

AMENDED IN ASSEMBLY JULY 16, 2015

AMENDED IN ASSEMBLY JULY 8, 2015

**SENATE BILL**

**No. 350**

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

February 24, 2015

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

LEGISLATIVE COUNSEL'S DIGEST

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

(1) Under existing law, the Public Utilities Commission (PUC) has regulatory authority over public utilities, including electrical corporations, as defined, while local publicly owned electric utilities, as defined, are under the direction of their governing boards. Under existing law, a violation of the Public Utilities Act is a crime.

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

January 1, 2012, to establish the quantity of electricity products from eligible renewable energy resources to be procured by each retail seller for specified compliance periods, sufficient to ensure that the procurement of electricity products from eligible renewable energy resources achieves 25% of retail sales by December 31, 2016, and 33% of retail sales by December 31, 2020, and that retail sellers procure not less than 33% of retail sales in all subsequent years. *For these purposes, a retail seller is defined to include electrical corporations, electric service providers, and community choice aggregators. The RPS Program requires an electrical corporation to submit to the PUC, for its approval, a renewable energy procurement plan.* Existing law includes as an eligible renewable energy resource a specified facility engaged in the combustion of municipal solid waste.

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

This bill would ~~additionally express the intent of the Legislature for the purposes of the RPS Program~~ *require* that the amount of electricity generated per year from eligible renewable energy resources be increased to an amount equal to at least 50% by December 31, 2030, and would require the PUC, by January 1, 2017, to establish the quantity of electricity products from eligible renewable energy resources to be procured by each retail seller for specified compliance periods sufficient to ensure that the procurement of electricity products from eligible renewable energy resources achieves 50% of retail sales by December 31, 2030. The bill would require the governing boards of local publicly owned electric utilities to ensure that specified quantities of electricity products from eligible renewable energy resources ~~to~~ be procured for specified compliance periods to ensure that the procurement of electricity products from eligible renewable energy resources achieve 50% of retail sales by December 31, 2030. The bill would exclude all facilities engaged in the combustion of municipal solid waste from being eligible renewable energy resources. The bill would require community choice aggregators and electric service providers to prepare and submit renewable energy procurement plans. The bill would revise

other aspects of the RPS Program, including, among other things, the enforcement provisions and would require penalties collected from retail sellers for noncompliance to be deposited in the Electric Program Investment Charge Fund. The bill would require the PUC to direct electrical corporations to include in their proposed procurement plans a strategy for procuring a diverse portfolio of resources that provide a reliable electricity supply. The bill would require the PUC and the Energy Commission to take certain actions in furtherance of meeting the state's clean energy and pollution reduction objectives.

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

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

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

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

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

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

This bill would require those standards to be in furtherance of achieving a reduction in petroleum use in motor vehicles by 50% by January 1, 2030. The bill would require the state board, by January 1, 2017, to prepare a strategy and implementation plan to achieve this reduction.

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

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

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

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

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

(4) Existing law requires the Energy Commission to establish a regulatory proceeding to develop and implement a comprehensive program to achieve greater energy savings in California’s existing residential and nonresidential building stock and to periodically update criteria for the program.

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

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

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

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

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

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

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

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

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

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

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

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

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

1 and sources of air pollution which the state board has found to be  
2 necessary, cost effective, and technologically feasible, to carry out  
3 the purposes of this division and in furtherance of achieving a  
4 reduction in petroleum use in motor vehicles by 50 percent by  
5 January 1, 2030, unless preempted by federal law.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 44258.5. (a) For the purposes of this section, the following  
2 terms mean the following:

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

5 ~~(1)~~

6 (2) “Retail seller” has the same meaning as set forth in Section  
7 399.12 of the *Public Utilities Code*.

8 ~~(2)~~

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

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

21 SEC. 5. Section 25000.5 of the *Public Resources Code* is  
22 amended to read:

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

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



1 energy use and distribution, and to achieve energy security,  
2 diversity of supply sources, and competitiveness of transportation  
3 energy markets based on the least environmental and economic  
4 cost, and in furtherance of reducing petroleum use in the  
5 transportation sector by 50 percent by January 1, 2030.

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

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

20 SEC. 6. Section 25943 of the Public Resources Code is  
21 amended to read:

22 25943. (a) (1) By March 1, 2010, the commission shall  
23 establish a regulatory proceeding to develop and implement a  
24 comprehensive program to achieve greater energy savings in  
25 California’s existing residential and nonresidential building stock.  
26 This program shall comprise a complementary portfolio of  
27 techniques, applications, and practices that will achieve greater  
28 energy efficiency in existing residential and nonresidential  
29 structures that fall significantly below the current standards in Title  
30 24 of the California Code of Regulations, as determined by the  
31 commission.

