

AMENDED IN SENATE MARCH 17, 2016

**SENATE BILL**

**No. 886**

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**Introduced by Senator Pavley**  
**(Principal coauthors: Senators De León and Huff)**  
**(Coauthor: Senator Allen)**  
(Coauthor: Assembly Member Wilk)

January 20, 2016

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~~An act to add Section 3217 to the Public Resources Code, and to add Section 713 to the Public Utilities Code, relating to natural gas, and declaring the urgency thereof, to take effect immediately. An act to add Sections 454.53, 455.6, and 9620.5 to the Public Utilities Code, relating to electricity.~~

LEGISLATIVE COUNSEL'S DIGEST

SB 886, as amended, Pavley. ~~Natural gas storage: moratorium.~~  
*Electricity: energy storage systems.*

*Existing law requires the Public Utilities Commission to determine appropriate targets for each load-serving entity to procure viable and cost-effective energy storage systems to be achieved by December 31, 2015, and December 31, 2020. Existing law requires the governing board of each local publicly owned electric utility to initiate a process to determine appropriate targets for the utility to procure viable cost-effective energy storage systems to be achieved by December 31, 2015, and December 31, 2020. Existing law requires the commission to adopt a process for each load-serving entity to file an integrated resource plan and a schedule for periodic updates to the plan to meet certain objectives. Existing law requires each publicly owned electric utility to prudently plan for and procure resources, including energy*

*storage systems adequate to meet the 2015 and 2020 targets, to provide reliable electric service to its customers.*

*This bill would require the commission, by March 1, 2017, to require load-serving entities, in developing and updating their integrated resource plans, to consider the benefits of procuring energy storage systems and to give priority to procuring energy storage systems over fossil-fuel-based generation. The bill would require the commission on or before October 1, 2017, to require electrical corporations to develop appropriate tariffs to provide incentives to customers to install grid-connected energy storage systems on the customer side of the electrical meter. Because a violation of an order, decision, rule, direction, demand, or requirements of a commission is a crime, this bill would impose a state-mandated local program. The bill would require the governing board of each local publicly owned electric utility, in planning for future procurement of resources, to consider the benefits of procuring energy storage systems and to give priority to procuring energy storage systems over fossil-fuel-based generation. Because this bill would impose additional requirements on the governing board of a local publicly owned electric utility, this bill would impose a state-mandated local program.*

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

*This bill would provide that no reimbursement is required by this act for specified reasons.*

~~(1) Under existing law, the Division of Oil, Gas, and Geothermal Resources in the Department of Conservation regulates the drilling, operation, maintenance, and abandonment of oil and gas wells in the state. Existing law requires the State Oil and Gas Supervisor to supervise the drilling, operation, maintenance, and abandonment of wells and the operation, maintenance, and removal or abandonment of tanks and facilities related to oil and gas production within an oil and gas field, so as to prevent damage to life, health, property, and natural resources, as provided; to permit owners and operators of wells to utilize all known methods and practices to increase the ultimate recovery of hydrocarbons; and to perform the supervisor's duties in a manner that encourages the wise development of oil and gas resources to best meet oil and gas needs in this state. Under existing law, a person who fails to comply with~~

certain requirements relating to the regulation of oil or gas operations is guilty of a misdemeanor.

~~This bill would require the supervisor to immediately institute a moratorium on injections of natural gas into any wells located within and serving the Aliso Canyon storage facility located in the County of Los Angeles until specified conditions are met. The bill would also require the supervisor to prohibit the production of natural gas by any well originally drilled earlier than 1954 at the Aliso Canyon storage facility located in the County of Los Angeles until specified conditions are met, except as specified. Because a violation of these requirements would be a crime, the bill would impose a state-mandated local program.~~

~~(2) Under existing law, the Public Utilities Commission is authorized to supervise and regulate every public utility in the state.~~

~~This bill would require the commission to determine the feasibility of minimizing or eliminating use of the Aliso Canyon natural gas storage facility located in the County of Los Angeles while still maintaining energy reliability for the region, and to consult with specified entities in making its determination.~~

~~(3) 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.~~

~~(4) This bill would declare that it is to take effect immediately as an urgency statute.~~

Vote:  $\frac{2}{3}$ -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. Section 454.53 is added to the Public Utilities
- 2 Code, to read:
- 3 454.53. On or before March 1, 2017, the commission shall, in
- 4 a new proceeding or in an existing proceeding, require
- 5 load-serving entities, in developing and updating their integrated
- 6 resource plans as required by Section 454.52, to consider the
- 7 benefits of procuring energy storage systems, as defined in Section
- 8 2835, and to give priority to procuring energy storage systems
- 9 over fossil-fuel-based generation.

