SB-1393 Energy efficiency and pollution reduction. (2015-2016)

Senate Bill No. 1393

CHAPTER 677

An act to amend Section 44258.5 of the Health and Safety Code, to amend Section 25302.2 of the Public Resources Code, and to amend Sections 399.11, 399.12, 399.30, 400, 454.51, 9508, and 9621 of the Public Utilities Code, relating to energy.

[Approved by Governor September 26, 2016. Filed with Secretary of State September 26, 2016.]

LEGISLATIVE COUNSEL'S DIGEST

SB 1393, De León. Energy efficiency and pollution reduction.

(1) Existing law requires the State Energy Resources Conservation and Development Commission (Energy Commission) to compile and adopt an integrated energy policy report every 2 years and requires the report to include an overview of major energy trends and issues facing the state. As part of the 2019 edition of the report, existing law requires the Energy Commission to evaluate the actual energy efficiency savings from negative therm interactive effects generated as a result of electricity efficiency improvements.

This bill would additionally require the Energy Commission to include that evaluation in each integrated energy policy report adopted after 2019.

(2) Existing law defines “eligible renewable energy resource” for the purposes of the renewable energy portfolio standard. Existing law provides that a facility engaged in the combustion of municipal solid waste shall not be considered as an eligible renewable energy resource. Existing law also provides that electricity generated by a facility engaged in the combustion of municipal solid waste shall not result in the creation of a renewable energy credit. However, these provisions do not apply, under specified circumstances, to a facility located in Stanislaus County.

This bill would modify the exception for the facility located in Stanislaus County, as specified.

(3) Existing law requires each local publicly owned electric utility to adopt and implement a renewable energy resources procurement plan that requires the utility to procure a minimum quantity of electricity products from eligible renewable energy resources, with various required percentages applicable over time, as specified. Existing law provides various exemptions from minimum renewable energy resources procurement requirements for certain local publicly owned electric utilities relying on hydroelectric generation.

This bill would modify certain exemptions from the minimum renewable energy resources procurement requirements relating to hydroelectric generation, as specified.

(4) Existing law requires each local publicly owned electric utility to post notice whenever its governing body will deliberate in public on its renewable energy resources procurement plan, and requires the utility to also notify and provide certain information

to the Energy Commission in that regard.

This bill would delete this requirement for a local publicly owned electric utility to notify and report to the Energy Commission.

(5) Existing law requires the Public Utilities Commission and the Energy Commission to review specified programs overseen by the Public Utilities Commission and the Energy Commission and make recommendations to advance state clean energy and pollution reduction objectives and provide benefits to disadvantaged communities.

This bill would additionally require the Energy Commission to review programs of the same type overseen by academia and the private and nonprofit sectors.

(6) Existing law requires the Public Utilities Commission to identify a diverse and balanced portfolio of resources needed to ensure a reliable electricity supply that provides optimal integration of renewable energy in a cost-effective manner, and specifies the respective roles of electrical corporations and community choice aggregators in satisfying the portfolio needs for renewable integration. Existing law provides that all costs resulting from nonperformance shall be borne by the electrical corporation or community choice aggregator responsible for them.

This bill would require the commission to ensure that all costs resulting from nonperformance to satisfy the need for renewable integration shall be borne by the electrical corporation or community choice aggregator that failed to perform.

(7) This bill would make various other changes to provisions relating to energy efficiency and pollution reduction.
Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 44258.5 of the Health and Safety Code is amended to read:

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

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

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

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

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

SEC. 2. Section 25302.2 of the Public Resources Code is amended to read:

25302.2. As part of the 2019 edition of the integrated energy policy report, and as part of each integrated energy policy report adopted biennially thereafter, the commission shall evaluate the actual energy efficiency savings, as defined in Section 25310, from negative therm interactive effects generated as a result of electricity efficiency improvements.

SEC. 3. Section 399.11 of the Public Utilities Code is amended to read:

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

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

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

(1) Displacing fossil fuel consumption within the state.

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

(3) Reducing air pollution, particularly criteria pollutant emissions and toxic air contaminants, in the state.

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

(5) Promoting stable retail rates for electric service.

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

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

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

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

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

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

(e) (1) Supplying electricity to California end-use customers that is generated by eligible renewable energy resources is necessary to improve California's air quality and public health, particularly in disadvantaged communities identified pursuant to Section 39711 of the Health and Safety Code, and the commission shall ensure rates are just and reasonable, and are not significantly affected by the procurement requirements of this article. This electricity may be generated anywhere in the interconnected grid that includes many states, and areas of both Canada and Mexico.