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

38 (3) The commission shall adopt, implement, and enforce a  
39 responsible contractor policy for use across all ratepayer-funded  
40 energy efficiency programs that involve installation or

1 maintenance, or both installation and maintenance, by building  
2 contractors to ensure that retrofits meet high-quality performance  
3 standards and reduce energy savings lost or foregone due to  
4 poor-quality workmanship.

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

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

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

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

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

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

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

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

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

34 (A) Prioritizing the identified energy efficiency improvements.

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

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

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

40 (i) Mortgages or sales agreement components.

- 1 (ii) On-bill financing.
- 2 (iii) Contractual property tax assessments.
- 3 (iv) Home warranties.
- 4 (6) Existing statutory and regulatory requirements to achieve
- 5 energy efficiency savings and greenhouse gas emission reductions.
- 6 (7) A broad range of implementation approaches, including both
- 7 utility and nonutility administration of energy efficiency programs.
- 8 (8) Any other considerations deemed appropriate by the
- 9 commission.
- 10 (d) The program developed pursuant to this section shall do all
- 11 of the following:
  - 12 (1) Minimize the overall costs of establishing and implementing
  - 13 the comprehensive energy efficiency program requirements.
  - 14 (2) Ensure, for residential buildings, that the energy efficiency
  - 15 assessments, ratings, or improvements do not unreasonably or
  - 16 unnecessarily affect the home purchasing process or the ability of
  - 17 individuals to rent housing. A transfer of property subject to the
  - 18 program implemented pursuant to this section shall not be
  - 19 invalidated solely because of the failure of a person to comply
  - 20 with a provision of the program.
  - 21 (3) Ensure, for nonresidential buildings, that the energy
  - 22 improvements do not have an undue economic impact on California
  - 23 businesses.
  - 24 (4) Determine, for residential buildings, the appropriateness of
  - 25 the Home Energy Rating System (HERS) program to support the
  - 26 goals of this section and whether there are a sufficient number of
  - 27 HERS-certified raters available to meet the program requirements.
  - 28 (5) Determine, for nonresidential structures, the availability of
  - 29 an appropriate cost-effective energy efficiency assessment system
  - 30 and whether there are a sufficient number of certified raters or
  - 31 auditors available to meet the program requirements.
  - 32 (6) Coordinate with the California Workforce Investment Board,
  - 33 the Employment Training Panel, the California Community
  - 34 Colleges, and other entities to ensure a qualified, well-trained
  - 35 workforce is available to implement the program requirements.
  - 36 (7) Coordinate with, and avoid duplication of, existing
  - 37 proceedings of the Public Utilities Commission and programs
  - 38 administered by utilities.
- 39 (e) A home energy rating or energy assessment service does not
- 40 meet the requirements of this section unless the service has been

1 certified by the commission to be in compliance with the program  
2 criteria developed pursuant to this section and is in conformity  
3 with other applicable elements of the program.

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

7 (2) On or before January 1, 2017, and at least once every three  
8 years thereafter, the commission shall adopt an update to the  
9 program in furtherance of achieving an overall doubling of the  
10 energy efficiency of buildings 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. 7. Section 237.5 is added to the Public Utilities Code, to  
32 read:

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

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

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

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

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

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

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

17 (3) Reducing air pollution in the state.

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

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

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

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

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

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

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

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

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

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

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

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

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

19 399.12. For purposes of this article, the following terms have  
20 the following meanings:

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

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

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

34 (d) “California balancing authority” is a balancing authority  
35 with control over a balancing authority area primarily located in  
36 this state and operating for retail sellers and local publicly owned  
37 electric utilities subject to the requirements of this article and  
38 includes the Independent System Operator (ISO) and a local  
39 publicly owned electric utility operating a transmission grid that  
40 is not under the operational control of the ISO. A California

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 (C) A local publicly owned electric utility.

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

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

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

1 energy procurement plans that address the requirements identified  
2 in paragraph (5).

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

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

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

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

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

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

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

11 (i) Estimates of indirect costs associated with needed  
12 transmission investments.