1     *SEC. 2. Section 455.6 is added to the Public Utilities Code, to*  
2 *read:*

3     *455.6. On or before October 1, 2017, the commission shall, in*  
4 *a new proceeding or in an existing proceeding, require each*  
5 *electrical corporation to develop appropriate tariffs to provide*  
6 *incentives to customers of the electrical corporation to install*  
7 *energy storage systems on the customer side of an electric meter*  
8 *that is connected to the electric grid.*

9     *SEC. 3. Section 9620.5 is added to the Public Utilities Code,*  
10 *to read:*

11     *9620.5. The governing board of each local publicly owned*  
12 *electric utility, in planning for future procurement of resources,*  
13 *shall consider the benefits of procuring energy storage systems,*  
14 *as defined in Section 2835, and shall give priority to procuring*  
15 *energy storage systems over fossil-fuel-based generation.*

16     *SEC. 4. No reimbursement is required by this act pursuant to*  
17 *Section 6 of Article XIII B of the California Constitution because*  
18 *a local agency or school district has the authority to levy service*  
19 *charges, fees, or assessments sufficient to pay for the program or*  
20 *level of service mandated by this act or because costs that may be*  
21 *incurred by a local agency or school district will be incurred*  
22 *because this act creates a new crime or infraction, eliminates a*  
23 *crime or infraction, or changes the penalty for a crime or*  
24 *infraction, within the meaning of Section 17556 of the Government*  
25 *Code, or changes the definition of a crime within the meaning of*  
26 *Section 6 of Article XIII B of the California Constitution.*

27     ~~SECTION 1. Section 3217 is added to the Public Resources~~  
28 ~~Code, to read:~~

29     ~~3217.—(a) The supervisor shall immediately institute a~~  
30 ~~moratorium on injections of natural gas into any wells located~~  
31 ~~within and serving the Aliso Canyon storage facility located in the~~  
32 ~~County of Los Angeles until all of the following conditions are~~  
33 ~~met:~~

34     ~~(1) The integrity of each well has been quantitatively and~~  
35 ~~objectively evaluated using state-of-art technology and the risks~~  
36 ~~posed by well failure have been evaluated.~~

37     ~~(A) The age, history, and condition of each well shall be~~  
38 ~~specifically addressed, with particular emphasis on wells drilled~~  
39 ~~prior to 2006.~~

1 ~~(B) The technical methods and equipment used to evaluate well~~  
2 ~~integrity and the risks posed by well failure shall be determined~~  
3 ~~by the supervisor with input from independent experts and the~~  
4 ~~public through a public process.~~

5 ~~(2) Any well posing an enhanced risk of failure has been~~  
6 ~~repaired to mitigate the enhanced risk or plugged and abandoned.~~

7 ~~(3) The supervisor determines that the overall risk from well~~  
8 ~~failure satisfies the supervisor’s duty pursuant to Section 3106 to~~  
9 ~~prevent damage to life, health, property, and natural resources and~~  
10 ~~other requirements.~~

11 ~~(4) The Public Utilities Commission and the State Energy~~  
12 ~~Resources Conservation and Development Commission concur~~  
13 ~~with the supervisor’s determination in paragraph (3).~~

14 ~~(b) The supervisor shall prohibit the production of natural gas~~  
15 ~~by any well originally drilled earlier than 1954 at the Aliso Canyon~~  
16 ~~storage facility located in the County of Los Angeles until after~~  
17 ~~the integrity of and the risks associated with any of these wells~~  
18 ~~have been evaluated and determinations by the supervisor, with~~  
19 ~~the concurrence of the commissions, have been made pursuant to~~  
20 ~~the process described in subdivision (a), except when necessary~~  
21 ~~to do either of the following:~~

22 ~~(1) Respond to the uncontrolled leak of natural gas from the~~  
23 ~~“Standard Sesnon 25” well (American Petroleum Institute~~  
24 ~~identification number 03700776).~~

25 ~~(2) Maintain regional energy reliability, at the written direction~~  
26 ~~of the commissions.~~

27 ~~SEC. 2. Section 713 is added to the Public Utilities Code, to~~  
28 ~~read:~~

29 ~~713. The commission shall determine the feasibility of~~  
30 ~~minimizing or eliminating use of the Aliso Canyon natural gas~~  
31 ~~storage facility located in the County of Los Angeles while still~~  
32 ~~maintaining energy reliability for the region. The commission shall~~  
33 ~~consult with the State Energy Resources Conservation and~~  
34 ~~Development Commission, the Independent System Operator, the~~  
35 ~~Division of Oil, Gas, and Geothermal Resources in the Department~~  
36 ~~of Conservation, and other relevant government entities, in making~~  
37 ~~its determination.~~

38 ~~SEC. 3. No reimbursement is required by this act pursuant to~~  
39 ~~Section 6 of Article XIII B of the California Constitution because~~  
40 ~~the only costs that may be incurred by a local agency or school~~

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

7 ~~SEC. 4. This act is an urgency statute necessary for the~~  
8 ~~immediate preservation of the public peace, health, or safety within~~  
9 ~~the meaning of Article IV of the Constitution and shall go into~~  
10 ~~immediate effect. The facts constituting the necessity are:~~

11 ~~In order to mitigate, at the earliest possible time, ongoing harm~~  
12 ~~from the gas leak at the Aliso Canyon storage facility, and to~~  
13 ~~evaluate the integrity of and the risks associated with older wells~~  
14 ~~at that facility, it is necessary that this act take effect immediately.~~