) The agreement described in subdivision (b) should provide
15 for all of the following:

16 (1) An equitable process for the appointment or confirmation
17 by party states of members of the governing boards of the
18 Independent System Operator ~~and the Power Exchange~~. *Operator.*

19 (2) A respecification of the size, structure, representation,
20 eligible membership, nominating procedures, and member terms
21 of service of the governing boards of the Independent System
22 Operator ~~and the Power Exchange~~. *Operator.*

23 (3) Mechanisms by which each party state, jointly or separately,
24 can oversee effectively the actions of the Independent System
25 Operator ~~and the Power Exchange~~ as those actions relate to the
26 assurance of electricity system reliability within the party state
27 and to matters that affect electricity sales to the retail customers
28 of the party state or otherwise affect the general welfare of the
29 electricity consumers and the general public of the party state.

30 (4) The adherence by publicly owned and investor-owned
31 utilities located in party states to enforceable standards and
32 protocols to protect the reliability of the interconnected regional
33 transmission and distribution systems.

34 (d) (1) *Except for paragraphs (2) and (3), this section becomes*
35 *inoperative on January 1, 2016.*

36 (2) *This section becomes operative on January 1, 2019, if Article*
37 *5.5 (commencing with Section 359.5) becomes inoperative on that*
38 *date.*

1 (3) *If the governance modifications set forth in Section 359.5*
2 *become effective, this article is repealed on January 1 of the year*
3 *following the effective date of the governance modifications.*

4 ~~SEC. 14.~~

5 *SEC. 13.* Article 5.5 (commencing with Section 359.5) is added
6 to Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code,
7 to read:

8
9 Article 5.5. ~~Regional Organization~~ *Transformation of the*
10 *Independent System Operator*

11
12 ~~359.5.—It is the intent of the Legislature to enact legislation to~~
13 ~~provide for the evolution of the Independent System Operator into~~
14 ~~a regional organization, to promote the development of regional~~
15 ~~electricity transmission markets in the western states, and to~~
16 ~~improve the access of consumers served by the Independent System~~
17 ~~Operator to those markets, and that the evolution should occur~~
18 ~~where it is in the best interests of California ratepayers.~~

19 *359.5. (a) It is the intent of the Legislature to provide for the*
20 *transformation of the Independent System Operator into a regional*
21 *organization to promote the development of regional electricity*
22 *transmission markets in the western states and to improve the*
23 *access of consumers served by the Independent System Operator*
24 *to those markets, and that the transformation should only occur*
25 *where it is in the best interests of California and its ratepayers.*

26 *(b) The transformation of the Independent System Operator into*
27 *a regional organization shall not alter its obligations to the state*
28 *or to electricity consumers within the state or its obligations to*
29 *comply with state laws. The Independent System Operator shall*
30 *retain its obligations set forth in Section 345.5, shall maintain the*
31 *standards for open meetings and public access to corporate records*
32 *as set forth in Section 345.5, and shall facilitate effective tracking*
33 *and reporting mechanisms in support of state enforcement of*
34 *Division 25.5 (commencing with Section 38500) of the Health and*
35 *Safety Code.*

36 *(c) The voluntary transformation described in subdivision (a)*
37 *shall occur through additional transmission owners joining the*
38 *Independent System Operator with approval from their own state*
39 *or local regulatory authorities, as applicable.*

1 (d) *Modifications to the Independent System Operator*
2 *governance structure, through changes to its bylaws or other*
3 *corporate governance documents, would be needed to allow this*
4 *transformation.*

5 (e) *The Independent System Operator shall prepare the*
6 *governance modifications needed as described in subdivision (d),*
7 *but they shall not become effective until all of the following occur:*

8 (1) *The Independent System Operator conducts one or more*
9 *studies of the impacts of a regional market enabled by the proposed*
10 *governance modifications, including overall benefits to ratepayers,*
11 *including the creation or retention of jobs and other benefits to*
12 *the California economy, environmental impacts in California and*
13 *elsewhere, impacts in disadvantaged communities, emissions of*
14 *greenhouse gases and other air pollutants, and reliability and*
15 *integration of renewable energy resources. The modeling, including*
16 *all assumptions underlying the modeling, shall be made available*
17 *for public review.*

18 (2) *The commission, Energy Commission, and State Air*
19 *Resources Board jointly hold at least one public workshop where*
20 *the Independent System Operator presents the proposed*
21 *governance modifications and the results of the studies described*
22 *in paragraph (1). The related Independent System Operator*
23 *documents shall be made public before the workshop.*

24 (3) *The Independent System Operator submits to the Governor*
25 *the studies described in paragraph (1) and revised bylaws or other*
26 *corporate governance documents setting forth the proposed*
27 *modifications to its governance structure.*

28 (4) *The Governor transmits to the Legislature the studies*
29 *described in paragraph (1) and revised bylaws or other corporate*
30 *governance documents setting forth the proposed modifications*
31 *to its governance structure, no later than December 31, 2017.*

32 (5) *The Legislature enacts a statute implementing the revised*
33 *governance changes.*

34 (f) *The Independent System Operator shall expeditiously adopt*
35 *the modifications to its governance structure enacted by the*
36 *Legislature pursuant to paragraph (5) of subdivision (e) so that*
37 *the modifications become effective before new transmission owners*
38 *from outside California complete the process of joining the*
39 *Independent System Operator.*

1 (g) *The revised governance structure shall not alter or abridge*
2 *the contractual rights of a transmission owner to withdraw from*
3 *participation in the Independent System Operator.*

4 (h) *One year after the seating of the new, revised governing*
5 *board of the Independent System Operator pursuant to the*
6 *modifications of its governance structure, and every two years*
7 *thereafter, the Independent System Operator shall prepare a report*
8 *to the states within the areas it serves documenting its furtherance*
9 *of applicable state and federal laws and regulations affecting the*
10 *electric industry.*

11 (i) *This article is repealed on January 1, 2019, if a statute*
12 *implementing the governance modifications has not become*
13 *effective on or before January 1, 2019.*

14 ~~SEC. 15.~~

15 *SEC. 14.* Section 365.2 is added to the Public Utilities Code,
16 to read:

17 365.2. The commission shall ensure that bundled retail
18 customers of an electrical corporation do not experience any cost
19 increases as a result of retail customers of an electrical corporation
20 ~~customers~~ electing to receive service from other providers. The
21 commission shall also ensure that departing load does not
22 experience any cost increases as a result of an allocation of costs
23 that were not incurred on behalf of, ~~or that do not benefit,~~ of the
24 departing load.

25 ~~SEC. 16.~~

26 *SEC. 15.* Section 366.3 is added to the Public Utilities Code,
27 to read:

28 366.3. Bundled retail customers of an electrical corporation
29 shall not experience any cost increase as a result of the
30 implementation of a community choice aggregator program. The
31 commission shall also ensure that departing load does not
32 experience any cost increases as a result of an allocation of costs
33 that were not incurred on behalf of, ~~or do not benefit,~~ of the
34 departing load.

35 ~~SEC. 17.~~

36 *SEC. 16.* Section 399.4 of the Public Utilities Code is amended
37 to read:

38 399.4. (a) (1) In order to ensure that prudent investments in
39 energy efficiency continue to be made that produce cost-effective
40 energy savings, reduce customer demand, and contribute to the

1 safe and reliable operation of the electric distribution grid, it is the
2 policy of this state and the intent of the Legislature that the
3 commission shall continue to administer cost-effective energy
4 efficiency programs authorized pursuant to existing statutory
5 authority.

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

10 (b) (1) Any rebates or incentives offered by a public utility for
11 an energy efficiency improvement or installation of energy efficient
12 components, equipment, or appliances in buildings shall be
13 provided only if the recipient of the rebate or incentive certifies
14 that the improvement or installation has complied with any
15 applicable permitting requirements and, if a contractor performed
16 the installation or improvement, that the contractor holds the
17 appropriate license for the work performed.

18 (2) This subdivision does not imply or create authority or
19 responsibility, or expand existing authority or responsibility, of a
20 public utility for the enforcement of the building energy and water
21 efficiency standards adopted pursuant to subdivision (a) or (b) of
22 Section 25402 of the Public Resources Code, or appliance
23 efficiency standards and certification requirements adopted
24 pursuant to subdivision (c) of Section 25402 of the Public
25 Resources Code.

26 (c) The commission, in evaluating energy efficiency investments
27 under its existing statutory authority, shall also ensure that local
28 and regional interests, multifamily dwellings, and energy service
29 industry capabilities are incorporated into program portfolio design
30 and that local governments, community-based organizations, and
31 energy efficiency service providers are encouraged to participate
32 in program implementation where appropriate.

