

AMENDED IN ASSEMBLY MARCH 26, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 197

Introduced by Assembly Member Eduardo Garcia

January 28, 2015

An act to amend Sections 399.13 and 399.15 of, and to add Sections 399.23 and Section 636 to, and to repeal and add Section 454.55 of, the Public Utilities Code, relating to public utilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 197, as amended, Eduardo Garcia. Public utilities: renewable resources.

(1) The Public Utilities Act requires the Public Utilities Commission (PUC), in consultation with the Independent System Operator, to establish resource adequacy requirements for all load-serving entities, including electrical corporations, in accordance with specified objectives. The act further requires each load-serving entity to maintain physical generating capacity adequate to meet its load requirements, including peak demand and planning and operating reserves, deliverable to locations and at times as may be necessary to provide reliable electric service.

The California Renewables Portfolio Standard (RPS) Program, requires a retail seller of electricity and local publicly owned electric utilities to purchase specified minimum quantities of electricity products from eligible renewable energy resources for specified compliance periods, sufficient to ensure that the procurement of electricity products from those resources achieves 25% of retail sales by December 31, 2016 and 33% of retail sales by December 31, 2020, and in all subsequent years. The RPS program, Program, consistent with the goals

of procuring the least-cost and best-fit eligible renewable energy resources that meet project viability principles, requires that all retail sellers procure a balanced portfolio of electricity products from eligible renewable energy resources, as specified, referred to as the portfolio content requirements. *The RPS Program requires the PUC, by rulemaking, to adopt a process that provides criteria for the rank ordering and selection of the least-cost and best-fit eligible renewable energy resources taking into account specified factors and to require an electrical corporation, in soliciting and procuring eligible renewable energy resources, to take specified actions. The RPS Program authorizes an electrical corporation to refrain from entering into new contracts or constructing facilities beyond the quantity that can be procured within the cost limitation of the electrical corporation unless the eligible renewable energy resources can be procured without exceeding a de minimis increase in rates consistent with the electrical corporation's long-term procurement plan.*

~~This bill would state the policy of the state to require all retail sellers of electricity, including investor-owned electrical corporations and local publicly owned electric utilities, to procure all available cost-effective, reliable, and feasible energy efficiency, demand response, and renewable resources, so as to achieve grid reliability and greenhouse gases emission reductions simultaneously, in the most cost-effective and affordable manner practicable. The bill would require that procurement not be limited by any targets established for these resources by statute or regulatory decision. require the PUC, in adopting the process, to include consideration of any statewide greenhouse gas emissions limit established pursuant to the California Global Warming Solutions Act of 2006 and consideration of capacity and essential reliability services of the eligible renewable energy resource to ensure grid reliability. The bill would require the PUC to require an electrical corporation, in soliciting and procuring eligible renewable energy resources, to consider the best-fit attributes of resources types that ensure a balanced resource mix to maintain the reliability of the electrical grid. The bill would revise the authority of an electrical corporation to refrain from entering into new contracts or constructing facilities beyond the quantity that can be procured within the electrical corporation's cost limitation, as specified.~~

~~(2) The Public Utilities Act requires the PUC to review and adopt a procurement plan for each electrical corporation in accordance with specified elements, incentive mechanisms, and objectives. The act~~

~~requires that an electrical corporation's proposed procurement plan include certain elements, including a showing that the electrical corporation will first meet its unmet needs through all available energy efficiency and demand reduction resources that are cost effective, reliable, and feasible. The act requires the PUC, in consultation with the State Energy Resources Conservation and Development Commission, to identify all potentially achievable cost-effective electricity efficiency savings and to establish efficiency targets for electrical corporations to achieve pursuant to their procurement plan.~~

~~This bill would require electrical corporations to procure all available cost-effective, reliable, and feasible energy efficiency, demand response, and renewable energy resources, and to consider procuring available cost-effective energy storage technologies. The bill would require the PUC to continue to establish efficiency targets for an electrical corporation pursuant to the utility's procurement plan.~~

~~(3)~~

~~(2) The Public Utilities Act requires an electrical corporation or a local publicly owned *publicly owned* electric utility, in a long-term plan or a procurement plan, respectively, to adopt a strategy applicable both to a newly constructed or repowered generation owned and procured by the electrical corporation or local publicly owned electric utility to achieve efficiency in the use of fossil fuels and to address carbon emissions.~~

