AMENDED IN ASSEMBLY AUGUST 22, 2014

AMENDED IN ASSEMBLY AUGUST 19, 2014

AMENDED IN ASSEMBLY JULY 2, 2014

AMENDED IN SENATE MAY 27, 2014

AMENDED IN SENATE MAY 6, 2014

AMENDED IN SENATE APRIL 21, 2014

AMENDED IN SENATE APRIL 2, 2014

SENATE BILL No. 1139

Introduced by Senator Hueso
(Principal coauthor: Assembly Member V. Manuel Pérez)

February 20, 2014

An act to add Section 399.35 to the Public Utilities Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1139, as amended, Hueso. California Renewables Portfolio Standard Program.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations, as defined. The Public Utilities Act imposes various duties and responsibilities on the commission with respect to the purchase of electricity and requires the commission to review and adopt a renewable energy procurement plan for each electrical corporation pursuant to the California Renewables Portfolio Standard Program. The California Renewables Portfolio Standard Program requires a retail seller, as defined, to purchase specified minimum quantities of electricity products

from eligible renewable energy resources, as defined, for specified compliance periods. ~~Existing law requires the State Energy Resources Conservation and Development Commission (Energy Commission) to certify eligible renewable energy resources that it determines meet specified statutory criteria.~~ A violation of the Public Utilities Act is a crime.

This bill would require, no later than December 31, 2024, each retail seller of electricity to procure a proportionate share, as determined by the ~~Energy Commission,~~ *commission*, of a statewide total of 500 megawatts of electricity generated by specified baseload geothermal powerplants. The bill would require, no later than January 1, 2016, each retail seller to file with the ~~Public Utilities Commission~~ *commission* a plan for complying with the procurement requirement. The bill would authorize the ~~Public Utilities Commission~~ *commission* to determine whether the electricity procured by retail sellers from these baseload geothermal powerplants shall count towards meeting their obligations under the California Renewables Portfolio Standard Program to purchase specified minimum quantities of electricity products from eligible renewable energy resources. The bill would prohibit the commission from approving a power purchase agreement to procure electricity pursuant to the above-described requirement that would result in a cumulative increase in the average rate for electricity paid by the ratepayers of the retail seller of 1% or more. The bill would require projects generating electricity procured pursuant to the bill's requirements to demonstrate an environmental benefit to California. Because a violation of these provisions would be a crime under the Public Utilities Act, the bill would impose a state-mandated local program. The bill would require the commission, no later than July 1, 2015, to issue an order instituting an investigation to examine the expiration of power purchase agreements between retail sellers and existing geothermal generation facilities.

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:

SECTION 1. The Legislature finds and declares all of the following:

(a) The California Global Warming Solutions Act of 2006 (AB 32) established a policy to reduce emissions of greenhouse gases to 1990 levels by 2020 and to continue reductions of emissions of greenhouse gases beyond 2020.

(b) Executive Order S-3-05 set a policy to reduce emissions of greenhouse gases by 80 percent from 1990 levels by 2050. Decarbonizing the electrical generation sector is a key part of achieving California's policy goals for reducing emissions of greenhouse gases.

(c) California's electrical supply portfolio must move from merely increasing the proportion of generation from eligible renewable energy resources to a portfolio of resources that supply all types of needed generation, including baseload generation, ramping generation, and peakload generation.

(d) Recent shortages in the supply of natural gas and the historic price volatility of natural gas provide additional confirmation of the need to reduce reliance on natural gas for electrical generation.

(e) California and the western United States have unique, high-quality solar and geothermal resources. California utilities are dramatically increasing their utilization of solar resources to generate electricity, but not effectively increasing the utilization of geothermal resources. California's long-term electrical supply portfolio should include much greater reliance on geothermal resources.

(f) Only a fraction of the geothermal resources that could be supplying California consumers are currently being utilized, and there has been very little increase in geothermal generation capacity during the past decade.

(g) The current process used to procure new energy resources eligible under the California Renewables Portfolio Standard Program does not adequately value the diverse types of renewable resources needed to supply California with mostly carbon-free electricity after 2020 while maintaining reliability. Almost no new baseload eligible renewable energy resources have been procured during the past decade.

(h) To maintain electrical system reliability relying on generation that, for the most part, emits no greenhouse gases, that generation must be deliverable to retail customers in real time.

(i) California's retail sellers should add at least 500 megawatts of electricity from new baseload geothermal generation by the end of 2024.

(j) Many geothermal resources have the additional benefit of supplying lithium and other strategic minerals. Currently, the United States is dependent on foreign supplies for these minerals. Lithium is needed for electric vehicle batteries. The State Air Resources Board has identified increasing electric vehicles as a California and national priority as part of implementing AB 32 and reaching goals for reducing emissions of greenhouse gases. Thus, increasing production of lithium and other strategic minerals as a cobenefit of increased production of baseload geothermal power is in the national interest of the United States.

(k) It is the intent of the Legislature that the procurement expenditure limitations described in subdivision (c) of Section 399.15 of the Public Utilities Code apply to electricity procured pursuant to Section 399.35 of the Public Utilities Code.

SEC. 2. Section 399.35 is added to the Public Utilities Code, to read:

399.35. (a) No later than December 31, 2024, each retail seller shall procure a proportionate share of a statewide total of 500 megawatts of electricity generated by baseload geothermal powerplants that began being constructed after January 1, 2015, and that meet the requirements of paragraph (1) of subdivision (b) of Section 399.16.

(b) No later than June 30, 2015, the ~~Energy Commission~~ *commission* shall determine the proportionate share of the 500 megawatts of electricity that each retail seller is required to procure pursuant to subdivision (a). For purposes of this section, "proportionate share" shall be based on the forecast retail sales for the year 2018.

(c) No later than January 1, 2016, each retail seller shall file with the commission a plan for complying with subdivision (a). Those plans shall require each retail seller to procure at least one-half of its proportionate share by December 31, 2019. Those plans may authorize a retail seller to aggregate its proportionate share with the proportionate share of another retail seller in order

to minimize administrative and contracting costs. The commission shall review and approve, modify, or reject plans filed by retail sellers.

(d) The commission may determine whether electricity procured pursuant to this section shall count towards meeting the requirements specified in subparagraph (B) of paragraph (2) of subdivision (b) of Section 399.15.

(e) The electricity procured pursuant to this section shall be procured to reasonably minimize costs. The commission shall not approve a power purchase agreement to procure electricity pursuant to this section that would result in a cumulative increase in the average rate for electricity paid by the ratepayers of the retail seller of 1 percent or more.

(f) No later than July 1, 2015, the commission shall issue an order instituting an investigation to examine the expiration of power purchase agreements between retail sellers and existing geothermal generation facilities. The commission shall investigate the particular circumstances of those expiring agreements and the value of renewing those agreements. The investigation shall include, but not be limited to, the cost-effective value of facilities for system reliability, achieving greenhouse gas emissions reduction goals, the local economy and creation of good jobs, and evaluation of appropriate allocation of reliability costs for any new or renewed power purchase agreements. The commission shall revise its procurement review process to ensure the value of an existing facility is properly accounted for when compared to alternative renewable and conventional resources and ensure that facilities with expiring contracts are not disadvantaged by new procurement of new baseload generation when expiring contracts are considered for renewal.

(g) Projects generating electricity procured under this section shall demonstrate an environmental benefit to California, such as reducing air pollution from fugitive dust, recycling treated wastewater, or enabling the production of lithium for electric vehicle batteries.

SEC. 3. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty

for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

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