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

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

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

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

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

34 (B) Rules permitting retail sellers to accumulate, beginning  
35 January 1, 2011, excess procurement in one compliance period to  
36 be applied to any subsequent compliance period. The rules shall  
37 apply equally to all retail sellers. In determining the quantity of  
38 excess procurement for the applicable compliance period, the  
39 commission shall deduct from actual procurement quantities the  
40 total amount of procurement associated with contracts of less than

1 10 years in duration and electricity products meeting the portfolio  
2 content of paragraph (3) of subdivision (b) of Section 399.16.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

38 (f) (1) The commission may authorize a procurement entity to  
39 enter into contracts on behalf of customers of a retail seller for  
40 electricity products from eligible renewable energy resources to

1 satisfy the retail seller’s renewables portfolio standard procurement  
2 requirements. The commission shall not require any person or  
3 corporation to act as a procurement entity or require any party to  
4 purchase eligible renewable energy resources from a procurement  
5 entity.

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

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

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

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

33 SEC. 11. Section 399.15 of the Public Utilities Code is  
34 amended to read:

35 399.15. (a) In order to fulfill unmet long-term resource needs,  
36 the commission shall establish a renewables portfolio standard  
37 requiring all retail sellers to procure a minimum quantity of  
38 electricity products from eligible renewable energy resources as  
39 a specified percentage of total kilowatthours sold to their retail  
40 end-use customers each compliance period to achieve the targets

1 established under this article. For any retail seller procuring at least  
2 14 percent of retail sales from eligible renewable energy resources  
3 in 2010, the deficits associated with any previous renewables  
4 portfolio standard shall not be added to any procurement  
5 requirement pursuant to this article.

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

8 (1) Each retail seller shall procure a minimum quantity of  
9 eligible renewable energy resources for each of the following  
10 compliance periods:

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

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

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

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

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

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

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

24 (B) In establishing quantities for the compliance period from  
25 January 1, 2011, to December 31, 2013, inclusive, the commission  
26 shall require procurement for each retail seller equal to an average  
27 of 20 percent of retail sales. For the following compliance periods,  
28 the quantities shall reflect reasonable progress in each of the  
29 intervening years sufficient to ensure that the procurement of  
30 electricity products from eligible renewable energy resources  
31 achieves 25 percent of retail sales by December 31, 2016, 33  
32 percent by December 31, 2020, 40 percent by December 31, 2024,  
33 45 percent by December 31, 2027, and 50 percent by December  
34 31, 2030. The commission shall establish appropriate multiyear  
35 compliance periods for all subsequent years that require retail  
36 sellers to procure not less than 50 percent of retail sales of  
37 electricity products from eligible renewable energy resources.

38 (C) Retail sellers shall be obligated to procure no less than the  
39 quantities associated with all intervening years by the end of each  
40 compliance period. Retail sellers shall not be required to



1 demonstrate a specific quantity of procurement for any individual  
2 intervening year.

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

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

13 (5) The commission shall waive enforcement of this section if  
14 it finds that the retail seller has demonstrated any of the following  
15 conditions are beyond the control of the retail seller and will  
16 prevent compliance:

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

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

33 (ii) Whether the retail seller has taken all reasonable operational  
34 measures to maximize cost-effective deliveries of electricity from  
35 eligible renewable energy resources in advance of transmission  
36 availability.

37 (B) Permitting, interconnection, or other circumstances that  
38 delay procured eligible renewable energy resource projects, or  
39 there is an insufficient supply of eligible renewable energy  
40 resources available to the retail seller. In making a finding that this

1 condition prevents timely compliance, the commission shall  
2 consider whether the retail seller has done all of the following:

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

5 (ii) Sought to develop one of the following: its own eligible  
6 renewable energy resources, transmission to interconnect to eligible  
7 renewable energy resources, or energy storage used to integrate  
8 eligible renewable energy resources. This clause shall not require  
9 an electrical corporation to pursue development of eligible  
10 renewable energy resources pursuant to Section 399.14.

11 (iii) Procured an appropriate minimum margin of procurement  
12 above the minimum procurement level necessary to comply with  
13 the renewables portfolio standard to compensate for foreseeable  
14 delays or insufficient supply.

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

18 (C) Unanticipated curtailment of eligible renewable energy  
19 resources if the waiver would not result in an increase in  
20 greenhouse gas emissions.

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

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

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

32 (6) If the commission waives the compliance requirements of  
33 this section, the commission shall establish additional reporting  
34 requirements on the retail seller to demonstrate that all reasonable  
35 actions under the control of the retail seller are taken in each of  
36 the intervening years sufficient to satisfy future procurement  
37 requirements.