33 (d) The commission, in a new or existing proceeding, shall
34 review and update its policies governing energy efficiency
35 programs funded by utility customers to facilitate achieving the
36 targets established pursuant to subdivision (c) of Section 25310
37 of the Public Resources Code. In updating its policies, the
38 commission shall, at a minimum, do all of the following:

39 ~~(1) Ensure that customers may use incentives and rebates~~
40 ~~provided by gas and electrical corporations to help bring buildings~~

1 ~~from existing conditions to, or above, code or other applicable~~
2 ~~standards.~~

3 ~~(2) Evaluate program benefits as the net present value of avoided~~
4 ~~costs of the supply-side resources avoided or deferred in assessing~~
5 ~~the cost-effectiveness of energy efficiency savings for purposes~~
6 ~~of achieving the targets established pursuant to subdivision (c) of~~
7 ~~Section 25310 of the Public Resources Code.~~

8 ~~(3)~~

9 (1) Authorize market transformation programs with appropriate
10 levels of funding to achieve deeper energy efficiency savings.

11 ~~(4)~~

12 (2) Authorize pay for performance programs that link incentives
13 directly to measured energy savings. As part of pay for performance
14 programs authorized by the commission, customers should be
15 reasonably compensated for developing and implementing an
16 energy efficiency plan, with a portion of their incentive reserved
17 pending post project measurement results.

18 ~~(5)~~

19 (3) Authorize programs to achieve deeper savings through
20 operational, behavioral, and retrocommissioning activities.

21 ~~(6)~~

22 (4) Ensure that customers have certainty in the values and
23 methodology used to determine energy efficiency incentives by
24 basing the amount of any incentives provided by gas and electrical
25 corporations on the values and methodology contained in the
26 executed customer agreement. Incentive payments shall be based
27 on measured results.

28 ~~SEC. 18.~~

29 *SEC. 17.* Section 399.11 of the Public Utilities Code is amended
30 to read:

31 399.11. The Legislature finds and declares all of the following:

32 (a) In order to attain a target of generating 20 percent of total
33 retail sales of electricity in California from eligible renewable
34 energy resources by December 31, 2013, 33 percent by December
35 31, 2020, and 50 percent by December 31, 2030, it is the intent of
36 the Legislature that the commission and the Energy Commission
37 implement the California Renewables Portfolio Standard Program
38 described in this article.

39 (b) Achieving the renewables portfolio standard through the
40 procurement of various electricity products from eligible renewable

1 energy resources is intended to provide unique benefits to
2 California, including all of the following, each of which
3 independently justifies the program:

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

5 (2) Adding new electrical generating facilities in the
6 transmission network within the Western Electricity Coordinating
7 Council service area.

8 (3) Reducing air pollution in the state.

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

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

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

14 (7) Assistance with meeting the state's resource adequacy
15 requirements.

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

19 (9) Implementing the state's transmission and land use planning
20 activities related to development of eligible renewable energy
21 resources.

22 (c) The California Renewables Portfolio Standard Program is
23 intended to complement the Renewable Energy Resources Program
24 administered by the Energy Commission and established pursuant
25 to Chapter 8.6 (commencing with Section 25740) of Division 15
26 of the Public Resources Code.

27 (d) New and modified electric transmission facilities may be
28 necessary to facilitate the state achieving its renewables portfolio
29 standard targets.

30 (e) (1) Supplying electricity to California end-use customers
31 that is generated by eligible renewable energy resources is
32 necessary to improve California's air quality and public health,
33 and the commission shall ensure rates are just and reasonable, and
34 are not significantly affected by the procurement requirements of
35 this article. This electricity may be generated anywhere in the
36 interconnected grid that includes many states, and areas of both
37 Canada and Mexico.

38 (2) This article requires generating resources located outside of
39 California that are able to supply that electricity to California

1 end-use customers to be treated identically to generating resources
2 located within the state, without discrimination.

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

9 ~~SEC. 19.~~

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

12 399.12. For purposes of this article, the following terms have
13 the following meanings:

14 (a) “Conduit hydroelectric facility” means a facility for the
15 generation of electricity that uses only the hydroelectric potential
16 of an existing pipe, ditch, flume, siphon, tunnel, canal, or other
17 manmade conduit that is operated to distribute water for a
18 beneficial use.

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

23 (c) “Balancing authority area” means the collection of
24 generation, transmission, and loads within the metered boundaries
25 of the area within which the balancing authority maintains the
26 electrical load-resource balance.

27 (d) “California balancing authority” is a balancing authority
28 with control over a balancing authority area primarily located in
29 this state and operating for retail sellers and local publicly owned
30 electric utilities subject to the requirements of this article and
31 includes the Independent System Operator (ISO) and a local
32 publicly owned electric utility operating a transmission grid that
33 is not under the operational control of the ISO. A California
34 balancing authority is responsible for the operation of the
35 transmission grid within its metered boundaries which is not limited
36 by the political boundaries of the State of California.

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

1 (1) (A) An existing small hydroelectric generation facility of
2 30 megawatts or less shall be eligible only if a retail seller or local
3 publicly owned electric utility procured the electricity from the
4 facility as of December 31, 2005. A new hydroelectric facility that
5 commences generation of electricity after December 31, 2005, is
6 not an eligible renewable energy resource if it will cause an adverse
7 impact on instream beneficial uses or cause a change in the volume
8 or timing of streamflow.

9 (B) Notwithstanding subparagraph (A), a conduit hydroelectric
10 facility of 30 megawatts or less that commenced operation before
11 January 1, 2006, is an eligible renewable energy resource. A
12 conduit hydroelectric facility of 30 megawatts or less that
13 commences operation after December 31, 2005, is an eligible
14 renewable energy resource so long as it does not cause an adverse
15 impact on instream beneficial uses or cause a change in the volume
16 or timing of streamflow.

17 (C) A facility approved by the governing board of a local
18 publicly owned electric utility prior to June 1, 2010, for
19 procurement to satisfy renewable energy procurement obligations
20 adopted pursuant to former Section 387, shall be certified as an
21 eligible renewable energy resource by the Energy Commission
22 pursuant to this article, if the facility is a “renewable electrical
23 generation facility” as defined in Section 25741 of the Public
24 Resources Code.

25 (D) (i) A small hydroelectric generation unit with a nameplate
26 capacity not exceeding 40 megawatts that is operated as part of a
27 water supply or conveyance system is an eligible renewable energy
28 resource only for the retail seller or local publicly owned electric
29 utility that procured the electricity from the unit as of December
30 31, 2005. No unit shall be eligible pursuant to this subparagraph
31 if an application for certification is submitted to the Energy
32 Commission after January 1, 2013. Only one retail seller or local
33 publicly owned electric utility shall be deemed to have procured
34 electricity from a given unit as of December 31, 2005.

35 (ii) Notwithstanding clause (i), a local publicly owned electric
36 utility that meets the criteria of subdivision (j) of Section 399.30
37 may sell to another local publicly owned electric utility electricity
38 from small hydroelectric generation units that qualify as eligible
39 renewable energy resources under clause (i), and that electricity
40 may be used by the local publicly owned electric utility that

1 purchased the electricity to meet its renewables portfolio standard
2 procurement requirements. The total of all those sales from the
3 utility shall be no greater than 100,000 megawatthours of
4 electricity.

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

8 (2) (A) A facility engaged in the combustion of municipal solid
9 waste shall not be considered an eligible renewable energy
10 resource.

11 (B) Subparagraph (A) does not apply to contracts entered into
12 before January 1, ~~2016~~, 2017, for the procurement of renewable
13 energy resources from a facility located in Stanislaus County that
14 was operational prior to September 26, 1996.

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

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

20 (h) (1) “Renewable energy credit” means a certificate of proof
21 associated with the generation of electricity from an eligible
22 renewable energy resource, issued through the accounting system
23 established by the Energy Commission pursuant to Section 399.25,
24 that one unit of electricity was generated and delivered by an
25 eligible renewable energy resource.

26 (2) “Renewable energy credit” includes all renewable and
27 environmental attributes associated with the production of
28 electricity from the eligible renewable energy resource, except for
29 an emissions reduction credit issued pursuant to Section 40709 of
30 the Health and Safety Code and any credits or payments associated
31 with the reduction of solid waste and treatment benefits created
32 by the utilization of biomass or biogas fuels.