~~This bill would require an electrical corporation, in a long-term plan, *corporation* or local publicly owned electric utility, in *adopting* a procurement plan, to adopt a long-term procurement strategy to achieve a target of procuring 50% of its electricity products from eligible renewable energy resources by December 31, 2030. The bill would require that each long-term plan adopted by an electrical corporation or procurement plan implemented by a local publicly owned electric utility be updated not less than every 3 years and released to the public, the Governor, and the Legislature, and would require that each plan update include estimated emissions of greenhouse gases that are expected to result from implementation of the plan for each 5-year period through December 31, 2030. *consider any statewide greenhouse gas emissions limit established pursuant to the California Global Warming Solutions Act of 2006 and consider capacity and essential reliability services to ensure grid reliability.*~~

~~(4)~~

(3) Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the Public Utilities Commission is a crime.

Because the provisions of this bill are within the act, a violation of the requirements would impose a state-mandated local program by expanding the definition of a crime.

(5)

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

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

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

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

1 ~~SECTION 1. Section 399.23 is added to the Public Utilities~~
2 ~~Code, to read:~~
3 ~~399.23. (a) The Legislature finds and declares all of the~~
4 ~~following:~~
5 ~~(1) There is increasing uncertainty with regard to the availability~~
6 ~~of California’s fleet of older powerplants, as well as the state’s~~
7 ~~ability to reduce greenhouse gas emissions beyond the target~~
8 ~~established for 2020, creating the need for both increased electrical~~
9 ~~generation from renewable energy resources and reduced demand~~
10 ~~through energy efficiency and demand response.~~
11 ~~(2) It is in the best interest of the electricity consumers of this~~
12 ~~state that sufficient renewable energy generation supply and~~
13 ~~demand-side resources are procured to meet electricity demand,~~
14 ~~and that this supply and these resources provide the highest value,~~
15 ~~including providing safe, reliable, and affordable electricity~~
16 ~~supplies and minimizing air quality impacts to consumers in the~~
17 ~~most cost-effective manner practicable.~~
18 ~~(3) Renewable energy generation from renewable energy~~
19 ~~resources that qualify as local capacity resources are essential to~~
20 ~~maintaining reliable electricity deliveries.~~
21 ~~(4) There are substantial high-quality renewable energy~~
22 ~~resources in the County of Imperial near the Salton Sea with the~~
23 ~~ability to reduce greenhouse gas emissions that can generate~~

1 electricity in a manner that will simultaneously meet local capacity
2 requirements, maintain grid reliability, and provide significant
3 local and regional environmental and economic development
4 benefits.

5 (5) ~~The commitment to a loading order of preferred resources~~
6 ~~in the manner prescribed in Section 454.55 is necessary to the~~
7 ~~continued health and safety of California electric consumers.~~

8 (b) ~~Consistent with the loading order adopted by the Energy~~
9 ~~Commission and the commission that sets forth state policy for~~
10 ~~preferred resources to meet electrical load needs, it is the intent of~~
11 ~~the Legislature, and the policy of the state, that all retail sellers of~~
12 ~~electricity, including investor-owned electrical corporations and~~
13 ~~local publicly owned electric utilities, shall procure all available~~
14 ~~cost-effective, reliable, and feasible energy efficiency, demand~~
15 ~~response, and renewable energy resources, so as to achieve grid~~
16 ~~reliability and greenhouse gases emission reductions~~
17 ~~simultaneously, in the most cost-effective and affordable manner~~
18 ~~practicable. Procurement shall not be limited by any targets~~
19 ~~established for these resources by statute or regulatory decision.~~

20 ~~SEC. 2. Section 454.55 of the Public Utilities Code is repealed.~~

21 ~~SEC. 3. Section 454.55 is added to the Public Utilities Code,~~
22 ~~to read:~~

23 ~~454.55. Pursuant to a loading order of preferred resources to~~
24 ~~meet electricity demand in a manner that improves the state's air~~
25 ~~quality, reduces greenhouse gas emissions, and preserves electric~~
26 ~~grid reliability, electrical corporations shall procure all available~~
27 ~~cost-effective, reliable, and feasible energy efficiency, demand~~
28 ~~response, and renewable energy resources, and shall consider~~
29 ~~procuring available cost-effective energy storage technologies.~~
30 ~~Procurement of conventional or gas-fired generation shall only be~~
31 ~~undertaken to meet residual need forecasted for the long-term~~
32 ~~planning period that is not otherwise met by preferred resources.~~
33 ~~In measuring the cost-effectiveness of the procurement of preferred~~
34 ~~resources, the commission shall determine and include the value~~
35 ~~of grid reliability, including the value of grid reliability of diversity~~
36 ~~in renewable electric generation by resource type, size, and~~
37 ~~location, both alone and in combination with nontransmission~~
38 ~~alternatives, and local environmental benefits provided by each~~
39 ~~renewable energy resource type technology in disadvantaged~~
40 ~~communities that have been identified by the California~~