38 (7) The commission shall not waive enforcement pursuant to  
39 this section, unless the retail seller demonstrates that it has taken

1 all reasonable actions under its control, as set forth in paragraph  
2 (5), to achieve full compliance.

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

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

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

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

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

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

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

1 (B) Notify the appropriate policy and fiscal committees of the  
2 Legislature that the electrical corporation may exceed its cost  
3 limitation, and include the reasons why the electrical corporation  
4 may exceed its cost limitation.

5 (f) The establishment of a renewables portfolio standard shall  
6 not constitute implementation by the commission of the federal  
7 Public Utility Regulatory Policies Act of 1978 (Public Law  
8 95-617).

9 SEC. 12. Section 399.16 of the Public Utilities Code is  
10 amended to read:

11 399.16. (a) Various electricity products from eligible renewable  
12 energy resources located within the WECC transmission network  
13 service area shall be eligible to comply with the renewables  
14 portfolio standard procurement requirements in Section 399.15.  
15 These electricity products may be differentiated by their impacts  
16 on the operation of the grid in supplying electricity, as well as  
17 meeting the requirements of this article.

18 (b) Consistent with the goals of procuring the least-cost and  
19 best-fit electricity products from eligible renewable energy  
20 resources that meet project viability principles adopted by the  
21 commission pursuant to paragraph (4) of subdivision (a) of Section  
22 399.13 and that provide the benefits set forth in Section 399.11, a  
23 balanced portfolio of eligible renewable energy resources shall be  
24 procured consisting of the following portfolio content categories:

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

27 (A) Have a first point of interconnection with a California  
28 balancing authority, have a first point of interconnection with  
29 distribution facilities used to serve end users within a California  
30 balancing authority area, or are scheduled from the eligible  
31 renewable energy resource into a California balancing authority  
32 without substituting electricity from another source. The use of  
33 another source to provide real-time ancillary services required to  
34 maintain an hourly or subhourly import schedule into a California  
35 balancing authority shall be permitted, but only the fraction of the  
36 schedule actually generated by the eligible renewable energy  
37 resource shall count toward this portfolio content category.

38 (B) Have an agreement to dynamically transfer electricity to a  
39 California balancing authority.

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

4 (3) Eligible renewable energy resource electricity products, or  
5 any fraction of the electricity generated, including unbundled  
6 renewable energy credits, that do not qualify under the criteria of  
7 paragraph (1) or (2).

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

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

26 (2) Not more than 25 percent for the compliance period ending  
27 December 31, 2013, 15 percent for the compliance period ending  
28 December 31, 2016, and 10 percent for the compliance period  
29 ending December 31, 2020, of the eligible renewable energy  
30 resource electricity products associated with contracts executed  
31 after June 1, 2010, shall meet the product content requirements of  
32 paragraph (3) of subdivision (b). For the compliance periods ending  
33 after December 31, 2020, not more than 10 percent of the  
34 incremental renewable procurement requirements in each  
35 compliance period shall be satisfied with eligible renewable energy  
36 resource electricity products meeting the requirements of paragraph  
37 (3) of subdivision (b).

38 (3) Any renewable energy resources contracts executed on or  
39 after June 1, 2010, not subject to the limitations of paragraph (1)

1 or (2), shall meet the product content requirements of paragraph  
2 (2) of subdivision (b).

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

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

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

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

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

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

31 SEC. 13. Section 399.18 of the Public Utilities Code is  
32 amended to read:

33 399.18. (a) This section applies to an electrical corporation  
34 that as of January 1, 2010, met either of the following conditions:

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

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

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

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

9 (2) The Energy Commission verifies that the electricity  
10 generated by the facility is eligible to meet the requirements of  
11 Section 399.15.

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

14 SEC. 14. Section 399.21 of the Public Utilities Code is  
15 amended to read:

16 399.21. (a) The commission, by rule, shall authorize the use  
17 of renewable energy credits to satisfy the renewables portfolio  
18 standard procurement requirements established pursuant to this  
19 article, subject to the following conditions:

20 (1) The commission and the Energy Commission shall ensure  
21 that the tracking system established pursuant to subdivision (c) of  
22 Section 399.25, is operational, is capable of independently  
23 verifying that electricity earning the credit is generated by an  
24 eligible renewable energy resource, and can ensure that renewable  
25 energy credits shall not be double counted by any seller of  
26 electricity within the service territory of the WECC.