33 (3) (A) Electricity generated by an eligible renewable energy
34 resource attributable to the use of nonrenewable fuels, beyond a
35 de minimis quantity used to generate electricity in the same process
36 through which the facility converts renewable fuel to electricity,
37 shall not result in the creation of a renewable energy credit. The
38 Energy Commission shall set the de minimis quantity of
39 nonrenewable fuels for each renewable energy technology at a
40 level of no more than 2 percent of the total quantity of fuel used

1 by the technology to generate electricity. The Energy Commission
2 may adjust the de minimis quantity for an individual facility, up
3 to a maximum of 5 percent, if it finds that all of the following
4 conditions are met:

5 (i) The facility demonstrates that the higher quantity of
6 nonrenewable fuel will lead to an increase in generation from the
7 eligible renewable energy facility that is significantly greater than
8 generation from the nonrenewable fuel alone.

9 (ii) The facility demonstrates that the higher quantity of
10 nonrenewable fuels will reduce the variability of its electrical
11 output in a manner that results in net environmental benefits to the
12 state.

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

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

19 (C) Electricity generated by a conduit hydroelectric generation
20 facility shall not result in the creation of a renewable energy credit
21 unless the facility meets the requirements of subparagraph (B) of
22 paragraph (1) of subdivision (e).

23 (D) Electricity generated by a facility engaged in the combustion
24 of municipal solid waste shall not result in the creation of a
25 renewable energy credit. This subparagraph does not apply to
26 renewable energy credits that were generated before January 1,
27 ~~2016~~, 2017, by a facility engaged in the combustion of municipal
28 solid waste located in Stanislaus County that was operational prior
29 to September 26, 1996, and sold pursuant to contacts entered into
30 before January 1, ~~2016~~, 2017.

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

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

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

39 (2) A community choice aggregator. A community choice
40 aggregator shall participate in the renewables portfolio standard

1 program subject to the same terms and conditions applicable to an
2 electrical corporation.

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

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

11 (A) A corporation or person employing cogeneration technology
12 or producing electricity consistent with subdivision (b) of Section
13 218.

14 (B) The Department of Water Resources acting in its capacity
15 pursuant to Division 27 (commencing with Section 80000) of the
16 Water Code.

17 (C) A local publicly owned electric utility.

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

21 ~~SEC. 20.~~

22 *SEC. 19.* Section 399.13 of the Public Utilities Code is amended
23 to read:

24 399.13. (a) (1) The commission shall direct each electrical
25 corporation to annually prepare a renewable energy procurement
26 plan that includes the matter in paragraph (5), to satisfy its
27 obligations under the renewables portfolio standard. To the extent
28 feasible, this procurement plan shall be proposed, reviewed, and
29 adopted by the commission as part of, and pursuant to, a general
30 procurement plan process. The commission shall require each
31 electrical corporation to review and update its renewable energy
32 procurement plan as it determines to be necessary. The commission
33 shall require all other retail sellers to prepare and submit renewable
34 energy procurement plans that address the requirements identified
35 in paragraph (5).

36 (2) Every electrical corporation that owns electrical transmission
37 facilities shall annually prepare, as part of the Federal Energy
38 Regulatory Commission Order 890 process, and submit to the
39 commission, a report identifying any electrical transmission
40 facility, upgrade, or enhancement that is reasonably necessary to

1 achieve the renewables portfolio standard procurement
2 requirements of this article. Each report shall look forward at least
3 five years and, to ensure that adequate investments are made in a
4 timely manner, shall include a preliminary schedule when an
5 application for a certificate of public convenience and necessity
6 will be made, pursuant to Chapter 5 (commencing with Section
7 1001), for any electrical transmission facility identified as being
8 reasonably necessary to achieve the renewable energy resources
9 procurement requirements of this article. Each electrical
10 corporation that owns electrical transmission facilities shall ensure
11 that project-specific interconnection studies are completed in a
12 timely manner.

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

16 (A) The current status and progress made during the prior year
17 toward procurement of eligible renewable energy resources as a
18 percentage of retail sales, including, if applicable, the status of any
19 necessary siting and permitting approvals from federal, state, and
20 local agencies for those eligible renewable energy resources
21 procured by the retail seller, and the current status of compliance
22 with the portfolio content requirements of subdivision (c) of
23 Section 399.16, including procurement of eligible renewable energy
24 resources located outside the state and within the WECC and
25 unbundled renewable energy credits.

26 (B) If the retail seller is an electrical corporation, the current
27 status and progress made during the prior year toward construction
28 of, and upgrades to, transmission and distribution facilities and
29 other electrical system components it owns to interconnect eligible
30 renewable energy resources and to supply the electricity generated
31 by those resources to load, including the status of planning, siting,
32 and permitting transmission facilities by federal, state, and local
33 agencies.

34 (C) Recommendations to remove impediments to making
35 progress toward achieving the renewable energy resources
36 procurement requirements established pursuant to this article.

37 (4) The commission shall adopt, by rulemaking, all of the
38 following:

39 (A) A process that provides criteria for the rank ordering and
40 selection of least-cost and best-fit eligible renewable energy

1 resources to comply with the California Renewables Portfolio
2 Standard Program obligations on a total cost and best-fit basis.

3 This process shall take into account all of the following:

4 (i) Estimates of indirect costs associated with needed
5 transmission investments.

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

8 (iii) The viability of the project to construct and reliably operate
9 the eligible renewable energy resource, including the developer's
10 experience, the feasibility of the technology used to generate
11 electricity, and the risk that the facility will not be built, or that
12 construction will be delayed, with the result that electricity will
13 not be supplied as required by the contract.

14 (iv) Workforce recruitment, training, and retention efforts,
15 including the employment growth associated with the construction
16 and operation of eligible renewable energy resources and goals
17 for recruitment and training of women, minorities, and disabled
18 veterans.

19 (v) (I) Estimates of electrical corporation expenses resulting
20 from integrating and operating eligible renewable energy resources,
21 including, but not limited to, any additional wholesale energy and
22 capacity costs associated with integrating each eligible renewable
23 resource.

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

27 (vi) Consideration of any statewide greenhouse gas emissions
28 limit established pursuant to the California Global Warming
29 Solutions Act of 2006 (Division 25.5 (commencing with Section
30 38500) of the Health and Safety Code).

31 (vii) Consideration of capacity and system reliability of the
32 eligible renewable energy resource to ensure grid reliability.

33 (B) Rules permitting retail sellers to accumulate, beginning
34 January 1, 2011, excess procurement in one compliance period to
35 be applied to any subsequent compliance period. The rules shall
36 apply equally to all retail sellers. In determining the quantity of
37 excess procurement for the applicable compliance period, the
38 commission shall retain the rules adopted by the commission and
39 in effect as of January 1, 2015, for the compliance period specified
40 in subparagraphs (A) to (C), inclusive, of paragraph (1) of

1 subdivision (b) of Section 399.15. For any subsequent compliance
2 period, the rules shall allow the following:

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

6 (ii) Electricity products meeting the portfolio content
7 requirements of paragraph (2) or (3) of subdivision (b) of Section
8 399.16 shall not be counted as excess procurement. Contracts of
9 any duration for electricity products meeting the portfolio content
10 requirements of paragraph (2) or (3) of subdivision (b) of Section
11 399.16 that are credited towards a compliance period shall not be
12 deducted from a retail seller's procurement for purposes of
13 calculating excess procurement.

14 (iii) If a retail seller notifies the commission that it will comply
15 with the provisions of subdivision (b) ~~of Section 399.13~~ for the
16 compliance period beginning January 1, 2017, the provisions of
17 clauses (i) and (ii) shall take effect for that retail seller for that
18 compliance period.

19 (C) Standard terms and conditions to be used by all electrical
20 corporations in contracting for eligible renewable energy resources,
21 including performance requirements for renewable generators. A
22 contract for the purchase of electricity generated by an eligible
23 renewable energy resource, at a minimum, shall include the
24 renewable energy credits associated with all electricity generation
25 specified under the contract. The standard terms and conditions
26 shall include the requirement that, no later than six months after
27 the commission's approval of an electricity purchase agreement
28 entered into pursuant to this article, the following information
29 about the agreement shall be disclosed by the commission: party
30 names, resource type, project location, and project capacity.

31 (D) An appropriate minimum margin of procurement above the
32 minimum procurement level necessary to comply with the
33 renewables portfolio standard to mitigate the risk that renewable
34 projects planned or under contract are delayed or canceled. This
35 paragraph does not preclude an electrical corporation from
36 voluntarily proposing a margin of procurement above the
37 appropriate minimum margin established by the commission.

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

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

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

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

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

12 (E) Consideration of mechanisms for price adjustments
13 associated with the costs of key components for eligible renewable
14 energy resource projects with online dates more than 24 months
15 after the date of contract execution.