1 Environmental Protection Agency pursuant to Section 39711 of
 2 the Health and Safety Code. This procurement shall not be limited
 3 by any targets established for these resources by statute or
 4 regulatory decision. However, the commission shall continue to
 5 establish efficiency targets for an electrical corporation to achieve
 6 pursuant to Section 454.5.

7 *SECTION 1. Section 399.13 of the Public Utilities Code is*
 8 *amended to read:*

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

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

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

38 (A) The current status and progress made during the prior year
 39 toward procurement of eligible renewable energy resources as a
 40 percentage of retail sales, including, if applicable, the status of any

1 necessary siting and permitting approvals from federal, state, and
2 local agencies for those eligible renewable energy resources
3 procured by the retail seller, and the current status of compliance
4 with the portfolio content requirements of subdivision (c) of
5 Section 399.16, including procurement of eligible renewable energy
6 resources located outside the state and within the WECC and
7 unbundled renewable energy credits.

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

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

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

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

26 (i) Estimates of indirect costs associated with needed
27 transmission investments.

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

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

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

1 (v) (I) Estimates of electrical corporation expenses resulting
2 from integrating and operating eligible renewable energy resources,
3 including, but not limited to, any additional wholesale energy and
4 capacity costs associated with integrating each eligible renewable
5 resource.

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

9 *(vi) Consideration of any statewide greenhouse gas emissions*
10 *limit established pursuant to the California Global Warming*
11 *Solutions Act of 2006 (Division 25.5 (commencing with Section*
12 *38500) of the Health and Safety Code).*

13 *(vii) Consideration of capacity and essential reliability services*
14 *of the eligible renewable energy resource to ensure grid reliability.*

15 (B) Rules permitting retail sellers to accumulate, beginning
16 January 1, 2011, excess procurement in one compliance period to
17 be applied to any subsequent compliance period. The rules shall
18 apply equally to all retail sellers. In determining the quantity of
19 excess procurement for the applicable compliance period, the
20 commission shall deduct from actual procurement quantities the
21 total amount of procurement associated with contracts of less than
22 10 years in duration. In no event shall electricity products meeting
23 the portfolio content of paragraph (3) of subdivision (b) of Section
24 399.16 be counted as excess procurement.

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

37 (D) An appropriate minimum margin of procurement above the
38 minimum procurement level necessary to comply with the
39 renewables portfolio standard to mitigate the risk that renewable
40 projects planned or under contract are delayed or canceled. This

1 paragraph does not preclude an electrical corporation from
2 voluntarily proposing a margin of procurement above the
3 appropriate minimum margin established by the commission.

4 (5) Consistent with the goal of increasing California’s reliance
5 on eligible renewable energy resources, the renewable energy
6 procurement plan submitted by an electrical corporation shall
7 include all of the following:

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

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

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

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

19 (E) Consideration of mechanisms for price adjustments
20 associated with the costs of key components for eligible renewable
21 energy resource projects with online dates more than 24 months
22 after the date of contract execution.

23 (F) An assessment of the risk that an eligible renewable energy
24 resource will not be built, or that construction will be delayed,
25 with the result that electricity will not be delivered as required by
26 the contract.

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

31 (7) In soliciting and procuring eligible renewable energy
32 resources for California-based projects, each electrical corporation
33 shall give preference to renewable energy projects that provide
34 environmental and economic benefits to communities afflicted
35 with poverty or high unemployment, or that suffer from high
36 emission levels of toxic air contaminants, criteria air pollutants,
37 and greenhouse gases.

38 (8) *In soliciting and procuring eligible renewable energy*
39 *resources, each electrical corporation shall consider the best-fit*

1 *attributes of resource types that ensure a balanced resource mix*
2 *to maintain the reliability of the electrical grid.*

3 (b) A retail seller may enter into a combination of long- and
4 short-term contracts for electricity and associated renewable energy
5 credits. The commission may authorize a retail seller to enter into
6 a contract of less than 10 years' duration with an eligible renewable
7 energy resource, if the commission has established, for each retail
8 seller, minimum quantities of eligible renewable energy resources
9 to be procured through contracts of at least 10 years' duration.