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

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

34 (4) Renewable energy credits shall not be created for electricity  
35 generated pursuant to any electricity purchase contract with a retail  
36 seller or a local publicly owned electric utility executed before  
37 January 1, 2005, unless the contract contains explicit terms and  
38 conditions specifying the ownership or disposition of those credits.  
39 Procurement under those contracts shall be tracked through the  
40 accounting system described in subdivision (b) of Section 399.25

1 and included in the quantity of eligible renewable energy resources  
2 of the purchasing retail seller pursuant to Section 399.15.

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

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

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

21 SEC. 15. Section 399.30 of the Public Utilities Code is  
22 amended to read:

23 399.30. (a) To fulfill unmet long-term generation resource  
24 needs, each local publicly owned electric utility shall adopt and  
25 implement a renewable energy resources procurement plan that  
26 requires the utility to procure a minimum quantity of electricity  
27 products from eligible renewable energy resources, including  
28 renewable energy credits, as a specified percentage of total  
29 kilowatthours sold to the utility's retail end-use customers, each  
30 compliance period, to achieve the targets of subdivision (c).

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

- 35 (1) January 1, 2011, to December 31, 2013, inclusive.
- 36 (2) January 1, 2014, to December 31, 2016, inclusive.
- 37 (3) January 1, 2017, to December 31, 2020, inclusive.
- 38 (4) January 1, 2021, to December 31, 2024, inclusive.
- 39 (5) January 1, 2025, to December 31, 2027, inclusive.
- 40 (6) January 1, 2028, to December 31, 2030, inclusive.



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

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

7 (2) The quantities of eligible renewable energy resources to be  
8 procured for all other compliance periods reflect reasonable  
9 progress in each of the intervening years sufficient to ensure that  
10 the procurement of electricity products from eligible renewable  
11 energy resources achieves 25 percent of retail sales by December  
12 31, 2016, 33 percent by December 31, 2020, 40 percent by  
13 December 31, 2024, 45 percent by December 31, 2027, and 50  
14 percent by December 31, 2030. The Energy Commission shall  
15 establish appropriate multiyear compliance periods for all  
16 subsequent years that require the local publicly owned electric  
17 utility to procure not less than 50 percent of retail sales of  
18 electricity products from eligible renewable energy resources.

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

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

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

31 (1) Rules permitting the utility to apply excess procurement in  
32 one compliance period to subsequent compliance periods in the  
33 same manner as allowed for retail sellers pursuant to Section  
34 399.13.

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

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

39 (e) The governing board of the local publicly owned electric  
40 utility shall adopt a program for the enforcement of this article.

1 The program shall be adopted at a publicly noticed meeting offering  
2 all interested parties an opportunity to comment. Not less than 30  
3 days' notice shall be given to the public of any meeting held for  
4 purposes of adopting the program. Not less than 10 days' notice  
5 shall be given to the public before any meeting is held to make a  
6 substantive change to the program.

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

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

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

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

35 (h) For a local publicly owned electric utility that was in  
36 existence on or before January 1, 2009, that provides retail electric  
37 service to 15,000 or fewer customer accounts in California, and is  
38 interconnected to a balancing authority located outside this state  
39 but within the WECC, an eligible renewable energy resource  
40 includes a facility that is located outside California that is

1 connected to the WECC transmission system, if all of the following  
2 conditions are met:

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

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

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

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

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

38 (k) (1) A local publicly owned electric utility that receives  
39 greater than 50 percent of its annual retail sales from its own  
40 hydroelectric generation that is not an eligible renewable energy

1 resource shall not be required to procure additional eligible  
2 renewable energy resources in excess of either of the following:

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

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

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

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

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

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

22 (D) Has a maximum penstock flow capacity of no more than  
23 3,200 cubic feet per second and includes a regulating reservoir  
24 with a small hydroelectric generation facility producing fewer than  
25 20 megawatts with a maximum penstock flow capacity of no more  
26 than 3,000 cubic feet per second.

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

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

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

36 (1) The mix of eligible renewable energy resources procured  
37 by the utility and those additional generation resources procured  
38 by the utility for purposes of ensuring resource adequacy and  
39 reliability.

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

3 (m) The Energy Commission shall adopt regulations specifying  
4 procedures for enforcement of this article. The regulations shall  
5 include a public process under which the Energy Commission may  
6 issue a notice of violation and correction against a local publicly  
7 owned electric utility for failure to comply with this article, and  
8 for referral of violations to the State Air Resources Board for  
9 penalties pursuant to subdivision (n).