16 (F) An assessment of the risk that an eligible renewable energy
17 resource will not be built, or that construction will be delayed,
18 with the result that electricity will not be delivered as required by
19 the contract.

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

24 (7) In soliciting and procuring eligible renewable energy
25 resources for California-based projects, each electrical corporation
26 shall give preference to renewable energy projects that provide
27 environmental and economic benefits to communities afflicted
28 with poverty or high unemployment, or that suffer from high
29 emission levels of toxic air contaminants, criteria air pollutants,
30 and greenhouse gases.

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

35 (b) A retail seller may enter into a combination of long- and
36 short-term contracts for electricity and associated renewable energy
37 credits. Beginning January 1, 2021, at least 65 percent of the
38 procurement a retail seller counts toward the renewables portfolio
39 standard requirement of each compliance period shall be from its
40 contracts of 10 years or more in ~~duration.~~ *duration or in its*

1 *ownership or ownership agreements for eligible renewable energy*
2 *resources.*

3 (c) The commission shall review and accept, modify, or reject
4 each ~~retail seller's~~ *electrical corporation's* renewable energy
5 resource procurement plan prior to the commencement of
6 renewable energy procurement pursuant to this article by ~~a retail~~
7 ~~seller.~~ *an electrical corporation.* The commission shall assess
8 adherence to the approved renewable energy resource procurement
9 plans in determining compliance with the obligations of this article.

10 (d) Unless previously preapproved by the commission, an
11 electrical corporation shall submit a contract for the generation of
12 an eligible renewable energy resource to the commission for review
13 and approval consistent with an approved renewable energy
14 resource procurement plan. If the commission determines that the
15 bid prices are elevated due to a lack of effective competition among
16 the bidders, the commission shall direct the electrical corporation
17 to renegotiate the contracts or conduct a new solicitation.

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

21 (f) (1) The commission may authorize a procurement entity to
22 enter into contracts on behalf of customers of a retail seller for
23 electricity products from eligible renewable energy resources to
24 satisfy the retail seller's renewables portfolio standard procurement
25 requirements. The commission shall not require any person or
26 corporation to act as a procurement entity or require any party to
27 purchase eligible renewable energy resources from a procurement
28 entity.

29 (2) Subject to review and approval by the commission, the
30 procurement entity shall be permitted to recover reasonable
31 administrative and procurement costs through the retail rates of
32 end-use customers that are served by the procurement entity and
33 are directly benefiting from the procurement of eligible renewable
34 energy resources.

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

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

8 ~~SEC. 21.~~

9 *SEC. 20.* Section 399.15 of the Public Utilities Code is amended
10 to read:

11 399.15. (a) In order to fulfill unmet long-term resource needs,
12 the commission shall establish a renewables portfolio standard
13 requiring all retail sellers to procure a minimum quantity of
14 electricity products from eligible renewable energy resources as
15 a specified percentage of total kilowatthours sold to their retail
16 end-use customers each compliance period to achieve the targets
17 established under this article. For any retail seller procuring at least
18 14 percent of retail sales from eligible renewable energy resources
19 in 2010, the deficits associated with any previous renewables
20 portfolio standard shall not be added to any procurement
21 requirement pursuant to this article.

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

24 (1) Each retail seller shall procure a minimum quantity of
25 eligible renewable energy resources for each of the following
26 compliance periods:

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

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

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

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

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

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

33 (2) (A) No later than January 1, 2017, the commission shall
34 establish the quantity of electricity products from eligible
35 renewable energy resources to be procured by the retail seller for
36 each compliance period. These quantities shall be established in
37 the same manner for all retail sellers and result in the same
38 percentages used to establish compliance period quantities for all
39 retail sellers. ~~For purposes of calculating renewables portfolio
40 standard procurement requirements, electricity production used to~~

1 ~~serve onsite load from a resource located behind a customer's~~
2 ~~meter shall reduce the retail sales of the retail seller serving that~~
3 ~~customer.~~

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

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

23 (3) The commission may require the procurement of eligible
24 renewable energy resources in excess of the quantities specified
25 in paragraph (2).

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

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

37 (A) There is inadequate transmission capacity to allow for
38 sufficient electricity to be delivered from proposed eligible
39 renewable energy resource projects using the current operational
40 protocols of the Independent System Operator. In making its

1 findings relative to the existence of this condition with respect to
2 a retail seller that owns transmission lines, the commission shall
3 consider both of the following:

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

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

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

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

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

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

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

38 (C) Unanticipated curtailment of eligible renewable energy
39 resources if the waiver would not result in an increase in
40 greenhouse gas emissions.

1 (D) Unanticipated increase in retail sales due to transportation
2 electrification. In making a finding that this condition prevents
3 timely compliance, the commission shall consider all of the
4 following:

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

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

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

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

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

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

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

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

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

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

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

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

24 (f) The establishment of a renewables portfolio standard shall
25 not constitute implementation by the commission of the federal
26 Public Utility Regulatory Policies Act of 1978 (Public Law
27 95-617).

28 ~~SEC. 22.~~

29 *SEC. 21.* Section 399.16 of the Public Utilities Code is amended
30 to read:

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

38 (b) Consistent with the goals of procuring the least-cost and
39 best-fit electricity products from eligible renewable energy
40 resources that meet project viability principles adopted by the

1 commission pursuant to paragraph (4) of subdivision (a) of Section
2 399.13 and that provide the benefits set forth in Section 399.11, a
3 balanced portfolio of eligible renewable energy resources shall be
4 procured consisting of the following portfolio content categories:

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

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

18 (B) Have an agreement to dynamically transfer electricity to a
19 California balancing authority.

20 (2) Firm and shaped eligible renewable energy resource
21 electricity products providing incremental electricity and scheduled
22 into a California balancing authority.

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

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

30 (1) Not less than 50 percent for the compliance period ending
31 December 31, 2013, 65 percent for the compliance period ending
32 December 31, 2016, and 75 percent for each compliance period
33 thereafter, of the eligible renewable energy resource electricity
34 products associated with contracts executed after June 1, 2010,
35 shall meet the product content requirements of paragraph (1) of
36 subdivision (b).

37 (2) Not more than 25 percent for the compliance period ending
38 December 31, 2013, 15 percent for the compliance period ending
39 December 31, 2016, and 10 percent for each compliance period
40 thereafter, of the eligible renewable energy resource electricity

1 products associated with contracts executed after June 1, 2010,
2 shall meet the product content requirements of paragraph (3) of
3 subdivision (b).

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

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

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

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

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

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

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

36 ~~SEC. 23.~~

37 *SEC. 22.* Section 399.18 of the Public Utilities Code is amended
38 to read:

39 399.18. (a) This section applies to an electrical corporation
40 that as of January 1, 2010, met either of the following conditions:

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

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

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

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

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

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

20 ~~SEC. 24.~~

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

23 399.21. (a) The commission, by rule, shall authorize the use
24 of renewable energy credits to satisfy the renewables portfolio
25 standard procurement requirements established pursuant to this
26 article, subject to the following conditions:

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

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

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

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

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

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

23 *(6) Nothing in the amendments to this article made by the Clean*
24 *Energy and Pollution Reduction Act of 2015 (Senate Bill 350 of*
25 *the 2015–16 Regular Session) is intended to change commission*
26 *Decision 11-12-052 regarding the classification of renewable*
27 *energy credits from generation on the customer side of the meter.*

28 (7) A renewable energy credit shall not be eligible for
29 compliance with a renewables portfolio standard procurement
30 requirement unless it is retired in the tracking system established
31 pursuant to subdivision (c) of Section 399.25 by the retail seller
32 or local publicly owned electric utility within 36 months from the
33 initial date of generation of the associated electricity.

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

37 ~~SEC. 25.~~

38 *SEC. 24.* Section 399.30 of the Public Utilities Code is amended
39 to read:

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

9 (2) Beginning January 1, 2019, a local publicly owned electric
10 utility subject to Section 9621 shall incorporate the renewable
11 energy resources procurement plan required by this section as part
12 of a broader integrated resource plan developed and adopted
13 pursuant to Section 9621.