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

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

22 (e) If an electrical corporation fails to comply with a commission
23 order adopting a renewable energy resource procurement plan, the
24 commission shall exercise its authority pursuant to Section 2113
25 to require compliance. The commission shall enforce comparable
26 penalties on any retail seller that is not an electrical corporation
27 that fails to meet the procurement targets established pursuant to
28 Section 399.15.

29 (f) (1) The commission may authorize a procurement entity to
30 enter into contracts on behalf of customers of a retail seller for
31 electricity products from eligible renewable energy resources to
32 satisfy the retail seller's renewables portfolio standard procurement
33 requirements. The commission shall not require any person or
34 corporation to act as a procurement entity or require any party to
35 purchase eligible renewable energy resources from a procurement
36 entity.

37 (2) Subject to review and approval by the commission, the
38 procurement entity shall be permitted to recover reasonable
39 administrative and procurement costs through the retail rates of
40 end-use customers that are served by the procurement entity and

1 are directly benefiting from the procurement of eligible renewable
2 energy resources.

3 (g) Procurement and administrative costs associated with
4 contracts entered into by an electrical corporation for eligible
5 renewable energy resources pursuant to this article and approved
6 by the commission are reasonable and prudent and shall be
7 recoverable in rates.

8 (h) Construction, alteration, demolition, installation, and repair
9 work on an eligible renewable energy resource that receives
10 production incentives pursuant to Section 25742 of the Public
11 Resources Code, including work performed to qualify, receive, or
12 maintain production incentives, are “public works” for the purposes
13 of Chapter 1 (commencing with Section 1720) of Part 7 of Division
14 2 of the Labor Code.

15 *SEC. 2. Section 399.15 of the Public Utilities Code is amended*
16 *to read:*

17 399.15. (a) In order to fulfill unmet long-term resource needs,
18 the commission shall establish a renewables portfolio standard
19 requiring all retail sellers to procure a minimum quantity of
20 electricity products from eligible renewable energy resources as
21 a specified percentage of total kilowatthours sold to their retail
22 end-use customers each compliance period to achieve the targets
23 established under this article. For any retail seller procuring at least
24 14 percent of retail sales from eligible renewable energy resources
25 in 2010, the deficits associated with any previous renewables
26 portfolio standard shall not be added to any procurement
27 requirement pursuant to this article.

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

30 (1) Each retail seller shall procure a minimum quantity of
31 eligible renewable energy resources for each of the following
32 compliance periods:

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

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

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

36 (2) (A) No later than January 1, 2012, the commission shall
37 establish the quantity of electricity products from eligible
38 renewable energy resources to be procured by the retail seller for
39 each compliance period. These quantities shall be established in
40 the same manner for all retail sellers and result in the same

1 percentages used to establish compliance period quantities for all
2 retail sellers.

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

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

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

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

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

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

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

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

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

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

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

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

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

35 (C) Unanticipated curtailment of eligible renewable energy
36 resources necessary to address the needs of a balancing authority.

37 (6) If the commission waives the compliance requirements of
38 this section, the commission shall establish additional reporting
39 requirements on the retail seller to demonstrate that all reasonable
40 actions under the control of the retail seller are taken in each of

1 the intervening years sufficient to satisfy future procurement
2 requirements.

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

7 (8) If a retail seller fails to procure sufficient eligible renewable
8 energy resources to comply with a procurement requirement
9 pursuant to paragraphs (1) and (2) and fails to obtain an order from
10 the commission waiving enforcement pursuant to paragraph (5),
11 the commission shall exercise its authority pursuant to Section
12 2113.

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

15 (c) The commission shall establish a limitation for each electrical
16 corporation on the procurement expenditures for all eligible
17 renewable energy resources used to comply with the renewables
18 portfolio standard. In establishing this limitation, the commission
19 shall rely on the following:

20 (1) The most recent renewable energy procurement plan.

21 (2) Procurement expenditures that approximate the expected
22 cost of building, owning, and operating eligible renewable energy
23 resources.

24 (3) The potential that some planned resource additions may be
25 delayed or canceled.