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

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

SEC. 4. Section 399.12 of the Public Utilities Code is amended to read:

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

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

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

(c) "Balancing authority area" means the collection of generation, transmission, and loads within the metered boundaries of the area within which the balancing authority maintains the electrical load-resource balance.

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

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

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

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

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

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

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

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

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

(B) Subparagraph (A) does not apply to generation before January 1, 2017, from a facility located in Stanislaus County that was operational prior to September 26, 1996.

(f) "Procure" means to acquire through ownership or contract.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(C) A local publicly owned electric utility.

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

SEC. 5. Section 399.30 of the Public Utilities Code is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(k) (1) For the purposes of this subdivision, “hydroelectric generation” means electricity generated from a hydroelectric facility that satisfies all of the following:

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

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

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

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

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

(A) The portion of the local publicly owned electric utility’s retail sales unsatisfied by the local publicly owned electric utility’s hydroelectric generation. For these purposes, retail sales supplied by an increase in hydroelectric generation resulting from an increase in the amount of water stored by a dam because the dam is enlarged or otherwise modified after December 31, 2012, shall not count as being retail sales supplied by the utility’s own hydroelectric generation.

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

(C) The cost limitation adopted pursuant to this section.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SEC. 6. Section 400 of the Public Utilities Code is amended to read:

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

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

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

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

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

(2) The Energy Commission shall review technology incentive, research, development, deployment, and market facilitation programs operating in California and overseen by academia and the private and nonprofit sectors, and make recommendations to advance state clean energy and pollution reduction objectives and provide benefits to disadvantaged communities identified pursuant to Section 39711 of the Health and Safety Code.

(e) To the extent feasible and consistent with the state and federal constitutions, give first priority to the manufacture and deployment of clean energy and pollution reduction technologies that create employment opportunities in California, including high wage, highly skilled employment opportunities, and increased investment in the state.

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

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

SEC. 7. Section 454.51 of the Public Utilities Code is amended to read:

454.51. The commission shall do all of the following:

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

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

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

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

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

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

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

(e) Ensure that all costs resulting from nonperformance to satisfy the need in subdivision (a) or (d), as applicable, shall be borne by the electrical corporation or community choice aggregator that failed to perform.

SEC. 8. Section 9508 of the Public Utilities Code is amended to read:

9508. (a) In developing the rules and procedures specified in this section and in Section 9507, the Energy Commission shall seek to minimize the reporting burden and cost of reporting that it imposes on local publicly owned electric utilities.

(b) A local publicly owned electric utility shall annually submit to the Energy Commission documentation regarding eligible renewable energy resources procurement contracts that it executed during the prior year, as follows:

(1) A description of the eligible renewable energy resource, including the duration of the contract or electricity purchase agreement.

(2) A description and identification of the electrical generating facility providing the eligible renewable energy resource under the contract.

(3) An estimate of the percentage increase in the utility's total retail sales of electricity from eligible renewable energy resources that will result from the contract.

(c) A local publicly owned electric utility shall annually submit to the Energy Commission documentation regarding the utility's progress toward attaining the renewables portfolio standard established pursuant to Section 399.30.

(d) A local publicly owned electric utility shall, on an annual basis, make available to the Legislature and the Energy Commission information relating to the utility's solar initiative program established pursuant to Section 2854, including the rated generating capacity of installed solar energy systems receiving monetary incentives through the utility's program, the total number of solar energy systems installed, the total number of applications for the utility's program, the amount of monetary incentives awarded, and the contribution toward the program goals of the California Solar Initiative (Article 1 (commencing with Section 2851) of Chapter 9 of Part 2 of Division 1).

(e) For the purposes of this section, "eligible renewable energy resource," "renewables portfolio standard," and "procure" have the same meanings as these terms have in the California Renewables Portfolio Standard Program (Article 16 (commencing with Section 399.11) of Chapter 2.3 of Part 1 of Division 1).

SEC. 9. Section 9621 of the Public Utilities Code is amended to read:

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

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

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

(2) Ensures procurement of at least 50 percent eligible renewable energy resources by 2030 consistent with Article 16 (commencing with Section 399.11) of Chapter 2.3 of Part 1 of Division 1.

(3) Meets the goals specified in subparagraphs (D) to (H), inclusive, of paragraph (1) of subdivision (a) of Section 454.52, and the goal specified in subparagraph (C) of paragraph (1) of subdivision (a) of Section 454.52, as that goal is applicable to each local publicly owned electric utility. A local publicly owned electric utility shall not, solely by reason of this paragraph, be subject to requirements otherwise imposed on electrical corporations.

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

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

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

(C) Transportation electrification.

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

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

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

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

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