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

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

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

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

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

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

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

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

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

30 (2) The quantities of eligible renewable energy resources to be
31 procured for all other compliance periods reflect reasonable
32 progress in each of the intervening years sufficient to ensure that
33 the procurement of electricity products from eligible renewable
34 energy resources achieves 25 percent of retail sales by December
35 31, 2016, 33 percent by December 31, 2020, 40 percent by
36 December 31, 2024, 45 percent by December 31, 2027, and 50
37 percent by December 31, 2030. The Energy Commission shall
38 establish appropriate multiyear compliance periods for all
39 subsequent years that require the local publicly owned electric
40 utility to procure not less than 50 percent of retail sales of

1 electricity products from eligible renewable energy resources. For
2 purposes of calculating renewables portfolio standard procurement
3 requirements, electricity production used to serve onsite load from
4 a resource located behind a customer's meter shall reduce the retail
5 sales of the local publicly owned electric utility serving that
6 customer.

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

9 (4) Beginning January 1, 2014, in calculating the procurement
10 requirements under this article, a local publicly owned electric
11 utility may exclude from its total retail sales the kilowatthours
12 generated by an eligible renewable energy resource that is credited
13 to a participating customer pursuant to a voluntary green pricing
14 or shared renewable generation program. Any exclusion shall be
15 limited to electricity products that do not meet the portfolio content
16 criteria set forth in paragraph (2) or (3) of subdivision (b) of Section
17 399.16. Any renewable energy credits associated with electricity
18 credited to a participating customer shall not be used for
19 compliance with procurement requirements under this article, shall
20 be retired on behalf of the participating customer, and shall not be
21 further sold, transferred, or otherwise monetized for any purpose.
22 To the extent possible for generation that is excluded from retail
23 sales under this subdivision, a local publicly owned electric utility
24 shall seek to procure those eligible renewable energy resources
25 that are located in reasonable proximity to program participants.

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

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

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

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

36 (e) The governing board of the local publicly owned electric
37 utility shall adopt a program for the enforcement of this article.
38 The program shall be adopted at a publicly noticed meeting offering
39 all interested parties an opportunity to comment. Not less than 30
40 days' notice shall be given to the public of any meeting held for

1 purposes of adopting the program. Not less than 10 days' notice
2 shall be given to the public before any meeting is held to make a
3 substantive change to the program.

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

9 (2) Contemporaneous with the posting of the notice of a public
10 meeting to consider the renewable energy resources procurement
11 plan, the local publicly owned electric utility shall notify the
12 Energy Commission of the date, time, and location of the meeting
13 in order to enable the Energy Commission to post the information
14 on its Internet Web site. This requirement is satisfied if the local
15 publicly owned electric utility provides the uniform resource
16 locator (URL) that links to this information.

17 (3) Upon distribution to its governing body of information
18 related to its renewable energy resources procurement status and
19 future plans, for its consideration at a noticed public meeting, the
20 local publicly owned electric utility shall make that information
21 available to the public and shall provide the Energy Commission
22 with an electronic copy of the documents for posting on the Energy
23 Commission's Internet Web site. This requirement is satisfied if
24 the local publicly owned electric utility provides the uniform
25 resource locator (URL) that links to the documents or information
26 regarding other manners of access to the documents.

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

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

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

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

9 (3) The Energy Commission verifies that the electricity
10 generated by the facility is eligible to meet the renewables portfolio
11 standard procurement requirements.

12 (i) Notwithstanding subdivision (a), for a local publicly owned
13 electric utility that is a joint powers authority of districts established
14 pursuant to state law on or before January 1, 2005, that furnish
15 electric services other than to residential customers, and is formed
16 pursuant to the Irrigation District Law (Division 11 (commencing
17 with Section 20500) of the Water Code), the percentage of total
18 kilowatthours sold to the district's retail end-use customers, upon
19 which the renewables portfolio standard procurement requirements
20 in subdivision (b) are calculated, shall be based on the authority's
21 average retail sales over the previous seven years. If the authority
22 has not furnished electric service for seven years, then the
23 calculation shall be based on average retail sales over the number
24 of completed years during which the authority has provided electric
25 service.

26 (j) A local publicly owned electric utility in a city and county
27 that only receives greater than 67 percent of its electricity sources
28 from hydroelectric generation located within the state that it owns
29 and operates, and that does not meet the definition of a "renewable
30 electrical generation facility" pursuant to Section 25741 of the
31 Public Resources Code, shall be required to procure eligible
32 renewable energy resources, including renewable energy credits,
33 to meet only the electricity demands unsatisfied by its hydroelectric
34 generation in any given year, in order to satisfy its renewable
35 energy procurement requirements.

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

1 (A) The portion of its retail sales not supplied by its own
2 hydroelectric generation. For these purposes, retail sales supplied
3 by an increase in hydroelectric generation resulting from an
4 increase in the amount of water stored by a dam because the dam
5 is enlarged or otherwise modified after December 31, 2012, shall
6 not count as being retail sales supplied by the utility's own
7 hydroelectric generation.

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

9 (2) For the purposes of this subdivision, "hydroelectric
10 generation" means electricity generated from a hydroelectric
11 facility that satisfies all of the following:

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

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

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

20 (D) Has a maximum penstock flow capacity of no more than
21 3,200 cubic feet per second and includes a regulating reservoir
22 with a small hydroelectric generation facility producing fewer than
23 20 megawatts with a maximum penstock flow capacity of no more
24 than 3,000 cubic feet per second.

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

28 (4) This subdivision does not require a local publicly owned
29 electric utility to purchase additional eligible renewable energy
30 resources in excess of the procurement requirements of subdivision
31 (c).

32 (l) (1) (A) For purposes of this subdivision, "large hydroelectric
33 generation" means electricity generated from a hydroelectric
34 facility that is not an eligible renewable energy resource and
35 provides electricity to a local publicly owned electric utility from
36 facilities owned by the federal government as a part of the federal
37 Central Valley Project or a joint powers agency formed and created
38 pursuant to Chapter 5 (commencing with Section 6500) of Division
39 7 of Title 1 of the Government Code.

1 (B) Large hydroelectric generation does not include any resource
2 that meets the definition of hydroelectric generation set forth in
3 subdivision (k).

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

9 (A) The portion of the local publicly owned electric utility retail
10 sales unsatisfied by the local publicly owned electric utility's large
11 hydroelectric generation.

12 (B) The soft target adopted by the Energy Commission for the
13 intervening year of the relevant compliance period.

14 (3) Except for an existing agreement effective as of January 1,
15 2015, or extension or renewal of that agreement, any new
16 procurement commitment shall not be eligible to count towards
17 the determination that the local publicly owned electric utility
18 receives more than 50 percent of its retail sales from large
19 hydroelectric generation in any year.

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

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

27 (m) (1) (A) For purposes of this subdivision, "unavoidable
28 long-term contracts and ownership agreements" means
29 commitments for electricity from a coal-fired powerplant, located
30 outside the state, originally entered into by a local publicly owned
31 electric utility before June 1, 2010, that is not subsequently
32 modified to result in an extension of the duration of the agreement
33 or result in an increase in total quantities of energy delivered during
34 any compliance period set forth in subdivision (b).

35 (B) The governing board of a local publicly owned electric
36 utility shall demonstrate in its renewable energy resources
37 procurement plan required pursuant to subdivision (f) that any
38 cancellation or divestment of the commitment would result in
39 significant economic harm to its retail customers that cannot be

1 substantially mitigated through resale, transfer to another entity,
2 early closure of the facility, or other feasible measures.

3 (2) For the compliance period set forth in paragraph (4) of
4 subdivision (b), a local publicly owned electric utility meeting the
5 requirement of subparagraph (B) of paragraph (1) may adjust its
6 renewable energy procurement targets to ensure that the
7 procurement of additional electricity from eligible renewable
8 energy resources, in combination with the procurement of
9 electricity from unavoidable long-term contracts and ownership
10 agreements, does not exceed the total retail sales of the local
11 publicly owned electric utility during that compliance period. The
12 local publicly owned electric utility may limit its procurement of
13 eligible renewable energy resources for that compliance period to
14 no less than an average of 33 percent of its retail sales.

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

19 (n) A local publicly owned electric utility shall retain discretion
20 over both of the following:

21 (1) The mix of eligible renewable energy resources procured
22 by the utility and those additional generation resources procured
23 by the utility for purposes of ensuring resource adequacy and
24 reliability.

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

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

34 (p) (1) Upon a determination by the Energy Commission that
35 a local publicly owned electric utility has failed to comply with
36 this article, the Energy Commission shall refer the failure to comply
37 with this article to the State Air Resources Board, which may
38 impose penalties to enforce this article consistent with Part 6
39 (commencing with Section 38580) of Division 25.5 of the Health
40 and Safety Code. Any penalties imposed shall be comparable to

1 those adopted by the commission for noncompliance by retail
2 sellers.