26 (d) In developing the limitation pursuant to subdivision (c), the
27 commission shall ensure all of the following:

28 (1) The limitation is set at a level that prevents disproportionate
29 rate impacts.

30 (2) The costs of all procurement credited toward achieving the
31 renewables portfolio standard are counted towards the limitation.

32 (3) Procurement expenditures do not include any indirect
33 expenses, including imbalance energy charges, sale of excess
34 energy, decreased generation from existing resources, transmission
35 upgrades, or the costs associated with relicensing any utility-owned
36 hydroelectric facilities.

37 (e) (1) No later than January 1, 2016, the commission shall
38 prepare a report to the Legislature assessing whether each electrical
39 corporation can achieve a 33-percent renewables portfolio standard
40 by December 31, 2020, and maintain that level thereafter, within

1 the adopted cost limitations. If the commission determines that it
2 is necessary to change the limitation for procurement costs incurred
3 by any electrical corporation after that date, it may propose a
4 revised cap consistent with the criteria in subdivisions (c) and (d).
5 The proposed modifications shall take effect no earlier than January
6 1, 2017.

7 (2) Notwithstanding Section 10231.5 of the Government Code,
8 the requirement for submitting a report imposed under paragraph
9 (1) is inoperative on January 1, 2021.

10 (3) A report to be submitted pursuant to paragraph (1) shall be
11 submitted in compliance with Section 9795 of the Government
12 Code.

13 (f) If the cost limitation for an electrical corporation is
14 insufficient to support the projected costs of meeting the
15 renewables portfolio standard procurement requirements, the
16 electrical corporation may refrain from entering into new contracts
17 or constructing facilities beyond the quantity that can be procured
18 within the limitation, unless eligible renewable energy resources
19 can be procured without exceeding a de minimis increase in ~~rates,~~
20 ~~consistent with rates or to the extent that the procurement of~~
21 *renewable energy resources, separate from the renewables*
22 *portfolio standard procurement requirements, is authorized by the*
23 *commission for the long-term procurement plan established for*
24 *the electrical corporation pursuant to Section 454.5.*

25 (g) (1) The commission shall monitor the status of the cost
26 limitation for each electrical corporation in order to ensure
27 compliance with this article.

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

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

35 (B) Notify the appropriate policy and fiscal committees of the
36 Legislature that the electrical corporation may exceed its cost
37 limitation, and include the reasons why the electrical corporation
38 may exceed its cost limitation.

39 (h) The establishment of a renewables portfolio standard shall
40 not constitute implementation by the commission of the federal

1 Public Utility Regulatory Policies Act of 1978 (Public Law
2 95-617).

3 ~~SEC. 4.~~

4 ~~SEC. 3.~~ Section 636 is added to the Public Utilities Code, to
5 read:

6 636. ~~(a) In a long-term procurement plan adopted by an~~
7 ~~electrical corporation or in a procurement plan implemented by a~~
8 ~~local publicly owned electric utility, the electrical corporation or~~
9 ~~local publicly owned electric utility shall adopt a long-term~~
10 ~~procurement strategy to achieve a target of procuring 50 percent~~
11 ~~of its electricity products from eligible renewable energy resources,~~
12 ~~as defined in Section 399.12, by December 31, 2030, consistent~~
13 ~~with Section 454.55: give consideration to both of the following:~~

14 ~~(b) Each long-term plan adopted by an electrical corporation or~~
15 ~~procurement plan implemented by a local publicly owned electric~~
16 ~~utility shall be updated not less than every three years and released~~
17 ~~to the public, the Governor, and the Legislature. Each plan update~~
18 ~~shall include estimated emissions of greenhouse gases that are~~
19 ~~expected to result from implementation of the plan for each~~
20 ~~five-year period through December 31, 2030.~~

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

25 ~~(b) Capacity and essential reliability services to ensure grid~~
26 ~~reliability.~~

27 ~~SEC. 5.~~

28 ~~SEC. 4.~~ No reimbursement is required by this act pursuant to
29 Section 6 of Article XIII B of the California Constitution because
30 the only costs that may be incurred by a local agency or school
31 district will be incurred because this act creates a new crime or
32 infraction, eliminates a crime or infraction, or changes the penalty
33 for a crime or infraction, within the meaning of Section 17556 of
34 the Government Code, or changes the definition of a crime within
35 the meaning of Section 6 of Article XIII B of the California
36 Constitution.