10 (n) (1) Upon a determination by the Energy Commission that  
11 a local publicly owned electric utility has failed to comply with  
12 this article, the Energy Commission shall refer the failure to comply  
13 with this article to the State Air Resources Board, which may  
14 impose penalties to enforce this article consistent with Part 6  
15 (commencing with Section 38580) of Division 25.5 of the Health  
16 and Safety Code. Any penalties imposed shall be comparable to  
17 those adopted by the commission for noncompliance by retail  
18 sellers.

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

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

28

29 Article 17. Clean Energy and Pollution Reduction

30

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

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

38 (b) Take into account the opportunities to decrease costs and  
39 increase benefits, including pollution reduction and grid integration,

1 using technologies with zero onsite greenhouse gas emissions in  
2 proceedings associated with meeting the objectives.

3 (c) Where feasible, authorize procurement of resources to  
4 provide grid reliability services that minimize reliance on system  
5 power and fossil fuel resources and, where feasible, cost-effective,  
6 and consistent with other state policy objectives, increase the use  
7 of large- and small-scale energy storage with a variety of  
8 technologies, targeted energy efficiency, demand response, eligible  
9 renewable energy resources, or other technologies with zero onsite  
10 greenhouse gas emissions to protect system reliability.

11 (d) Review technology incentive, research, development,  
12 deployment, and market facilitation programs overseen by the  
13 commission and the Energy Commission and make  
14 recommendations to advance state clean energy and pollution  
15 reduction objectives and provide benefits to disadvantaged  
16 communities as identified pursuant to Section 39711 of the Health  
17 and Safety Code.

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

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

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

34 SEC. 17. Section 454.51 is added to the Public Utilities Code,  
35 to read:

36 454.51. The commission shall direct each electrical corporation  
37 to include in its proposed procurement plan a strategy for procuring  
38 a diverse portfolio of resources that provide a reliable electricity  
39 supply, including renewable energy integration needs, using zero  
40 carbon-emitting resources to the maximum extent reasonable. The

1 net capacity costs of those resources shall be allocated on a fully  
2 nonbypassable basis consistent with the treatment of costs  
3 identified in paragraph (2) of subdivision (c) of Section 365.1.

4 SEC. 18. Section 701.1 of the Public Utilities Code is amended  
5 to read:

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

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

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

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

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

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

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

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

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

25 (2) Further, the environmental values determined pursuant to  
26 subdivision (c) shall not be used by the commission in a manner  
27 which, when those values are aggregated, will result in advancing  
28 an electric utility's need for new powerplant capacity by more than  
29 15 months.

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



1 subdivision (c). The commission shall approve an alternative in  
2 place of the new powerplant capacity if it finds all of the following:

3 (1) The alternative has been approved by the relevant air quality  
4 district.

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

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

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

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

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

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

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

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

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

28 (a) Safer, more reliable, or less costly gas or electrical service,  
29 consistent with Section 451.

30 (b) More efficient use of the electric system.

31 (c) Improve integration of renewable energy generation.

32 (d) Activities that both directly benefit ratepayers and that  
33 promote at least one of the following:

34 (1) Energy efficiency.

35 (2) Reduction of health and environmental impacts from air  
36 pollution.

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

39 (4) Increased use of alternative fuels.

1 SEC. 20. Section 740.12 is added to the Public Utilities Code,  
2 to read:

3 740.12. (a) (1) The Legislature finds and declares all of the  
4 following:

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

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

14 (C) Reducing emissions of greenhouse gases to 40 percent below  
15 1990 levels by 2030 and to 80 percent below 1990 levels by 2050  
16 will require widespread transportation electrification.

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

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

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

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

33 (H)

34 (G) According to the State Alternative Fuels Plan analysis by  
35 the Energy Commission and the State Air Resources Board, light-,  
36 medium-, and heavy-duty vehicle electrification results in  
37 approximately 70 percent fewer greenhouse gases emitted, over  
38 85 percent fewer ozone-forming air pollutants emitted, and 100  
39 percent fewer petroleum used. These reductions will become larger  
40 as renewable generation increases.

1 (2) It is the policy of the state and the intent of the Legislature  
2 to encourage transportation electrification as a means to achieve  
3 ambient air quality standards and the state’s climate goals.  
4 Agencies designing and implementing regulations, guidelines,  
5 plans, and funding programs to reduce greenhouse gas emissions  
6 should take the finding described in subparagraph ~~(H)~~ (G) of  
7 paragraph (1) into account.

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

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

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

- 1 within the meaning of Section 17556 of the Government Code, or
- 2 changes the definition of a crime within the meaning of Section 6
- 3 of Article XIII B of the California Constitution.

O