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

9 ~~SEC. 26.~~

10 *SEC. 25.* Article 17 (commencing with Section 400) is added
11 to Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code,
12 to read:

13

14 Article 17. Clean Energy and Pollution Reduction

15

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

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

23 (b) Take into account the opportunities to decrease costs and
24 increase benefits, including pollution reduction and grid integration,
25 using *renewable and nonrenewable* technologies with zero or
26 lowest feasible emissions of greenhouse gases, ~~criteria-pollutant~~
27 ~~emissions~~, *pollutants*, and toxic air contaminants onsite in
28 proceedings associated with meeting the objectives.

29 (c) Where feasible, authorize procurement of resources to
30 provide grid reliability services that minimize reliance on system
31 power and fossil fuel resources and, where feasible, cost effective,
32 and consistent with other state policy objectives, increase the use
33 of large- and small-scale energy storage with a variety of
34 technologies, targeted energy efficiency, demand response,
35 including, but not limited to, automated demand response, eligible
36 renewable energy resources, or other *renewable and nonrenewable*
37 technologies with zero or lowest feasible emissions of greenhouse
38 gases, ~~criteria-pollutant emissions~~, *pollutants*, and toxic air
39 contaminants onsite to protect system reliability.

1 (d) Review technology incentive, research, development,
2 deployment, and market facilitation programs overseen by the
3 commission and the Energy Commission and make
4 recommendations to advance state clean energy and pollution
5 reduction objectives and provide benefits to disadvantaged
6 communities as identified pursuant to Section 39711 of the Health
7 and Safety Code.

8 (e) To the extent feasible, give first priority to the manufacture
9 and deployment of clean energy and pollution reduction
10 technologies that create employment opportunities, including high
11 wage, highly skilled employment opportunities, and increased
12 investment in the state.

13 (f) Establish a publicly available tracking system to provide
14 up-to-date information on progress toward meeting the clean energy
15 and pollution reduction goals of the Clean Energy and Pollution
16 Reduction Act of 2015.

17 (g) Establish an advisory group consisting of representatives
18 from disadvantaged communities identified in Section 39711 of
19 the Health and Safety Code. The advisory group shall review and
20 provide advice on programs proposed to achieve clean energy and
21 pollution reduction and determine whether those proposed
22 programs will be effective and useful in disadvantaged
23 communities.

24 ~~SEC. 27.~~

25 *SEC. 26.* Section 454.51 is added to the Public Utilities Code,
26 to read:

27 454.51. The commission shall do all of the following:

28 (a) Identify a diverse and balanced portfolio of resources needed
29 to ensure a reliable electricity supply that provides optimal
30 integration of renewable energy in a cost-effective manner. The
31 portfolio shall rely upon zero carbon-emitting resources to the
32 maximum extent reasonable and be designed to achieve any
33 statewide greenhouse gas emissions limit established pursuant to
34 the California Global Warming Solutions Act of 2006 (Division
35 25.5 (commencing with Section 38500) of the Health and Safety
36 Code) or any successor legislation.

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

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

6 (d) Permit community choice aggregators to submit proposals
7 for satisfying their portion of the renewable integration need
8 identified in subdivision (a). If the commission finds this need is
9 best met through long-term procurement commitments for
10 resources, community choice aggregators shall also be required
11 to make long-term commitments for resources. The commission
12 shall approve ~~these~~ proposals *pursuant to this subdivision* if it
13 finds all of the following:

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

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

19 (3) Bundled customers of an electrical corporation will be
20 indifferent from the approval of the community choice aggregator
21 proposals.

22 (4) All costs resulting from nonperformance will be borne by
23 ~~the electric corporation, electric service provider, electrical~~
24 ~~corporation~~ or community choice aggregator responsible for them.

25 ~~SEC. 28.~~

26 *SEC. 27.* Section 454.52 is added to the Public Utilities Code,
27 to read:

28 454.52. (a) (1) Commencing in 2017, and to be updated
29 regularly thereafter, the commission shall adopt a process for each
30 load-serving entity, as defined in Section 380, to file an integrated
31 resource plan, and a schedule for periodic updates to the plan, to
32 ensure that load-serving entities do the following:

33 (A) Meet the greenhouse gas emissions reduction targets
34 established by the State Air Resources Board, in coordination with
35 the commission and the Energy Commission, for the electricity
36 sector and each load-serving entity that reflect the electricity
37 sector's ~~role~~ *percentage* in achieving *the* economywide greenhouse
38 gas emissions reductions of 40 percent from 1990 levels by 2030.

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

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

6 (D) Minimize impacts on ratepayers' bills.

7 (E) Ensure system and local reliability.

8 (F) Strengthen the diversity, sustainability, and resilience of the
9 bulk transmission and distribution systems, and local communities.

10 (G) Enhance distribution systems and demand-side energy
11 management.

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

15 (2) (A) The commission may authorize all source procurement
16 *for electrical corporations* that includes various resource types
17 including demand-side resources, supply side resources, and
18 resources that may be either demand-side resources or supply side
19 ~~resources~~ *resources, taking into account the differing electrical*
20 *corporations' geographic service areas*, to ensure that each
21 load-serving entity meets the goals set forth in paragraph (1).

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

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

32 (2) Each electrical corporation's plan shall ~~be consistent with~~
33 *follow the provisions of Section 454.5.*

34 (3) The plan of a community choice aggregator ~~or an electric~~
35 ~~service provider~~, *shall be submitted to its governing board for*
36 *approval and provided to the commission for certification,*
37 consistent with paragraph (5) of subdivision (a) of Section 366.2,
38 *and shall achieve the following:*

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

4 (B) A diversified procurement portfolio consisting of both
5 short-term and long-term electricity and electricity-related and
6 demand reduction products.

7 (C) The resource adequacy requirements established pursuant
8 to Section 380.

9 *(4) The plan of an electric service provider shall achieve the*
10 *goals set forth in paragraph (1) of subdivision (a) through a*
11 *diversified portfolio consisting of both short-term and long-term*
12 *electricity, electricity-related, and demand reduction products.*

13 (c) To the extent that additional procurement is authorized for
14 the electrical corporation in the integrated resource plan or the
15 procurement process authorized pursuant to Section 454.5, the
16 commission shall ensure that the ~~renewable integration~~ costs are
17 allocated in a fair and equitable manner to all customers consistent
18 with 454.51, that there is no cost-shifting among customers of
19 load-serving entities, and that community choice aggregators may
20 ~~self provide these~~ *self-provide renewable integration* resources
21 consistent with Section 454.51.

22 (d) ~~The~~ *In order to eliminate redundancy and increase*
23 *efficiency, the* process adopted pursuant to subdivision (a) shall
24 incorporate, and not duplicate, any other planning processes of the
25 commission.

26 ~~SEC. 29:~~

27 *SEC. 28.* Section 454.55 of the Public Utilities Code is amended
28 to read:

29 454.55. (a) The commission, in consultation with the Energy
30 Commission, shall identify all potentially achievable cost-effective
31 electricity efficiency savings and establish efficiency targets for
32 an electrical corporation to achieve, pursuant to Section 454.5,
33 consistent with the targets established pursuant to subdivision (c)
34 of Section 25310 of the Public Resources Code.

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

38 (2) By July 1, 2019, and every four years thereafter, the
39 commission shall, pursuant to Section 9795 of the Government
40 Code, report to the Legislature on the progress toward achieving

1 the targets established pursuant to subdivision (a). The commission
2 shall include specific strategies for, and an update on, progress
3 toward maximizing the contribution of electricity efficiency savings
4 in disadvantaged communities identified pursuant to Section 39711
5 of the Health and Safety Code.

6 (b) (1) By December 31, 2023, the commission shall, in a new
7 or existing proceeding, undertake a comprehensive review of the
8 feasibility, costs, barriers, and benefits of achieving a cumulative
9 doubling of energy efficiency savings and demand reduction by
10 2030 pursuant to subdivision (c) of Section 25310 of the Public
11 Resources Code.

12 (2) Notwithstanding subdivision (c) of Section 25310 of the
13 Public Resources Code, if the commission concludes the targets
14 established for electrical corporations to achieve pursuant to
15 subdivision (a) are not cost effective, feasible, or pose potential
16 adverse impacts to public health and safety, the commission shall
17 revise the targets to the level that optimizes the amount of energy
18 efficiency savings and demand reduction and shall modify, revise,
19 or update its policies as needed to address barriers preventing
20 achievement of those targets.

21 ~~SEC. 30.~~

22 *SEC. 29.* Section 454.56 of the Public Utilities Code is amended
23 to read:

24 454.56. (a) The commission, in consultation with the Energy
25 Commission, shall identify all potentially achievable cost-effective
26 natural gas efficiency savings and establish efficiency targets for
27 the gas corporation to achieve, consistent with the targets
28 established pursuant to subdivision (c) of Section 25310 of the
29 Public Resources Code.

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

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

36 (d) By July 1, 2019, and every four years thereafter, the
37 commission shall, pursuant to Section 9795 of the Government
38 Code, report to the Legislature on the progress toward achieving
39 the targets establish pursuant to subdivision (a). The commission
40 shall include specific strategies for, and an update on, progress

1 toward maximizing the contribution of energy efficiency savings
2 in disadvantaged communities identified pursuant to Section 39711
3 of the Health and Safety Code.

4 (e) Notwithstanding subdivision (c) of Section 25310 of the
5 Public Resources Code, if the commission concludes in its review
6 pursuant to paragraph (1) of subdivision (b) of Section 454.55 that
7 the targets established for gas corporations to achieve pursuant to
8 subdivision (a) are not cost effective, feasible, or pose potential
9 adverse impacts to public health and safety, the commission shall
10 revise the targets to the level that maximizes the amount of energy
11 efficiency savings and demand reduction and shall modify, revise,
12 or update its policies as needed to address barriers preventing
13 achievement of those targets.

14 ~~SEC. 31. Section 636 is added to the Public Utilities Code, to~~
15 ~~read:~~

16 ~~636. In a procurement plan adopted by an electrical corporation~~
17 ~~or a local publicly owned electric utility, the electrical corporation~~
18 ~~or local publicly owned electric utility shall give consideration to~~
19 ~~both of the following:~~

20 ~~(a) Any statewide greenhouse gas emissions limit established~~
21 ~~pursuant to the California Global Warming Solutions Act of 2006~~
22 ~~(Division 25.5 (commencing with Section 38500) of the Health~~
23 ~~and Safety Code):~~

24 ~~(b) Capacity and system reliability to ensure grid reliability.~~

25 ~~SEC. 32.~~

26 *SEC. 30.* Section 701.1 of the Public Utilities Code is amended
27 to read:

28 701.1. (a) (1) The Legislature finds and declares that, in
29 addition to other ratepayer protection objectives, a principal goal
30 of electric and natural gas utilities' resource planning and
31 investment shall be to minimize the cost to society of the reliable
32 energy services that are provided by natural gas and electricity,
33 and to improve the environment and to encourage the diversity of
34 energy sources through improvements in energy efficiency,
35 development of renewable energy resources, such as wind, solar,
36 biomass, and geothermal energy, and widespread transportation
37 electrification.

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

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

7 (c) In calculating the cost-effectiveness of energy resources,
8 including conservation and load management options, the
9 commission shall include, in addition to other ratepayer protection
10 objectives, a value for any costs and benefits to the environment,
11 including air quality. The commission shall ensure that any values
12 it develops pursuant to this section are consistent with values
13 developed by the State Energy Resources Conservation and
14 Development Commission pursuant to Section 25000.1 of the
15 Public Resources Code. However, if the commission determines
16 that a value developed pursuant to this subdivision is not consistent
17 with a value developed by the State Energy Resources
18 Conservation and Development Commission pursuant to
19 subdivision (c) of Section 25000.1 of the Public Resources Code,
20 the commission may nonetheless use this value if, in the
21 appropriate record of its proceedings, it states its reasons for using
22 the value it has selected.

23 (d) In determining the emission values associated with the
24 current operating capacity of existing electric powerplants pursuant
25 to subdivision (c), the commission shall adhere to the following
26 protocol in determining values for air quality costs and benefits to
27 the environment. If the commission finds that an air pollutant that
28 is subject to regulation is a component of residual emissions from
29 an electric powerplant and that the owner of that powerplant is
30 either of the following:

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

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

37 The commission shall not assign a value or cost to that residual
38 pollutant for the current operating capacity of that powerplant
39 because the alternative protocol for dealing with the pollutant

1 operates to internalize its cost for the purpose of planning for and
2 acquiring new generating resources.

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

8 (2) Further, the environmental values determined pursuant to
9 subdivision (c) shall not be used by the commission in a manner
10 which, when those values are aggregated, will result in advancing
11 an electric utility's need for new powerplant capacity by more than
12 15 months.

13 (f) This subdivision shall apply whenever a powerplant bid
14 solicitation is required by the commission for an electric utility
15 and a portion of the amount of new powerplant capacity, which is
16 the subject of the bid solicitation, is the result of the commission's
17 use of environmental values to advance that electric utility's need
18 for new powerplant capacity in the manner authorized by paragraph
19 (2) of subdivision (e). The affected electric utility may propose to
20 the commission any combination of alternatives to that portion of
21 the new powerplant capacity that is the result of the commission's
22 use of environmental values as authorized by paragraph (2) of
23 subdivision (c). The commission shall approve an alternative in
24 place of the new powerplant capacity if it finds all of the following:

25 (1) The alternative has been approved by the relevant air quality
26 district.

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

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

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

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

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

39 (h) This section does not preclude an electric utility from
40 submitting to the commission any combination of alternatives to

1 meet a commission-identified need for new capacity, if the
2 submission is otherwise authorized by the commission.

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

5 ~~SEC. 33.~~

6 *SEC. 31.* Section 740.8 of the Public Utilities Code is amended
7 to read:

8 740.8. As used in Section 740.3 or 740.12, “interests” of
9 ratepayers, short- or long-term, mean direct benefits that are
10 specific to ratepayers, consistent with both of the following:

11 (a) Safer, more reliable, or less costly gas or electrical service,
12 consistent with Section 451, including electrical service that is
13 safer, more reliable, or less costly due to either improved use of
14 the electric system or improved integration of renewable energy
15 generation.

16 (b) Any one of the following:

17 (1) Improvement in energy efficiency of travel.

18 (2) Reduction of health and environmental impacts from air
19 pollution.

20 (3) Reduction of greenhouse gas emissions related to electricity
21 and natural gas production and use.

22 (4) Increased use of alternative fuels.

23 (5) Creating high-quality jobs or other economic benefits,
24 including in disadvantaged communities identified pursuant to
25 Section 39711 of the Health and Safety Code.

26 ~~SEC. 34.~~

27 *SEC. 32.* Section 740.12 is added to the Public Utilities Code,
28 to read:

29 740.12. (a) (1) The Legislature finds and declares all of the
30 following:

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

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

38 (C) Widespread transportation electrification requires increased
39 access for disadvantaged communities, low- and moderate-income
40 communities, and other consumers of zero-emission and

1 near-zero-emission vehicles, and increased use of those vehicles
2 in those communities and by other consumers to enhance air
3 quality, lower greenhouse gases emissions, and promote overall
4 benefits to those communities and other consumers.

5 (D) Reducing emissions of greenhouse gases to 40 percent below
6 1990 levels by 2030 and to 80 percent below 1990 levels by 2050
7 will require widespread transportation electrification.

8 (E) Widespread transportation electrification requires electrical
9 corporations to increase access to the use of electricity as a
10 transportation fuel.

11 (F) Widespread transportation electrification should stimulate
12 innovation and competition, *enable consumer options in charging*
13 *equipment and services*, attract private capital investments, and
14 create high-quality jobs for Californians, where technologically
15 feasible.

16 (G) Deploying electric vehicles should assist in grid
17 management, integrating generation from eligible renewable energy
18 resources, and reducing fuel costs for vehicle drivers who charge
19 in a manner consistent with electrical grid conditions.

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

25 (I) According to the State Alternative Fuels Plan analysis by
26 the Energy Commission and the State Air Resources Board, light-,
27 medium-, and heavy-duty vehicle electrification results in
28 approximately 70 percent fewer greenhouse gases emitted, over
29 85 percent fewer ozone-forming air pollutants emitted, and 100
30 percent fewer petroleum used. These reductions will become larger
31 as renewable generation increases.

32 (2) It is the policy of the state and the intent of the Legislature
33 to encourage transportation electrification as a means to achieve
34 ambient air quality standards and the state's climate goals.
35 Agencies designing and implementing regulations, guidelines,
36 plans, and funding programs to reduce greenhouse gas emissions
37 shall take the findings described in paragraph (1) into account.

38 (b) The commission, in consultation with the State Air Resources
39 Board and the Energy Commission, shall direct electrical
40 corporations to file applications for programs and investments to

1 accelerate widespread transportation electrification to reduce
2 dependence on petroleum, meet air quality standards, achieve the
3 goals set forth in the Charge Ahead California Initiative (Chapter
4 8.5 (commencing with Section 44258) of Part 5 of Division 26 of
5 the Health and Safety Code), and reduce emissions of greenhouse
6 gases to 40 percent below 1990 levels by 2030 and to 80 percent
7 below 1990 levels by 2050. Programs proposed by electrical
8 corporations shall seek to minimize overall costs and maximize
9 overall benefits. The commission shall approve, or modify and
10 approve, programs and investments in transportation electrification,
11 including those that deploy charging ~~infrastructure~~ *infrastructure*,
12 via a reasonable cost recovery mechanism, if they are consistent
13 with this section, do not unfairly compete with nonutility
14 enterprises as required under Section 740.3, include performance
15 accountability measures, and are in the interests of ratepayers as
16 defined in Section 740.8.

17 (c) The commission shall review data concerning current and
18 future electric transportation adoption and charging infrastructure
19 utilization prior to authorizing an electrical corporation to collect
20 new program costs related to transportation electrification in
21 customer rates. If market barriers unrelated to the investment made
22 by an electric corporation prevent electric transportation from
23 adequately utilizing available charging infrastructure, the
24 commission shall not permit additional investments in
25 transportation electrification without a reasonable showing that
26 the investments would not result in long-term stranded costs
27 recoverable from ratepayers.

28 (d) This section applies to an application to the commission for
29 transportation electrification programs and investments if one of
30 the following conditions is met:

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

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

34 ~~SEC. 36.~~

35 *SEC. 33.* Section 9505 of the Public Utilities Code is amended
36 to read:

37 9505. (a) By March 15, 2013, and by March 15 of each year
38 thereafter, each local publicly owned electric utility shall report
39 to the Energy Commission and to its customers all of the following:

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

3 (2) A description of each energy efficiency and demand
4 reduction program, program expenditures, the cost-effectiveness
5 of each program, and expected and actual energy efficiency savings
6 and demand reduction results that reflect the intent of the
7 Legislature to encourage energy savings and reductions in
8 emissions of greenhouse gases resulting from providing service
9 to existing residential and nonresidential buildings, while taking
10 into consideration the effect of the program on rates, reliability,
11 and financial resources.

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

14 (4) The methodologies and input assumptions used to determine
15 the cost-effectiveness of its energy efficiency and demand reduction
16 programs.

17 (5) A comparison of the local publicly owned electric utility's
18 annual targets established pursuant to subdivision (b) and the local
19 publicly owned electric utility's reported electricity efficiency
20 savings and demand reductions.

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

35 (c) Within 60 days of establishing annual targets pursuant to
36 subdivision (b), each local publicly owned electric utility shall
37 report those targets to the Energy Commission, and the basis for
38 establishing those targets.

39 (d) Each local publicly owned electric utility shall make
40 available to its customers and to the Energy Commission the results

1 of any independent evaluation that measures and verifies the energy
2 efficiency savings and the reduction in energy demand achieved
3 by its energy efficiency and demand reduction programs.

4 ~~SEC. 37.~~

5 *SEC. 34.* Section 9620 of the Public Utilities Code is amended
6 to read:

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

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

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

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

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

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

33 (d) A local publicly owned electric utility serving end-use
34 customers shall, upon request, provide the Energy Commission
35 with any information the Energy Commission determines is
36 necessary to evaluate the progress made by the local publicly
37 owned electric utility in meeting the requirements of this section,
38 consistent with the annual targets established pursuant to
39 subdivision (c) of Section 25310 of the Public Resources Code.

1 (e) The Energy Commission shall report to the Legislature, to
2 be included in each integrated energy policy report prepared
3 pursuant to Section 25302 of the Public Resources Code, regarding
4 the progress made by each local publicly owned electric utility
5 serving end-use customers in meeting the requirements of this
6 section.

7 ~~SEC. 38.~~

8 *SEC. 35.* Section 9621 is added to the Public Utilities Code,
9 to read:

10 9621. (a) This section shall apply to a local publicly owned
11 electric utility with an annual electrical demand exceeding 700
12 gigawatthours, as determined on a three-year average commencing
13 January 1, 2013.

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

18 (1) Meets the greenhouse gas emissions reduction targets
19 established by the State Air Resources Board, in coordination with
20 the commission and the Energy Commission, for the electricity
21 sector and each local publicly-owned electric utility that reflect
22 the electricity sector's ~~role~~ *percentage* in achieving the
23 economywide greenhouse gas emissions reductions of 40 percent
24 from 1990 levels by 2030.

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

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

30 (c) (1) The integrated resource plan shall address procurement
31 for the following:

32 (A) Energy efficiency and demand response resources pursuant
33 to Section 9615.

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

36 (C) Transportation electrification.

37 (D) A diversified procurement portfolio consisting of both
38 short-term and long-term electricity, electricity-related, and demand
39 response products.

1 (E) The resource adequacy requirements established pursuant
2 to Section 9620.

3 (2) (A) The governing board of the local publicly owned electric
4 utility may authorize all source procurement that includes various
5 resource types, including demand-side resources, supply side
6 resources, and resources that may be either demand-side resources
7 or supply side resources, to ensure that the local publicly owned
8 electric utility procures the optimum resource mix that meets the
9 objectives of subdivision (b).

10 (B) The governing board may authorize procurement of resource
11 types that will reduce overall greenhouse gas emissions from the
12 electricity sector and meet the other goals specified in ~~paragraph~~
13 ~~(1) of subdivision (a) of Section 454.52, subdivision (b), but due~~
14 ~~to the nature of the technology or fuel source may not compete~~
15 ~~favorably in price against other resources over the time period of~~
16 ~~the integrated resource plan.~~

17 (d) A local publicly owned electric utility shall satisfy the notice
18 and public disclosure requirements of subdivision (f) of Section
19 399.30 with respect to any integrated resource plan or plan update
20 it considers.

21 ~~SEC. 39.~~

22 *SEC. 36.* Section 9622 is added to the Public Utilities Code,
23 to read:

24 9622. (a) Integrated resource plans and plan updates adopted
25 pursuant to Section 9621 shall be submitted to the Energy
26 Commission.

27 (b) The Energy Commission shall review the integrated resource
28 plans and plan updates. If the Energy Commission determines an
29 integrated resource plan or plan update is inconsistent with the
30 requirements of Section 9621, the Energy Commission shall
31 provide recommendations to correct the deficiencies.

32 (c) The Energy Commission may adopt guidelines to govern
33 the submission of information and data and reports needed to
34 support the Energy Commission's review of the utility's integrated
35 resource plan pursuant to this section at a publicly noticed meeting
36 offering all interested parties an opportunity to comment. The
37 Energy Commission shall provide written public notice of not less
38 than 30 days for the initial adoption of guidelines and not less than
39 10 days for the subsequent adoption of substantive changes.
40 Notwithstanding any other law, any guidelines adopted pursuant

1 to this section shall be exempt from the requirements of Chapter
2 3.5 (commencing with Section 11340) of Part 1 of Division 3 of
3 Title 2 of the Government Code.

4 ~~SEC. 40. No reimbursement is required by this act pursuant to~~
5 ~~Section 6 of Article XIII B of the California Constitution because~~
6 ~~a local agency or school district has the authority to levy service~~
7 ~~charges, fees, or assessments sufficient to pay for the program or~~
8 ~~level of service mandated by this act or because costs that may be~~
9 ~~incurred by a local agency or school district will be incurred~~
10 ~~because this act creates a new crime or infraction, eliminates a~~
11 ~~crime or infraction, or changes the penalty for a crime or infraction,~~
12 ~~within the meaning of Section 17556 of the Government Code, or~~
13 ~~changes the definition of a crime within the meaning of Section 6~~
14 ~~of Article XIII B of the California Constitution.~~

15 *SEC. 37. No reimbursement is required by this act pursuant*
16 *to Section 6 of Article XIII B of the California Constitution because*
17 *the only costs that may be incurred by a local agency or school*
18 *district will be incurred because this act creates a new crime or*
19 *infraction, eliminates a crime or infraction, or changes the penalty*
20 *for a crime or infraction, within the meaning of Section 17556 of*
21 *the Government Code, or changes the definition of a crime within*
22 *the meaning of Section 6 of Article XIII B of the California*
23 *Constitution.*

24 ~~SEC. 41.~~

25 *SEC. 38. The provisions of this act are severable. If any*
26 *provision of this act or its application is held invalid, that invalidity*
27 *shall not affect other provisions or applications that can be given*
28 *effect without the invalid provision or application.*

29

30

31 **CORRECTIONS:**

32 **Heading—Line 2.**

33

O